

Freehold Royalty Trust

1998 Income Tax Information for Unitholders

CANADIAN UNITHOLDERS

The following information is provided to assist individual unitholders of Freehold Royalty Trust (“Freehold”) in preparing their individual Income Tax (T1) Returns and tracking the tax basis of their unit.

Units held within a RRSP, RRIF, or DPSP

No amount should be reported on the 1998 T1 in respect of trust units held within a Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), or Deferred Profit Sharing Plan (DPSP).

Units held outside a RRSP, RRIF, or DPSP

As no portion of the 1998 cash distributions to unitholders of Freehold is taxable, unitholders who held trust units outside of an RRSP, RRIF or DPSP will not receive a “T3 Supplementary Slip” for 1998. No amount need be reported as income on their 1998 T1 returns.

Adjusted Cost Base (“ACB”) Reduction

The Adjusted Cost Base is used in calculating capital gains or losses on the disposition of trust units held as capital property by a unitholder. As set out below, the ACB of each trust unit is reduced by the portion of distributions received which are not reported on a T3 slip. Should a taxpayer’s ACB be reduced below zero, that negative amount is deemed to be a capital gain of the individual and the ACB is deemed to be nil. That capital gain must be reported on Schedule 3 of your T1 return.

The following amounts represent the total per unit cash distributions since inception of the trust, paid in 1997 and 1998. The amount by which individuals must reduce the ACB of each unit for the applicable taxation year in respect of these distributions is as follows:

Distribution Record Date	Distribution Payment Date	Amount (\$)	Taxation Year
Quarterly distributions			
January 31, 1997	February 28, 1997	0.13	1997
April 30, 1997	May 15, 1997	0.32	1997
July 31, 1997	August 15, 1997	0.28	1997
October 31, 1997	November 15, 1997	0.25	1997
January 31, 1998	February 15, 1998	0.25	1998
April 30, 1998	May 15, 1998	0.17	1998
Monthly distributions			
April 30, 1998	May 15, 1998	0.0575	1998
May 31, 1998	June 15, 1998	0.0575	1998
June 30, 1998	July 15, 1998	0.0575	1998
July 31, 1998	August 15, 1998	0.0575	1998
August 31, 1998	September 15, 1998	0.05	1998
September 30, 1998	October 15, 1998	0.05	1998
October 31, 1998	November 15, 1998	0.05	1998
November 30, 1998	December 15, 1998	0.05	1998
December 31, 1998	January 15, 1999	0.05	1999
January 31, 1999	February 15, 1999	0.05	1999
February 28, 1999	March 15, 1999	0.04	1999
TOTAL		\$1.97	

NON-RESIDENT UNITHOLDERS

For Canadian income tax purposes, the distributions paid to-date are deemed to be a “return of capital”. The Trust is able to distribute cash as a “return of capital” due to its significant tax pools, which are expected to shelter distributions until approximately the year 2001. Such distributions designated as “return of capital” distributions by the Trust enable Unitholders who are non-residents of Canada to receive such amounts exempt from Canadian withholding tax. The income tax liability of each Unitholder will depend on the Unitholder’s specific circumstances, and accordingly, each Unitholder should obtain independent advice regarding their specific income tax status.

Disclaimer: Unitholders should obtain independent advice regarding their specific income tax status.