Consolidated Financial Statements of

DIXIE ENERGY TRUST

For the period from establishment on June 29, 2012 to September 30, 2012

INDEPENDENT AUDITORS' REPORT

To the Directors of Dixie Energy Ltd., as administrator of Dixie Energy Trust

We have audited the accompanying consolidated financial statements of Dixie Energy Trust (the "Trust"), which comprise the consolidated statement of financial position as at September 30, 2012, the consolidated statements of comprehensive loss, changes in unitholders' equity and cash flows for the period from establishment on June 29, 2012 to September 30, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of Dixie Energy Ltd., on behalf of the Trust, is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at September 30, 2012, and its consolidated financial performance and its consolidated cash flows for the period from establishment on June 29, 2012 to September 30, 2012 in accordance with International Financial Reporting Standards.

KPMG LLP, Chartered Accountants
January 7, 2013
Calgary, Canada

DIXIE ENERGY TRUST

Consolidated Statement of Financial Position

As at September 30, 2012
(All amounts in Canadian dollars)

	Note	2012
Assets		
Current assets:		
Cash and cash equivalents		$ 255,062
Non-current assets:		
Exploration and evaluation assets	4	950,754
Total assets		$ 1,205,816
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	8	157,430
Unitholders' Equity		
Unitholders' capital	6	1,219,276
Accumulated other comprehensive income		6,491
Deficit		(177,381)
		1,048,386
Total liabilities and equity		$ 1,205,816

The notes are an integral part of these consolidated financial statements.

Subsequent events (note 13)

Approved on behalf of the board of the Administrator, Dixie Energy Ltd.

"David G. Anderson"

Director - David G. Anderson

"John Mackay"

Director - John Mackay

DIXIE ENERGY TRUST

Consolidated Statement of Comprehensive Loss

For the period from establishment on June 29, 2012 to September 30, 2012
(All amounts in Canadian dollars)

	Note	2012
Expenses		
General and administrative expenses	11	$ 177,236
Results from operating activities		(177,236)
Foreign exchange loss		145
Net loss		(177,381)
Foreign currency translation gain		6,491
Total comprehensive loss		$ (170,890)
Net loss per unit		
Basic and diluted	7	$ (0.03)

The notes are an integral part of these consolidated financial statements.

DIXIE ENERGY TRUST

Consolidated Statement of Changes in Unitholders' Equity

For the period from establishment on June 29, 2012 to September 30, 2012
(All amounts in Canadian dollars)

	Note	Number of units	Unit capital	Accumulated other comprehensive income	Deficit	Total equity
Initial units issued on establishment on June 29, 2012	6	1	$ 5	$ -	$ -	$ 5
Initial units repurchased and cancelled	6	(1)	(5)	-	-	(5)
Units issued for cash	6	5,499,999	275,000	-	-	275,000
Units issued on exploration and evaluation asset acquisitions	6	7,360,000	944,276	-	-	944,276
Net loss		-	-	-	(177,381)	(177,381)
Foreign currency translation gain		-	-	6,491	-	6,491
Balance at September 30, 2012		12,859,999	$ 1,219,276	$ 6,491	$ (177,381)	$ 1,048,386

The notes are an integral part of these consolidated financial statements.

DIXIE ENERGY TRUST

Consolidated Statement of Cash Flows

For the period from establishment on June 29, 2012 to September 30, 2012
(All amounts in Canadian dollars)

		2012
Cash flow used in operating activities:		
Net loss	$	(177,381)
Foreign exchange gain		13
Change in accounts payable and accrued liabilities		157,430
Net cash flow used in operating activities		(19,938)
Cash flow generated from financing activities:		
Issue of units		275,000
Net decrease in cash and cash equivalents		255,062
Cash and cash equivalents at June 29, 2012		-
Cash and cash equivalents at September 30, 2012	$	255,062
Supplemental non-cash investing activities:		
Units issued on exploration and evaluation assets acquisitions	$	944,276

The notes are an integral part of these consolidated financial statements.

1. Reporting entity:

Dixie Energy Trust (the "Trust") is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta on June 29, 2012. The objective of the Trust is to create stable, consistent returns for investors through the acquisition and development of oil and natural gas reserves and production with low-risk exploitation potential, located primarily in the southern United States, and to pay out a portion of available cash to Unitholders on a monthly basis. The Trust and its subsidiaries intend to develop its current portfolio of assets and to develop a well balanced portfolio of exploration and development projects over time.

Pursuant to the terms of an Administrative Services Agreement, Dixie Energy Ltd. (the "Administrator"), a corporation incorporated under the *Business Corporations Act (Alberta)*, (ABCA) on June 28, 2012, is the administrator of the Trust and performs all general and administrative services that are or may be required or advisable, from time to time, for the Trust.

The Trust having only recently been formed, intends to qualify as a "mutual fund trust" under the *Income Tax Act (Canada)* (the "Tax Act"). The Trust will not be a "SIFT (specified investment flow-through) trust" (as defined in the Tax Act), provided that the Trust complies at all times with its investment restrictions, which preclude the Trust from holding any "non-portfolio property" (as defined in the Tax Act).

The Trust has no history of or current earnings and will be dependent upon equity issuances, debt financing, asset dispositions or entrance into joint arrangements with third parties to fund future activities. As a result of the subsequent trust unit issuance (see note 13), cash and cash equivalents are expected to be sufficient to fund estimated cash expenditures, including ongoing capital and general and administrative expenditures until at least, but not limited to, September 30, 2013. The Trust is a preproduction development-stage entity in the process of exploring their oil and gas properties in the United States and has not yet determined whether such properties contain economically recoverable reserves. The ability of the Trust to continue as a going concern is dependent upon the existence of economically recoverable reserves and the ability of the Trust to complete exploration and development and to realize future profitable production.

2. Basis of preparation:

a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been approved by the directors of the Administrator of the Trust, on January 7, 2013.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, the Trust's functional currency.

2. Basis of preparation (continued):

d) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions and use judgment regarding the reported amounts and presentation of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts and disclosure of revenues and expenses during the applicable reporting period. Such estimates relate primarily to unsettled transactions and events at the reporting date. The key judgements made in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements are judgements regarding the going concern assessment and the identification and impairment assessment of cash generating units Information about assumptions and estimation uncertainties that have the most significant risk of resulting in a material adjustment within the next financial year are the estimates of fair value and the recoverable amounts of exploration and evaluation assets, fair value of acquired exploration and evaluation assets in exchange for Trust units., as well as estimates regarding the going concern assessment. Actual results ultimately may differ from these judgements and estimates.

3. Significant accounting policies:

(a) Basis of consolidation:

The financial statements consolidate the accounts of the Trust and its subsidiaries. Subsidiaries are those entities which the Trust controls by having the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by Trust and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated. Changes in the Trust's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

(b) Exploration and evaluation expenditures:

In line with IFRS 6, pre-license costs, defined as those costs incurred before the legal right to explore has been acquired, are expensed in the period in which they are incurred. Exploration and evaluation costs of a type that are not sufficiently closely related to a specific resource to support capitalization are also expensed in the period in which they are incurred.

Exploration and evaluation costs associated with oil and gas exploration and investments are capitalized on a project by project basis (well, field or specific exploration licenses, as appropriate), pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical (geological and geophysical, or "G&G"), license acquisition and directly attributable operational overhead. Amounts recorded for these assets represent costs and are not intended to reflect present or future values.

3. **Significant accounting policies (continued):**

(b) Exploration and evaluation expenditures (continued):

The recoverability of all exploration and evaluation expenditures is dependent upon the discovery of economically recoverable reserves and future profitable production or proceeds from the disposition thereof. When proven reserves are assigned, the accumulated costs for the relevant area are tested for impairment and transferred from exploration and evaluation assets to property, plant and equipment and further classified as either “Developed Oil & Gas Assets” or “Production Facilities and Equipment” (tangible fixed assets), as appropriate.

(c) Impairment – Exploration and evaluation expenditures:

Exploration and evaluation assets are assessed for impairment if:

I. Sufficient data exists to determine technical feasibility and commercial viability; or

II. Facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are transferred to “Property, Plant and Equipment” when sufficient data is considered to exist in order to determine the technical feasibility and commercial viability of extracting a mineral resource. These properties are then depleted over the estimated life of the proven and probable reserves on a unit-of-production basis.

Exploration and evaluation costs for which technical feasibility and commercial viability has not yet been determined are subject to technical, commercial and management review for indicators of impairment at each reporting date to confirm the continued intent to develop or otherwise extract value from the discovery. When this intent no longer exists, such facts and circumstances might indicate that the carrying amount exceeds the recoverable amount. If this is the case, the costs are written off.

(d) Foreign currency:

(i) *Foreign currency transactions.* Transactions in foreign currencies are translated to the respective functional currencies of Trust entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. Significant accounting policies (continued):

(d) Foreign currency (continued):

(ii) *Foreign operations.* The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income. When a foreign operation is disposed of, the relevant amount in Accumulated Other Comprehensive Income ("AOCI") (in the cumulative translation account) is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

(e) Financial instruments:

(i) *Non-derivative financial instruments.* Non-derivative financial instruments comprise cash and cash equivalents, and accounts payables and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value, plus, for instruments not classified as "fair value through profit or loss", any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below. The Trust nets all transaction costs incurred in relation to the acquisition of a financial asset or liability, against the related financial asset or liability.

Cash and cash equivalents. Cash and cash equivalents comprise cash on hand, term deposits and other short-term highly liquid investments with original maturities of three months or less and is measured similar to other non-derivative financial instruments.

Other. Other non-derivative financial instruments, comprising accounts payable and accrued liabilities are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) *Derivative financial instruments*. From time to time, the Trust may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Trust does not designate its financial derivative contracts as effective accounting hedges, and thus does not apply hedge accounting, even though the Trust enters into all commodities contracts to be economic hedges. As a result, all financial derivative contracts are classified as "fair value through profit or loss" and are recorded on the statement of financial position at fair value. Transaction costs are recognized in profit or loss when incurred.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at "fair value through profit or loss". Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

3. **Significant accounting policies (continued):**

(e) Financial instruments (continued):

(iii) *Trust capital.* Trust units are classified as equity. Incremental costs directly attributable to the issue of ordinary trust units and unit options are recognized as a deduction from equity, net of any tax effects.

(f) Impairment:

(i) *Financial Assets.* At each reporting date, the Trust assesses whether there is objective evidence that a financial asset is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

If a financial asset carried at amortized cost is impaired, the impairment is measured as the difference between the carrying value, or amortized cost of the asset, and the present value of the future cash flows discounted at the instrument's original effective interest rate. The impairment is recognized in earnings or loss. An impairment loss may be reversed if the reversal can be objectively related to an event occurring after the impairment loss recognition. For financial assets measured at amortized cost, the reversal is recognized in earnings or loss.

Individually significant financial assets are tested for impairment on an individual basis. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

(ii) *Non-Financial Assets.* Exploration and evaluation assets are tested for impairment in accordance with International Financial Reporting Standard 6 *Exploration for and Evaluation of Mineral Resources* ("IFRS 6"), at each reporting period if impairment indicators exist, and immediately prior to a transfer of costs to property, plant and equipment in accordance with International Accounting Standard 36 *Impairment of Assets* ("IAS 36").

(g) Provisions:

A provision is recognized if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(h) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. **Significant accounting policies (continued):**

(h) Income tax (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Trust is a taxable entity under the Income Tax Act (Canada) (“Tax Act”) and is currently taxable only on income that is not distributed or distributable to the unitholders. The Trust will at no time be a SIFT trust as defined in the Tax Act provided it complies with its investment restrictions. Investment restrictions contained in the formation documents provide that the Trust and its subsidiaries will only invest in entities that qualify as a “portfolio investment entity” and will not hold any “non-portfolio property” or “taxable Canadian property”, each as defined in the Tax Act. It also intends to qualify as a “mutual fund trust” within the meaning of the Tax Act and will not be subject to the limit on non-resident ownership in the Tax Act as it will not own any “taxable Canadian property” as defined in the Tax Act.

(i) Earnings (loss) per unit:

Basic earnings (loss) per unit (EPU) is calculated by dividing the profit or loss by the weighted average number of trust units outstanding during the period. Diluted EPU is determined by adjusting the profit or loss and the weighted average number of trust units outstanding for the effects of any dilutive potential trust units, which would comprise unit options and broker’s warrants.

(j) New standards and interpretations not yet adopted:

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Trust is currently evaluating the impact of adopting these standards and amendments on its consolidated financial statements to determine whether it will early adopt as permitted.

3. Significant accounting policies (continued):

(j) New standards and interpretations not yet adopted (continued):

IFRS 9, Financial Instruments

In November 2009 the IASB issued IFRS 9 *Financial Instruments* (IFRS 9 (2009)), and in October 2010 the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In December 2011, the IASB issued an amendment to IFRS 9 to defer the mandatory effective date to annual periods beginning on or after January 1, 2015.

IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied.

The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

IFRS 10 – Consolidation

IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation - Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*.

The Company intends to adopt IFRS 10, including the amendments issued in June 2012, in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 10 has not yet been determined.

IFRS 11, Joint Arrangements

IFRS 11, *Joint Arrangements* ("IFRS 11"), requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13*, Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

The Company intends to adopt IFRS 11, including the amendments issued in June 2012, in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 11 has not yet been determined.

3. Significant accounting policies (continued):

(j) New standards and interpretations not yet adopted (continued):

IFRS 12, *Disclosure of Interests in Other Entities*

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity.

The Company intends to adopt IFRS 12, including the amendments issued in June 2012, in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements, because of the nature of the Company's interests in other entities.

IFRS 13, Fair Value Measurement

IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

IAS 1, *Presentation of Financial Statements*

The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories.

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

Amendments to Other Standards

There have been amendments to existing standards, including IAS 27, *Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

4. Exploration and evaluation assets:

For the period ended September 30, 2012		
Cost		
Balance at June 29, 2012	$	-
Asset acquisitions		944,276
Foreign currency translation		6,478
Balance at September 30, 2012	$	950,754

Exploration and evaluation assets relate to lease rights for undeveloped land in the Maple Branch and Strong Field prospects.

5. Deferred tax assets and liabilities:

As at September 30, 2012, the Trust has a gross amount of losses of $152,605 and other deductible temporary differences of $24,776 for which income tax benefits have not been recognized. The tax losses will expire in 2032. Tax losses must reduce taxable income of the Trust and may not be allocated to Unitholders.

6. Trust Capital:

(a) Authorized

The Trust is authorized to issue an unlimited number of trust units.

(b) Trust unit terms and conditions

Each unit represents an equal, undivided beneficial interest in the net assets of the Trust. Unitholders are entitled to receive non-cumulative distributions from the Trust as declared.

Trust units are redeemable at any time and from time to time on demand by the Trust unitholders. The redemption price is equal to the lesser of: (i) 90% of the market price of the trust units for the last ten consecutive trading days; and (ii) 100% of the closing market price of the trust units.

The aggregate redemption price payable by the Trust in respect of any trust units tendered for redemption during any month shall be satisfied by way of cash payment on or before the fifth business day after the end of the calendar month following the calendar month in which the trust units were tendered for redemption; provided that trust unitholders shall not be entitled to receive cash upon the redemption of their units if:

(i) the total amount payable by the Trust in respect of such trust units and all other trust units tendered for redemption in the same calendar month exceeds $30,000;

(ii) the normal trading of the outstanding trust units is suspended or halted on any stock exchange on which the trust units are listed for trading or

(iii) the Trust or any affiliate thereof is, or after such redemption would be, in default under any credit facilities.

If a trust unitholder is not entitled to receive cash upon the redemption of trust units then the redemption price for each trust unit tendered for redemption shall be equal to the fair market value of a trust unit and shall be paid and satisfied by way of a distribution in specie of property of the Trust or by issuing unsecured subordinated promissory notes.

6. Trust Capital (continued):

(c) Trust unit issuances

On establishment of the Trust on June 29, 2012, an initial trust unit was issued for consideration of $5.00. On August 17, 2012 the Trust repurchased and cancelled the initial trust unit issued for consideration for $5.00.

On July 10, 2012 and August 17, 2012 the Trust issued 5,249,999 trust units and 250,000 trust units respectively to certain founding unitholders and trustees at $0.05 per trust unit for total net proceeds of $275,000.

On September 20, 2012, the Trust indirectly acquired, through Dixie US, working interests in oil and gas leases in the Southern US valued at US$967,000 which was the fair value of the assets. The Trust issued 7,360,000 trust units as payment valuing the trust units at approximately $0.13 per trust unit.

7. Loss per unit:

For the period ended September 30, 2012		
Net loss	$	177,381
Weighted average number of units		5,401,489
Basic and diluted loss per unit	$	0.03

Diluted loss per unit is equal to basic loss per unit as there are no dilutive instruments outstanding.

8. Trade payables and accrued liabilities:

September 30, 2012		
Payables and accrued liabilities		
Due to related parties	$	38,025
Other trade payables		99,455
Non-trade payables and accrued liabilities		19,950
	$	157,430

9. Financial Instruments:

The Trust’s financial instruments include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. As at September 30, 2012, cash and cash equivalents was classified as current assets. Accounts payable and accrued liabilities were classified as other financial liabilities.

(a) Fair Value Measurement

The following methods were used and assumptions made in estimating fair values of the Trust’s financial instruments. Cash and cash equivalent balances at September 30, 2012 comprise primarily cash on deposit with bank and therefore the face value of the investments plus interest received to date is the estimated fair value of the financial instrument. Accounts payable and accrued liabilities are current. Due to the short term nature of these financial instruments, the carrying amounts approximate the fair values.

9. Financial Instruments (continued):

(b) Risk Management:

The Trust's risk exposure associated with its financial instruments is summarized below.

(i) Liquidity Risk:

Liquidity risk is the risk that the Trust will not be able to meet financial obligations as they become due. The Trust's financial position could be adversely affected if it failed to arrange financing for its capital expenditure programs. The Trust strives to maintain sufficient financial liquidity by forecasting cash flows for current and subsequent years to identify financing requirements on an ongoing basis. Dixie does not currently have any production revenue as its properties are still in the exploration and evaluation stage. The Trust's cash and cash equivalents at September 30, 2012 are expected to be sufficient to fund estimated cash expenditures approved and planned to date, including ongoing capital and general and administrative expenditures until at least, but not limited to, September 30, 2013. Long-term liquidity risk is higher due to the foreseeable need to raise further cash to fund future investing activities beyond September 30, 2013. The Trust's ability to continue as a going concern is dependent upon its ability to fund its present and future capital requirements. Since the Trust does not currently earn any operating revenue and as its properties are still in the exploration and evaluation stage, the Trust will be dependent on external financing, share issuances, asset dispositions or entrance into joint arrangements to further fund its activities.

(ii) Credit Risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. The Trust's credit risk is primarily attributable to its holdings of cash equivalents. Cash and cash equivalents held by the Trust are only invested with counterparties meeting credit quality requirements and issuer and concentration limits. Therefore, the Trust's management believe that credit risk associated with these investments is minimal.

(iii) Market Risk:

The three components of market risk are interest rate risk, price risk and currency risk.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Trust will realize a loss as a result of a decline in the fair value of any of its cash and cash equivalents is minimal because the Trust's investment policy requires that cash equivalents acquired be short term in nature and investments are currently held primarily with Canadian banks. The Trust currently has no debt or interest bearing liabilities. Interest rate risk will become more of a factor in the future if the Trust takes on debt to fund future project expenditures.

Price risk:

Since the Trust does not yet have producing assets, commodity price risk does not impact earnings.

9. Financial Instruments (continued):

(iii) Market Risk (continued):

Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The financial instruments held by the Trust are denominated in Canadian dollars and, as such, there is currently no currency risk associated with the financial instruments.

10. Capital Disclosures:

The Trust's objectives when managing capital are to ensure the Trust will have sufficient financial capacity, liquidity, and flexibility to fund the Trust's operations, growth, and proposed acquisition and development of oil and gas assets. The Trust is dependent upon external funding for these activities through a combination of debt and equity.

The Trust's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; (ii) to maintain sufficient working capital to sustain expected monthly distributions to unitholders; and (iii) to maintain investor, creditor and market confidence in order to sustain the future development of the business. The Trust's unit capital is not subject to external restrictions.

11. Related parties:

Key management personnel are comprised of all officers and directors of the Administrator, on behalf of the Trust and Trustees of the Trust. Compensation of key management personnel was as follows:

September 30, 2012		
Management and consulting fees	$	18,361
	$	18,361

During the reporting period the Trust accrued $18,361 in management and consulting fees in the normal course of business due to companies owned or controlled by key management personnel.

Other related party transactions:

September 30, 2012		
Management and administrative fees	$	19,664
	$	19,664

During the reporting period the Trust accrued $19,664 in management and administrative fees in the normal course of business due to a company that is owned by two unitholders, one unitholder subsequently became key management personnel.

All outstanding balances with these related parties are to be settled in cash within two months of the reporting date. None of the balances are secured.

12. Trust entities:

The following provides certain details of the subsidiaries of the Trust.

Dixie Energy Holdings (Canada) Ltd.

Dixie Energy Holdings (Canada) Ltd. (“Dixie Canada”) is a corporation incorporated under the ABCA. The Trust directly controls 100% of the outstanding shares of Dixie Canada. The primary activity of Dixie Canada is the holding of securities of Dixie US.

Dixie Energy Holdings (US), Ltd.

Dixie Energy Holdings (US), Ltd. (‘Dixie US”) is a corporation incorporated under the laws of the State of Delaware. The Trust, through Dixie Canada, indirectly controls 100% of the outstanding securities of Dixie US. Management intends that Dixie US (or additional entities that may be formed and held, directly or indirectly, by the Trust) will have a broader mandate to acquire additional assets in accordance with the objective and strategies of the Trust.

Dixie Energy Holdings (Strong Field) LLC

Dixie Energy Holdings (Strong Field) LLC (“Dixie Strong Field’) is a limited liability company organized under the laws of the State of Delaware. The Trust, through one or more subsidiaries, indirectly controls 100% of the outstanding membership interest of Dixie Strong Field. The primary activity of Dixie Strong Field is to hold the registered interests of certain assets in the Strong Field prospect area for the purpose of oil & gas exploration and production.

Dixie Energy Holdings (Maple Branch) LLC

Dixie Energy Holdings (Maple Branch) LLC (“Dixie Maple Branch”) is a limited liability company organized under the laws of the State of Delaware. The Trust, through one or more subsidiaries, indirectly controls 100% of the outstanding membership interest of Dixie Maple Branch. The primary activity of Dixie Maple Branch is to hold the registered interests of certain assets in the Maple Branch prospect area for the purpose of oil & gas exploration and production.

Dixie Energy Holdings (Wiley Dome) LLC

Dixie Energy Holdings (Wiley Dome) LLC (“Dixie Wiley Dome”) is a limited liability company organized under the laws of the State of Delaware. The Trust, through one or more subsidiaries, indirectly controls 100% of the outstanding membership interest of Dixie Wiley Dome. The primary activity of Dixie Wiley Dome is to hold the registered interests of certain assets in the Wiley Dome prospect area for the purpose of oil & gas exploration and production.

13. Subsequent events:

(a) Issuance of trust units:

On October 25, 2012, the Trust issued 380,000 trust units to a certain unitholder at $0.05 per trust unit for total net proceeds of $19,000. The units were issued as a result of negotiations that had taken place in relation to and at the time of the establishment of the Trust.

On October 26, 2012, the Trust issued 25,000 trust units to a certain unitholder at $0.50 per trust unit for total net proceeds of $12,500.

13. Subsequent events (continued):

(a) Issuance of trust units (continued):

On October 25, 2012 and November 14, 2012, the Trust completed a brokered private placement of 14,810,000 trust units at $0.50 per trust unit for total gross proceeds of $7,405,000. The Trust paid a cash commission on the offering of $518,350 and legal and other costs of the offering totalled $142,250 resulting in total net proceeds from the offering of $6,744,400. In addition, an aggregate of 1,036,700 broker warrants were issued upon closing of the private placement. Each broker warrant entitles the holder to acquire one trust unit for an exercise price of $0.50 per trust unit for a period of two years from its issuance.

As a condition to the closing of the brokered private placement the holders of trust units as of October 25, 2012 entered into a performance escrow agreement and deposited 90% of the trust units held as of such date, a total of 13,580,999, with an escrow agent. The escrowed trust units may not be sold, assigned, transferred, redeemed, surrendered or otherwise dealt with in any manner except as provided for by the performance escrow agreement.

The escrowed trust units held pursuant to the performance escrow agreement will be released from escrow as follows:

i. 15% on the date the Trust Units are listed on the CNSX, TSX Venture Exchange or Toronto Stock Exchange.

ii. 45% provided that the trust units are listed on the TSX Venture Exchange or Toronto Stock Exchange, if (i) the Trust has achieved a three month average production greater than eight barrels of oil equivalent per day per million “Adjusted Units” (as defined in the performance escrow agreement) or (ii) the “Net Asset Value” (as defined in the performance escrow agreement) is greater than $0.50 per trust unit (the “Stage Two Release”).

iii. 40% provided that the trust units are listed on the TSX Venture Exchange or Toronto Stock Exchange, if (i) the Trust has achieved a six month average production greater than 12 barrels of oil equivalent per day per million “Adjusted Units” (as defined in the performance escrow agreement) or (ii) the “Net Asset Value” (as defined in the performance escrow agreement) is greater than $0.80 per trust unit (the “Stage Three Release”)

iv. 85% provided that the trust units are listed on the TSX Venture Exchange or Toronto Stock Exchange, if the Trust or its subsidiaries completes either: (i) an acquisition from an arms’ length party or (ii) a subsequent brokered financing of trust units for gross proceeds of more than $10 million or at a price per trust unit equal to or greater than $0.50. Upon the occurrence of such event(s) the Stage Two Release and Stage Three Release shall be deemed to have occurred.

If the Trust has not achieved one or more of the above release events prior to October 25, 2015, the performance escrow agent will return the remaining escrowed trust units to the Trust for cancellation.

13. Subsequent events (continued):

(b) Plan of Arrangement with VisionSky Corp.:

In order to provide market liquidity for unitholders as well as to potentially increase the ability to access capital for future acquisitions and development of oil and natural gas reserves, the Trust intends to become a publicly traded foreign asset income trust listed on the Canadian National Stock Exchange by completing the acquisition of VisionSky.

On December 27, 2012 the Trust entered into an agreement, with respect to the acquisition of VisionSky Corp. ("VisionSky") by the Trust by way of a plan of arrangement (the "Agreement"). If approved by VisionSky shareholders, the Agreement will result in the exchange of all the issued and outstanding 16,151,280 VisionSky shares, 1,615,128 VisionSky options and 15,000,000 VisionSky warrants for 2,018,928 trust units, 201,890 trust options and 1,875,000 trust warrants respectively on the basis of 0.125 of a Trust security for each VisionSky security held.

The trust options are intended to provide the holders of VisionSky options with equivalent value as of the date of the exchange, and they entitle the holders thereof to purchase trust units at a weighted average exercise price of $0.80 per trust unit. The trust warrants are intended to provide holders of VisionSky warrants with equivalent value as of the date of the exchange, and they entitle the holders thereof to purchase trust units at an exercise price of $0.80 per trust unit. The term of expiry, conditions to and manner of exercise and other terms and conditions of each of the trust options and trust warrants will be the same as the terms and conditions of the VisionSky options and warrants for which they are exchanged.

If the Agreement is terminated by either of the Trust or VisionSky because of a breach of a representation, warranty or covenant on the part of one party, then that party will pay all fees, costs and expenses of the terminating party, which were incurred in connection with the Agreement. If the Agreement is terminated by either of the Trust or VisionSky because the board of directors of either party determine that not terminating the Agreement would be inconsistent with their fiduciary duties, the terminating party will pay all fees, costs and expenses of the other party, which were incurred in connection with the Agreement.