Interim Condensed Consolidated Financial Statements of

# DIXIE ENERGY TRUST

As at March 31, 2013 and for the three month period ended March 31, 2013

(Unaudited)

# DIXIE ENERGY TRUST

Interim Condensed Consolidated Financial Statements
(Expressed in Canadian dollars, unaudited)
As at March 31, 2013 and for the three month period ended March 31, 2013

# DIXIE ENERGY TRUST

Interim Consolidated Statement of Financial Position
(Expressed in Canadian dollars, unaudited)
As at March 31, 2013

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $ 3,186,215 | $ 5,029,659 |
| Trade and other receivables | 114,672 | 19,001 |
| Prepaid expenses and deposits | 741,468 | 713,505 |
| Deferred Trust unit issuance costs | - | 13,510 |
| | 4,042,355 | 5,775,675 |
| Exploration and evaluation assets (Note 5) | 1,323,860 | 1,535,703 |
| Property, plant and equipment (Note 6) | 2,057,184 | - |
| Total Assets | $ 7,423,399 | $ 7,311,378 |
| Liabilities and Equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | $ 289,790 | $ 267,823 |
| Decommissioning liabilities | 10,242 | 9,982 |
| | 300,032 | 277,805 |
| Decommissioning liabilities | 19,385 | 16,554 |
| Unit based compensation (Note 7) | 446,982 | 358,602 |
| | 766,399 | 652,961 |
| Unitholders' Equity | | |
| Unitholders' capital | 8,793,257 | 7,762,378 |
| Accumulated other comprehensive income | 15,476 | 9,784 |
| Deficit | (2,151,733) | (1,113,745) |
| | 6,657,000 | 6,658,417 |
| Total liabilities and equity | $ 7,423,399 | $ 7,311,378 |

Subsequent events (Note 13)

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

*"David G. Anderson"* — Director - David G. Anderson

*"Earl Fawcett"* — Director - Earl Fawcett

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

# DIXIE ENERGY TRUST

Interim Consolidated Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars, unaudited)
For the three month period ended March 31, 2013

| | |
|---|---|
| Revenues | |
| Petroleum and natural gas sales, net of royalties (Note 10) | $ 145,258 |
| Expenses | |
| Operating expenses | 15,838 |
| Depletion, depreciation and accretion (Note 6) | 53,140 |
| General and administrative (Note 11) | 486,038 |
| Unit based compensation (Note 7) | 78,738 |
| | 633,754 |
| Net loss before other items | (488,496) |
| Other items | |
| Foreign exchange gain | 29,287 |
| Interest income | 1,831 |
| Loss on acquisition of VisionSky Corp. (Note 4) | (580,610) |
| | (549,492) |
| Net loss | (1,037,988) |
| Other comprehensive income for the period | |
| Foreign currency translation gain | 5,692 |
| Total comprehensive loss for the period | $ (1,032,296) |
| Net loss per unit, basic and diluted (Note 8) | $ (0.06) |

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

# DIXIE ENERGY TRUST

Interim Consolidated Statement of Changes in Unitholders' Equity
(Expressed in Canadian dollars, unaudited)
For the three month period ended March 31, 2013

| | Number of trust units | Trust capital | Accumulated other comprehensive income | Deficit | Unitholders' equity |
|---|---|---|---|---|---|
| Balance, December 31, 2012 | 28,074,999 | 7,762,378 | 9,784 | (1,113,745) | 6,658,417 |
| Issued in exchange for VisionSky shares (Note 4) | 2,031,411 | 1,025,349 | - | - | 1,025,349 |
| Trust unit issuance costs (Note 4) | - | (34,470) | - | - | (34,470) |
| Warrants exercised (Note 7) | 50,000 | 40,000 | - | - | 40,000 |
| Net loss | - | - | - | (1,037,988) | (1,037,988) |
| Foreign currency translation Gain | - | - | 5,692 | - | 5,692 |
| Balance, March 31, 2013 | 30,156,410 | $ 8,793,257 | $ 15,476 | $ (2,151,733) | $ 6,657,000 |

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

# DIXIE ENERGY TRUST

Interim Consolidated Statement of Cash Flows
(Expressed in Canadian dollars, unaudited)
For the three month period ended March 31, 2013

| | | |
|---|---|---|
| Operating activities | | |
| Net loss | $ | (1,037,988) |
| Depletion, depreciation and accretion | | 53,140 |
| Unrealized foreign exchange loss | | 32,920 |
| Loss on acquisition of VisionSky Corp. (Note 4) | | 580,610 |
| Unit based compensation (Note 7) | | 78,738 |
| Changes in non-cash working capital | | |
| Trade and other receivables | | (94,238) |
| Prepaid expenses and deposits | | (27,963) |
| Deferred trust unit issuance costs | | 13,510 |
| Accounts payable and accrued liabilities | | 21,117 |
| Net cash used in operating activities | | (380,154) |
| Financing activities | | |
| Issue of trust units, net of issuance costs | | 15,172 |
| Net cash provided by financing activities | | 15,172 |
| Investing activities | | |
| Acquisition of exploration and evaluation assets (Note 5) | | (1,102,064) |
| Acquisition of property, plant and equipment (Note 6) | | (820,554) |
| Cash acquired as part of VisionSky transaction (Note 4) | | 444,156 |
| Net cash used in investing activities | | (1,478,462) |
| Net increase in cash and cash equivalents | | (1,843,444) |
| Cash and cash equivalents, beginning of period | | 5,029,659 |
| Cash and cash equivalents, end of period | $ | 3,186,215 |
| Supplemental non-cash investing activities: | | |
| Trust units issued on acquisition of VisionSky Corp. (Note 4) | $ | 1,015,706 |

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

## 1. Reporting entity and future operations

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 and is governed by a trust indenture and the laws of the Province of Alberta. The head office, principal address and registered and records office of the Trust are located at Suite 400, 620 – 12th Avenue SW, Calgary, Alberta T2R 0H5.

The Trust operates as a foreign asset trust and its activities are restricted to owning property (other than real property or interests in real property), and it does not carry on business. Pursuant to the terms of an Administrative Services Agreement, 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 beneficiaries of the Trust are the unitholders of the issued and outstanding units of the Trust ("units" or "trust units").

The Trust, through its subsidiaries holds properties in the United States ("U.S.") and is not subject to the same taxation rules applicable to a Canadian Specified Investment Flow Through ("SIFT") trust. 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 U.S. Given its early stage of development, the Trust does not currently pay any distributions and has no plans to for the foreseeable future. The Trust and its wholly owned subsidiaries intend to develop its current portfolio of assets and to develop a well balanced portfolio of exploration and development projects over time.

The Trust is dependent upon equity issuances, debt financing, asset dispositions or entrance into joint arrangements with third parties to fund future activities. The Trust has three producing properties and continues to explore its oil and gas properties in the southern U.S. in order to determine whether some of the properties contain economically recoverable reserves. The ability of the Trust to continue ongoing operations is dependent upon the existence of economically recoverable reserves, the ability of the Trust to successfully explore for and develop these reserves and to realize future profitable production.

## 2. Basis of Presentation

a) Statement of compliance

These interim consolidated financial statements are prepared and reported in Canadian dollars in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). The CICA Handbook incorporates International Financial Reporting Standards ("IFRS") and publicly accountable enterprises, such as the Trust, are required to apply such standards. These consolidated financial statements have been prepared in accordance with IFRS applicable to the presentation of interim financial statements and International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as the accounting policies applied in these interim consolidated financial statements are based on IFRS as issued, outstanding, and effective on May 30, 2013.

Certain disclosures that are normally required to be included in the notes to the annual audited consolidated financial statements have been condensed or omitted. These interim financial statements should be read in conjunction with the Trust's audited consolidated financial statements and notes thereto for the period ended December 31, 2012.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 30, 2013.

b) Basis of measurement

The interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. Throughout these notes to the interim consolidated financial statements, the Trust and its subsidiaries may be referred to collectively as "Dixie" for purposes of convenience.

These consolidated financial statements are presented in Canadian dollars, except otherwise noted.

c) Basis of consolidation

The Trust has the following significant wholly owned subsidiaries whose financial position and results have been consolidated in the Trust's interim consolidated financial statements:

| | | |
|---|---|---|
| Dixie Energy Holdings (Canada) Ltd. | Alberta | Alberta Corporation |
| Dixie Energy Holdings (US), Ltd. | United States | Delaware Corporation |
| Dixie Energy Holdings (Wiley Dome), LLC | United States | Delaware Corporation |
| Dixie Energy Holdings (Maple Branch), LLC | United States | Delaware Corporation |
| Dixie Energy Holdings (Strong Field), LLC | United States | Delaware Corporation |
| Dixie Energy Holdings (HWM), LLC | United States | Delaware Corporation |
| Dixie Energy Holdings (White Castle Dome), LLC | United States | Delaware Corporation |
| Dixie Energy Holdings (Brooklyn Field), LLC | United States | Delaware Corporation |

The results of the above subsidiaries, together with the Administrator (as further described in Note 1) have been included in the consolidated statements. All of the entities have calendar year ends. The Administrator is not a legal subsidiary of the Trust.

## 3. Significant accounting policies

The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent annual consolidated financial statements for the period ended December 31, 2012, with the exception of the following policy for depletion and depreciation and new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

Depletion and depreciation

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

IAS 1 – Presentation of Financial Statements. The Trust has adopted the amendments to IAS 1, which requires the Trust to group other comprehensive income items by those that will be reclassified into profit and loss and those that will not be reclassified into profit and loss into two categories. The IAS 1 was adopted and these changes did not result in any adjustments to other comprehensive income or comprehensive income.

IFRS 10 – Consolidated Financial Statements, requires an entity to consolidate an investee when it has power over its 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. IFRS 10 replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. The adoption of this standard did not result in any change in the consolidation of its subsidiaries.

IFRS 11 – Joint Arrangements, supersedes IAS 31, Interest in Joint Ventures and requires an entity to assess its joint arrangements in order to determine their classification as a joint venture or a joint arrangement. The adoption of this standard did not result in any changes to the Trust's interim consolidated financial statements.

IFRS 12 – Disclosure of Interest in Other Entities, establishes disclosure requirements for subsidiaries, joint arrangements, associated and unconsolidated structured entities. The adoption of this standard did not result in any change to the interim consolidated financial statements.

IFRS 13 – Fair Value Measurement, establishes a comprehensive single framework for fair value measure and disclosure when fair value is required or permitted under IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset or would be paid to transfer a liability, in an orderly transaction between market participants. The Trust adopted the standard on a prospective basis and the adoption of the standard did not result in any adjustment to the valuation techniques used by the Trust, to measure fair value, and did not result in measurement adjustments.

## 4. Acquisition of VisionSky Corp.

On February 28, 2013, the Trust completed its acquisition of VisionSky Corp. (“VisionSky”) by way of a Plan of Arrangement (the “Arrangement”). The Arrangement resulted in the exchange of 16,251,280 VisionSky shares, 1,615,128 VisionSky options and 14,900,000 VisionSky warrants for 2,031,411 trust units, 201,890 trust unit options and 1,862,500 trust unit warrants respectively on the basis of 0.125 of a Trust security for each VisionSky security held.

(Expressed in Canadian dollars, unaudited)

The acquisition of VisionSky has been accounted for as an acquisition of assets and the purchase equation attributed to VisionSky at February 28, 2013 is as follows:

| | | |
|---|---|---|
| Total consideration given for acquisition: | | |
| Trust units | $ | 1,015,706 |
| Fair value of trust unit options | | 9,571 |
| Fair value of trust unit warrants | | 72 |
| | | 1,025,349 |
| Value attributed to assets acquired and liabilities assumed: | | |
| Cash | | 444,156 |
| Trade receivable | | 1,433 |
| Accounts payable and accrued liabilities | | (850) |
| | | 444,739 |
| Loss on acquisition of VisionSky net assets | $ | 580,610 |

The fair value of the Trust units was determined by reference to the most recent historical trust unit issuances. The excess of the fair value of consideration over the net assets acquired has been recorded as loss on acquisition of VisionSky.

The Trust incurred trust unit issuance costs of $34,470 related to the issuance of trust units in exchange for VisionSky shares.

## 5. Exploration and evaluation assets

| | | March 31, 2013 |
|---|---|---|
| Balance, beginning of period | $ | 1,535,703 |
| Additions | | 1,102,064 |
| Transfers to petroleum and natural gas properties | | (1,313,907) |
| Balance, end of period | $ | 1,323,860 |

Exploration and evaluation assets relate to lease rights for undeveloped land in the Maple Branch, Strong Field and Hamilton & West McKinnley prospects.

(Expressed in Canadian dollars, unaudited)

## 6. Property, plant and equipment

| | Developed petroleum and natural gas assets | Production facilities and equipment | Capitalized decommission assets | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance, beginning of period | $ - | $ - | $ - | $ - |
| Additions | 754,422 | 38,904 | 2,376 | 795,702 |
| Transfer from exploration and evaluation assets | 1,132,069 | 165,073 | 16,764 | 1,313,906 |
| Adjustments | - | - | 546 | 546 |
| Balance, end of period | 1,886,491 | 203,977 | 19,686 | 2,110,154 |
| Accumulated depletion | | | | |
| Balance, beginning of period | - | - | - | - |
| Current period provision | (51,157) | (1,550) | (263) | (52,970) |
| Balance, end of period | (51,157) | (1,550) | (263) | (52,970) |
| Carrying value | $ 1,835,334 | $ 202,427 | $ 19,423 | $ 2,057,184 |

## 7. Unit based compensation

A summary of the Trust's current period unit based compensation is as follows:

| | Three month period ended March 31, 2013 |
|---|---|
| Trust unit options | $ 25,822 |
| Restricted and performance incentive awards | 41,271 |
| Broker warrants and warrants | 11,645 |
| | $ 78,738 |

*Unit Option Plan*

The Trust has a Unit Option Plan that entitles optionees to acquire trust units. The purpose of the Unit Option Plan is to attract and retain qualified service providers and motivate such persons to put forth maximum efforts for the success of the business of Dixie.

The options are granted at a price equal to the fair market value of the trust units at the time of grant. The options have a 5-year term and vest as to one-third on the first, second and third anniversary from the grant date. Options granted are not subject to any performance criteria apart from the recipient's continued service with or employment by the Trust. Options are forfeited if the optionee leaves before the vesting date. As at March 31, 2013, no options were vested.

The fair value associated with the options is expensed in the consolidated statement of loss over the vesting period with offsetting entry to unit based compensation liability. The fair value of the unit based compensation liability is recalculated at the end of each reporting period.

(Expressed in Canadian dollars, unaudited)

The number and weighted average exercise prices of options are as follows:

| | March 31, 2013 | |
|---|---|---|
| | Number of options | Weighted average exercise price |
| Balance, beginning of period | - | $ - |
| Granted | 750,000 | 0.50 |
| Granted to VisionSky option holders | 201,890 | 0.80 |
| Balance, end of period | 951,890 | $ 0.56 |

The following table summarizes information about the options as at March 31, 2103:

| | Outstanding | | | Exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices in dollars | Number outstanding | Weighted average remaining contractual life | Weighted average exercise price | Number exercisable | Weighted average exercise price |
| 0.50 | 750,000 | 4.84 | $ 0.50 | - | $ - |
| 0.80 | 201,890 | 0.08 | 0.80 | 201,890 | 0.80 |
| | 951,890 | 3.83 | $ 0.56 | 201,890 | $ 0.80 |

The fair value of the options granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

| | March 31, 2013 |
|---|---|
| Dividend yield | 0% |
| Expected volatility | 150% |
| Risk-free interest rate | 1.31 – 1.56% |
| Forfeiture rate | 0% |
| Expected life (years) | 0.2 – 5.0 Years |
| Weighted average fair value of unit options | $0.34 |

*Restricted and Performance Incentive Plan*

The Trust has a Restricted and Performance Incentive Award Plan that entitles grantees under the plan to receive units or the cash equivalent thereof, at the option of the Trust. The purpose of the Restricted and Performance Incentive Award Plan is to attract and retain qualified service providers and motivate such persons to put forth maximum efforts for the success of the business of Dixie.

The incentive awards granted vest one-third per year on the first three anniversary dates from the date granted. Incentive awards may be subject to performance provisions at the discretion of the Trust upon time of grant. Incentive awards are forfeited if the grantee leaves before the vesting date. As at March 31, 2013, no incentive awards were vested.

The fair value estimate associated with the incentive awards is expensed in profit or loss over the vesting period with the off-setting entry to long term liabilities. The related accumulated liability will be transferred to the Trust's capital account in unitholders equity when trust units are issued to settle this obligation. The Trust will be required to fair value the liability related to these incentive awards at the end of each reporting period.

(Expressed in Canadian dollars, unaudited)

A forfeiture rate of 0% was used, and due to the limited history of the Trust, this figure is an estimated expected rate.

The following schedule provides the continuity of restricted and performance incentive awards:

| | March 31, 2013 | |
|---|---|---|
| | Number of units | Weighted average fair value per unit |
| Balance, beginning of period | - | $ - |
| Granted | 850,000 | 0.50 |
| Balance, end of period | 850,000 | $ 0.50 |

*Unit purchase warrants*

As part of the private placement completed on October 25, 2012 and November 14, 2012, the Trust issued 1,001,700 and 35,000 broker warrants to the underwriter, respectively. The broker warrants vested immediately and are exercisable for a period of 2 years from the date of issue and it entitles the holder to acquire a unit, for $0.50 per unit. The fair value of the broker warrants issued on October 25, 2012 approximate $357,860 or $0.3573 per warrant, while the fair value of the broker warrants issued on November 14, 2012 approximate $12,500 or $0.3571 per warrant, on the grant date for a total of $370,360.

As part of the acquisition of VisionSky Corp., the Trust issued 1,862,500 trust unit warrants in exchange for 14,900,000 common share purchase warrants to the former shareholders of VisionSky. The trust unit warrants vested immediately and were exercisable for a period 7 days after the close of the acquisition transaction. Each warrant entitled the holder to acquire a unit for $0.80 per unit. The fair value of these warrants approximate $72 or $0.000039 per warrant. At March 7, 2013, 1,812,500 of the warrants expired unexercised.

Any changes in the estimated fair value of the liability at the end of each reporting period based on the number of units outstanding, the unit price at the end of the reporting period and the number vested is recorded in the consolidated statement of loss.

The broker warrants were re-measured to fair value at the reporting date and difference in fair value between the grant date and report date has been recorded in the consolidated statement of loss.

(Expressed in Canadian dollars, unaudited)

The following schedule provides the continuity of trust unit warrants:

| | March 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| Balance, beginning of period | 1,036,700 | $ 0.50 | - | $ - |
| Granted | - | - | 1,036,700 | 0.50 |
| Granted to VisionSky warrant holders | 1,862,500 | 0.80 | - | - |
| Exercised | (50,000) | 0.80 | - | - |
| Expired | (1,812,500) | 0.80 | - | - |
| Balance, end of period | 1,036,700 | $ 0.50 | 1,036,700 | $ 0.50 |

The fair value of the warrants issued was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Dividend yield | 0% | 0% |
| Expected volatility | 150% | 150% |
| Risk-free interest rate | 0.95% | 1.13 – 1.16% |
| Forfeiture rate | 0% | 0% |
| Expected life (years) | 0.01 Years | 1.82 – 1.87 Years |
| Weighted average fair value of unit options | $0.00 | $0.36 |

## 8. Loss per unit

| | Three month period ended March 31, 2013 |
|---|---|
| Net Loss | $ (1,037,988) |
| Weighted average number of units | 16,873,707 |
| Basic and diluted loss per unit | $ (0.06) |

Diluted loss per unit is equal to basic loss per unit as there are no dilutive instruments outstanding as of March 31, 2013.

(Expressed in Canadian dollars, unaudited)

## 9. Financial Instruments and risk management

The Trust's financial instruments consist of cash and cash equivalents, trade and other receivables and trade payables and accruals. Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows:

| | March 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Fair value through profit and loss | | | | |
| Cash and cash equivalents | $ 3,186,215 | $ 3,186,215 | $ 5,029,659 | $ 5,029,659 |
| Loans and receivables | | | | |
| Trade and other receivables | 114,672 | 114,672 | 19,001 | 19,001 |
| Financial liabilities | | | | |
| Other financial liabilities | | | | |
| Accounts payable and accrued liabilities | 289,790 | 289,790 | 267,825 | 267,825 |

### Fair values

Fair values have been determined for measure and/or disclosure based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying values of cash and cash equivalents, trade and other receivables and trade payables and accruals approximate fair value due to the short-term nature of the instruments. Due to the use of subjective judgments and uncertainties in the determination of fair values, these values should not be interpreted as being realizable in immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that included inputs for the asset or liability that are not based on observable marker data (unobservable inputs).

(Expressed in Canadian dollars, unaudited)

**Risk management**

The Trust is exposed to financial risks arising from its financial assets and liabilities, such as:

- Credit risk;
- Market risk;
- Liquidity risk; and
- Foreign exchange risk.

*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 maximum exposure to credit risk is as follows:

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Cash and cash equivalents | $ 3,186,215 | $ 5,029,659 |
| Trade and other receivables | 114,672 | 19,001 |
| Total | $ 3,300,887 | $ 5,048,660 |

(i) Cash and cash equivalents

The Trust limits its exposure to credit risk related to cash and cash equivalents by depositing its excess cash with financial institutions that have investment grade credit ratings.

(ii) Trade and other receivables

Trade and other receivables is comprised entirely of amounts receivable from a company controlled by a director and officer of the Administrator of the Trust. All trade receivables are subject to normal risk associated with the oil and gas industry.

*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. The Trust's cash and cash equivalents at March 31, 2013 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, December 31, 2013. Long-term liquidity risk is higher due to the foreseeable need to raise further cash to fund future investing activities beyond December 31, 2013. The Trust's ability to continue as a going concern is dependent upon its ability to fund its present and future capital requirements.

The following are the contractual maturities of financial liabilities as at March 31, 2013:

| | Carrying amount | Contractual cash flows | Less than one year | One-two years | Two-five years | More than five years |
|---|---|---|---|---|---|---|
| Financial liabilities | | | | | | |
| Trade payables and accruals | $ 289,790 | $ 289,790 | $ 289,790 | $ - | $ - | $ - |
| Decommissioning Liabilities | 29,627 | 30,000 | 10,242 | - | - | 19,385 |
| | $ 319,417 | $ 319,790 | $ 300,032 | $ - | $ - | $ 19,385 |

*Foreign exchange risk*

Foreign exchange risk arises from the changes in foreign exchange rates that may affect the fair value or future cash flows of the Trust's financial assets or liabilities. For the Trust it is the CDN/US dollar exchange rate which presents the most risk as the Trust's operating cash flows are denominated in U.S. dollars. An increase in the value of the Canadian dollar as compared to the U.S. dollar will reduce the net cash flow from the oil and gas operations. The Trust's distributions to its unitholders, if any, and most of the Trust's general and administrative expenses are denominated in Canadian dollars and therefore not impacted by changes in foreign exchange.

As at March 31, 2013, the Trust did not hold any foreign exchange contracts to mitigate the effects of fluctuating CDN/US dollar exchange rates.

The following financial instruments were denominated in US dollars: at December 31, 2012:

| | March 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | USD | CAD equivalent | USD | CAD equivalent |
| Cash and cash equivalents | $ 467,700 | $ 474,996 | $ 2,441,043 | $ 2,428,594 |
| Accounts payable and accrued liabilities | (17,722) | (17,999) | (13,252) | (13,184) |

The average exchange rate for the period was US$1.00 equal to C$1.0089 and the exchange rate at March 31, 2013 was US$1.00 equal to C$1.0156.

Sensitivity Analysis

A $0.01 change in the CDN/US dollar exchange rate would have changed the net loss by approximately $4,550 for the three month period ended March 31, 2013. This analysis assumes that all other variables remain constant.

(Expressed in Canadian dollars, unaudited)

### 10. Petroleum and natural gas sales

| | | Three month period ended March 31, 2013 |
|---|---|---|
| Revenue before royalties | $ | 197,553 |
| Royalties | | (52,295) |
| | $ | 145,258 |

### 11. General and administrative

| | | Three month period ended March 31, 2013 |
|---|---|---|
| Wages, benefits and management fees | $ | 142,032 |
| Office costs | | 95,412 |
| Legal, accounting and consulting | | 248,594 |
| | $ | 486,038 |

### 12. Related parties

The following is a summary of the Trust's related party transactions during the period:

*Transactions*

During the period, the Trust incurred $137,516 in legal fees with law firms where a director of the Administrator and a director of a subsidiary of the Trust are partners in their respective law firms. At March 31, 2013, $158,610 (December 31, 2012 - $13,184) of these legal fees were in trade and other payables.

During the period, the Trust acquired a working interest in an oil well from a director and officer of the Administrator of the Trust for $457,020.

During the period, the Trust subleased office space at $2,100 per month from a company where the Director and officer is also an officer and Director of the Administrator of the Trust. At March 31, 2013, $2,100 (December 31, 2012 - $nil) of pre-paid rent expense was in trade and other payables.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration that was established and agreed to by the related parties.

(Expressed in Canadian dollars, unaudited)

*Key management*

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

| | Three month period ended March 31, 2013 |
|---|---|
| Management and consulting fees | $ 149,382 |

At March 31, 2013, $6,850 (December 31, 2012 - $5,777) of these management and consulting fees were in trade and other payables.

**13. Subsequent events**

(a) On April 25, 2013 Dixie announced it had entered into a non-binding letter of intent to purchase a private company ("Privateco") for a purchase price of $12,100,000 consisting of $2,500,000 cash and $9,600,000 in trust units to be issued at a deemed price of $0.80 per trust unit, for a total issuance of 12,000,000 trust units. Privateco currently holds a working interest in certain oil and gas leases, wells and related infrastructure, including: (i) a 10% interest in the Maple Branch prospect including a 10% working interest in the Holliman 7-13H No.1 and Holliman 7-13H No.2 wells; (ii) a 10% working interest in a producing oil well located in the Brooklyn Field in Conecuh County, Alabama; and (iii) a 25% working interest in certain oil and gas leases in the Brooklyn Field prospect. As of April 25, 2013 the Privateco had production of approximately 96 boepd (97% oil).

(b) On April 25, 2013 Dixie announced that it had entered into a purchase and sale agreement to acquire 100% of the working interest in certain oil and gas leases and related assets contiguous to Dixie's existing oil and gas leases in the Maple Branch prospect ("Additional Maple Branch Leases"). The purchase price of the Additional Maple Branch Leases is US$22,932,320 cash, subject to adjustment, and the grant of certain overriding royalty interests to the vendor. Closing was subject to the completion of due diligence and was scheduled to occur on or before May 23, 2013.

In the event Dixie fails to close, in breach of the agreement, Dixie will forfeit a US$250,000 non-refundable deposit it has paid as liquidation damages and the agreement shall be deemed terminated with no further liabilities or other obligation. In the event closing does not occur as a result of material title deficiencies the deposit will be refunded to Dixie and the agreement shall be deemed terminated with no further liabilities or other obligation.

In conjunction with the agreement to purchase the Additional Maple Branch Leases, Dixie announced it had entered into a memorandum of understanding setting forth the terms on which Dixie and other joint venture partners in the Maple Branch prospect may combine and reallocate certain of their respective interests in the Maple Branch prospect, including the Additional Maple Branch Leases to be acquired by Dixie (the "Maple Branch Pooling").

In conjunction with the agreement to purchase the Additional Maple Branch Leases, the Trust announced that it had entered into an engagement agreement for a brokered private placement financing, concurrent with a non-brokered private placement financing, to solicit subscriptions for trust units. Pursuant to the financings, the Trust may issue a minimum of 31,250,000 trust units and a maximum of 43,750,000 trust units at a price of $0.80 per trust unit for total gross proceeds of up to $35,000,000. The Trust intended to use the net proceeds of the financings to fund the purchase of the Additional Maple Branch Leases and Dixie's 2013 capital expenditure program and other working capital requirements.

On May 30, 2013 the Trust announced that it would not be proceeding with the purchase of the Additional Maple Branch Leases and the Maple Branch Pooling (forfeiting the US$250,000 non-refundable deposit) and that it was negotiating a new memorandum of understanding with its joint venture partners and a new brokered private placement financing.