Interim Condensed Consolidated Financial Statements of

DIXIE ENERGY TRUST

As at September 30, 2013 and for the three months and nine months ended September 30, 2013

(Unaudited)

DIXIE ENERGY TRUST

Interim Condensed Consolidated Financial Statements
(Expressed in Canadian dollars, unaudited)
As at September 30, 2013 and for the three months and nine months ended September 30, 2013

DIXIE ENERGY TRUST

Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars, unaudited)
As at September 30, 2013 and December 31, 2012

	September 30, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 3,785,496	$ 5,029,659
Trade and other receivables	224,176	19,001
Prepaid expenses and deposits	1,737,240	713,505
Deferred trust unit issuance costs	-	13,510
	5,746,912	5,775,675
Exploration and evaluation assets (Note 6)	13,946,149	1,535,703
Property, plant and equipment (Note 7)	6,966,753	-
Total assets	$ 26,659,814	$ 7,311,378
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	231,253	267,823
Decommissioning liabilities	-	9,982
	231,253	277,805
Decommissioning liabilities	90,419	16,554
Unit based compensation (Note 8)	1,076,572	358,602
	1,166,991	375,156
Unitholders' equity		
Unitholders' capital (Note 9)	21,519,140	7,762,378
Exchangeable share capital (Note 9)	7,930,830	-
Accumulated other comprehensive income	65,777	9,784
Deficit	(4,254,177)	(1,113,745)
	25,261,570	6,658,417
Total liabilities and equity	$ 26,659,814	$ 7,311,378

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

"David G. Anderson" *"Earl Fawcett"*

Director - David G. Anderson Director - Earl Fawcett

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

DIXIE ENERGY TRUST

Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, unaudited)
For the three months and nine months ended September 30, 2013 and period ended September 30, 2012

	Three months ended September 30, 2013	June 29, 2012 to September 30, 2012	Nine months ended September 30, 2013
Revenues			
Petroleum and natural gas sales, net of royalties (Note 12)	$ 308,684	$ -	$ 937,581
Expenses			
Operating expenses	98,157	-	108,889
Evaluation and exploration expenses	158,373	-	952,885
Depletion, depreciation and accretion	154,769	-	348,661
General and administrative (Note 13)	408,393	177,236	1,451,227
Unit based compensation (Note 8)	192,739	-	708,326
	1,012,431	177,236	3,569,988
Net loss before other items	(703,747)	(177,236)	(2,632,407)
Other items			
Foreign exchange gain (loss)	(17,273)	145	43,834
Interest income	19,539	-	28,751
Loss on acquisition of VisionSky Corp. (Note 4)	-	-	(580,610)
	2,266	145	(508,025)
Net loss	(701,481)	(177,381)	(3,140,432)
Other comprehensive income for the period			
Foreign currency translation gain (loss)	(225,376)	6,491	55,993
Total comprehensive loss for the period	$ (926,857)	$ (170,890)	$ (3,084,439)
Net loss per unit, basic and diluted (Note 10)	$ (0.02)	$ (0.03)	$ (0.13)

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

DIXIE ENERGY TRUST

Interim Consolidated Statements of Changes in Unitholders' Equity
(Expressed in Canadian dollars, unaudited)
For the three months and nine months ended September 30, 2013 and period ended September 30, 2012

	Trust units and exchangeable shares	Trust unit capital	Exchangeable share capital	Accumulated other comprehensive income	Deficit	Unitholders' equity
Initial units issued on establishment on June 29, 2012	1	$ 5	$ -	$ -	$ -	$ 5
Initial units repurchased and cancelled	(1)	(5)				(5)
Units issued for cash	5,499,999	275,000				275,000
Units issued on exploration and evaluation asset acquisitions	7,360,000	944,276				944,276
Net loss					(177,381)	(177,381)
Foreign currency translation gain				6,491		6,491
Balance, September 30, 2012	12,859,999	$ 1,219,276	$ -	$ 6,491	$ (177,381)	$ 1,048,386
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 4,9)	2,031,411	1,015,706				1,015,706
Warrants exercised (Note 8)	50,000	40,000				40,000
Units issued for cash (Note 9)	16,621,980	13,297,584				13,297,584
Exchangeable shares issued in exchange for Dogtooth shares (Notes 5,9)	10,062,500		8,050,000			8,050,000
Issuance costs (Note 9)		(596,528)	(119,170)			(715,698)
Net loss					(3,140,432)	(3,140,432)
Foreign currency translation gain				55,993		55,993
Balance, September 30, 2013	56,840,890	$21,519,140	$7,930,830	$ 65,777	$ (4,254,177)	$ 25,261,570

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 months and nine months ended September 30, 2013 and period ended September 30, 2012

	Three months ended September 30, 2013	June 29, 2012 to September 30, 2012	Nine months ended September 30, 2013
Operating activities			
Net loss	$ (701,481)	$ (177,381)	$ (3,140,432)
Depletion, depreciation and accretion	154,769	-	348,661
Foreign exchange	(250,238)	13	(13,410)
Loss on acquisition of VisionSky Corp.	-	-	580,610
Decommissioning liabilities	71,433	-	73,865
Unit based compensation (Note 8)	192,739	-	708,326
Changes in non-cash working capital			
Trade and other receivables	36,811	-	(203,741)
Prepaid expenses and deposits	(664,591)	-	(1,023,735)
Deferred trust unit issuance costs	-	-	13,510
Accounts payable and accrued liabilities	(77,148)	157,430	(46,552)
Net cash used in operating activities	(1,237,708)	(19,938)	(2,702,900)
Financing activities			
Issue of units, net of issuance costs	986,383		12,621,885
Net cash provided by financing activities	986,383	275,000	12,621,885
Investing activities			
Acquisition of exploration and evaluation assets	(8,009,125)	-	(9,850,981)
Acquisition of property, plant and equipment	(997,250)	-	(1,756,325)
Cash acquired as part of VisionSky transaction	-	-	444,156
Net cash used in investing activities	(9,006,375)	-	(11,163,150)
Net increase (decrease) in cash and cash equivalents	(9,257,698)	255,062	(1,244,163)
Cash and cash equivalents, beginning of period	13,043,194	-	5,029,659
Cash and cash equivalents, end of period	$ 3,785,496	$ 255,062	$ 3,785,496
Supplemental non-cash investing activities:			
Units issued on exploration and evaluation assets acquisitions	-	944,276	-
Trust units issued on acquisition of VisionSky Corp. (Note 4)	-	-	1,015,706
Exchangeable shares issued on acquisition of Dogtooth Investments Ltd. (Note 5)	8,050,000	-	8,050,000
	$ 8,050,000	$ 944,276	$ 9,065,706

The notes are an integral part of these interim condensed 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 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 oil wells 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 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 September 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 November 28, 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 Queens), LLC	United States	Delaware Corporation
Dixie Energy Holdings (Star), LLC	United States	Delaware Corporation
Dixie Energy Holdings (McKinley Gas), 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. Independent reserve engineers review these estimates 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.

(Expressed in Canadian dollars, unaudited)

4. Acquisition of VisionSky Corp.

On February 28, 2013, the Trust completed the acquisition of VisionSky Corp. by way of a Plan of Arrangement. The acquisition 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.

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.

5. Acquisition of Dogtooth Investments Ltd.

On September 20, 2013 the Trust completed the acquisition of all of the issued and outstanding shares and debt of Dogtooth Investments Ltd. (“Dogtooth”) pursuant to the terms of a share sale and purchase agreement between Dixie and the shareholders of Dogtooth.

Pursuant to the terms of the share sale and purchase agreement, Dixie acquired all of the issued and outstanding shares and debt of Dogtooth for aggregate consideration of $9,300,000 comprised of $1,250,000 in cash and 10,062,500 non-voting exchangeable shares in the capital of Dixie Energy Holdings (Canada), Ltd., issued at a fair value of $0.80 per exchangeable share determined by reference to the most recent historical trust unit issuances. Each exchangeable share is exchangeable at no additional consideration at the election of the holder into one trust unit of the Trust in accordance with, and subject to the terms of, the exchangeable shares and a related exchange trust agreement and support agreement entered into among Dixie, the shareholders of Dogtooth and Olympia Trust Company. The exchangeable shares do not have voting or distribution/dividend rights in either the Trust or Dixie Energy Holdings (Canada), Ltd. (except voting rights in limited circumstances) and the one-for-one exchange ratio does not adjust if Dixie pays a distribution/dividend. In addition, each of the shareholders of Dogtooth has deposited all of the exchangeable shares received by them (and has agreed to deposit any underlying trust units received on exchange thereof) in escrow. Subject to the terms of the escrow agreement, one quarter of the Exchangeable Shares will be released from escrow on each of the 6, 12, 18 and 24 month anniversaries of the date of the share sale and purchase agreement.

(Expressed in Canadian dollars, unaudited)

At closing, Dogtooth held a working interest in certain oil and gas leases, wells and related infrastructure, including: (i) a 10% interest in approximately 14,100 gross (1,410 net) acres of oil and gas leases in the Maple Branch prospect located in Monroe and Lowndes Counties, Mississippi, including a 10% working interest in the Holliman 7-13 No.1 and Holliman 7-13 No.2 oil wells; (ii) a 10% interest in approximately 1,208 gross (120 net) acres of oil and gas leases in the Hamilton & West McKinley Creek prospect in Monroe County, Mississippi; (iii) a 9.27% working interest in the Amos 36-3 oil well located in the Brooklyn field in Conecuh County, Alabama; and (iv) a 25% interest in approximately 3,940 gross (985 net) acres of oil and gas leases in the Brooklyn Queens prospect located in Conecuh and Escambia Counties, Alabama.

The acquisition of Dogtooth has been accounted for as an acquisition of assets and the purchase equation attributed to Dogtooth at September 20, 2013 is as follows:

Total consideration given for acquisition:		
Exchangeable shares	$	8,050,000
Cash		1,250,000
	$	9,300,000
Value attributed to assets acquired:		
Exploration and evaluation assets	$	5,039,000
Production facilities and equipment		106,937
Petroleum and natural gas properties		4,154,063
	$	9,300,000

6. Exploration and evaluation assets

		Nine months ended September 30, 2013
Balance, beginning of period	$	1,535,703
Additions		14,212,696
Transfers to petroleum and natural gas properties		(1,802,250)
Balance, end of period	$	13,946,149

Exploration and evaluation assets relate to mineral lease rights for undeveloped oil and gas properties in the Maple Branch, Strong Field, Hamilton & West McKinley, Star, Brooklyn Queens and White Castle Dome prospects and cumulative drilling costs to September 30, 2013 on wells in the Maple Branch prospect.

(Expressed in Canadian dollars, unaudited)

7. Property, plant and equipment

Nine months ended September 30, 2013	Developed petroleum and natural gas assets	Production facilities and equipment	Capitalized decommission assets	Total
Cost				
Balance, beginning of period	$ -	$ -	$ -	$ -
Additions	5,116,127	341,498	69,715	5,527,340
Transfer from exploration and evaluation assets	1,505,823	274,675	21,752	1,802,250
Disposals / adjustments	(13,015)	-	(1,775)	(14,790)
Balance, end of period	6,608,935	616,173	89,692	7,314,800
Accumulated depletion				
Balance, beginning of period	-	-	-	-
Current period provision	(327,763)	(19,207)	(1,077)	(348,047)
Balance, end of period	(327,763)	(19,207)	(1,077)	(348,047)
Carrying value	$ 6,281,172	$ 596,966	$ 88,615	$ 6,966,753

8. Unit based compensation

A summary of the Trust's unit based compensation for the current period and balance as at September 30, 2013 is as follows:

	Three months ended September 30, 2013	Nine months ended September 30, 2013	As at September 30, 2013
Trust unit options	$ 86,787	$ 210,528	$ 220,099
Restricted and performance incentive awards	105,881	275,519	275,519
Broker warrants and warrants	71	222,279	580,952
	$ 192,739	$ 708,326	$ 1,076,572

Balance, December 31, 2012	$ 358,602
Granted during the period	76,737
Exercised during the period	(2)
Expired during the period	(3,649)
Fair value adjustment	644,882
Balance, September 30, 2013	$ 1,076,572

(Expressed in Canadian dollars, unaudited)

Unit Option Plan

The Trust has a Unit Option Plan that entitles optionholders 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 September 30, 2013, no options were vested.

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

The number, weighted average exercise price and balance of unit based compensation liability for options granted under the Unit Option Plan as at September 30, 2013 are as follows:

	Number of options	Weighted average exercise price	Unit based compensation
Balance, December 31, 2012	-	$ -	$ -
Granted during the period			
Officers and directors (Feb 1, 2013)	750,000	0.50	31,815
VisionSky option holders (Feb 28, 2013)	201,890	0.80	3,579
Expired during the period	(201,890)	(0.80)	(3,579)
Fair value adjustment			188,284
Balance, September 30, 2013	750,000	$ 0.50	$ 220,099

The following table summarizes the number of options outstanding and exercisable as at September 30, 2103:

Outstanding				Exercisable	
Exercise price	Number outstanding	Weighted average remaining life in years	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 0.50	750,000	4.34	$ 0.50	-	$ -
	750,000	4.34	$ 0.50	-	$ -

(Expressed in Canadian dollars, unaudited)

The fair value at September 30, 2013 of the options granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	September 30, 2013
Dividend yield	0%
Expected volatility	150%
Risk-free interest rate	1.00 - 1.31%
Forfeiture rate	0%
Expected life (years)	0.8 - 4.6 years
Weighted average fair value of unit options	$ 0.55

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 at time of grant. Incentive awards are forfeited if the grantee leaves before the vesting date. As at September 30, 2013, no incentive awards were vested.

The fair value estimate associated with the incentive awards is expensed over the vesting period with the offsetting entry to unit based compensation liability. 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 fair value of the unit based compensation liability is recalculated at the end of each reporting period. At September 30, 2013, the fair value was estimated using a unit price of $0.80.

The following table summarizes the number of restricted and performance incentive awards granted, vested and outstanding and the balance of unit based compensation liability for restricted and performance incentive awards granted under the Restricted and Performance Incentive Award Plan as at September 30, 2013:

	Number of incentive awards outstanding	Weighted average remaining life in years	Unit based compensation
Balance, December 31, 2012	-		$ -
Granted during the period			
Officers and directors			
(Feb 1, 2013)	850,000	4.34	41,271
Fair value adjustment			234,248
Balance, September 30, 2013	850,000		$ 275,519

(Expressed in Canadian dollars, unaudited)

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 respectively to the underwriter. 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.

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. On March 7, 2013, 1,812,500 of the warrants expired unexercised.

The fair value estimate associated with the unit purchase warrants is expensed in profit or loss over the vesting period with the offsetting entry to unit based compensation liability. 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 fair value of the unit based compensation liability is recalculated at the end of each reporting period.

The number, weighted average exercise price and balance of unit based compensation liability for unit purchase warrants as at September 30, 2013 are as follows:

	Number of warrants	Weighted average exercise price	Unit based compensation
Balance, December 31, 2012	1,036,700	$ 0.50	$ 358,602
Issued during the period			
VisionSky warrant holders (Feb 28, 2013)	1,862,500	0.80	72
Exercised during the period	(50,000)	(0.80)	(2)
Expired during the period	(1,812,500)	(0.80)	(70)
Fair value adjustment			222,350
Balance, September 30, 2013	1,036,700	$ 0.50	$ 580,952

The following table summarizes the number of unit purchase warrants outstanding and exercisable as at September 30, 2103:

Outstanding				Exercisable	
Exercise price	Number outstanding	Weighted average remaining life in years	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 0.50	1,001,700	1.07	$ 0.50	1,001,700	$ 0.50
$ 0.50	35,000	1.12	$ 0.50	35,000	$ 0.50
	1,036,700	1.07	$ 0.50	1,036,700	$ 0.50

The fair value at September 30, 2013 of the warrants issued was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

(Expressed in Canadian dollars, unaudited)

	September 30, 2013
Dividend yield	0%
Expected volatility	150%
Risk-free interest rate	0.95 - 0.96%
Forfeiture rate	0%
Expected life (years)	0.1 – 1.4 years
Weighted average fair value of unit options	$ 0.25

9. Unitholders' Capital

On February 28, 2013, the Trust completed the acquisition of all of the issued and outstanding shares of VisionSky Corp. by way of a Plan of Arrangement, which included the issuance of 2,031,411 trust units at a deemed price of $0.50 per trust unit for gross proceeds of $1,015,706. The Trust incurred costs of $24,827 related to the issuance of the trust units for net proceeds of $990,878.

On March 4, 2013, 50,000 trust unit warrants were exercised pursuant to the VisionSky Plan of Arrangement resulting in the issuance of 50,000 trust units at an issue price of $0.80 per trust unit for net proceeds of $40,000.

On June 28, 2013 the Trust completed the first closing of a brokered and non-brokered private placement financing, which included the issuance of 8,148,230 and 7,018,750 trust units respectively at an issue price of $0.80 per trust unit for gross proceeds of $6,518,584 and $5,615,000 respectively. The trust paid commissions of $391,115 on the brokered portion of the financing and incurred costs of $146,967 related to the issuance of the trust units for net proceeds of $11,595,502.

On July 17, 2013 the Trust completed the second closing of a brokered and non-brokered private placement financing, which included the issuance of 211,250 and 1,243,750 trust units respectively at an issue price of $0.80 per trust unit for gross proceeds of $169,000 and $995,000 respectively. The Trust paid commissions of $10,140 on the brokered portion of the financing and incurred costs of $23,478 related to the issuance of the trust units for net proceeds of $1,130,382.

On September 20, 2013 the Trust completed the acquisition of all of the issued and outstanding shares and debt of Dogtooth Investments Ltd. pursuant to the terms of a share sale and purchase agreement entered into between Dixie and the shareholders of Dogtooth, which included the issuance of 10,062,500 non-voting exchangeable shares in the capital of Dixie Energy Holdings (Canada), Ltd., issued at a deemed price of $0.80 per exchangeable share for gross proceeds of $8,050,000. The Trust incurred costs of $119,170 related to the issuance of the trust units for net proceeds of $7,930,830.

(Expressed in Canadian dollars, unaudited)

10. Loss per unit

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Net Loss	$ (701,481)	$ (3,140,432)
Weighted average number of units	34,593,532	24,411,905
Basic and diluted loss per unit	$ (0.02)	$ (0.13)

11. Financial Instruments and risk management

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

	September 30, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Fair value through profit and loss				
Cash and cash equivalents	$ 3,785,496	$ 3,785,496	$ 5,029,659	$5,029,659
Loans and receivables				
Trade and other receivables	224,175	224,175	19,001	19,001
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	231,253	231,253	267,823	267,823

Fair values

Fair values have been determined for measurement and/or disclosure purposes 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 accounts payable and accrued liabilities 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

(Expressed in Canadian dollars, unaudited)

- 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).

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:

	September 30, 2013	December 31, 2012
Cash and cash equivalents	$ 3,785,496	$5,029,659
Trade and other receivables	224,175	19,001
Total	$ 4,009,671	$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 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 September 30, 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, September 30, 2014. Long-term liquidity risk is higher due to the foreseeable need to raise further cash to fund future investing activities beyond September 30, 2014. 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 liabilities as at September 30, 2013:

	Carrying amount	Contractual cash flows	Less than one year	One - five years	More than five years
Liabilities					
Accounts payable and accrued liabilities	$ 231,253	$ 231,253	$ 231,253	$ -	$ -
Decommissioning liabilities	90,419	104,663	-	-	104,663
Total	$ 321,672	$ 335,916	$ 231,253	$ -	$ 104,663

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 C$:US$ 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 September 30, 2013, the Trust did not hold any foreign exchange contracts to mitigate the effects of fluctuating C$:US$ exchange rates.

The following financial instruments were denominated in US dollars:

	September 30, 2013		December 31, 2012	
	US$	C$	US$	C$
Cash and cash equivalents	$ 579,902	$ 597,73	$ 2,441,043	$ 2,428,594
Trade and other receivables	216,191	222,742	-	-
Accounts payable and accrued liabilities	42,086	43,361	(13,252)	(13,184)

The weighted average exchange rate for the nine months ended September 30, 2013 was US$1.00 equal to C$1.02366 and the exchange rate at September 30, 2013 was US$1.00 equal to C$1.0303.

Sensitivity Analysis

All other variables remaining constant, a $0.01 change in the C$:US$ exchange rate would have changed the net loss by approximately $6,097 for the nine months ended September 30, 2013.

(Expressed in Canadian dollars, unaudited)

12. Petroleum and natural gas sales

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Oil Sales, net of transportation	$ 435,057	$ 1,332,864
Gas Sales	3,978	8,394
Royalties	(106,474)	(335,162)
Production Taxes	(23,877)	(68,515)
	$ 308,684	$ 937,581

13. General and administrative

	Three months ended September 30, 2013	June 29, 2012 to September 30, 2012	Nine months ended September 30, 2013
Salaries and management fees	$ 148,851	$ 23,569	$ 451,676
Legal Fees	51,081	100,372	366,276
Accounting fees	38,556	15,000	226,529
Consulting fees	108,591	31,000	158,419
Administrative fees	8,305	500	64,308
Investor relations	5,685	-	51,816
Insurance and taxes	34,578	5234	66,098
Office rental and costs	7,567	-	24,555
Travel, meals and entertainment	5,179	1,561	41,550
	$ 408,393	$ 177,236	$ 1,451,227

14. Related parties

Administration and Management

During the period, Dixie incurred legal fees with law firms wherein directors of the Administrator and a subsidiary of the Trust are partners in their respective law firms. During the period, Dixie incurred consulting fees with a company that has a director and officer in common with the Administrator of the Trust. During the period, Dixie incurred other general and administrative expenses (including office rental, office costs, administrative fees, travel and meals & entertainment costs) that were reimbursed to companies that have directors and officers in common or individuals that are directors and officers of the Administrator or a subsidiary of the Trust. During the period, Dixie incurred management compensation expenses paid to officers of the Administrator and a subsidiary of the Trust or companies controlled by those officers.

Oil and Gas Operations

During the period, Dixie received revenue and incurred royalties, severance taxes, operating expenses and capital expenditures relating to its oil and gas activities. The operator of the oil and gas wells, which Dixie has a working interest in, pays royalties, severance taxes, operating expenses and capital expenditures on behalf of Dixie, receives revenue from oil and gas sales and pays Dixie the net proceeds. Affiliates of the operator own royalty interests in the wells ranging less than 1% to 7% and receive a portion of the royalties paid by Dixie. The operator is a company that has a director in common with the Administrator and officers in common with a subsidiary of the Trust.

(Expressed in Canadian dollars, unaudited)

Acquisitions

During the period, Dixie acquired working interests in certain oil and gas leases in Mississippi, Alabama and Louisiana directly from a company that has a director in common with the Administrator and officers in common with a subsidiary of the Trust.

On September 20, 2013, Dixie completed the acquisition of all of the issued and outstanding shares and debt of Dogtooth Investments Ltd. The vendors of the Dogtooth shares and debt are a director of the Administrator of the Trust and his spouse. The acquisition of Dogtooth has been measured at fair value, was accounted for as an acquisition of assets and is included in the summary of the Trust's related party transactions below.

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

	Three months ended September 30, 2013	Nine months ended September 30, 2013	Included in payables September 30, 2013	Included in receivables September 30, 2013
Legal fees	$ 91,277	$ 405,569	$ 70,802	$ -
Consulting fees	7,000	24,850	7,350	-
Other general and administrative	25,745	92,771	(752)	-
Management compensation	122,308	415,759	10,658	-
	$ 246,330	$ 938,949	$ 88,058	$ -
Oil natural gas sales	$ (439,035)	$ (1,341,258)	$ -	$ 222,934
Royalties	106,474	335,162	-	-
Production Taxes	23,877	68,515	-	-
Operating expenses	98,157	108,889	-	-
Exploration and evaluation expenditures	8,167,498	10,803,866	-	-
Acquisition of property, plant and equipment	997,250	1,756,325	-	-
	$ 8,954,221	$ 11,731,499	$ -	$ 222,934

Included in legal fees are legal fees expensed to general and administrative expense and legal fees related to the issuance of trust units and exchangeable shares and capitalized to unitholders equity.

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

14. Subsequent events

(a) Subsequent to the end of the third quarter of 2013, the Trust incurred $500,000 in expenses investigating a potential acquisition that did not proceed.