Consolidated Financial Statements of

DIXIE ENERGY TRUST

For the year ended December 31, 2013

DIXIE ENERGY TRUST

Consolidated Financial Statements
For the year ended December 31, 2013

MANAGEMENT'S REPORT

Management's Responsibility For Financial Reporting

The management of Dixie Energy Ltd., as administrator on behalf of Dixie Energy Trust, is responsible for the preparation of the consolidated financial statements. The accompanied consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include certain estimates that reflect management's best estimate and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

KPMG LLP ("KPMG"), an independent firm of chartered accountants, was appointed as the external auditor. KPMG has been engaged to make an examination of the consolidated financial statements of Dixie Energy Trust for the year ended December 31, 2013. KPMG was appointed to hold such office until the next annual general meeting of the unitholders of the Trust.

The Board of Directors has reviewed the consolidated financial statements including notes thereto with management and KPMG. The Board of Directors has approved the information contained in the consolidated financial statements.

Signed *"Ian K. Atkinson"*

Ian K. Atkinson
Chief Executive Officer

Signed *"Kevin D. Dumba"*

Kevin D. Dumba
Chief Financial Officer

April 30, 2014

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 statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of loss and comprehensive loss, changes in unitholders' equity and cash flows for the year ended December 31, 2013 and the period from establishment on June 29, 2012 to December 31, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dixie Energy Trust as at December 31, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2013 and the period from establishment on June 29, 2012 to December 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 (b) in the consolidated financial statements which indicates that Dixie Energy Trust's cash and cash equivalents at December 31, 2013 are likely not sufficient to fund its planned operating and investing activities. These conditions, along with other matters as set forth in Note 1(b) in the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Dixie Energy Trust's ability to continue as a going concern.

KPMG LLP, Chartered Accountants
April 30, 2014
Calgary, Canada

DIXIE ENERGY TRUST

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
As at December 31,

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 1,564,399	$ 5,029,659
Trade and other receivables (Note 14)	664,322	19,001
Prepaid expenses and deposits	63,955	713,505
Deferred trust unit issuance costs	-	13,510
	2,292,676	5,775,675
Exploration and evaluation assets (Note 9)	14,490,702	1,535,703
Property, plant and equipment (Note 10)	10,135,151	-
Total assets	$ 26,918,529	$ 7,311,378
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	989,414	267,823
Decommissioning liabilities	-	9,982
	989,414	277,805
Decommissioning liabilities	34,026	16,554
Unit based compensation (Note 6)	1,182,729	358,602
Exchangeable shares (Notes 3, 17)	8,050,000	-
	9,266,755	375,156
Unitholders' equity		
Unitholders' capital (Note 7)	21,519,140	7,762,378
Accumulated other comprehensive income	868,176	9,784
Deficit	(5,724,956)	(1,113,745)
	16,662,360	6,658,417
Total liabilities and equity	$ 26,918,529	$ 7,311,378

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

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

Signed *"David G. Anderson"*

Director - David G. Anderson

Signed *"Ian K. Atkinson"*

Director - Ian K. Atkinson

DIXIE ENERGY TRUST

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
For the year ended December 31, 2013 and the period from establishment on June 29, 2012 to December 31, 2012

	2013	2012
Revenues		
Petroleum and natural gas sales, net of royalties (Note 11)	$ 1,464,236	$ -
Expenses		
Operating expenses	196,922	-
Evaluation and exploration expenses	952,994	286,510
Depletion, depreciation and accretion	571,896	113
General and administrative (Note 12)	2,541,736	602,346
Unit based compensation (Note 6)	814,483	159,242
	5,078,031	1,048,211
Net loss before other items	(3,613,795)	(1,048,211)
Other items		
Foreign exchange gain (loss)	(285)	13,667
Interest income	34,510	-
Impairment of petroleum and natural gas assets (Notes 9, 10)	(451,031)	(79,201)
Loss on acquisition of VisionSky Corp. (Note 16)	(580,610)	-
	(997,416)	(65,534)
Net loss	(4,611,211)	(1,113,745)
Other comprehensive income for the period		
Foreign currency translation gain (loss)	858,392	9,784
Total comprehensive loss for the period	$ (3,752,819)	$ (1,103,961)
Net loss per unit, basic and diluted (Note 8)	$ (0.16)	$ (0.11)

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

DIXIE ENERGY TRUST

Consolidated Statements of Changes in Unitholders' Equity
(Expressed in Canadian dollars)
For the year ended December 31, 2013 and the period from establishment on June 29, 2012 to December 31, 2012

	Trust units	Trust unit 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	20,714,999	7,017,462			7,017,462
Units issued on exploration and evaluation asset acquisitions	7,360,000	944,276			944,276
Unit based compensation related to services rendered		171,000			171,000
Fair value of brokers warrants issued		(370,360)			(370,360)
Net loss				(1,113,745)	(1,113,745)
Foreign currency translation gain			9,784		9,784
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 7,16)	2,031,411	1,015,706			1,015,706
Warrants exercised (Note 6,7)	50,000	40,000			40,000
Units issued for cash (Note 7)	16,621,980	13,297,584			13,297,584
Issuance costs (Note 7)		(596,528)			(596,528)
Net loss				(4,611,211)	(4,611,211)
Foreign currency translation gain			858,392		858,392
Balance, December 31, 2013	46,778,390	$ 21,519,140	$ 868,176	$ (5,724,956)	$ 16,662,360

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

DIXIE ENERGY TRUST

Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)
For the year ended December 31, 2013 and the period from establishment on June 29, 2012 to December 31, 2012

	2013	2012
Operating activities		
Net loss	$ (4,611,211)	$ (1,113,745)
Depletion, depreciation and accretion	571,896	113
Foreign exchange	-	9,883
Impairment of petroleum and natural gas assets	451,031	79,201
Loss on acquisition of VisionSky Corp. (Note 16)	580,610	-
Unit based compensation (Note 6)	814,483	159,242
Changes in non-cash working capital		
Trade and other receivables	(645,321)	(19,001)
Prepaid expenses and deposits	649,550	(713,505)
Deferred trust unit issuance costs	13,510	(13,510)
Accounts payable and accrued liabilities	721,591	267,825
Net cash used in operating activities	(1,453,278)	(1,343,497)
Financing activities		
Issue of units, net of issuance costs	12,741,056	7,017,462
Net cash provided by financing activities	12,741,056	7,017,462
Investing activities		
Acquisition of exploration and evaluation assets	(13,795,286)	(644,306)
Acquisition of property, plant and equipment	(1,401,908)	-
Cash acquired as part of VisionSky transaction	444,156	-
Net cash used in investing activities	(14,753,038)	(644,306)
Net increase (decrease) in cash and cash equivalents	(3,465,260)	5,029,659
Cash and cash equivalents, beginning of period	5,029,659	-
Cash and cash equivalents, end of period	$ 1,564,399	$ 5,029,659
Supplemental non-cash investing activities:		
Units issued on exploration and evaluation assets acquisitions	-	944,276
Trust units issued on acquisition of VisionSky Corp. (Note 16)	1,015,706	-
Exchangeable shares issued on acquisition of Dogtooth Investments Ltd. (Note 17)	8,050,000	-
	9,065,706	944,276

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

1. Reporting Entity and Going Concern

a) 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. The beneficiaries of the Trust are the unitholders of the issued and outstanding units of the Trust ("units" or "trust units").

Pursuant to the terms of an Administrative Services Agreement, Olympia Trust Company, the Trustee of the Trust, has delegated much of the responsibility for performing all general and administrative services that are or may be required or advisable, from time to time, for the Trust to Dixie Energy Ltd. ("the Administrator"), a corporation incorporated under the Business Corporations Act (Alberta), (ABCA) on June 28, 2012. The Administrator has entered into a voting agreement, which entitles unitholders of the Trust to elect 100% of the directors of the Administrator. The Administrator is therefore controlled exclusively by the unitholders of the Trust and accordingly consolidated; however, the Administrator is not a legal subsidiary of the Trust. The Administrator performs services pursuant to the Administrative Services Agreement on a cost recovery basis and no additional fees are payable by the Trust to the Administrator.

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 Trust is an early development-stage entity in the process of exploring its oil and gas properties in the United States and has not yet determined the extent to which these properties contain economically recoverable reserves. Given its early stage of development, the Trust does not currently pay any distributions and has no plans to for the foreseeable future.

b) Going Concern

The Trust will be dependent upon equity issuances, debt financing, asset dispositions or entrance into joint arrangements with third parties to fund future activities. The ability of the Trust to continue ongoing operations is also 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.

The Trust's cash and cash equivalents at December 31, 2013 are likely not sufficient to fund its planned operating and investing activities. Based on the initial results of its exploration and evaluation activities, the Trust expects to be able to secure additional financing to fund further expenditures. Until such time that the Trust is successful in securing financing, there is a material uncertainty that may cast significant doubt as to the ability of the Trust to continue as a going concern.

These financial statements have been prepared on a going concern basis. The application of the going concern basis of presentation assumes that the Trust will continue to operate for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. If this assumption were not appropriate, adjustments to these financial statements may be necessary.

2. Basis of Presentation

c) Statement of Compliance
These 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 as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 30, 2014.

d) Basis of Measurement
The 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 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 as otherwise noted.

e) Basis of Consolidation
The Trust has the following significant wholly owned subsidiaries whose financial position and results have been consolidated in the Trust's 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 have been included in the consolidated statements (see Note 1). All of the entities have calendar year ends.

f) Use of Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions and use judgement 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. Actual results ultimately may differ from these judgements and estimates.

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 determination of the presence of indicators of impairment.

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 and property, plant and equipment, estimates regarding the going concern assessment and as well as estimates regarding the share-based payments.

3. Significant Accounting Policies

a) Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and short-term investments with original maturities of less than 90 days at purchase

b) Jointly Controlled Operations and Jointly Controlled Assets

Many of the Trust's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Trust's proportionate share of the jointly controlled assets, liabilities, revenues and operating costs of the jointly controlled assets.

c) Exploration and Evaluation Expenditures

In accordance 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 or prospect area, 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.

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.

d) Oil and Gas Properties and Property, Plant and Equipment

Oil and gas properties are carried at cost, net of accumulated depletion and impairments, and include costs related to drilling development wells, well completions, infrastructure construction, successful E&E projects and estimated decommissioning liabilities.

Property, plant and equipment ("PP&E") are recognized at cost net of accumulated depreciation and impairments. Expenditures incurred to improve the capabilities of PP&E, extend their useful lives or replace significant components are capitalized. Maintenance and repairs are expensed as incurred.

Borrowing costs directly associated with the acquisition, construction or production of a qualifying asset is capitalized while the asset is being constructed or otherwise prepared for its intended productive use. All other borrowing costs are recognized as an expense in the period in which they are incurred. Administration and other general overhead costs related to the acquisition of oil and gas properties and PP&E are not capitalized to the asset but are expensed as incurred.

e) 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.

f) Impairment – Exploration and Evaluation Assets

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.

For purposes of impairment testing, exploration and evaluation assets are allocated and added to the carrying amount of any oil and gas properties in the same cash-generating unit ("CGU") and the combined carrying amount is tested for impairment by comparing the carrying amount to the recoverable amount.

Sufficient data is considered to exist in order to determine the technical feasibility and commercial viability of extracting a resource when proved plus probable reserves are assigned. A review for indicators of impairment for each by CGU is carried out, at least annually, to ascertain whether proved plus probable reserves have been assigned. If proved plus probable reserves have been assigned, exploration and evaluation assets attributable to those reserves are first tested for impairment (and any resulting impairment loss is recognized at the CGU level) and then reclassified from exploration and evaluation assets to oil and gas properties and amortized over the estimated life of the proved and probable reserves on a unit-of-production basis.

Exploration and evaluation costs for which technical feasibility had not yet been determined through the assignment of proved plus probable reserves are subject to technical, commercial and management review for indicators of impairment at least once a year 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 expensed. Costs associated with an exploratory dry hole are expensed immediately if commercially viable quantities of hydrocarbons are not found. Where a license is relinquished or project abandoned, the related costs are expensed. Where Dixie maintains an interest in a project, but the value of the project is considered to be impaired, a provision against the CGU's capitalized costs will be provided.

For purposes of impairment testing, exploration and evaluation assets are allocated and added to the carrying amount of any oil and gas properties in the same cash-generating unit ("CGU") and the combined carrying amount is tested for impairment by comparing the carrying amount to the recoverable amount.

g) Decommissioning Liabilities

Decommissioning liabilities include those legal or constructive obligations to retire assets such as well sites, gathering systems, natural gas processing plants and access roads at the end of their productive lives. The obligation is recognized when a property is acquired or a well is completed. The amount recognized on the balance sheet is the present value of estimated future expenditures required to settle obligation using a risk-free rate. A corresponding asset equal to the initial estimated liability is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to estimated timing or future decommissioning cost estimates are recognized as a change in the decommissioning cost and related long-lived asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as finance expense in the statement of comprehensive loss.

Actual costs incurred to retire assets are charged against the decommissioning liability. Differences between the actual costs incurred and the liability accrued are recognized in earnings when reclamation of the area is completed.

Any adjustments to the provision arising from reassessment of the estimated cost of decommissioning are added to or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in profit or loss.

h) Leased Assets

All of Dixie's leases are operating leases, which are not recognized on the Trust's balance sheet. Payments made under operating leases are recognized in the statement of operations on a straight-line basis over the term of the lease.

i) Exchangeable Shares

Exchangeable shares issued by Dixie Energy Holdings (Canada) Ltd. are exchangeable with no additional consideration at the election of the holder into trust units with a one-for-one exchange ratio 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 former shareholders of Dogtooth Investments Ltd. and Olympia Trust Company. The exchangeable shares do not have voting or distribution/dividend rights in 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, all of the exchangeable shares and any underlying trust units received on exchange thereof have been deposited 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.

IAS 32 "Financial Instruments: Presentation", establishes the general principle that an instrument that provides the holder with the right to exchange the shares for units should be classified as a financial liability. As a result the exchangeable shares are classified as a liability and are measured at fair value each reporting period.

j) Trust Units

Trust units issued by the Trust provide the holder the option to redeem units. IAS 32 "Financial Instruments: Presentation", establishes the general principle that an instrument that provides the holder with the right to redeem the units for cash should be classified as a financial liability, unless it meets the conditions of IAS 32 for a puttable instruments. If a financial instrument meets the puttable instrument exemption criteria, then they are classified as equity. The Trust units are classified as equity as they meet the conditions in IAS 32 for puttable instruments.

k) Trust Unit Issuance Costs

Transaction costs directly attributable to the issuance of trust units are recognized as a deduction from equity. In addition to cash costs related to the issuance of units, the fair value of broker warrants issued on the placement of units are recognized as trust unit issuance costs.

l) Loss Per Trust Unit Calculations

Net income per unit is calculated by dividing net income by the weighted average number of units outstanding. The Trust determines any dilution that would occur if trust unit options, broker warrants and exchangeable shares were exercised in exchange for units. Outstanding and exercisable instruments that will have a dilutive effect are included in the per-unit calculations, ordered from most dilutive to least dilutive. The dilutive effect of instruments is determined using the "if converted" method, whereby the outstanding instruments at the end of the period are assumed to have been converted at the beginning of the period or at the time, if issued during the period. Amounts charged to income or loss, which relate to the outstanding instruments are added back to net income for the dilutive calculation. The units issued upon conversion are included in the denominator of per-unit-basic calculations from the date of issue.

m) Unit Based Compensation

The Trust grants Restricted Trust Units ("RTUs") to employees, directors, officers and certain direct and indirect service providers of the Administrator. RTUs entitle the holders to receive either the cash equivalent of one unit or one trust unit, from the treasury or purchased on the secondary market, at the option of the Trust, subject to the vesting provisions of the Restricted and Performance Incentive Award Plan (the "Plan"). The purpose of the Plan is to attract, retain and motivate eligible employees and service providers by enabling such persons to participate in the growth of the Trust.

The Trust uses the fair value method of valuing compensation expense associated with the Plan. The units issued pursuant to the Plan are not considered equity settled share based payments as the IAS 32 "puttable instrument exemption" does not extend to unit-based compensation made by a Trust. Therefore RTUs issued subject to the Plan are treated in a manner similar to a cash settled unit based compensation arrangement. On grant date, the fair value of the RTUs is measured using a fair value model deemed as appropriate by management. The associated liability is re-measured at the end of each reporting unit and the changes in the fair value are recognized in the income statement. When cash payments are made to settle vested RTUs, the difference between the estimated liability and actual settlement cost is recognized in the income statement. Compensation expense is recognized over the vesting period of the Plan using graded vesting.

n) 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.

(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.

o) Financial Instruments

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Trust's accounting policy for each category is as follows:

(i) Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. Loans and receivables are comprised of trade and other receivables. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(ii) Available-for-Sale Financial Assets

Non-derivative financial assets not included in the above category are classified as available-for-sale. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss is reclassified from accumulated other comprehensive loss to profit or loss. The Trust does not have any assets that are classified as available-for-sale.

(iii) Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Cash and cash equivalents, restricted cash, and deposits are examples of financial assets that the Trust would recognize as being at fair value through profit or loss. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 9. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in finance income or finance costs (as appropriate) in profit or loss. Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date only if the criteria in IAS 39 are satisfied.

(iv) Held to Maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Trust has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest rate, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the statement of operations in finance costs. The Trust has not classified any of its financial assets as held to maturity.

(v) Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and is comprised of accounts payable and accruals liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable represent liabilities for goods and services provided to the Trust prior to the end of the period, which are unpaid. Accounts payable are unsecured and are usually paid within 30 days of recognition.

(vi) Impairment on 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.

p) 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. Provisions are not recognized for future operating losses.

q) 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. Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

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.

r) New Standards and Interpretations Adopted

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 the Trust's 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 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 Trust's 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. 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:

	December 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	$ 1,564,399	$ 1,564,399	$ 5,029,659	$5,029,659
Loans and receivables				
Trade and other receivables	664,322	664,322	19,001	19,001
Financial liabilities				
Accounts payable and accrued liabilities	989,414	989,414	267,823	267,823

a) 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:

i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and

ii) 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

iii) 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).

b) Risk Management

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

i) Credit risk;

ii) Market risk;

iii) Liquidity risk; and

iv) Foreign exchange risk.

c) 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:

	December 31, 2013	December 31, 2012
Cash and cash equivalents	$ 1,564,399	$ 5,029,659
Trade and other receivables	664,322	19,001
Total	$ 2,228,721	$ 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 almost 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.

d) 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 December 31, 2013 are likely not sufficient to fund its planned operating and investing activities. Long-term liquidity risk is higher due to the foreseeable need to raise further cash to fund future investing activities beyond December 31, 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 December 31, 2013:

	Carrying amount	Contractual cash flows	Less than one year	One - five years	More than five years
Liabilities					
Accounts payable and accrued liabilities	$ 989,414	$ 989,414	$ 989,414	$ -	$ -
Decommissioning liabilities	34,025	44,878	-	-	34,025
Total	$ 1,023,439	$ 1,034,292	$ 989,414	$ -	$ 34,025

e) 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 December 31, 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:

	December 31, 2013		December 31, 2012	
	US$	C$	US$	C$
Cash and cash equivalents	$ 937,398	$ 997,016	$ 2,441,043	$ 2,428,594
Trade and other receivables	623,250	662,889	-	-
Prepaid expenses and deposits	18,532	19,711		
Accounts payable and accrued liabilities	754,048	802,005	13,252	13,184

The weighted average exchange rate for the year ended December 31, 2013 was US$1.00 equal to C$1.0303 and the exchange rate at December 31, 2013 was US$1.00 equal to C$1.0636.

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 $11,209 for the year ended December 31, 2013.

5. Deferred Tax Assets and Liabilities

a) The tax provision differs from the amount computed by applying the combined federal and state statutory tax rate of 38.10% to income before deferred income tax expense as follows:

	Year ended December 31, 2013	For the period of June 29, 2012 to December 31, 2012
Loss before income taxes	$ (4,611,211)	$ (1,113,745)
Combined income tax rate	38.10%	38.10%
Expected income tax recovery	(1,756,871)	(424,337)
Permanent differences:		
Non-deductible expenses	48,828	50,756
Unit based compensation	310,318	51,534
Non-deductible loss on acquisition	221,212	-
Change in unrecognized tax benefits	1,176,513	322,046
	$ -	$ -

b) Deferred tax assets and liabilities are attributable to the following:

	December 31, 2013	December 31, 2012
Oil and gas assets	$ (16,735)	$ (149,309)
Non-capital losses (expire 2032 to 2033)	16,735	149,309
Net tax (assets) liabilities	$ -	$ -

c) Deferred tax assets have not been recognized for the following deductible temporary differences:

	December 31, 2013	December 31, 2012
Unrecognized temporary differences:		
Oil and gas assets	$ -	$ 1
Unit issuance costs	1,316,762	957,083
Decommissioning liabilities	34,025	26,536
Non-capital losses (expire 2032 to 2033)	4,314,809	878,317
	$ 5,665,596	$ 1,861,937

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available to utilize the benefits.

At December 31, 2013, there are temporary differences associated with investments in subsidiaries for which deferred tax liabilities or assets have not been recognized because the Trust controls when the temporary difference would reverse and it is satisfied that it will not be incurred in the foreseeable future.

6. Unit Based Compensation

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 five-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 December 31, 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 of options outstanding and exercisable as at December 31, 2013 is summarized on the following table:

	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	4.09	$ 0.50	-	$ -
	750,000	4.09	$ 0.50	-	$ -

The number, weighted average exercise price and balance of unit based compensation liability for options granted under the Unit Option Plan as at December 31, 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)
Expensed during the period			264,975
Fair value adjustment			(6,216)
Balance, December 31, 2013	750,000	$ 0.50	$ 290,574

The fair value at December 31, 2013 of the options granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	December 31, 2013
Dividend yield	0%
Expected volatility	150%
Risk-free interest rate	1.01 - 1.70%
Forfeiture rate	0%
Expected life (years)	2.1 - 4.1 years
Weighted average fair value of unit options	$ 0.68

Restricted and Performance Incentive Award 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 December 31, 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 if 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 December 31, 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 December 31, 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	4.09	41,271
Expensed during the period			338,990
Fair value adjustment			(1,140)
Balance, December 31, 2013	850,000		$ 379,121

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 two 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. Between March 1-7, 2013, 50,000 warrants were exercised and on March 7, 2013, 1,812,500 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 following table summarizes the number of unit purchase warrants outstanding and exercisable as at December 31, 2012 and 2013:

As at December 31, 2012

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	1.82	$ 0.50	1,001,700	$ 0.50
$ 0.50	35,000	1.87	$ 0.50	35,000	$ 0.50
	1,036,700	1.82	$ 0.50	1,036,700	$ 0.50

As at December 31, 2013

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	0.82	$ 0.50	1,001,700	$ 0.50
$ 0.50	35,000	0.87	$ 0.50	35,000	$ 0.50
	1,036,700	0.82	$ 0.50	1,036,700	$ 0.50

The number, weighted average exercise price and balance of unit based compensation liability for unit purchase warrants as at December 31, 2013 are as follows:

	Number of warrants	Weighted average exercise price	Unit based compensation
Balance on establishment on June 29, 2012	-	$ -	$ -
Issued during the period			
Broker warrants (October 25, 2013)	1,001,700	0.50	357,860
Broker warrants (November 14, 2013)	35,000	0.50	12,500
Fair value adjustment			(11,758)
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
VisionSky warrants exercised during the period	(50,000)	0.80	(2)
VisionSky warrants expired during the period	(1,812,500)	0.80	(70)
Expensed during the period			252,922
Fair value adjustment			(98,490)
Balance, December 31, 2013	1,036,700	$ 0.50	$ 513,034

The fair value at December 31, 2013 of the warrants issued was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	December 31, 2012	December 31, 2013
Dividend yield	0%	0%
Expected volatility	150%	150%
Risk-free interest rate	1.1391%	0.989%
Forfeiture rate	0%	0%
Expected life (years)	1.82 – 1.87years	0.82 – 0.87years
Weighted average fair value of unit options	$ 0.35	$ 0.49

The following table summarize the Trust's unit based compensation expense:

	Year ended December 31, 2013	For the period of June 29, 2012 to December 31, 2012
Trust unit options expense	$ 281,002	$ -
Restricted and performance incentive awards expense	379,121	-
Broker and VisionSky warrants expense	154,360	159,242
	$ 814,483	$ 159,242

The following tables summarize the Trust's unit based compensation liability:

	December 31, 2013	December 31, 2012
Trust unit options liability	$ 290,574	$ -
Restricted and performance incentive awards liability	379,121	-
Broker and VisionSky warrants liability	513,034	358,602
	$ 1,182,729	$ 358,602

	Unit based compensation liability
Balance on establishment on June 29, 2012	$ -
Granted during the period	370,360
Fair value adjustment	(11,758)
Balance, December 31, 2012	358,602
Granted during the period	76,737
Exercised during the period	(2)
Expired during the period	(3,649)
Expensed during the period	856,887
Fair value adjustment	(105,846)
Balance, December 31, 2013	$ 1,182,729

7. Unitholders' Capital

a) Authorized

The Trust is authorized to issue an unlimited number of trust units. Each unit represents an equal, undivided beneficial interest in the net assets of the Trust, and all units rank equally and rateably with all other units. Unitholders are entitled to receive non-cumulative distributions from the Trust if, as, and when declared by the Trust.

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.

b) Trust Units Outstanding

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 Energy Holdings (US), Ltd., working interests in oil and gas leases in the southern U.S. 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.

On October 25, 2012, the Trust issued 380,000 units to a consultant at an agreed upon issuance price of $0.05 per unit, for total net proceeds of $19,000. The fair value of the services provided was determined to be $190,000 and accordingly, the excess of the fair value of the services over the net proceeds of $171,000 have been recorded as consulting fees.

On October 25, 2012 and November 14, 2012, the Trust completed a brokered private placement of 14,310,000 and 500,000 trust units respectively at $0.50 per trust unit, for total proceeds of $7,405,000.

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 (the "Stage One Release").

ii) 45% provided that the trust units are listed on the TSX Venture Exchange or Toronto Stock Exchange, if (a) 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 (b) 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 (a) 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 (b) 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: (a) an acquisition from an arms' length party or (b) 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.

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.

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 $24,828 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 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.

8. Loss Per Unit

	Year ended December 31, 2013	For the period of June 29, 2012 to December 31, 2012
Net Loss	$ (4,611,211)	$ (1,113,745)
Weighted average number of units	29,082,472	10,218,182
Basic and diluted loss per unit	$ (0.16)	$ (0.11)

9. Exploration and Evaluation Assets

	Oil and gas leases	Tangibles	Intangibles	Capitalized decommission assets	Total
Balance on establishment on June 29, 2012	$ -	$ -	$ -	$ -	$ -
Additions	1,183,121	35,163	370,620	26,000	1,614,904
Impairment	(69,542)	-	-	(9,659)	(79,201)
Balance, December 31, 2012	1,113,579	35,163	370,620	16,341	1,535,703
Additions	11,924,426	567,608	6,636,044	66,619	19,194,697
Transfer to property, plant and equipment	(560,909)	(363,461)	(5,225,916)	(17,654)	(6,167,940)
Disposals / adjustments	-	-	(12,582)	(59,176)	(71,758)
Balance, December 31, 2013	12,477,096	239,310	1,768,166	6,130	14,490,702

As at December 31, 2012 the Trust recorded a $79,201 impairment against the Wiley Dome prospect.

As at December 31, 2013, exploration and evaluation assets relate to mineral lease rights for undeveloped oil and gas properties in the Maple Branch, Strong, Hamilton & West McKinley, Star, Brooklyn Queens and White Castle Dome prospects and cumulative drilling and completion costs to December 31, 2013 on wells in the Maple Branch prospect.

10. Property, Plant and Equipment

	Developed petroleum and natural gas assets	Production facilities and equipment	Capitalized decommission assets	Total
Cost				
Balance, December 31, 2012	$ -	$ -	$ -	$ -
Additions	5,037,896	184,668	38,177	5,260,741
Transfer from exploration and evaluation assets	5,786,825	363,461	17,654	6,167,940
Disposals / adjustments	(242,531)	-	(29,911)	(272,442)
Impairment	(451,031)	-	-	(451,031)
Balance, end of period	10,131,159	548,129	25,920	10,705,208
Accumulated depletion				
Balance, beginning of period	-	-	-	-
Current period provision	(546,548)	(22,661)	(848)	(570,057)
Balance, end of period	(546,548)	(22,661)	(848)	(570,057)
Balance, December 31, 2013	$ 9,584,611	$ 525,468	$ 25,072	$ 10,135,151

Dixie commissioned an appraisal of certain of its oil and gas assets within the Maple Branch, Brooklyn Queens and White Castle CGUs. The appraisal was prepared as of December 31, 2013 and estimated net present values of the future net cash flows from the oil and gas assets using a discount rate of 10 percent.

The appraisal estimated the future net cash flows from Dixie's two producing wells in the Brooklyn Queens CGU at approximately US$2.13 million while the wells currently have a net carrying cost of approximately US$2.56 million. As a result Dixie identified this as an impairment trigger and completed a measurement test for the CGU. The recoverable amount of the CGU determined based on Fair Value Less Cost to Sell (FVLCTS). The FVLCTS of the CGU was calculated using proved plus probable reserves at a pre-tax discount rate of 10 percent. As a result of the impairment test, the Trust was required to recognize an impairment charge of $451,031 against its oil and gas assets located in the Brooklyn Queens CGU.

11. Petroleum and Natural Gas Sales

(net of transportation)	Year ended December 31, 2013	For the period of June 29, 2012 to December 31, 2012
Oil sales	$ 2,080,112	$ -
Gas sales	11,018	-
NGL sales	19,740	-
Royalties	(530,352)	-
Production taxes	(116,282)	-
	$ 1,464,236	$ -

12. General and Administrative

	Year ended December 31, 2013	For the period of June 29, 2012 to December 31, 2012
Salaries and management fees	$ 515,064	$ 138,877
Legal Fees	506,538	284,446
Accounting fees	463,918	95,670
Consulting fees	170,150	68,775
Administrative fees	619,949	968
Investor relations	54,025	5,897
Insurance and taxes	94,131	-
Office rental and costs	35,064	2,390
Travel, meals and entertainment	82,897	5,323
	$ 2,541,736	$ 602,346

13. Accounts Payables and Accrued Liabilities

	December 31, 2013	December 31, 2012
Accounts payable	$ 252,147	$ 138,110
Accrued liabilities	737,267	129,713
	$ 989,414	$ 267,823

14. Trade and Other Receivables

	December 31, 2013	December 31, 2012
Accounts receivable	$ 649,408	$ -
Accrued receivables	13,481	
Other receivables	1,433	19,001
	$ 664,322	$ 19,001

15. Related Parties

Administration and Management

During the year ended December 31, 2013, 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, consulting fees with a company that has a director and officer in common with the Administrator of the Trust, 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 and 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 year ended December 31, 2013, 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 and certain directors of the Administrator own royalty interests in the wells ranging from 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.

Acquisitions

During the year ended December 31, 2013, 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 Dixie's related party transactions:

	Year ended December 31, 2013	For the period of June 29, 2012 to December 31, 2012	Included in payables December 31, 2013	Included in receivables December 31, 2013
Legal fees	$ 459,063	$ 48,276	$ 51,702	$ -
Consulting fees	33,725	27,825	8,875	-
Other general and administrative	152,400	-	(3,126)	-
Management compensation	515,064	138,877	(10,000)	-
Oil natural gas sales	2,110,870	-	-	662,889
Royalties	530,352	-	-	-
Production Taxes	116,282	-	-	-
Operating expenses	196,922	-	-	-
Exploration and evaluation expenses	952,994	-	-	-
Acquisition of exploration and evaluation assets	14,651,063	74,010	737,267	-
Acquisition of property, plant and equipment	1,401,908	-	-	-

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.

16. 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.

17. Acquisition of Dogtooth Investments Ltd.

On September 20, 2013, Dixie 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.

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 is as follows:

Total consideration given for acquisition:		
Exchangeable shares	$	8,050,000
Cash		1,250,000
Working capital adjustment		(229,095)
	$	9,070,905
Value attributed to assets acquired:		
Exploration and evaluation assets	$	5,039,000
Production facilities and equipment		173,594
Petroleum and natural gas properties		3,858,311
	$	9,070,905