The following management's discussion and analysis ("MD&A") for Dixie Energy Trust (the "Trust"), dated August 26, 2014, should be read in conjunction with the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended and as at June 30, 2014 and audited consolidated financial statements and MD&A for the year ended and as at December 31, 2013, which are available on www.sedar.com and on the Trust's website at www.dixieenergytrust.com.

The Trust's interim condensed 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. The interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the presentation of interim condensed consolidated financial statements and International Accounting Standards ("IAS") 34, Interim Financial Reporting, and the accounting policies applied in the interim condensed consolidated financial statements are based on IFRS as issued, outstanding, and effective on June 30, 2014.

Figures within this MD&A are presented in Canadian dollars unless otherwise indicated.

Certain information contained in this MD&A constitutes "forward-looking statements". Readers should read the "Note regarding forward-looking statements" section at the end of this MD&A.

Certain terms used in this MD&A including "Netback" and "Funds flow from (used in) operations" are non-IFRS financial measures. See "Note regarding non-IFRS financial measures" at the end of this MD&A.

This MD&A contains disclosure expressed as "boepd" (barrels of oil equivalent per day), "bopd" (barrels of oil per day) or "mcfpd" (thousand cubic feet per day). See "Note regarding barrel of oil equivalency" at the end of this MD&A.

Overview of 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 1250, 736 - 6th Avenue SW, Calgary Alberta T2P 3T7.

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 an 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. 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.

Dixie Energy Holdings (Canada) Ltd. ("Dixie Canada") is a corporation incorporated under the ABCA. The Trust directly controls 100% of the outstanding common shares of Dixie Canada. The primary activity of Dixie Canada is the holding of securities of Dixie Energy Holdings (US), Inc. ("Dixie US") and Dixie Energy (US) Inc. ("Dixie Operator"). Dixie US and Dixie Operator are corporations incorporated under the laws of the State of Delaware. The Trust, through Dixie Canada, indirectly controls 100% of the outstanding securities of Dixie US and Dixie Operator. Dixie US (or additional entities that may be formed and held, directly or indirectly, by the Trust) has a broader mandate to acquire additional assets in accordance with the objective and strategies of the Trust. Dixie Operator has been granted oil and gas operator status by the State of Mississippi and is mandated to operate oil and gas assets for Dixie US.

Throughout this MD&A, the Trust, its subsidiaries and its Administrator are collectively referred to as "Dixie" for purposes of convenience. In addition, references to the results of oil and natural gas operations refer to operations of Dixie US.

Discussion of Activity and Operations for the three and six months ended June 30, 2014

Oil and Gas Activities

During the three months ended June 30, 2014, Dixie acquired additional oil and gas leases totalling 277 gross acres (111 net) of undeveloped land in the Maple Branch prospect in Lowndes County, Mississippi. As of June 30, 2014, Dixie had a 40% working interest in 15,555 gross acres (6,222 net) of undeveloped land in the Maple Branch prospect.

During the three months ended March 31, 2014, Dixie acquired additional oil and gas leases totalling 978 gross acres (391 net) of undeveloped land in the Maple Branch prospect in Lowndes County. Dixie participated in the drilling of the Bradley 25-5 well, in the Brooklyn field, Conecuh County, Alabama. Dixie has a 3% working interest in the Bradley 25-5 well. The Forest Homes No.2 well, in the White Castle prospect, Iberville Parish, Louisiana was completed where Dixie has an 8.7% working interest.

Selected Comparative Financial Information

The following table sets forth certain comparative financial data in respect of Dixie.

	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012[(1)]	Q3 2012[(1)]
Oil sales volume (bbls)	8,713	8,638	7,776	4,109	6,405	1,786	-	-
NGL sales volume (bbls)	547	412	401	194	67	41	-	-
Natural gas sales volume (mcf)	2,463	1,911	1,886	629	278	249	-	-
Oil equivalent sale volume (boe)	9,671	9,368	8,491	4,408	6,519	1,868	-	-
Oil sale price ($/bbl)	$107.41	$107.05	$96.10	$110.61	$ 104.47	$ 109.12	$ -	$ -
NGL sale price ($/bbl)	29.38	30.41	28.95	27.17	26.02	27.28	-	-
Natural gas sale price ($/mcf)	4.15	4.13	3.72	3.46	3.26	3.84	-	-
Oil equivalent sale price ($/boe)	99.49	100.89	90.64	104.80	103.06	105.39	-	-
Royalties ($/boe)	25.14	25.49	22.99	26.27	25.70	26.20	-	-
Production taxes ($/boe)	6.36	5.67	5.63	6.14	4.97	5.69	-	-
Lease operating expenses ($/boe)	12.51	21.14	10.36	22.23	(0.77)	8.56	-	-
Netback ($/boe)	55.53	48.57	51.58	47.87	75.01	69.05	-	-
($000's)								
Petroleum and natural gas sales, net of transportation, royalties and taxes	$ 658	$ 653	$ 526	$ 309	$ 484	$ 145	$ -	$ -
Expenses (other income) involving cash:								
Operating expenses (recovery)	121	198	88	98	(5)	16	-	-
Evaluation and exploration expenses	-	-	-	158	795	-	287	-
General and administrative	622	408	1,091	408	557	486	425	177
Interest expense (income)	-	(1)	(6)	(20)	(7)	(2)	-	-
Foreign exchange loss (gain)	5	(76)	44	17	(32)	(29)	(14)	-
	748	529	1,217	661	1,308	471	698	177
Funds flow from (used in) operations	(90)	124	(691)	(352)	(824)	(326)	(698)	(177)
Other non-cash expense (income):								
Depletion, depreciation and accretion	470	477	223	155	141	53	-	-
Impairment of oil and gas assets	-	-	451	-	-	-	79	-
Unit based compensation	(112)	65	105	193	437	79	159	-
Loss on acquisition of VisionSky Corp.	-	-	-	-	-	581	-	-
	358	542	779	348	578	713	238	-
Net loss	$ (448)	$ (418)	$(1,470)	$ (700)	$(1,402)	$(1,039)	$ (936)	$ (177)
Net loss per unit, basic and diluted	$(0.01)	$(0.01)	$(0.04)	$(0.02)	$ (0.08)	$ (0.06)	$(0.08)	$(0.03)

(1) The Trust and its subsidiaries were formed or incorporated June 29, 2012. Dixie did not participate in the exploration and evaluation of oil and natural gas prospects until the fourth quarter of 2012 and did not acquire any producing oil and gas properties until the first quarter of 2013. As such, the financial information presented in this MD&A for the third and fourth quarter of 2012 has limited usefulness for comparison purposes.

Dixie's quarterly results have fluctuated in the past eight quarters due to acquisitions of non-operated working interests of oil and gas properties in Mississippi, Alabama and Louisiana. The timing of drilling and completions in these prospective areas has resulted in increased petroleum and natural gas sales and production results. As further described in "Subsequent Events" below, Dixie recently acquired additional interests in certain oil and gas properties in the Black Warrior Basin in Mississippi and assumed operatorship of the acquired properties.

Sales Volumes and Revenues net of Transportation, Royalties and Production Taxes

During the three months ended June 30, 2014, sales volumes increased by 48% as compared to the three months ended June 30, 2013, which only included production from the Holliman 7-13H No.1, Holliman 7-13H No.2 and Godwin 31-3 wells. The increase in sales volumes in the second quarter of 2014 as compared to the second quarter of 2013 was not matched with a proportionate increase in revenue, which increased only 36%, due to Dixie's average oil sales price, net of transportation, decreasing from US$110.28 to US$98.47 per bbl.

During the six months ended June 30, 2014, sales volumes and revenues increased 127% and 108% respectively, as compared to the six months ended June 30, 2013 from new production in Maple Branch, Brooklyn Queens and White Castle areas. Dixie's average oil sales price, net of transportation, decreased from US$112.63 to US$97.71 per bbl.

During the three months ended June 30, 2014, sales volumes increased by 3% as compared to the three months ended March 31, 2014 as new production from the Bradley 25-5 and Forest Homes No.2 wells was met with approximately proportionate declines in existing production. Petroleum and natural gas sales, net of transportation, royalties and taxes increased by 1% as compared to the previous quarter. Dixie's average oil sales price, net of transportation, increased during this period from US$96.95 to US$98.47 per bbl, while Dixie's average oil sales price, net of transportation, converted to Canadian dollars increased from $107.05 to $107.41 per bbl due in part to a slight strengthening of the Canadian dollar relative to the U.S. dollar.

During the three months ended June 30, 2014, royalties averaged $25.14 per boe or 25% of revenue and production taxes averaged $6.63 per boe or 6% of revenue, both remaining relatively constant compared to the three months ended June 30, 2013 and from quarter to quarter.

Expenses

During the three months ended June 30, 2014, lease operating expenses on a per boe basis increased 1,731% as compared to the three months ended June 30, 2013, during which a recovery of previously accrued operating costs from the Holliman 7-13H No.1, Holliman 7-13H No.2 and Godwin 31-3 wells was recorded. During the three months ended June 30, 2014, Dixie recorded $nil evaluation and exploration expenses compared to $794,512 during the three months ended June 30, 2013, relating to an attempted proposed acquisition of additional oil and gas leases in the Maple Branch prospect and drilling and abandonment of the Holliman 18-4H No. 1 well. General and administrative costs increased 12% compared to the three months ended June 30, 2013 due to the acquisition of interests in certain oil and gas properties in the Black Warrior Basin in Mississippi and working towards assuming operatorship of the wells that are jointly owned by Dixie and its other working interest partners in the Maple Branch prospect.

During the six months ended June 30, 2014, total expenses decreased 28% as compared to the six months ended June 30, 2013 as there were no evaluation and exploration expenses incurred compared to the $794,512 relating to an attempted proposed acquisition of additional oil and gas leases in the Maple Branch prospect and drilling and abandonment of the Holliman 18-4H No. 1 well during the six months ended June 30, 2013.

During the three months ended June 30, 2014, lease operating expenses on a per boe basis decreased 41% as compared to the three months ended March 31, 2014, due to the operator of certain Dixie properties suspending efforts to improve production from the Maple Branch prospect wells. General and administrative costs increased 52%, due to the acquisition of interests in certain oil and gas properties in the Black Warrior Basin in Mississippi and working towards assuming operatorship of the wells that are jointly owned by Dixie and its other working interest partners in the Maple Branch prospect.

Due to the fluctuation of the Canadian dollar relative to the U.S. dollar, as of June 30, 2014 Dixie realized a loss of $4,537 arising on settlement of foreign currency transactions, compared to a gain of $31,820 for the three months ended June 30, 2013.

Depletion, depreciation and accretion expense for the three months ended June 30 2014 increased by 233% as compared to the three months ended June 30, 2013, which only included production from the Holliman 7-13H No.1, Holliman 7-13H No.2 and Godwin 31-3 wells. Depletion, depreciation and accretion expense for the three months ended June 30, 2014 decreased by 1% as compared to the three months ended March 31, 2014.

The fair value associated with the Trust's options and warrants is recorded to unit based compensation expense and is recalculated at the end of each quarter using the "Black-Scholes Option Pricing Model". The fair value estimate associated with the incentive awards is recorded to unit based compensation expense and is recalculated at the end of each quarter using the estimated fair value of the underlying trust units at that time. The following table sets forth the Trust's unit based compensation expense:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Trust unit options expense	$ (22,628)	$ 97,919	$ 21,542	$ 123,741
Restricted and performance incentive awards expense	(31,140)	128,367	35,308	169,638
Broker and VisionSky warrants expense	(58,718)	210,563	(104,188)	222,208
	$ (112,486)	$ 436,849	$ (47,338)	$ 515,587

During the three months ended June 30, 2014, 133,333 unvested trust unit options and 166,666 unvested restricted and performance incentive awards were forfeited resulting in a unit based compensation recovery.

Proposed Transactions

There are no proposed transactions currently pending as at the date of this MD&A.

Off-Balance Sheet Arrangements

As of June 30, 2014, Dixie did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Dixie including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Related Party Transactions

Administration and Management

During the three and six months ended June 30, 2014, 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, management compensation expenses, and other general and administrative expenses (including office costs, travel and meals and entertainment costs) that were reimbursed to companies that have directors and officers in common or individuals that are directors and officers of the Administrator.

The following table sets forth a summary of Dixie's related party transactions:

	Three months ended June 30, 2014	Six months ended June 30, 2014
Legal fees	$ 77,549	$ 89,845
Other general and administrative	35,538	96,815
Management compensation	226,895	380,095

In addition to the foregoing, subsequent to June 30, 2014, Dixie entered into certain additional related party transactions as further described in "Subsequent Events" below.

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.

The following table sets forth a summary of the relationship and identity of Dixie's related parties:

David Anderson	Dixie (Officer / Director), Winsome Capital Inc. (Officer / Director)
Ian Atkinson	Dixie (Officer / Director)
Kevin Dumba	Dixie (Officer)
Karen Tanaka	Dixie (Officer)
Gary McMurren	Dixie (Officer)
Erin Buschert	Dixie (Officer)
Jim McFadyen	Dixie (Officer), C.A.J. Management Ltd. (Officer / Director)
Marc Houle	Dixie (Officer)
Jeff Oke	Dixie (Director), Burnet, Duckworth & Palmer LLP (Partner)
William McGowin	Dixie (Director), The Kullman Firm (Partner)

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:

	June 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Fair value through profit and loss				
Cash and cash equivalents	$ 435,875	$ 435,875	$ 1,564,399	$ 1,564,399
Loans and receivables				
Trade and other receivables	439,409	439,409	664,322	664,322
Financial liabilities				
Accounts payable and accrued liabilities	1,832,319	1,832,319	989,414	989,414

Included in cash and cash equivalents is a US$100,000 interest bearing term deposit providing security for a letter of credit given to the Mississippi Oil and Gas Board in exchange for granting Oil and Gas operator status to Dixie in the State of Mississippi.

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:

	June 30, 2014	December 31, 2013
Cash and cash equivalents	$ 435,875	$ 1,564,399
Trade and other receivables	439,409	664,322
Total	$ 875,284	$ 2,228,721

(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
All trade and other receivables are subject to normal risk associated with the oil and gas industry. All trade and other receivables are current.

Liquidity and Capital Resources

Generally, three sources of funding for future capital expenditures are expected by the Trust to be available: (i) internally generated cash flow from operations; (ii) external debt financing, when appropriate; and (iii) new capital through the issuance of additional trust units, if available on favourable terms.

As at the date of this MD&A, Dixie has no outstanding unfunded capital expenditure obligations.

The Trust's cash and cash equivalents at June 30, 2014 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. The Trust's ability to continue as a going concern is dependent upon its ability to fund its present and future capital requirements.

The Trust will be dependent upon equity issuances, debt financing, asset dispositions or entrance into 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. 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.

Subsequent to June 30, 2014, Dixie entered into short-term loan agreements for an aggregate principal amount of $13.5 million as further described in "Subsequent Events" below. The loans were to provide Dixie with sufficient capital to complete the acquisition of interests in certain oil and gas properties in the Black Warrior Basin in Mississippi for a purchase price of US$8.0 million, subject to purchase price adjustments, undertake certain operational and optimization activities on its oil and gas assets in the Maple Branch prospect and for general corporate purposes. Dixie continues to work to evaluate other long-term financing options to fund future capital and operating activities.

The Trust's unaudited interim condensed consolidated financial statements for the three and six months ended and as at June 30, 2014 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 the financial statements may be necessary.

Unitholders' Equity

The following table shows the continuity of trust units outstanding from December 31, 2012 to June 30, 2014 and as of the date of this MD&A:

	Trust units	Trust unit capital	Accumulated other comprehensive income	Deficit	Unitholders' equity
Balance, December 31, 2012	28,074,999	$ 7,762,378	$ 9,784	$ (1,113,745)	$ 6,658,417
Issued in exchange for VisionSky shares	2,031,411	1,015,706	-	-	1,015,706
Warrants exercised	50,000	40,000	-	-	40,000
Units issued for cash	15,166,980	12,133,584	-	-	12,133,584
Issuance costs	-	(562,909)	-	-	(562,909)
Net loss	-	-	-	(2,438,951)	(2,438,951)
Foreign currency translation gain	-	-	281,369	-	281,369
Balance, June 30, 2013	45,323,390	$ 20,388,759	$ 291,153	$ (3,552,696)	$ 17,127,216
Balance, December 31, 2013	46,778,390	$ 21,519,140	$ 868,176	$ (5,724,956)	$ 16,662,360
Net loss	-	-	-	(865,065)	(865,065)
Foreign currency translation gain	-	-	63,405	-	63,405
Balance, June 30, 2014 and as of the date of this MD&A	46,778,390	$ 21,519,140	$ 931,581	$ (6,590,021)	$ 15,860,700

Exchangeable Shares

On September 20, 2013, the Trust and Dixie Canada acquired all of the issued and outstanding shares and debt of Dogtooth Investments Ltd. ("Dogtooth") for aggregate consideration of $9.3 million, comprised of $1.25 million in cash and an aggregate of 10,062,500 non-voting exchangeable shares in the capital of Dixie Canada (the "Exchangeable Shares") issued at a deemed price of $0.80 per Exchangeable Share.

Each Exchangeable Share is exchangeable at no additional consideration at the election of the holder into one (1) trust unit of the Trust. The Exchangeable Shares do not have voting or distribution/dividend rights in either the Trust or Dixie Canada (except voting rights in limited circumstances in respect of Dixie Canada) and the one-for-one exchange ratio does not adjust if either the Trust or Dixie Canada pays a distribution/dividend.

Unit Based Compensation

The following table shows the continuity of trust unit options from December 31, 2013 to June 30, 2014 and through to the date of this MD&A:

	Number of options	Weighted average exercise price
Balance, December 31, 2013	750,000	$ 0.50
Granted during the period	-	-
Forfeited during the period	(133,333)	-
Balance, June 30, 2014	616,667	$ 0.50
Forfeited between July 1, 2014 to Aug 26, 2014	(66,667)	-
Balance as of the date of this MD&A	550,000	$ 0.50

The following table shows the continuity of restricted and performance incentive awards from December 31, 2013 to June 30, 2014 and through to the date of this MD&A:

	Number of incentive awards
Balance, December 31, 2013	850,000
Granted during the period	-
Forfeited during the period	(166,666)
Balance, June 30, 2014 and as of the date of this MD&A	683,334

The following table shows the continuity of trust unit warrants from December 31, 2013 to June 30, 2014 and through to the date of this MD&A:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2013	1,036,700	$ 0.50
Issued during the period	-	-
Expired during the period	-	-
Balance, June 30, 2014 and as of the date of this MD&A	1,036,700	$ 0.50

Subsequent Events

Subsequent to June 30, 2014, Dixie completed the following transactions:

On July 31, 2014, Dixie announced that Dixie US and Dixie Canada had each entered into a short-term loan agreement, for an aggregate principal amount $13.5 million, which loans bear interest at a rate of 15% per annum and each mature and become fully repayable on October 30, 2015 (subject to early repayment, without penalty, at the election of Dixie Canada, at any time during the term of its respective loan and subject to earlier repayment with the consent of lender of Dixie US' loan or at the election of Dixie US at any time on or after the date that is six (6) months from the date of Dixie US' loan). Dixie US paid a facility fee of $175,000 on its respective loan. The purpose of the loans were to provide Dixie with sufficient capital to complete the acquisition of interests in certain oil and gas properties in the Black Warrior Basin in Mississippi and undertake certain operational and optimization activities on its oil and gas assets in the Maple Branch prospect and for general corporate purposes. Each of the loans were with "related parties" as the lender of the Dixie US loan is owned and controlled by a unit holder of the Trust who has current beneficial ownership and direction over greater than 10% of the outstanding trust units and the loan to Dixie Canada was from a trust to which a director and executive officer of the Administrator and Dixie Canada, is a trustee.

On August 5, 2014, Dixie announced that it had closed an acquisition of interests in certain oil and gas properties in the Black Warrior Basin in Mississippi for a purchase price of US$8.0 million, subject to purchase price adjustments. As part of the acquisition, Dixie assumed operatorship of the wells that are jointly owned by Dixie and its other working interest partners in the Maple Branch prospect.

Use of Estimates and Judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The reader is referred to the Trust's June 30, 2014 unaudited interim condensed consolidated financial statements and December 31, 2013 audited consolidated financial statements and MD&A for a description of estimates and judgments.

Adoption of Accounting Standards

On January 1, 2014, the Trust adopted new standards with respect to IFRIC 21 - "Levies" which establishes guidelines for the recognition and accounting treatment of a liability relating to a levy imposed by a government, and amendments to "Offsetting Financial Assets and Financial Liabilities" addressed within IAS 32 - "Financial Instruments: Presentation", which provides guidance regarding when it is appropriate and permissible for an entity to disclose offsetting financial assets and financial liabilities on a net basis. The new and amended standards are effective for annual periods beginning on or after January 1, 2014 and have no impact on the Trust's financial statements.

For annual periods commencing on or after January 1, 2018, the Trust will be required to adopt and apply retroactively IFRS 9, "Financial Instruments" as issued by the IASB. IFRS 9 establishes principles for the disclosure of financial assets and financial liabilities that will present information that is useful for the assessment of the amounts, timing and uncertainty of an entity's future cash flows. IFRS 9 is applicable to all items that fall within the scope of IAS 39, "Financial Instruments: Recognition and Measurement". The Trust has not applied this new standard as of June 30, 2014 and intends to adopt IFRS 9 in its financial statements for the annual period beginning January 1, 2018. The Trust is currently evaluating the extent of the impact that adoption will have on the consolidated financial statements.

IFRS 15, "Revenue from Contracts with Customers" is effective for fiscal periods ending on or after December 31, 2017. The Trust intends to adopt IFRS 15 for the annual period beginning on January 1, 2017. The Trust is currently evaluating the impact that the standard will have on its results of operations and financial position.

Additional Information

Additional information relating to the Trust is available on SEDAR at www.sedar.com.

Note regarding forward-looking statements

Certain of the statements made and information contained in this MD&A are forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historic fact are forward-looking statements. The Trust cautions investors that important factors could cause the Trust's actual results to differ materially from those projected, or set out, in any forward-looking statements included in this MD&A.

In particular, and without limitation, this MD&A contains forward-looking statements pertaining to the following:

- the Trust's status as a "SIFT trust";
- management's assessment that the Trust's cash and cash equivalents at June 30, 2014 are likely not sufficient to fund its planned operating and investing activities;
- management's assessment that the Trust's ability to continue as a going concern is dependent upon its ability to fund its present and future capital requirements and that the Trust will be dependent upon equity issuances, debt financing, asset dispositions or entrance into joint arrangements with third parties to fund future activities;
- management's assessment that 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;
- management's expectation that, based on the initial results of its exploration and evaluation activities, the Trust will be able to secure additional financing to fund further expenditures; and,
- management's assessment that 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.

Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although Dixie believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Dixie can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A, assumptions have been made regarding, among other things:

- the timely receipt of any required third party and regulatory approvals;

- the ability of Dixie to obtain qualified staff, equipment and services in a timely and cost efficient manner;
- the ability of the operator of the projects which Dixie has an interest in to operate the field in a safe, efficient and effective manner;
- the ability of Dixie to obtain financing on acceptable terms;
- current rules, interpretations and laws regarding "mutual fund trusts" and "SIFT trusts";
- future general and administrative expenses;
- future oil and natural gas prices;
- currency, exchange and interest rates;
- the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Dixie operates; and
- the ability of Dixie to successfully market its oil and natural gas products.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.

Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Dixie and described in the forward-looking statements or information. These risks and uncertainties which may cause actual results to differ materially from the forward-looking statements or information include, among other things:

- the ability of management to execute its business plan;
- the risk that management's assessment of the resource potential of its properties, including those subject to recently completed transactions, is incorrect;
- the ability of Dixie, or the operator of the wells in which Dixie has an interest, to bring production on in a safe, efficient and timely manner;
- oil and natural gas price volatility;
- the Trust's access to cash flows and other sources of liquidity to fund its capital expenditures;
- changes in applicable tax and other rules, interpretations, treaties and laws regarding "mutual fund trusts" and "SIFT trusts";
- general economic and business conditions;
- the risks of the oil and natural gas industry, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;
- risks and uncertainties involving geology of oil and natural gas deposits;
- the risk of unanticipated increases in Dixie's general and administrative expenses;
- the ability of Dixie to add production and reserves through acquisition, development and exploration activities;
- Dixie's ability to enter into or renew leases;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- fluctuations in oil and natural gas prices, foreign currency exchange rates and interest rates;
- risks inherent in Dixie's marketing operations, including credit risk; health, safety and environmental risks;
- risks associated with potential future law suits and regulatory actions against Dixie; and
- uncertainties as to the availability and cost of financing.

Readers are cautioned that the foregoing list is not exhaustive of all possible risks and uncertainties. The forward-looking statements or information contained in this MD&A are made as of the date hereof and the Trust undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise unless required by applicable securities laws. The forward-looking statements or information contained in this MD&A are expressly qualified by this cautionary statement.

Note regarding non-IFRS financial measures

This MD&A makes reference to the terms "netback" and "funds flow from (used in) operations", which are non-IFRS financial measure that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. Management believes that "netback" and "funds flow from (used in) operations" provide useful information to investors and management since such measures reflect the quality of production, the level of profitability of Dixie's oil and gas operations and the ability to fund future capital expenditures and ongoing operations. Netback is calculated by subtracting royalties, production taxes, transportation and operating costs from gross revenues. Funds flow from (used in) operations is calculated by subtracting cash expenses from and adding other income involving cash to petroleum and natural gas sales (net of transportation, royalties and production taxes). The table which sets forth certain comparative financial data in respect of Dixie on page three of this MD&A also reconciles funds flow from (used in) operations to net loss on a quarterly basis. Other financial data has been prepared in accordance with IFRS.

Note regarding barrel of oil equivalency

This MD&A contains disclosure expressed as "boepd" (barrels of oil equivalent per day), "bopd" (barrels of oil per day), MMboe (million barrels of oil equivalent), MMbbl (million barrels of oil) or "mcfpd" (thousand cubic feet per day). Oil production is measured in bopd and natural gas production is measured in mcfpd. Natural gas liquids ("NGLs") (ethane, propane, butane, isobutene, and pentane) are extracted from the natural gas production stream in natural gas processing plants. While NGL yield is measured in either gallons or barrels per mcf natural gas produced, NGL production is measured in bbl/day (barrels per day).

All oil and natural gas equivalency volumes have been derived using the conversion ratio of six thousand cubic feet ("mcf") of natural gas to one barrel ("bbl") of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 mcf: 1 bbl would be misleading as an indication of value.