The following management's discussion and analysis ("MD&A") for Dixie Energy Trust (the "Trust"), dated November 27, 2014, should be read in conjunction with the Trust's unaudited interim condensed consolidated financial statements for the three and nine months ended and as at September 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 September 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.

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 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 nine months ended September 30, 2014

Corporate Transactions

On November 18, 2014, Dixie announced it has entered into a purchase and sale agreement ("Agreement") with Gulf Pine Energy Partners, LP, a Delaware limited partnership (the "Purchaser" or the "Partnership"). Under the Agreement, the Purchaser has agreed to purchase all or substantially all of the assets of the Trust, being all of its right, title and interest in oil and gas assets held indirectly by the Trust and other administrative assets of the Trust held by Dixie Energy Ltd. (the "Administrator") on behalf of the Trust, directly and indirectly for total cash consideration of US$47,500,000, subject to adjustment in certain circumstances (the "Sale Transaction").

In conjunction with the Sale Transaction, the Administrator is proposing the winding-up of the Trust, including the liquidation of the Trust and the distribution to the Unitholders of Dixie trust units, on a pro-rata basis, of the cash proceeds of the sale of the Trust's assets after provision for the payment, retirement or discharge of all of the Trust's obligations and liabilities (the "Winding-Up").

Unitholders will be asked to approve the Sale Transaction and Winding-Up at the annual and special meeting of Unitholders scheduled for December 29, 2014. The closing of the Sale Transaction would result in the sale of all or substantially all of the Trust's assets and thereafter the Trust will cease to have an operating business. The Trust will commence the process of Winding-

Up as soon as reasonably practicable following the closing of the Sale Transaction. If all conditions to closing are met, the Sale Transaction is expected to close on December 29, 2014.

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 proceeds of the loans were used to complete the $8.9 million (US$8.1 million) acquisition of interests in certain oil and gas properties in the Black Warrior Basin in Mississippi ("Black Warrior Asset Acquisition") 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.

Oil and Gas Activities

During the three months ended September 30, 2014, Dixie completed the Black Warrior Asset Acquisition in Mississippi for a purchase price of $8.9 million (US$8.1 million). 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 in Lowndes County, Mississippi.

During the three months ended June 30, 2014, Dixie acquired oil and gas leases totalling 277 gross acres (111 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. 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.

	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012[1]
Oil sales volume (bbls)	7,643	8,713	8,638	7,776	4,109	6,405	1,786	-
NGL sales volume (bbls)	590	547	412	401	194	67	41	-
Natural gas sales volume (mcf)	3,286	2,463	1,911	1,886	629	278	249	-
Oil equivalent sale volume (boe)	8,781	9,671	9,368	8,491	4,408	6,519	1,868	-
Oil sale price ($/bbl)	$111.25	$107.41	$107.05	$96.10	$110.61	$ 104.47	$109.12	$ -
NGL sale price ($/bbl)	30.22	29.38	30.41	28.95	27.17	26.02	27.28	-
Natural gas sale price ($/mcf)	5.06	4.15	4.13	3.72	3.46	3.26	3.84	-
Oil equivalent sale price ($/boe)	100.76	99.49	100.89	90.64	104.80	103.06	105.39	-
Royalties ($/boe)	24.41	25.14	25.49	22.99	26.27	25.70	26.20	-
Production taxes ($/boe)	3.13	6.36	5.67	5.63	6.14	4.97	5.69	-
Lease operating expenses ($/boe)	17.65	12.51	21.14	10.36	22.23	(0.77)	8.56	-
Netback ($/boe)	55.57	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	$ 643	$ 658	$ 653	$ 526	$ 309	$ 484	$ 145	$ -
Expenses (other income) involving cash:								
Operating expenses (recovery)	155	121	198	88	98	(5)	16	-
Evaluation and exploration expenses	-	-	-	-	158	795	-	287
General and administrative	1,016	622	408	1,091	408	557	486	425
Interest expense (income)	366	-	(1)	(6)	(20)	(7)	(2)	-
Foreign exchange loss (gain)	(1)	5	(76)	44	17	(32)	(29)	(14)
	1,536	748	529	1,217	661	1,308	471	698
Funds flow from (used in) operations	(893)	(90)	124	(691)	(352)	(824)	(326)	(698)
Other non-cash expense (income):								
Depletion, depreciation and accretion	474	470	477	223	155	141	53	-
Impairment of oil and gas assets	-	-	-	451	-	-	-	79
Unit based compensation (recovery)	(608)	(112)	65	105	193	437	79	159
Exchangeable shares (recovery)	(3,019)	-	-	-	-	-	-	-
Loss on acquisition of VisionSky Corp.	-	-	-	-	-	-	581	-
	(3,153)	358	542	779	348	578	713	238
Net Income/(loss)	$ 2,260	$ (448)	$ (418)	$(1,470)	$ (700)	$ (1,402)	$(1,039)	$ (936)
Net income/(loss) per unit, basic and diluted	$ 0.06	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.02)	$ (0.08)	$ (0.06)	$ (0.08)

[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 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 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.

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

During the three months ended September 30, 2014, sales volumes increased by 99% as compared to the three months ended September 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 third quarter of 2014 as compared to the third quarter of 2013 was matched with a proportionate increase in revenue, which increased 108%. Dixie's average oil sales price, net of transportation, decreased from US$114.58 to US$102.14 per bbl.

During the nine months ended September 30, 2014, sales volumes and revenues increased 117% and 108% respectively, as compared to the nine months ended September 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$113.28 to US$99.19 per bbl.

During the three months ended September 30, 2014, sales volumes decreased by 9% as compared to the three months ended June 30, 2014 as Dixie took Holliman 7-13#2 and Holliman 17-6 off production to commence recompletion activities to increase future productivity. Petroleum and natural gas sales, net of transportation, royalties and taxes decreased by 2% as compared to the previous quarter. Dixie's average oil sales price, net of transportation, increased during this period from US$98.47 to US$102.14 per bbl, while Dixie's average oil sales price, net of transportation, converted to Canadian dollars increased from $107.41 to $111.25 per bbl due in part to a strengthening of the U.S. dollar relative to the Canadian dollar.

During the three months ended September 30, 2014, royalties averaged $4.41 per boe or 24% of revenue and production taxes averaged $3.13 per boe or 3.1% of revenue, compared to a royalty average of $25.14 per boe or 25% of revenue and production taxes average of $6.36 per boe or 6% of revenue. The decrease is a result of the Black Warrior Asset Acquisition as Dixie acquired a small overriding royalty effectively decreasing the royalty rate and successfully applied for a severance tax credit associated with two previously drilled wells. The severance tax reduction remains in place until the earlier of 30 months from the first month of sales production or the wells achieve payout.

Expenses

During the three months ended September 30, 2014, lease operating expenses on a per boe basis decreased 21% as compared to the three months ended September 30, 2013, due to a 117% increase in production volumes over the same period effectively spreading fixed operating costs across a larger production base. During the three months ended September 30, 2014, Dixie recorded $nil evaluation and exploration expenses compared to $158,373 during the three months ended September 30, 2013, relating to the drilling and abandonment of the Holliman 18-4H No. 1 well. General and administrative costs increased 149% compared to the three months ended September 30, 2013 due to additional resources required for assuming operatorship from the Black Warrior Asset Acquisition. During the three months ended September 30, 2014, Dixie incurred $366,032 in interest and financing charges associated with the previously discussed Bridge Loan transactions.

During the nine months ended September 30, 2014, total expenses increased 16% as compared to the nine months ended September 30, 2013 due to the increase in general and administrative costs and interest expense partially offset by the lack of evaluation and exploration expenses incurred compared to the $952,885 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 nine months ended September 30, 2013.

During the three months ended September 30, 2014, lease operating expenses on a per boe basis increased 41% as compared to the three months ended June 30, 2014, due to increase field operations subsequent to Dixie completing the Black Warrior Asset Acquisition as operations were suspended until the transaction was completed. General and administrative costs increased 63% over the same period, due to the addition of resources to accommodate the Black Warrior Asset Acquisition and the increase use of advisors in contemplating potential financing alternatives.

Due to the fluctuation of the Canadian dollar relative to the U.S. dollar, as of September 30, 2014 Dixie realized a gain of $939 arising on settlement of foreign currency transactions, compared to a loss of $17,273 for the three months ended September 30, 2013.

Depletion, depreciation and accretion expense for the three months ended September 30 2014 increased by 206% as compared to the three months ended September 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 September 30, 2014 increased by 1% as compared to the three months ended June 30, 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. At September 30, 2014. The fair value was estimated using a unit price of $0.50 for all unit based compensation plans. The following table sets forth the Trust's unit based compensation expense:

	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Trust unit options expense	$ (147,194)	$ (125,652)	$ 86,787	$ 210,528
Restricted and performance incentive awards expense	(134,403)	(99,095)	105,881	275,519
Broker and VisionSky warrants expense	(326,624)	(430,512)	71	222,279
	$ (607,921)	$ (655,259)	$ 192,739	$ 708,326

During the nine months ended September 30, 2014, 200,000 unvested trust unit options and 166,666 unvested restricted and performance incentive awards were forfeited resulting in the recovery previously recognized of unit based compensation expense.

The Trust's 10,062,500 non-voting exchangeable shares issued for the September 20, 2013 Dogtooth Investments Ltd. acquisition for gross proceeds of $8,050,000, valued at $0.80 per unit were recalculated at September 30, 2014 using a fair value estimated unit price of $0.50 and resulted in a recovery of $3,018,750.

Proposed Transactions

As of the date of this MD&A, Dixie announced it has entered into a purchase and sale agreement ("Agreement") with Gulf Pine Energy Partners, LP, a Delaware limited partnership (the "Purchaser" or the "Partnership"). Under the Agreement, the Purchaser has agreed to purchase all or substantially all of the assets of the Trust, being all of its right, title and interest in oil and gas assets held indirectly by the Trust and other administrative assets of the Trust held by Dixie Energy Ltd. (the "Administrator") on behalf of the Trust, directly and indirectly for total cash consideration of US$47,500,000, subject to adjustment in certain circumstances (the "Sale Transaction").

In conjunction with the Sale Transaction, the Administrator is proposing the winding-up of the Trust, including the liquidation of the Trust and the distribution to the Unitholders of Dixie trust units, on a pro-rata basis, of the cash proceeds of the sale of the Trust's assets after provision for the payment, retirement or discharge of all of the Trust's obligations and liabilities (the "Winding-Up").

Unitholders will be asked to approve the Sale Transaction and Winding-Up at the annual and special meeting of Unitholders scheduled for December 29, 2014. The closing of the Sale Transaction would result in the sale of all or substantially all of the Trust's assets and thereafter the Trust will cease to have an operating business. The Trust will commence the process of Winding-Up as soon as reasonably practicable following the closing of the Sale Transaction. If all conditions to closing are met, the Sale Transaction is expected to close on December 29, 2014.

Off-Balance Sheet Arrangements

As of September 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 nine months ended September 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. Interest paid to related parties from loans as disclosed on page 3 of this MD&A.

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

	Three months ended September 30, 2014	Nine months ended September 30, 2014
Legal fees	$ -	$ 89,845
Other general and administrative	11,217	96,815
Management compensation	33,600	413,695
Interest	366,032	366,032

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.

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 and loans. Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows:

	September 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	$ 4,189,712	$ 4,189,712	$ 1,564,399	$ 1,564,399
Loans and receivables				
Trade and other receivables	486,968	486,968	664,322	664,322
Financial liabilities				
Accounts payable and accrued liabilities	1,841,176	1,841,176	989,414	989,414
Loans	13,348,359	13,348,359	-	-

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:

	September 30, 2014	December 31, 2013
Cash and cash equivalents	$ 4,189,712	$ 1,564,399
Trade and other receivables	486,968	664,322
Total	$ 4,676,680	$ 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 September 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 has contemplated various options to continue as a going concern and has reached an agreement as discussed previously.

The Trust's unaudited interim condensed consolidated financial statements for the three and nine months ended and as at September 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 September 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	16,621,980	13,297,584	-	-	13,297,584
Issuance costs	-	(596,528)	-	-	(596,528)
Net loss	-	-	-	(3,140,432)	(3,140,432)
Foreign currency translation gain	-	-	55,993	-	55,993
Balance, September 30, 2013	46,778,390	$ 21,519,140	$ 65,777	$ (4,254,177)	$ 17,330,740
Balance, December 31, 2013	46,778,390	$ 21,519,140	$ 868,176	$ (5,724,956)	$ 16,662,360
Net loss	-	-	-	1,394,876	1,394,876
Foreign currency translation gain	-	-	1,591,393	-	1,591,393
Balance, September 30, 2014 and as of the date of this MD&A	46,778,390	$ 21,519,140	$ 2,459,569	$ (4,330,080)	$ 19,648,629

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. As at September 30, 2014, the fair value was estimated using a unit price of $0.50 and resulting in a recovery of $3,018,750.

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 September 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	(200,000)	-
Balance, September 30, 2014 and 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 September 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, September 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 September 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, September 30, 2014 and as of the date of this MD&A	1,036,700	$ 0.50

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 September 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 September 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 September 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 assessment of the potential Sale Transaction and Winding-Up transaction resulting in the sale of substantially all of the Trust's assets and thereafter the Trust will cease to have an operating business; 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 complete the proposed Sale Transaction and Winding-Up;
- 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.