# MAPLE LEAF 2013 OIL & GAS INCOME LIMITED PARTNERSHIP

Management Discussion & Analysis
December 31, 2014

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## Management Discussion and Analysis
## For the period ended December 31, 2014

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited annual financial statements dated December 31, 2014 of Maple Leaf 2013 Oil & Gas Income Limited Partnership (the "Partnership"). The MD&A has been prepared as of April 29, 2015. You can get a copy of this MD&A or the audited annual financial statements at your request, and at no cost, by calling 1.866.688.5750, by writing the general partner, Maple Leaf 2013 Oil & Gas Income Management Corp. (the "General Partner"), 609 Granville Street, Suite 808, PO Box 10357 Vancouver, BC V7Y 1G5 or by visiting our website at www.mapleleaffunds.ca or SEDAR at www.sedar.com .

This MD&A has been prepared by management and reviewed and approved by the Board of Directors of Maple Leaf 2013 Oil & Gas Income Management Corp., the general partner of the Partnership (the "General Partner") on April 29, 2015. The discussion and analysis is a review of the financial position and results of operations of the Partnership. The audited annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the Canadian Institute of Chartered Accountants (CICS). The CICA recognizes IFRS as the new Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises. The reporting currency is the Canadian dollar.

### FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Partnership. Any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

The General Partner believes the forecasts or projections herein are reasonable, however readers are cautioned not to place undue reliance on such forward-looking information and readers should review the prospectus filed with Canadian securities regulatory authorities. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons including, but not limited to, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Partnership may invest and the risks detailed in the prospectus of the Partnership. We caution that the foregoing list of factors is not exhaustive.

The forward-looking information is given as of the date of this Interim MD&A, and the General Partner undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

### INVESTMENT OBJECTIVES AND STRATEGY

The Partnership has been created to provide limited partners with an investment in (a) producing, primarily non-operated, oil and natural gas properties and/or production assets characterized by long life reserves with predictable production performance and cash flow profiles; and (b) a pool of professionally selected gross over-riding royalties and similar interests (including non-operated working interests) in oil and natural gas production and/or production revenue, in order to generate:

a) monthly income paid from revenues generated by the Producing Long Life Assets and the Oil & Gas Royalties;
b) potential capital appreciation;
c) liquidity upon divestiture of assets; and
d) a 100% tax deductible (over time) investment by incurring Canadian Oil and Gas Property Expenses ("COGPE") and/or Canadian Development Expense ("CDE").

The Distributable Cash generated by the investments is distributed to Limited Partners on a monthly basis (or on such other basis as the General Partner determines). Distributions commenced September 30, 2014 and totalled $0.90 per limited partnership unit to December 31, 2014. The Partnership has distributed an addition $0.30 per limited partnership unit to March 31, 2015 for total cumulative distributions of $1.20 per limited partnership unit.

Once a sufficient portion of the Partnership's Oil & Gas Royalties have reached a stage of production stability which, in the opinion of the General Partner, allows them to be fairly valued and sold, the General Partner intends to implement a Liquidity Event. The General Partner currently expects the Liquidity Event to be the sale of the Investments to a publicly traded company for listed securities of that company on a tax-deferred basis. The General Partner intends to implement a liquidity event on or before December 31, 2015. There can be no assurance that any such Liquidity Event will be proposed, receive the necessary approvals (including regulatory approvals) or be implemented. In the event a Liquidity Event is not implemented by December 31, 2015, the General Partner will call a meeting of limited partners to determine by ordinary resolution whether the Partnership will: (a) auction off the Investments and be dissolved on or about December 31, 2016, and its net assets distributed pro rata to the Partners; or (b) continue in operation.

## RESULTS OF OPERATIONS

The Partnership has now completed the deployment of all of its capital. Consistent with the investment mandate of the Partnership, the acquired assets are gross overriding royalties ("GORRs") on a variety of wells and lands generally concentrated in west central Alberta. The Partnership 's investment highlights are the following:

- Investment #1 is a petroleum and natural gas overriding royalty purchase and sale agreement for a total of $7 million. This agreement provides the Fund with a 3% GORR on all existing production and all land (approx. 100,000 acres) owned by the operator. A portion of the $7mm will be utilized to participate in the drilling of 2 development wells in return for an additional 7% GORR (10% total GORR).
- Investment #2 is a 9.448% GORR on two producing liquids rich natural gas wells in the Ferrier area of Alberta.
- Investment #3 is a portfolio of royalties ranging from 1.5% to 5.625% on six producing wells in the Brazeau and Pembina areas of Alberta.
- Investment #4 is a variety of royalty interests on over 12,000 gross acres of land and including over 50 producing wells in Alberta.
- Investment #5 is a $2.55 million drilling participation agreement whereby the Fund will receive a 20% GORR on six vertical oil wells expected to be drilled in 2015 in northwestern Alberta. After receipt of $2.86 million in revenues, the GORR will revert to 10%.

The Fund's current cash monthly distribution is $0.10 per limited partnership unit.

## SELECTED INFORMATION

The following table sets forth certain information of the Partnership by quarter.

| | **Dec. 31, 2014** | Sep 30, 2014 | Jun 30, 2014 | Mar 31, 2014 | Dec. 31, 2013 |
|---|---|---|---|---|---|
| | | | | | |
| **Production Royalties** | | | | | |
| BOE | **5,323.30** | 5,010.27 | 648.65 | | |
| Barrels of oil equivalent per day | **57.86** | 54.46 | 7.13 | - | - |
| **Financial** | | | | | |
| Royalty revenue | **159,278** | 202,148 | 27,708 | - | - |
| Miscellaneous Revenue | **20,000** | - | - | - | - |
| Interest revenue | **8,582** | 11,506 | 28,948 | 31,938 | 16,613 |
| Funds from (used by) operations | **8,430** | 37,208 | (376,469) | (181,410) | 20,910 |
| Operating income (loss) | **430,622** | (20,239) | (535,812) | (91,177) | (97,074) |

| | | For the year ended December 31, 2014 | | Period from Commencement of Operations on October 23, 2013 to December 31, 2013 |
|---|---|---|---|---|
| **Statement of Comprehensive Loss** | | | | |
| Loss and comprehensive loss | **$** | **(216,606)** | $ | - |
| | | | | |
| **Statement of Cash Flows** | | | | |
| Funds flow from Operations | **$** | **(220,537)** | $ | 20,910 |

| | | As at December 31, 2014 | | As at December 31, 2013 |
|---|---|---|---|---|
| **Statement of Financial Position** | | | | |
| Total Assets | **$** | **7,915,719** | $ | 12,096,388 |
| Total cash | **$** | **42,760** | $ | 215,626 |

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| | | For the year ended December 31, 2014 | | Period from Commencement of Operations on October 23, 2013 to December 31, 2013 |
|---|---|---|---|---|
| | | | | |
| **Other Expenses** | | | | |
| Impairment | $ | **3,490,474** | $ | - |
| Depletion | $ | **445,869** | $ | - |
| General and administrative | $ | **313,389** | $ | 56,506 |
| General Partner's share | $ | **409,205** | $ | - |
| Audit fees | $ | **36,070** | $ | 26,250 |
| Geological and engineering | $ | **111,884** | $ | 20,313 |
| Filing fees | $ | **5,547** | $ | 5,000 |
| Legal fees | $ | **3,970** | $ | 4,319 |
| Registrar and transfer agent | $ | **4,663** | $ | 1,299 |
| | | | | |

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Partnership issued 129,933 units at $100 per unit for gross proceeds of $12,993,300. The net proceeds to the Partnership were $11,986,319 after deducting agents' commissions of $747,115 and expenses of $259,866. As at December 31, 2014 the Partnership had invested $9,124,437 in royalty interests and had $2,502,565 in short term investments and $42,760 in cash and cash equivalents available for investment.

## RELATED PARTY TRANSACTIONS

The General Partner is responsible for performing administrative functions on behalf of the Limited Partnership which include accounting, office, personnel and systems. During the year ended December 31, 2014, the General Partner charged the Partnership $239,726 (2013 - $49,130) in office service fees and $17,000 (2013 - $3,000) in accounting & administration fees.

The General Partner agreed to reimburse the Partnership for issue costs in excess of 7.75% of the gross proceeds of Limited Partnership Units. During 2013, the Partnership incurred $120,675 of issue costs in excess of 7.75% of gross proceeds from issuance of Limited Partnership Units.

The amount owed to the General Partner at December 31, 2014 is $9,609 (2013 - $nil).

At December 31, 2014 $nil (2013 - $13,854) is due to CADO Bancorp Ltd., a company under common control with the General Partner, for reimbursement of costs paid on behalf of the Partnership. Additionally, during the period ended December 31, 2014, the Partnership reimbursed CADO Bancorp Ltd. for $nil (2013 - $15,929) of costs paid on behalf of the Partnership.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Partnership is engaged in the business of participating in the drilling, completing and managing oil and natural gas wells to earn royalties. The Partnership is exposed to a variety of financial risks, including commodity price risk, foreign exchange risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for identifying the principal risks of the Partnership and ensuring policies and procedures are in place to appropriately manage these risks.

### Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm’s length transaction between knowledgeable and willing parties who are under no compulsion to act. The Partnership classifies the fair value of the financial instruments according to a hierarchy based on the amount of observable inputs used to value the instrument.

### Financial risks

The Partnership’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (currency fluctuations, interest rates and commodity prices). The Partnership’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Partnership’s financial performance.

### Credit Risk

Credit risk is the risk of financial loss to the Partnership if an investor or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents. The maximum credit risk exposure is $2,727,625. The Partnership believes the credit risk associated with the cash and cash equivalents and short-term investment is limited due to the credit quality of the financial institution where the funds are held.

### Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its obligations as they are due. The Partnership prepares an annual budget and updates forecasts for operating, financing and investing activities on an ongoing basis to ensure it will have sufficient liquidity to meet its liabilities when due. The Partnership has sufficient cash to fund its obligations as they become due under normal operating conditions. All of the Partnership’s financial liabilities are due within 12 months.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Partnership is exposed to market risks resulting from fluctuations in foreign exchange rates, commodity prices and interest rates in the normal course of operations.

### Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. While all of the Partnership's sales are denominated in Canadian dollars, the market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. A strengthening Canadian dollar compared to the United States dollar negatively impacts the Partnership. The Partnership had no forward exchange contracts in place as at December 31, 2014 or 2013.

### Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted not only by the relationship between the Canadian and United States dollar, as mentioned above, but also world economic events that dictate the levels of supply and demand. There were no financial instruments in place to manage commodity prices during the period ended December 31, 2014 or 2013.

### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in market interest rates. The Partnership is exposed to interest rate risk on its short-term investments that have a floating interest rate. The Partnership had no interest rate swaps or hedges as at December 31, 2014 or 2013.

## CAPITAL MANAGEMENT

The Partnership considers partners' interests as the component of capital to be managed. The Partnership's main objective when managing capital is to execute on its capital investment program to provide a reasonable return for Limited Partners while ensuring capital protection. The Partnership monitors expenditures as required to ensure capital is successfully deployed based on general industry conditions.

The Partnership is not exposed to externally imposed capital requirements. The Partnership has sufficient capital resources to carry out its exploration and development plans and operations in the coming year.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Partnership are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. We have assessed the design of our internal control over financial reporting and during this process we have identified certain weaknesses in internal controls over financial reporting which are as follows:

- Due to a limited number of staff at the Partnership, it is not possible to achieve complete segregation of duties; and
- Due to the size of the Partnership and the limited number of staff, the Partnership does not have the technical accounting expertise and knowledge to address all complex and non-routine accounting transactions that may arise.

These weaknesses in the Partnership's internal controls over financial reporting result in a remote likelihood that a material misstatement would not be prevented or detected. Management and the Board of Directors work to mitigate the risk of material misstatement in financial reporting. In addition, when complex accounting and technical issues arise during preparation of the quarterly, financial statements outside consulting expertise is engaged. In spite of management's best efforts, there can be no such assurance that this risk can be reduced to a remote likelihood of material misstatement.

## DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that the information required to be disclosed by the Partnership is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Partnership's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of December 31, 2014, that the Partnership's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Partnership, is made known to them by others within the entity. It should be noted that while the Chief Executive Officer and Chief Financial Officer believe that disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

*For further information on the Partnership*
*please visit [www.mapleleaffunds.ca](http://www.mapleleaffunds.ca)*

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