

**Maple Leaf 2013 Oil & Gas
Income Limited
Partnership**

Financial Statements
June 30, 2014

(unaudited, expressed in Canadian dollars)

Maple Leaf 2013 Oil & Gas Income Limited Partnership

Statement of Financial Position

(unaudited, expressed in Canadian dollars)

	June 30, 2014 \$	December 31, 2013 \$
Assets		
Current assets		
Cash and cash equivalents	80,927	215,626
Short-term investments	4,181,552	11,791,613
Trade and other receivables	78,324	17,001
Due from General Partner (note 10)	-	72,148
	4,340,803	12,096,388
Royalty interests (note 6)	7,367,347	-
Total assets	11,708,150	12,096,388
Liabilities		
Current liabilities		
Trade and other payables	72,279	193,279
Due to general partner	5,262	-
Due to related party (note 10)	-	13,854
	77,541	207,133
Amount attributable to Limited Partners (note 7)	11,262,256	11,889,245
Amount attributable to General Partner (note 7)	368,353	10
Total liabilities	11,708,150	12,096,388

Approved by the Board of Directors of the General Partner

_____(signed) Hugh Cartwright_____
Director

_____(signed) Shane Doyle_____
Director

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

Maple Leaf 2013 Oil & Gas Income Limited Partnership

Statement of Comprehensive Loss

(unaudited, expressed in Canadian dollars)

	For the three month period ended June 30, 2014 \$	For the six month period ended June 30, 2014 \$
Revenue		
Royalty income	27,708	27,708
Interest	28,948	60,886
	<u>56,656</u>	<u>88,594</u>
Expenses		
GP share – increase in amount attributable to General Partner	368,343	368,343
General and administrative (note 10)	138,685	218,291
Legal fees	49,898	53,074
Geological and engineering	23,375	52,625
Audit fees	9,820	18,570
Filing fees	1,297	2,547
Registrar and transfer agent	1,050	2,133
	<u>592,468</u>	<u>715,583</u>
Operating loss	(535,812)	(626,989)
Finance income - decrease in amount attributable to Limited Partners (note 7)	167,469	258,646
Loss and comprehensive loss for the period	<u>(368,343)</u>	<u>(368,343)</u>

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

Maple Leaf 2013 Oil & Gas Income Limited Partnership

Statement of Cash Flows

(unaudited, expressed in Canadian dollars)

	For the three month period ended June 30, 2014 \$	For the six month period ended June 30, 2014 \$
Cash flows from operating activities		
Loss for the period	(368,343)	(368,343)
Items not involving cash		
GP share – increase in amount attributable to General Partner	368,343	368,343
Finance income (decrease in amount attributable to Limited Partners)	(167,469)	(258,646)
	(167,469)	(258,646)
Change in non-cash working capital		
Prepaid expenses	(8,000)	-
Trade and other receivables	(71,382)	(61,323)
Due to related party	(27,608)	(13,854)
Due to General Partner	30,024	77,410
Trade and other payables	(132,034)	(121,000)
	(376,469)	(377,413)
Cash flows from investing activities		
Short-term investments	7,578,123	7,610,061
Additions to royalty and working interests	(7,367,347)	(7,367,347)
	210,776	242,714
(Decrease) increase in cash and cash equivalents	(165,693)	(134,699)
Cash and cash equivalents - Beginning of period	246,620	215,626
Cash and cash equivalents - End of period	80,927	80,927

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

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Notes to Financial Statements

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1 General information

Maple Leaf 2013 Oil & Gas Income Limited Partnership (the Partnership) was formed on August 27, 2013, as a limited partnership under the laws of the Province of British Columbia, and commenced operations on October 23, 2013. The Partnership operates in one business segment, the investing in producing long life assets and oil and gas royalties in Western Canada. The General Partner of the Partnership is Maple Leaf 2013 Oil & Gas Income Management Corp. (the General Partner). The address of the registered office is 1200 Waterfront Centre, 200 Burrard St., Vancouver BC V7X 1T2.

Business of the Partnership

The business of the Partnership is to invest in producing long life assets and oil and gas royalties with the investment objective of achieving monthly income paid from revenues generated by producing long life assets and the oil and gas royalties, potential capital appreciation, liquidity upon divestiture of assets and a 100% income tax deductible (over time) investment by incurring Canadian oil and gas property expense (COGPE) and/or Canadian development expense (CDE) for Limited Partners.

Under the amended and restated limited partnership agreement between the General Partner and each of the Limited Partners (the LPA) dated October 16, 2013, the Partnership intends to use its commercially reasonable efforts to invest available funds by December 31, 2014. Any available funds that have not been committed by the Partnership for eligible investments by December 31, 2014 will be distributed to the Limited Partners by February 15, 2015 on a pro rata basis. As at June 30, 2014, the Partnership had invested \$7,367,000 and had approximately \$4,200,000 remaining on this commitment.

In order to provide Limited Partners with liquidity, the General Partner intends to implement a Liquidity Event when a sufficient portion of the Partnership's assets have reached a stage of production which, in the opinion of the General Partner, allows them to be fairly valued. The LPA provides that the General Partner intends to implement a Liquidity Event on or before December 31, 2015. The Liquidity Event may involve the sale of the investments to a publicly traded company in exchange for listed securities of that company, the sale of all of the Limited Partnership Units in exchange for listed securities of a publicly listed company and/or cash, the sale of the investments of the Partnership for cash, a Stock Exchange Listing, or where the Liquidity Event results in the Partnership receiving shares of a corporation, implementation of a Mutual Fund Rollover Transaction.

In the event that 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) dispose of the investments and be dissolved on or about December 31, 2016, and distribute its net assets pro rata to the Limited Partners and the General Partner (collectively, the Partners); or (b) continue in operation.

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As such, the termination of the Partnership is on the earliest of:

- a) December 31, 2016, unless the Partnership is extended by ordinary resolution;
- b) the date upon which the Partnership disposes of all its assets, and otherwise ceases to carry on an active business; and
- c) a date determined and approved by the General Partner and authorized by an extraordinary resolution unless the Partnership is dissolved on a different date according to the LPA.

Distributions

Under the LPA, 99.99% of net losses of the Partnership will be allocated to the Limited Partners and 0.01% to the General Partner. Until the Limited Partners have received, in total, cumulative distributions equal to 100% of their aggregate capital contributions, they will be allocated 95% of net income of the Partnership and 5% will be allocated to the General Partner. Thereafter, the Limited Partners will be allocated 75% of net income of the Partnership and the General Partner will be allocated 25% (which includes a 20% performance bonus). Upon dissolution, assets will be distributed on the same basis as net income. Net losses and net income are defined in the LPA.

The General Partner's entitlement to net assets of the Partnership represents compensation for management services rendered. The General Partner will (a) be responsible for selecting, negotiating and managing the investments; (b) develop and implement all aspects of the Partnership's communications, marketing and distribution strategies; (c) manage the ongoing business and administrative affairs of the Partnership; and (d) develop and implement the Liquidity Event.

Prior to the Liquidity Event and/or termination of the Partnership, distributions are made to the Partners on a monthly basis (or on such other basis as the General Partner determines). Distributable cash is derived from the Partnership's royalty interests, after deducting expenses of the Partnership, and varies in amount and timing. The Partnership does not have a fixed monthly distribution amount and may also make from time to time such additional distributions as the General Partner may determine to be appropriate.

2 Basis of preparation

Statement of compliance

These interim financial statements are unaudited and prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board and do not include all of the information and disclosures required for full annual financial statements and should read in conjunction with the Partnership's financial statements for the year ended December 31, 2013.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 28, 2014.

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Basis of measurement

These financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost convention.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Cash and cash equivalents

Cash and cash equivalents consist of cash and deposits with original maturities of three months or less and are held with a Canadian chartered bank.

b) Short-term investments

Short-term investments consist of guaranteed investment certificates with an original maturity of one year and are held with a Canadian chartered bank.

c) Revenue recognition

Royalty revenue is recorded in accordance with the royalty rates as stated in the contract terms when the oil and natural gas is sold, title passes to the customer and collection is reasonably assured. Interest is recorded as earned on an accrual basis.

d) Amounts attributable to Limited Partners and General Partner

The LPA imposes a contractual obligation for the Partnership to deliver a pro rata share of its net assets to the Partners on termination of the Partnership (note 1). As such, these obligations are classified as financial liabilities that are measured initially at fair value and subsequently at amortized cost. Under the amortized cost method, when the Partnership revises its estimates of payments to the Partners, the Partnership adjusts the amounts attributable to Partners to reflect actual and revised estimated cash flows. The Partnership recalculates the carrying amounts by computing the present value of estimated future cash flows.

i) Amount attributable to Limited Partners

The Limited Partners' entitlement to net assets of the Partnership is recognized upon issuance of Limited Partnership Units.

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The obligation to the Limited Partners is initially measured based on the cash contributed and subsequently measured based on the allocation set out in the LPA. Adjustments to amount attributable to Limited Partners are accounted for as finance cost or finance income in the statement of comprehensive loss.

Expenses related to the initial offering of the Limited Partnership Units have been accounted for as a reduction of amount attributable to Limited Partners.

ii) Amount attributable to General Partner

The General Partner's entitlement to net assets of the Partnership represents compensation for management services rendered and is recognized when funds of the Partnership are invested.

The General Partner is entitled to (a) a 5% share of all distributions (which include distribution of assets in connection with the dissolution of the Partnership); and (b) a 20% share of all distributions of the Partnership once Limited Partners receive, in total, distributions equal to 100% of their aggregated capital contribution to the Partnership.

The obligation to the General Partner is initially measured at 5% of the value of investments made and subsequently measured based on the allocation set out in the LPA. Adjustments to amount attributable to General Partner are accounted for as the General Partner's share within operating expenses in the statement of comprehensive loss.

e) Royalty interests

Royalty interests are classified as property, plant and equipment, and are stated at cost, less accumulated amortization and accumulated impairment losses. Costs incurred on developed oil and gas properties such as drilling of development wells and tangible costs of facilities and infrastructure construction, after determining technical feasibility and commercial viability of reserves, are capitalized to royalty interests when it is probable that a future economic benefit will flow to the Partnership as a result of the expenditure and the cost can be reliably measured. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. Subsequent expenditure is capitalized only where it enhances the economic benefit of the asset.

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i) Depletion

Royalty interests are amortized using the unit-of-production method over their reserve lives based on proved plus probable reserve volumes. Reserves and estimated future development costs are determined annually by qualified independent reserve engineers. Changes in factors such as estimates of reserves that affect unit-of-production calculations are dealt with on a prospective basis. Reserves are converted to equivalent units on the basis of relative energy content.

ii) Disposals

Royalty interest assets are de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on de-recognition of the asset, calculated as the difference between the proceeds on disposal, if any, and the carrying value of the asset, is recognized in profit or loss in the period of de-recognition.

f) Non-derivative financial instruments

Non-derivative financial instruments are recognized when the Partnership becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the rights to receive cash flows from the assets have expired or have been transferred and the Partnership has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized at the trade date, initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired:

i) Loans and receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include trade and other receivables, short-term investments, due from General Partner, and cash and cash equivalents.

ii) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Liabilities in this category include trade and other payables, due to related party, and amounts attributable to Limited Partners and General Partner.

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g) Impairment

i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

ii) Non-financial assets

At the end of each reporting period, the Partnership reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Partnership estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows is being made. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

h) Taxes

The Partnership is not subject to income taxes. The income or loss for Canadian tax purposes is allocable to the Partners pursuant to the LPA, and is included in the taxable income of the Partners in accordance with the provisions of the *Income Tax Act* (Canada).

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4 Critical judgments and accounting estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

5 New accounting standards

The following is a summary of the new standards and amendments which are relevant to the Partnership:

IFRS 9 - Financial Instruments

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The first part of IFRS 9 was issued in November 2009 and addresses classification and measurement of financial assets. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. IFRS 9 is tentatively effective for years beginning on or after January 1, 2018. The Partnership is currently assessing the impact of this standard.

6 Royalty interests

	June 30, 2014 \$
Cost	
Opening balance	-
Additions to royalty interests	7,367,347
Closing balance	7,367,347
Accumulated depletion and impairment	
Opening balance	-
Depletion	-
Closing balance	-
Net book value	
Opening balance	-
Closing balance	7,367,347

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7 Amounts attributable to Partners

		Limited Partners	General Partner
	Number of units		
		\$	\$
Beginning of period	129,933	11,889,245	10
Increase (decrease) in amounts attributable to Partners during the period	-	(626,989)	368,343
End of period	129,933	11,262,256	368,353

The Partnership is authorized to issue a maximum of 300,000 units without stated par value. All Limited Partnership Units are of the same class with equal rights and privileges, including equal participation in any distribution made by the Partnership and the right to one vote at any meeting of the Limited Partners.

8 Capital management

The Partnership considers amounts attributable to Partners as the component of capital to be managed. The Partnership's main objective when managing capital is to execute on its investment program to provide a reasonable return for the Partners while ensuring capital protection. The Partnership monitors expenditures as required to ensure capital is successfully deployed. The Partnership's objective is to provide monthly cash distributions and provide potential capital appreciation and tax deductions on 100% of Limited Partners' investments.

9 Financial instruments and risk management

The Partnership participates in the drilling, completing and managing of oil and natural gas wells to earn royalties. The Partnership is exposed to a variety of financial risks, including credit risk, liquidity risk and market risk (interest rate risk). The Board of Directors of the General Partner 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.

As at June 30, 2014, the carrying value of the Partnership's financial assets and liabilities approximated fair value.

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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, short-term investments, due from General Partner and trade and other receivables. The maximum credit risk exposure is \$4,340,803 (December 31, 2013 \$12,096,388). The Partnership believes the credit risk associated with the cash and cash equivalents and short-term investments 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 expects to have sufficient cash to fund its obligations as they become due under normal operating conditions.

Interest rate risk

Interest rate risk is the risk that the market value of the Partnership's interest-bearing financial instruments will fluctuate due to changes in prevailing interest rates. The fair value of floating rate instruments, assuming all other factors remain constant, is not affected by changes in interest rates. Interest expense, however, is affected by changes in interest rates. The short-term investments in guaranteed investment certificates are not affected by changes in interest rates as the rate of return is guaranteed. The Partnership did not hold any other interest-bearing financial instruments at June 30, 2014.

10 Related party transactions

The General Partner is responsible for providing administrative services to the Partnership. During the period ended June 30, 2014, the General Partner charged the Partnership \$190,795 as reimbursement of costs incurred in providing these services. This amount is included in general and administrative expenses.

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.

As at June 30, 2014, the General Partner had a balance receivable from the Partnership of \$5,262.

Balances and transactions with related parties have been recorded at the exchange amount. Amounts due from/to related parties are unsecured, due on demand and do not bear interest.