Maple Leaf 2012 Energy Income Limited Partnership

Financial Statements
December 31, 2012
(expressed in Canadian dollars)

April 30, 2013

Independent Auditor's Report

To the Partners of
Maple Leaf 2012 Energy Income Limited Partnership

We have audited the accompanying financial statements of Maple Leaf 2012 Energy Income Limited Partnership, which comprise the statement of financial position as at December 31, 2012 and the statements of comprehensive loss, changes in equity, and cash flows for the period from commencement of operations on February 29, 2012 to December 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Maple Leaf 2012 Energy Income Limited Partnership as at December 31, 2012 and its financial performance and its cash flows for the period from February 29, 2012 to December 31, 2012 in accordance with International Financial Reporting Standards.

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants

Maple Leaf 2012 Energy Income Limited Partnership

Statement of Financial Position

As at December 31, 2012

(expressed in Canadian dollars)

	$
Assets	
Current assets	
Cash and cash equivalents	147,532
Short-term investment	5,078,373
Trade and other receivables	1,002,410
	6,228,315
Royalty interests (note 6)	8,641,640
	14,869,955
Liabilities and Partners' Interest	
Current liabilities	
Trade and other payables	42,524
Due to related parties (note 10)	38,372
Due to General Partner (note 10)	128,836
	209,732
Partners' Equity	
Partnership units (note 7)	17,519,207
Deficit	(2,858,984)
	14,660,223
	14,869,955

Commitment (note 11)

Subsequent event (note 12)

Approved by the Board of Directors

(signed) Hugh Cartwright Director (signed) Joseph Durante Director

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

Maple Leaf 2012 Energy Income Limited Partnership

Statement of Comprehensive Loss

For the period from commencement of operations on February 29, 2012 to December 31, 2012

(expressed in Canadian dollars)

	$
Revenue	
Royalty income	1,706,973
Interest	78,373
	1,785,346
Expenses	
Impairment (note 6)	2,019,155
Depletion (note 6)	1,389,203
General and administrative (note 10)	380,587
Geological, engineering and software licensing	20,253
General partner's share (note 10)	154,056
Audit fees	25,000
Filing fees	6,712
Legal fees	28,433
Registrar and transfer agent	3,733
	4,027,132
Loss for the period	(2,241,786)
Other comprehensive income for the period	-
Total comprehensive loss for the period	(2,241,786)
Basic and diluted loss per unit	(12.82)
Weighted average basic and fully diluted units outstanding (note 10)	174,825

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

Maple Leaf 2012 Energy Income Limited Partnership

Statement of Changes in Equity

For the period from commencement of operations on February 29, 2012 to December 31, 2012

(expressed in Canadian dollars)

	Limited partnership units $	Accumulated other comprehensive income $	Deficit $	Total partners' equity $
Partner’s equity - Beginning of period	-	-	-	-
General partner's contribution	10	-	-	10
Issue of partnership units	18,991,100	-	-	18,991,100
Redemption of partnership unit	(100)	-	-	(100)
Issue costs	(1,471,803)	-	-	(1,471,803)
Distributions	-	-	(617,198)	(617,198)
Total comprehensive loss for the period	-	-	(2,241,786)	(2,241,786)
Partners' equity - End of period	17,519,207	-	(2,858,984)	14,660,223

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

Maple Leaf 2012 Energy Income Limited Partnership

Statement of Cash Flows

For the period from commencement of operations on February 29, 2012 to December 31, 2012

(expressed in Canadian dollars)

	$
Cash flows from operating activities	
Loss for the period	(2,241,786)
Items not involving cash	
Impairment	2,019,155
Depletion	1,389,203
	1,166,572
Change in non-cash working capital	
Trade and other receivables	(1,002,410)
Due to related parties	38,372
Due to General Partner	128,836
Trade and other payables	42,524
	373,894
Cash flows from investing activities	
Short-term investment	(5,078,373)
Additions to royalty interests	(12,049,998)
	(17,128,371)
Cash flows from financing activities	
General partner's contribution	10
Issue of initial partnership unit	100
Redemption of partnership unit	(100)
Proceeds from issue of partnership units	18,991,000
Issue costs	(1,471,803)
Distributions	(617,198)
	16,902,009
Increase in cash equivalents	147,532
Cash and cash equivalents - Beginning of period	-
Cash and cash equivalents - End of period	147,532

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

(expressed in Canadian dollars)

1 General information

Maple Leaf 2012 Energy Income Limited Partnership (the Partnership) was formed on December 21, 2011 as a limited partnership under the laws of the Province of British Columbia and commenced operations on February 29, 2012. The principal purpose of the Partnership is to provide Limited Partners with a tax-assisted investment in the exploration and production of oil and natural gas by investing in joint ventures with established oil and gas companies, the terms of which will provide the Partnership with royalty interests. The Partnership invests in property, plant and equipment in relation to the exploration and production of oil and natural gas projects. These costs are limited to the Partnership's share in the interest. The Partnership does not have any retirement obligations in relation to these interests. The address of the registered office is 1200 Waterfront Centre, 200 Burrard St., Vancouver BC V7X 1T2.

The Partnership's authorized capital consists of an unlimited number of Limited Partnership units and the interests held by the initial Limited Partner and the General Partner.

The General Partner of the Partnership is Maple Leaf 2012 Energy Income Management Corp. (the General Partner) and capital of $10 was contributed. Under the amended and restated limited partnership agreement between the General Partner and each of the Limited Partners (the LPA) dated February 24, 2012, 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 25% to the General Partner. Upon dissolution, assets will be distributed on the same basis as net income.

Pursuant to the LPA, the General Partner is entitled to (a) a 20% share of all distributions of the Partnership once Limited Partners receive, in total, distributions equal to 100% of their aggregate capital contribution to the Partnership, and (b) a 5% share of all distributions (including distributions of assets in connection with the winding up or dissolution of the Partnership).

The Limited Partnership operates in one business segment, the investing in oil and gas properties which provide royalties on oil and natural gas production in Western Canada.

2 Basis of preparation

Statement of compliance

These 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 (CICA). The CICA recognizes IFRS as the new Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises.

These financial statements were approved by the Board of Directors on April 25, 2013.

(expressed in Canadian dollars)

Basis of measurement

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

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in note 4.

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. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Cash and cash equivalents

Cash consists of cash and deposits with original maturities of three months or less and is held with a Canadian chartered bank.

b) Short-term investment

Short-term investment consists of a GIC with an original maturity of one year and is 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.

d) Issue costs

Expenses related to the initial offering of the Partnership units have been accounted for as a reduction of Partners' equity.

(expressed in Canadian dollars)

e) Royalty interests

Royalty interests are classified under International Accounting Standards (IAS) 16 as Property, Plant and Equipment, and are stated at cost, less accumulated depletion 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.

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 derecognized 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 the statement of comprehensive 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 derecognized 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 investment and cash and cash equivalents.

(expressed in Canadian dollars)

ii) Financial liabilities

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, and due to related parties.

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 the 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 the statement of comprehensive 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 CGU's, or otherwise they are allocated to the smallest group of CGU's 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 estimates of future cash flows have not been adjusted. 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 comprehensive income.

(expressed in Canadian dollars)

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 comprehensive income.

h) Taxes

The Limited Partnership is not subject to income taxes. The income or loss for Canadian tax purposes is allocable to the Limited Partners, pro-rated by units held, and is included in the taxable income of the partners in accordance with the provisions of the *Income Tax Act* (Canada).

i) Earnings per unit (EPU)

Basic EPU is calculated by dividing profit or loss attributable to owners of the Partnership (the numerator) by the weighted average number of Partnership units outstanding (the denominator) during the period. The denominator (number of units) is calculated by adjusting the Partnership units outstanding at the beginning of the period by the number of units redeemed or issued during the period, multiplied by a time-weighting factor.

Diluted EPU is calculated by adjusting the earnings and number of Partnership units for the effects of potential dilutive units. The effects of anti-dilutive units are ignored in calculating diluted EPU.

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.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

(expressed in Canadian dollars)

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Partnership is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Assessment of royalty interests

Management is required to assess the level of the Partnership's royalty interests together with the future expenditures to access reserves, which are utilized in determining the amortization charge for the period, assessing whether any impairment charge is required. By their nature, these estimates of discovered and probable crude oil and natural gas reserves, including the estimates of future prices, costs, related future cash flows and the selection of a pre-tax risked discount rate relevant to the asset in question are subject to measurement uncertainty. The Partnership employs an independent reserves specialist who periodically assesses the Partnership's level of royalty interests by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Partnership's assets. Significant judgment is involved when determining whether there have been any significant changes in the Partnership's royalty interests.

5 Recent accounting pronouncements

Certain new standards, interpretation, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods and are effective for the 2013 calendar year. The standard that are applicable to the Partnership are as follows:

a) IFRS 10, 11 and 12 - *Amendments to Transition Guidance*

This was amended to clarify the date of initial application of IFRS 10 which impacts assessment of control and treatment of comparative figures, and requires certain comparative disclosures under IFRS 12 on transition. This is effective for years beginning on or after January 1, 2013. Earlier application is required if IFRS 10, 11 and 12 are early adopted. The Partnership is currently assessing the impact of this standard.

b) IFRS 7 - *Financial Instruments: Disclosures*

This was amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities. It is effective for years beginning on or after January 1, 2013. The Partnership is currently assessing the impact of this standard.

(expressed in Canadian dollars)

c) IAS 1 - *Presentation of items of other Comprehensive Income (OCI)*

IAS 1 is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This is effective for years beginning on or after July 1, 2012. The Partnership is currently assessing the impact of this standard.

d) IFRS 13 - *Fair Value Measurement and Disclosure Requirements*

This provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhance disclosure requirements for information about fair value measurements. It is effective for years beginning on or after January 1, 2013. The Partnership is currently assessing the impact of this standard.

e) IFRS 10, *Consolidated Financial Statements*

IFRS 10, *Consolidated Financial Statements*, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, *Consolidation - Special Purpose Entities*. IFRS 10 changes the definition of control under IRFS so that the same criteria are applied to all entities to determine control. The Partnership is currently assessing the impact of this standard.

f) IFRS 11, *Joint Arrangements*, replaces lAS 31, *Interests in Joint Ventures*

IFRS 11, *Joint Arrangements*, replaces lAS 31, *Interests in Joint Ventures*. IFRS 11 reduces the types of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires the use of equity accounting for interests in joint ventures, eliminating the existing policy choice of proportionate consolidation for jointly controlled entities under lAS 31. Entities that participate in joint operations will follow accounting much like that for jointly controlled assets and jointly controlled operations under lAS 31. The Partnership is currently assessing the impact of this standard.

g) IFRS 12, *Disclosure of Interests in Other Entities*

IFRS 12, *Disclosure of Interests in Other Entities*, sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in lAS 28, *Investments in Associates and Joint Ventures*. The Partnership is currently assessing the impact of this standard.

(expressed in Canadian dollars)

h) IFRS 9 - *Financial Instruments - Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace lAS 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. This is effective for years beginning on or after January 1, 2015. The Partnership is currently assessing the impact of this standard.

i) IFRS 7 - *Financial Instruments - Disclosures*

This was amended to require additional disclosures on transition from lAS 39 to IFRS 9. It is effective on adoption of IFRS 9 which is effective for years beginning on or after January 1, 2015. The Partnership is currently assessing the impact of this standard.

6 Royalty interests

	$
Cost	
Opening balance	-
Royalty acquisitions	12,049,998
At December 31, 2012	12,049,998
Accumulated depletion and impairment	
Opening balance	-
Impairment	2,019,155
Depletion	1,389,203
At December 31, 2012	3,408,358
Net book value	
Opening balance	-
At December 31, 2012	8,641,640

At December 31, 2012, the Partnership assessed the carrying amount of its royalty interests in oil and gas assets for indicators of impairment such as changes in future prices, future costs and reserves. As a result, the recoverable amounts for the royalty interests in oil and gas assets were reduced by an impairment loss of $2,019,155.

(expressed in Canadian dollars)

Estimates of recoverable amounts of the royalty interests in oil and gas assets were based on fair value less costs to sell, determined by discounting each asset's estimated future cash flows at an average post-tax discount rate of 10%. A 2% increase (decrease) in the discount rate used would result in an increase (decrease) in the estimated impairment of approximately $574,000 ($691,000).

7 Partners' equity

a) Authorized

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, except for the General Partner as outlined in Note 1.

b) Issued and outstanding

	Number of units	$
Issue of limited partnership units	189,910	18,991,010
Issue costs	-	(1,471,803)
At December 31, 2012	189,910	17,519,207

Pursuant to the LPA, the General Partner contributed $10 to the capital of the Partnership.

8 Capital management

The Partnership considers partners' equity 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 Limited Partners while ensuring capital protection. The Partnership monitors expenditures as required to ensure capital is successfully deployed. The Limited 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 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.

(expressed in Canadian dollars)

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 December 31, 2012, the carrying value of the Partnership's cash and cash equivalents and short-term investment approximated fair value due to their short-term nature.

The Partnership's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize 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, short-term investments and trade and other receivables. The maximum credit risk exposure is $6,228,315. The majority of the trade and other receivables are due from an oil and gas company and were received subsequent to period end. 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. This entity is not subject to significant market risk.

(expressed in Canadian dollars)

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 investment in GICs is 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 December 31, 2012 or 2011.

Other price risk

The Partnership's financial assets consist of a short-term investment in GICs. The short-term investment carries a fixed interest rate; therefore the Partnership does not have any significant exposure to other price risk.

10 Related party transactions

The General Partner has retained Sprott Toscana and CADO Bancorp Ltd., related companies by way of common directors, to provide office space and perform certain administrative functions on behalf of the Partnership. During the period ended December 31, 2012, an amount of $367,659 was incurred and is included in administrative and other expenses and $83,468 remained payable at December 31, 2012. At December 31, 2012, there was a balance of $38,372 due to CADO Bancorp Ltd., for reimbursement of issue costs paid on behalf of the Partnership.

In addition, during the period ended December 31, 2012, $76,194 of issuance costs in excess of the agreed limit on expenses relating to the offering was charged to the General Partner. Balances outstanding are unsecured, non-interest bearing with no specific terms of repayment.

The General Partner is entitled to 5% of all distributions as partial compensation for management services provided to the Partnership. During the period ended December 31, 2012, the general partner's share of distributions of $154,056 was charged to the Partnership of which $32,485 was paid during the period. As at December 31, 2012, the total amount payable to the General Partner was $128,836. Balance and transactions with related parties have been recorded at the exchange amount.

(expressed in Canadian dollars)

Basic and diluted loss per unit

	Loss for the period $	Weighted average number of units $	Per unit amount $
As at December 31, 2012			
Net comprehensive loss - basic and diluted	(2,241,786)	174,825	(12.82)

As at December 31, 2012, there have been no dilutive instruments issued that could potentially dilute basic income per unit.

11 Commitment

Pursuant to the prospectus, the Partnership is obligated to invest available funds of $17,335,252 by December 31, 2013. As at December 31, 2012, the Partnership had invested $12,049,998 in eligible costs and had a balance of $5,285,254 remaining on this commitment

12 Subsequent events

Subsequent to December 31, 2012, the Partnership invested $1,364,989 in one additional royalty interest. Subsequent to December 31, 2012, the Partnership has made cash distributions of $5.50 per unit to March 31, 2013.