Maple Leaf 2014-II Flow-Through Limited Partnership

Financial Statements
December 31, 2014
(expressed in Canadian dollars)

March 31, 2015

Independent Auditor's Report

To the Directors of
Maple Leaf Short Duration 2014-Flow-Through Management Corp. in the capacity as the General Partner of Maple Leaf 2014-II Flow-Through Limited Partnership being
National Class
Québec Class
(the "Funds")

We have audited the accompanying financial statements of each of the Funds, which comprise the schedule of investment portfolio and the statement of financial position as at December 31, 2014 and the statements of comprehensive income (loss), changes in net assets attributable to holders of units of each of the Funds and general partner and cash flows for the period from November 28,2014 (commencement of operations) to December 31, 2014, 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 the 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 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.

PricewaterhouseCoopers LLP
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Opinion

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2014 and the financial performance and cash flows of each of the Funds for the period from November 28, 2014 (commencement of operations) to December 31, 2014 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

Maple Leaf 2014-II Flow-Through Limited Partnership

National Class

Statement of Financial Position

As at December 31, 2014

(expressed in Canadian dollars)

	$
Assets	
Current assets	
Investments	
Non-derivative financial assets	6,964,616
Cash	260,878
Due from General Partner (note 5)	89,162
Derivative assets	93,920
	7,408,576
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	167,390
Due to related parties (note 5)	25,290
Due to General Partner (note 5)	13,262
	205,942
Net assets attributable to holders of National Class units and General Partner	7,202,634
National Class units outstanding	367,789
Net assets attributable to holders of National Class units per unit	19.58

Approved by the General Partner
Maple Leaf 2014-II Flow-Through Management Corp.

(signed) Hugh Cartwright	(signed) Shane Doyle
Hugh Cartwright	**Shane Doyle**
Director	**Director**

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

Maple Leaf 2014-II Flow-Through Limited Partnership

National Class

Statement of Comprehensive Income (Loss)

For the period from November 28, 2014 (commencement of operations) to December 31, 2014

(expressed in Canadian dollars)

	$
Investment income	
Changes in fair value of investments and derivatives	
Net change in unrealized appreciation of investments and derivatives	257
Loss on forward purchases of flow-through shares	(80,531)
	(80,274)
Expenses	
Administrative and other	30,413
Audit fees	14,985
Management fee (note 5)	13,159
Custodial fees (note 6)	2,432
Legal	1,840
	62,829
Decrease in net assets attributable to holders of National Class units and General Partner from operations	(143,103)
Decrease in net assets attributable to holders of National Class units from operations per unit	(0.39)

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

Maple Leaf 2014-II Flow-Through Limited Partnership

National Class

Statement of Changes in Net Assets Attributable to Holders of National Class Units and General Partner

For the period from November 28, 2014 (commencement of operations) to December 31, 2014

(expressed in Canadian dollars)

	$
Net assets attributable to holders of National Class units and General Partner - Beginning of period	-
Decrease in net assets attributable to holders of National Class units and General Partner from operations	(143,103)
Partners' transactions	
General Partner's contribution	10
Proceeds from issue of National Class units	9,194,750
Redemption of National Class units	(25)
Distributions to Limited Partners attributable to tax benefit of Eligible Expenditures	(1,136,407)
Agents' fees	(528,697)
Issue costs	(183,894)
	7,345,737
Net assets attributable to holders of National Class and General Partner - End of period	(7,202,634)

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

Maple Leaf 2014-II Flow-Through Limited Partnership

National Class

Statement of Cash Flows

For the period from November 28, 2014 (commencement of operations) to December 31, 2014

(expressed in Canadian dollars)

	$
Cash flows from operating activities	
Decrease in net assets attributable to holders of National Class units and General Partner from operations	(143,103)
Items not affecting cash	
Net change in unrealized appreciation of investments and derivatives	(257)
Loss on forward purchases of flow-through shares	80,531
Changes in non-cash working capital items	
Due from General Partner	(89,162)
Accounts payable and accrued liabilities	167,390
Due to related parties	25,290
Due to General Partner	13,262
	53,951
Purchase of investments and derivatives	(8,275,217)
	(8,221,266)
Cash flows from financing activities	
General Partner's contribution	10
Proceeds from issue of National Class units	9,194,725
Agents' fees	(528,697)
Issue costs	(183,894)
	8,482,144
Increase in cash	260,878
Cash - Beginning of period	-
Cash - End of period	260,878

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

Maple Leaf 2014-II Flow-Through Limited Partnership

National Class

Schedule of Investment Portfolio

As at December 31, 2014

(expressed in Canadian dollars)

	Number of shares/ warrants	Average cost $	Fair value $	Net assets %
Equity investments				
Arsenal Energy Inc.	22,600	135,826	153,002	2.12
Artisan Energy Corp.(1)	2,184,000	660,442	468,686	6.51
Blackbird Energy Inc.(1)	919,500	273,643	178,156	2.47
Garibaldi Resources Corp.(1)	3,928,500	695,439	699,772	9.72
Lake Shore Gold Corp.(1)	88,500	80,712	66,919	0.93
Purepoint Uranium Group Inc.(1)	7,866,200	321,708	379,474	5.27
Quattro Exploration. & Production Ltd.(1)	1,970,300	651,870	740,900	10.29
Shore Gold Inc.(1)	6,620,200	1,461,740	1,434,207	19.91
Stonehaven Exploration Ltd.(1)	506,500	782,846	801,965	11.13
Toro Oil & Gas Ltd.(1)	725,000	696,000	698,066	9.69
Tourmaline Oil Corp.(1)	7,900	286,296	296,282	4.11
Wellgreen Platinum Ltd.(1)	921,700	575,141	603,059	8.37
Wolfden Resources Corp.(1)	2,193,500	355,164	444,128	6.17
		6,976,827	6,964,616	96.69
Warrants				
Garibaldi Resources Corp.(1)	1,964,250	39,976	32,152	0.45
Purepoint Uranium Group Inc.(1)	3,933,100	18,867	26,563	0.37
Wolfden Resources Corp.(1)	1,096,750	23,873	35,205	0.49
		82,716	93,920	1.31
		7,059,543	7,058,536	98.00
Cash			260,878	3.62
Other net liabilities			(116,780)	(1.62)
Net assets attributable to holders of National Class units and General Partner			7,202,634	100.00

(1) Subject to hold period restrictions

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

Maple Leaf 2014-II Flow-Through Limited Partnership

Québec Class

Statement of Financial Position

As at December 31, 2014

(expressed in Canadian dollars)

	$
Assets	
Current assets	
Investments	
Non-derivative financial assets	4,072,085
Cash	183,241
Due from General Partner (note 5)	62,461
Derivative assets	67,529
	4,385,316
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	117,461
Due to related parties (note 5)	17,746
Due to General Partner (note 5)	9,305
	144,512
Net assets attributable to holders of Québec Class units and General Partner	4,240,804
Québec Class units outstanding	258,082
Net assets attributable to holders of Québec Class units per unit	16.43

Approved by the General Partner
Maple Leaf 2014-II Flow-Through Management Corp.

(signed) Hugh Cartwright
Hugh Cartwright
Director

(signed) Shane Doyle
Shane Doyle
Director

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

Maple Leaf 2014-II Flow-Through Limited Partnership

Québec Class

Statement of Comprehensive Income (Loss)

For the period from November 28, 2014 (commencement of operations) to December 31, 2014

(expressed in Canadian dollars)

	$
Investment income	
Changes in fair value of investments and derivatives	
Net change in unrealized appreciation of investments and derivatives	104,012
Loss on forward purchases of flow-through shares	(235,793)
Changes in non-cash working capital items	
Due from General Partner	(131,781)
Accounts payable and accrued liabilities	
Due to related parties	
Due to General Partner	22,735
	10,515
	7,307
Purchase of investments and derivatives	2,348
Legal	1,291
	44,196
Decrease in net assets attributable to holders of Québec Class units and General Partner from operations	(175,977)
Decrease in net assets attributable to holders of Québec Class units from operations per unit	(0.68)

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

Maple Leaf 2014-II Flow-Through Limited Partnership

Québec Class

Statement of Changes in Net Assets Attributable to Holders of Québec Class Units and General Partner

For the period from November 28, 2014 (commencement of operations) to December 31, 2014

(expressed in Canadian dollars)

	$
Net assets attributable to holders of Québec Class units and General Partner - Beginning of period	-
Decrease in net assets attributable to holders of Québec Class units and General Partner from operations	(175,977)
Partners' transactions	
General Partner's contribution	10
Proceeds from issue of Québec Class units	6,452,075
Redemption of Québec Class units	(25)
Distributions to Limited Partners attributable to tax benefit of Eligible Expenditures	(1,535,245)
Agents' fees	(370,993)
Issue costs	(129,041)
	4,416,781
Net assets attributable to holders of Québec Class units and General Partner - End of period	(4,240,804)

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

Maple Leaf 2014-II Flow-Through Limited Partnership

Québec Class

Statement of Cash Flows

For the period from November 28, 2014 (commencement of operations) to December 31, 2014

(expressed in Canadian dollars)

	$
Cash flows from operating activities	
Decrease in net assets attributable to holders of Québec Class units and General Partner from operations	(175,977)
Items not affecting cash	
Net change in unrealized appreciation of investments and derivatives	(104,012)
Loss on forward purchases of flow-through shares	235,793
Changes in non-cash working capital items	
Due from General Partner	(62,461)
Accounts payable and accrued liabilities	117,461
Due to related parties	9,305
Due to General Partner	17,746
	37,855
Purchase of investments and derivatives	(5,806,640)
	(5,768,785)
Cash flows from financing activities	
General Partner's contribution	10
Proceeds from issue of Québec Class units	6,452,050
Agents' fees	(370,993)
Issue costs	(129,041)
	5,952,026
Increase in cash	183,241
Cash - Beginning of period	-
Cash - End of period	183,241

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

Maple Leaf 2014-II Flow-Through Limited Partnership

Québec Class

Schedule of Investment Portfolio

As at December 31, 2014

(expressed in Canadian dollars)

	Number of shares/ warrants	Average cost $	Fair value $	Net assets %
Equity investments				
Abcourt Mines Inc.[1]	3,456,500	149,321	132,805	3.13
Arsenal Energy Inc.	26,900	161,669	182,113	4.29
Blackbird Energy Inc.[1]	645,500	192,101	125,068	2.95
Commerce Resources Corp.[1]	4,645,500	825,041	828,337	19.54
Eastmain Resources Inc.[1]	2,557,000	490,944	568,775	13.41
Integra Gold Corp.[1]	4,301,000	805,147	805,607	19.00
Monarques Resources Inc.	3,623,750	387,352	398,613	9.40
Purepoint Uranium Group Inc.[1]	3,043,000	124,451	146,797	3.46
Shore Gold Inc.[1]	449,700	99,294	97,556	2.30
Tourmaline Oil Corp.[1]	6,150	222,876	230,650	5.44
Wolfden Resources Corp.[1]	1,196,500	193,929	242,261	5.71
Yorbeau Resources Inc.[1]	5,176,000	322,982	313,503	7.39
		3,975,107	4,072,085	96.02
Warrants				
Monarques Resources Inc.	1,811,875	47,498	38,049	0.90
Purepoint Uranium Group Inc.[1]	1,521,500	7,298	10,276	0.24
Wolfden Resources Corp.[1]	598,250	12,826	19,204	0.45
		67,622	67,529	1.59
		4,042,729	4,139,614	97.61
Cash			183,241	4.32
Other net liabilities			(82,051)	(1.93)
Net assets attributable to holders of Québec Class units and General Partner			4,240,804	100.00

(1) Subject to hold period restrictions

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

(expressed in Canadian dollars)

1 Formation and purpose of the Partnership

Maple Leaf 2014-II Flow-Through Limited Partnership (the “Partnership”) was formed on September 15, 2014 as a limited partnership under the laws of the Province of British Columbia. The financial statements are for the period from commencement of operations on November 28, 2014 to December 31, 2014. The address of the Partnership’s registered office is 609 Granville Street, Vancouver, British Columbia.

The Partnership consists of two classes of limited partnership units, the National Class Units (“National Class units”) and the Québec Class units (“Québec Class Units”) (the “Funds”), each of which is a separate non-redeemable investment fund for securities laws purposes with its own investment portfolio and investment objectives.

The investment objective of the investment portfolio in respect of the National Class units (the “National Portfolio”) and the investment objective of the investment portfolio in respect of the Québec Class units (the “Québec Portfolio”) is to provide holders of National Class units of the Partnership (the “National Class Limited Partners”) and the Québec Class units of the Partnership (the “Québec Class Limited Partners”), as applicable, with a tax assisted investment in a diversified portfolio of flow-through shares and other securities, if any, of resource issuers incurring “Canadian exploration expense”, certain “Canadian development expense” deemed under the Income Tax Act (Canada) to be “Canadian exploration expense” and certain “Canadian renewable and conservation expense” (as these phrases are defined in that Act (collectively, “Eligible Expenditures”)) across Canada with a view to (i) maximizing the tax benefits of an investment in the National Class Units or Québec Class Units, as applicable and (ii) achieving capital appreciation and/or income for the National Class Limited Partners or Québec Class Limited Partners, as applicable.

Maple Leaf 2014-II Flow-Through Management Corp. (the “General Partner”) has delegated the management of the Partnership to CADO Investment Fund Management Inc. (the “Manager”). As per the Limited Partnership Agreement between the General Partner and each of the Limited Partners dated September 15, 2014 (the “LPA”), if the assets of either the National Class or the Québec Class portfolios are not sufficient to pay any such fees, expenses or liabilities allocated to that portfolio, the deficiency shall be paid from the assets of the other class’s portfolio. Management considers the risk of cross class compensation of expenses and guarantee of liability to be remote.

There were no activities between September 15, 2014, date of the LPA, to November 28, date of the commencement operations, except for the Initial Public Offering of the Funds on November 20, 2014.

These financial statements present the carve-out financial statements of each of the Funds as separate reporting entities. As the Funds have not operated as separate entities, these carve-out financial statements are not necessarily indicative of results that would have occurred if the Funds were separate stand-alone entities during the period presented or of future results of the Funds.

These financial statements were authorized for issue by the General Partner on March 31, 2015.

(expressed in Canadian dollars)

2 Significant accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with those requirements of International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board (IASB) relevant to preparing such a financial statement. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit and loss ("FVTPL"). IFRS requires management to exercise its judgment in the process of applying the Funds' accounting policies and making certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses during any reporting year. Actual results could differ from those estimates.

Functional currency and presentation currency

The statements of financial position are presented in Canadian dollars, which is the Partnership's functional and presentation currency.

Financial instruments

The Partnership recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. The Partnership's investments are classified as FVTPL. The Partnership's obligation for net assets attributable to holders of the respective National Class or Québec Class units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount expected to be received or required to be paid, discounted, at the contract's original effective interest rate. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The Funds' accounting policies for measuring the fair value of investments and derivatives are identical to those used in measuring net asset value ("NAV") for transaction with holders of units.

(expressed in Canadian dollars)

The FVTPL category has two subcategories: financial assets or financial liabilities held for trading; and those designated at FVTPL at inception.

a) Financial assets or financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading. The Partnership does not classify any derivatives as hedges in a hedging relationship.

b) Financial assets and liabilities designated at FVTPL at inception

Financial assets and financial liabilities designated at FVTPL at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Partnership's documented investment strategy. Financial assets and financial liabilities at FVTPL are initially recognized at fair value. Transaction costs are expensed as incurred. Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at FVTPL' category are presented in the statement of comprehensive income in the period in which they arise.

All investments of the Funds except for derivatives are designated as FVTPL.

Interest income and expenses are accrued on a daily basis and dividend income is recognized at the ex-dividend date. Realized gains and losses on disposal of investments and change in unrealized appreciation and depreciation in the value of investments are reflected in the statement of comprehensive income and calculated on an average cost basis. Upon disposal of an investment, previously recognized change in unrealized appreciation and depreciation is reversed, so as to recognize the full realized gain or loss in the period of disposition. All costs directly attributable to operating activities are expensed as incurred. General expenses are allocated based on the number of units issued in each class with the exception of class specific expenses which are charged to the related class.

Regular way purchases and sales of financial assets are accounted for on a trade date basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. Certain of the Partnership's agreements with third parties allow for related amounts to be offset in certain circumstances, such as bankruptcy, but do not meet the criteria for offsetting in the statement of financial position.

(expressed in Canadian dollars)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of equity securities traded in active markets is measured using the last traded price at the year-end date where such falls within the bid-ask spread. In circumstances where the last traded prices are not within the bid-ask spread, the Manager determines the point within the bid-ask spread which is most representative of fair value based on specific facts and circumstances. An appropriate discount from the values of an actively traded security is taken for holdings of securities when a formal restriction limits the sale of the security.

The amounts at which the Partnership's publicly traded investments could be disposed of may differ from carrying value based on the last traded prices, as block holdings of the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity of large blocks.

The Partnership's policy is to recognize transfer within, into and out of the different levels of the fair value hierarchy as of the beginning of the period of the transfer.

Warrants

Warrants are recorded at their estimated fair value using a recognized valuation model. See the Fair Value Disclosure for more details on the pricing assumptions used.

Gain or loss on forward purchase of flow-through shares

The gain or loss on forward purchase of flow-through shares is the incremental change in the fair value of the investment between the date when the Partnership commits to the purchase (the "trade date") and the date of settlement (the "settlement date").

Distributions to Limited Partners attributable to tax benefit of Eligible Expenditures

Eligible Expenditures which are renounced to the Partnership through its subscriptions to flow-through share offerings are allocated 100% to the Limited Partner holders of National or Québec Class units. The tax benefit associated with the Eligible Expenditures allocated to the Limited Partners is presented on the statement of changes in net assets attributable to holders of National or Québec Class units and General Partner as a distribution to the Limited Partners. This tax benefit is measured as the difference between the transaction price of the associated flow-through shares and the fair value of the flow-through shares excluding the tax benefit on the date of the subscription, which is estimated using trading information of similar shares of the issuer.

(expressed in Canadian dollars)

Amount attributable to Limited Partners and the General Partner

The Limited Partners' entitlement to the net assets of the Funds is recognized upon issuance of limited partnership units.

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 will be accounted for as a change to the net assets attributable to holders of National or Québec Class units.

Expenses related to the initial offering of the limited partnership units have been accounted for as a reduction of amount attributable to Limited Partners. The General Partner contributed capital of $10 cash to the National Class and $10 cash to the Québec Class. The General Partner is a wholly owned subsidiary of CADO Bancorp Ltd. CADO Bancorp Ltd. is also the sole shareholder of CADO Investment Fund Management Inc., the Manager of the Partnership. Under the LPA, 99.99% of the net income of the Partnership attributable to a class, 100% of the net loss of the Partnership attributable to a class and 100% of any Eligible Expenditures renounced to a class will be allocated pro rata to the limited partners holding units of the applicable class. The General Partner is to be allocated 0.01% of the net income of the Partnership. Upon dissolution, Limited Partners are entitled to the assets of the Funds.

The Partnership is paying all costs related to the offering of units in the Partnership. However, in the event these offering expenses exceed 2% of the gross proceeds of the offering, the General Partner is responsible for the shortfall.

The Agents for the offering are being paid a fee equal to 5.75% of the gross proceeds realized from the offering. Agents' fees are treated as costs of the offering and are charged against limited partnership net assets.

According to the LPA, the Partnership has to pay for all reasonable out-of-pocket expenses incurred in connection with the operation and administration of the Partnership. Other than expenses directly attributable to a particular Portfolio, these expenses are allocated pro rata between the Portfolios based on the NAV of each class at the end of the month preceding the date such expenses are paid.

Pursuant to the LPA, the Funds are required to pay the General Partner a fee of 2% of the NAV of the Funds as determined by the formula set forth in the LPA. In addition, the General Partner is entitled to a performance bonus equal to 20% of the product of: (i) the number of units of that class outstanding on the Performance Bonus Date (as defined in the LPA); and (ii) the amount by which the NAV per unit of that class (prior to giving effect to the performance bonus) plus the total distributions per unit of that class over the Performance Bonus Term exceeds $28.

Cash

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

(expressed in Canadian dollars)

Issue costs

Expenses related to the initial offering of the Partnership units have been accounted for as a reduction of net assets.

Net assets attributable to holders of National or Québec Class units

Net assets per National or Québec Class unit are calculated by dividing the net assets attributable to holders of the National or Québec Class units by the National or Québec Class outstanding units on each valuation date.

Increase (decrease) in net assets attributable to holders of National or Québec Class units per unit

Increase (decrease) in net assets attributable to holders of National or Québec Class units from operations per unit is determined by dividing the increase (decrease) in net assets attributable to holders of National or Québec Class units from operations by the weighted average number of National or Québec Class units outstanding during the reporting period.

Income 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).

For income tax purposes, the adjusted cost base of flow-through shares is reduced by the amount of expenditures renounced to the Partnership. Upon disposition of such shares, a capital gain will result and will be allocated to the Limited Partners based upon their proportionate share of the Partnership.

3 Critical accounting estimates and judgements

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The most significant accounting estimates and judgments that the Partnership uses in preparing its financial statements are as follows:

Fair value of warrants

The Partnership holds warrants that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Where no market data is available, the Partnership may value positions using a recognized valuation model within the industry. The models used are adjusted for a lack of liquidity as appropriate. Models use observable data, to the extent practicable. However, areas such as volatilities require management to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Funds consider observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

(expressed in Canadian dollars)

Hold period discount

An appropriate discount from the value of an actively traded security is taken for holdings of securities when a formal restriction limits the sale of the security. The amount which the Partnership's publicly traded investments could be disposed of may differ from the carrying value based on the last traded price, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity

Classification of partnership units

The LPA imposes a contractual obligation for the Funds to deliver a pro rata share of their net assets to the Partners on termination of the Partnership. Based on the terms of the LPA, the General Partner and Limited Partners are both considered to have an interest in the residual net assets of the Partnership; however, they are not considered to have identical contractual obligations. Consequently, the net assets attributable to Limited Partners and General Partner are classified as liabilities because the criteria in International Accounting Standards ("IAS") 32.16C-D for equity classification are not met.

Fair value disclosure

In measuring the investment held by the Funds that are publically traded equity securities with hold period restrictions, the Partnership considered the inputs used are other than quoted prices that are observable directly and categorized as level 2 in the fair value hierarchy disclosure.

Future accounting changes

IFRS 9 - Financial Instruments

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

(expressed in Canadian dollars)

4 Partnership units

a) Authorized

The interest of the Limited Partners in the Partnership is divided into an unlimited number of units. The Partnership is authorized to issue a maximum of 400,000 National Class units and 400,000 Québec Class units.

All Partnership units within each class are of the same class with equal rights and privileges, including equal participation in any distribution made by each respective class and the right to one vote at any meeting of the Limited Partners.

As per the LPA, if the assets of the class are not sufficient to pay any such fees, expenses or liabilities allocated to that class, the deficiency shall be paid from the assets of the other class. This cross class guarantee is a financial derivative which, in management's view, has insignificant value.

b) Issued and outstanding

As at December 31, 2014, 367,789 National Class units and 258,082 Québec Class units were issued and outstanding.

Pursuant to the LPA, the General Partner contributed $10 to the National Class and $10 to the Québec Class Funds.

5 Related party balances and transactions

The Partnership is responsible for paying management fees to the General Partner equal to 2% of the NAV of the Partnership's assets. For the period ended December 31, 2014, the management fees charged by the General Partner totalled $20,466 ($13,159 National Class; $7,307 Québec Class). The General Partner also charged an administration fee to recover operating costs from the Partnership in the amount of $3,150 ($1,851 National Class; $1,299 Québec Class).

The total management and administration fees owed to the General Partner at December 31, 2014 are $22,567 ($13,262 National Class; $9,305 Québec Class).

As disclosed in note 2, the General Partner is responsible for issue costs incurred by the Partnership in excess 2% of the gross proceeds of the offering. The Partnership incurred $151,601 ($89,087 National Class; $62,514 Québec Class) of issue costs in excess of 2% of the gross proceeds of the offering. As at December 31, 2014, the balance due from the General Partner was $89,162 National Class and $62,461 Québec Class.

CADO Investment Fund Management Inc., a related company by way of common directors, provides office space and performs certain administrative functions for the Partnership. During the period ended December 31, 2014, an amount of $25,200 ($14,809 National Class; $10,391 Québec Class) was incurred.

(expressed in Canadian dollars)

Further to this, the Partnership incurred independent review committee fees in the amount of $5,233 ($3,356 National Class; $1,877 Québec Class) which were paid by the Manager.

The total administrative and expense reimbursement owed to the Manager at December 31, 2014 is $30,433 ($17,884 National Class; $12,549 Québec Class).

During the period, ML Oil & Gas Holdings Corp. a related company by way of common directors, paid prospectus filing fees on behalf of the Partnership in the amount of $12,554 ($7,377 National Class; $5,177 Québec Class). The total amount of $12,554 is an expense reimbursement which remained payable at December 31, 2014.

Additionally, there is $50 due to CADO BanCorp from the redemption of the initial LP units (National Class - $29; Quebec Class - $21).

Balances and transactions with related parties are unsecured, bear no interest and are due on demand.

6 Custodial fees

During the period ended December 31, 2014, the Partnership incurred custodial fees of $4,780 ($2,432 National Class; $2,348 Québec Class).

7 Risk management

The Partnership's activities expose it to a variety of financial instrument risks: market risk (including price risk, interest rate risk and foreign exchange risk), credit risk, concentration risk and liquidity risk.

The Partnership's overall risk management strategy focuses on the unpredictability of performance of early stage public investments and seeks to minimize potential adverse effects on the Partnership's financial performance. The Partnership uses diversification to moderate risk exposures associated with a concentration of investments. The Partnership's investment objective is to provide Limited Partners with a tax-assisted investment in a diversified portfolio of flow-through shares of resource issuers with a view to achieving capital appreciation. The principal business of the resource issuers is mineral, oil or gas exploration, development or production and projects in renewable energy and the development of energy efficient technologies.

(expressed in Canadian dollars)

The Partnership's investment strategy is to invest in flow-through shares of resource companies that are considered to:

a) have experienced and reputable management with a defined track record in the energy, mining or alternative energy industries;

b) have a knowledgeable Board of Directors;

c) have exploration programs or exploration and development programs in place;

d) have securities that are suitably priced and offer capital appreciation potential; and

e) meet certain market capitalization and other investment criteria.

Market risk

a) Price risk

The Partnership's investments are exposed to market price risk due to changing market conditions for equities as well as specific industry changes in the energy sector, such as changes in commodity prices and the level of market demand as well as any changes to the tax environment in which the investee entities operate. All investments in equity securities have an inherent risk of loss of capital. The maximum risk resulting from financial instruments investments is determined by the fair value of the financial instruments.

The Partnership seeks to manage market risks by careful selection of securities prior to making an investment in an early stage company and by regular ongoing monitoring of the investment performance of the individual investee companies. The Manager also sets thresholds on individual investments to mitigate the risk of exposure to any one investment. The Partnership's overall market positions are monitored on a daily basis by the Partnership's Manager and are reviewed on a semi-annual basis by the Board of Directors.

The Partnership's overall exposure is managed by the investment restrictions outlined in the investment policy in the prospectus, which include a requirement for all investments to be held in publicly traded resource investments and no more than 20% of investments to be held in any one investment.

At December 31, 2014, the Partnership's market risk is impacted directly by changes in equity prices and indirectly by changes in oil and gas and other commodity prices. The immediate impacts on equities of a 5% increase or decrease in the fair value of investments are approximately $352,927 and $206,981 for the National Class and Québec Class, respectively.

(expressed in Canadian dollars)

b) Interest rate risk

The substantial majority of the Partnership's financial assets are non-interest bearing. As a result, the Partnership is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash is invested at short-term market interest rates. The Partnership's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

c) Foreign exchange risk

The Partnership is not exposed to any significant foreign exchange risk.

Credit risk

The Partnership has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

When the Partnership trades in listed or unlisted securities that are settled upon delivery using approved brokers, the risk of default is considered minimal since delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The Partnership only transacts with brokers that are regulated by the Investment Industry Regulatory Organization of Canada ("IIROC").

The Partnership monitors its credit position regularly, and the Board of Directors reviews it on a periodic basis. The Partnership has not identified any past due assets or receivables as at December 31, 2014.

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

	% of net assets of National Class	**% of net assets of Québec Class**
Sector/subgroup		
Base metals	6.65	6.17
Energy	51.97	16.39
Other metals	28.29	21.83
Precious metals	11.09	53.23
Cash	3.62	4.31
Net liabilities	(1.62)	(1.93)
	100.00	100.00

(expressed in Canadian dollars)

Liquidity risk

The Partnership is a closed end partnership and therefore it does not have significant exposure to early redemptions of Partnership units. There is no market for units of the Partnership and it is unlikely that any public market will develop through which units may be sold. At the time of dissolution, the General Partner intends to transfer the assets of the Partnership to a mutual fund in exchange for shares of that mutual fund. However, there is no assurance that the Liquidity Event, as defined in the prospectus, will be implemented, and the Limited Partners may receive securities upon dissolution of the Partnership for which there may be an illiquid market or which may be subject to resale restrictions.

The Partnership invests in early stage energy resource companies that may be publicly listed securities but thinly traded. Securities purchased by the Partnership may be subject to resale restrictions such as hold periods. During periods when resale restrictions apply, the Partnership may dispose of such securities only pursuant to certain statutory exemptions.

The Partnership manages liquidity risk by maintaining sufficient liquid cash resources and publicly listed resource companies to ensure the Partnership's liquidity requirements are met.

The current liabilities are payable within three months.

8 Fair values disclosure

The three levels of the fair value hierarchy as per IFRS 13, *Fair Value Measurement,* are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly

Level 3 - Inputs that are not based on observable market data.

The fair value of publicly traded equity investments is generally estimated using observable market data in active markets or bid prices from market makers and broker-dealers. Generally, these securities are categorized in Level 1 or 2 of the fair value hierarchy as observable market-data is readily available. The hold period discount applied to the equity investment is the hold period indicated on the subscription agreement for each of the respective investments, pro-rated using an annual rate of 12%.

(expressed in Canadian dollars)

The Partnership's warrants that are thinly traded and where observable data is not readily available due to their lack of marketability are categorized as Level 3 because significant management judgment is involved in the selection of valuation assumptions. The fair value of warrants is estimated using the Black-Scholes pricing model that factors in current and contractual prices of the underlying instrument, time value of money, yield curve and volatility. The Black-Scholes value is adjusted for hold period restrictions as applicable. The main assumptions that require management estimate are the following:

	Assumption %	Impact on net assets for a change of +/- 10% $
Volatility		
National Class	50	36,000 (37,000)
Québec Class	50	23,000 (24,000)

	Assumption %	Impact on net assets for a change of +/- 1% $
Hold period discount		
National Class	12	21,000 (21,000)
Québec Class	12	11,000 (11,000)

The following table illustrates the classification of the Partnership's financial instruments within the fair value hierarchy as at December 31, 2014:

	Financial assets at fair value as at December 31, 2014			
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
National Class				
Equities	153,002	6,811,614	-	6,964,616
Warrants	-	-	93,920	93,920
	153,002	6,811,614	93,920	7,058,536
Québec Class				
Equities	580,726	3,491,359	-	4,072,085
Warrants	-	-	67,529	67,529
	580,726	3,491,359	67,529	4,139,614

There were no financial instruments that were transferred between levels of the fair value hierarchy during the periods ended.

(expressed in Canadian dollars)

The fair value of publicly traded equity securities is generally estimated using observable market data in active markets or the last trading prices from market makers and broker-dealers. Generally, these securities are categorized in Level 1 of the fair value hierarchy as observable market data is readily available. The Partnership's publicly traded equity securities that are thinly traded or where fair values are adjusted for hold period restrictions are categorized as Level 2.

The following table reconciles the Partnership's Level 3 fair value measurements from the commencement of operations to December 31, 2014:

	Fair value measurements using Level 3 input	
	Warrants	
	National Class $	Québec Class $
Balance - November 28, 2014		
Purchases	82,716	67,622
Sales/expiry	-	-
Unrealized gain (losses)	11,204	(93)
Exercised	-	-
Balance - December 31, 2014	93,920	67,529

9 Capital risk management

Units issued and outstanding are considered to be the capital of the Partnership. In 2014, the National Class issued 367,789 units for $9,194,725 and the Québec Class issued 258,082 units for $6,452,050, before issue costs. The Partnership cannot issue any additional units. Until the time of dissolution of the Partnership, the Limited Partners cannot redeem units. The Partnership manages capital in accordance with its investment objectives.