

**Maple Leaf Short
Duration 2011-II
Flow-Through
Limited Partnership**

Financial Statements
December 31, 2011
(expressed in Canadian dollars)

March 30, 2012

Independent Auditor's Report

To the Partners

of Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership in respect of the National Class and the Quebec Class (collectively, the "Funds")

We have audited the accompanying financial statements of Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership which comprise the statements of net assets and investment portfolio of each of the Funds as at December 31, 2011 and the statements of operations, changes in net assets, and cash flows of each of the Funds for the period from commencement of operations on September 22, 2011 to December 31, 2011 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 Canadian generally accepted accounting principles, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP, Chartered Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds of Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership as at December 31, 2011 and the results of their operations and their cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership National Class

Statement of Net Assets

As at December 31, 2011

(expressed in Canadian dollars)

	\$
Assets	
Cash	96,420
Deferred loan arrangement fee (note 3)	21,848
Due from related parties (note 6)	132,464
Investments - at fair value	<u>10,215,283</u>
	<u>10,466,015</u>
Liabilities	
Accounts payable and accrued liabilities	112,634
Loan payable (note 3)	<u>1,482,081</u>
	<u>1,594,715</u>
Net assets representing Partnership equity	<u>8,871,300</u>
Partnership units outstanding (note 5)	<u>554,823</u>
Net assets per Partnership unit	<u>15.99</u>

**Approved by the General Partner
Maple Leaf Short Duration 2011-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 Short Duration 2011-II Flow-Through Limited Partnership National Class

Statement of Operations

For the period from commencement of operations on September 22, 2011 to December 31, 2011

(expressed in Canadian dollars)

	\$
Expenses	
Administrative and other (notes 4 and 6)	59,905
Audit fees	20,160
Interest	8,730
Management fee (note 4)	26,271
Custodial fees (note 7)	3,807
Legal fees	<u>11,379</u>
	130,252
Net investment loss	(130,252)
Unrealized depreciation on investments	<u>(3,655,358)</u>
Decrease in net assets from operations	<u>(3,785,610)</u>
Decrease in net assets from operations per Partnership unit	<u>(6.82)</u>

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

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership National Class

Statement of Changes in Net Assets

For the period from commencement of operations on September 22, 2011 to December 31, 2011

(expressed in Canadian dollars)

	\$
Net assets - Beginning of period	<u>-</u>
Decrease in net assets from operations	<u>(3,785,610)</u>
Partners' transactions	
Proceeds from issuance of Partnership units	13,870,575
General Partner's contribution	10
Agents fees	(936,264)
Costs of issue	<u>(277,411)</u>
	<u>12,656,910</u>
Net assets - End of period	<u>8,871,300</u>

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

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership National Class

Statement of Cash Flows

For the period from commencement of operations on September 22, 2011 to December 31, 2011

(expressed in Canadian dollars)

	\$
Cash flows from operating activities	
Net investment loss	(130,252)
Changes in non-cash working capital items	
Accounts payable and accrued liabilities	112,634
Due from related parties	(132,464)
Deferred loan arrangement fee	(21,848)
	<u>(171,930)</u>
Purchase of investments	<u>(13,870,641)</u>
	<u>(14,042,571)</u>
Cash flows from financing activities	
General Partner's contribution	10
Proceeds from issuance of Partnership units	13,870,575
Proceeds from loan	1,482,081
Agents fees	(936,264)
Costs of issue	(277,411)
	<u>14,138,991</u>
Increase in cash	96,420
Cash - Beginning of period	<u>-</u>
Cash - End of period	<u>96,420</u>
Interest paid	<u>7,106</u>

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

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership National Class

Statement of Investment Portfolio

As at December 31, 2011

(expressed in Canadian dollars)

	Number of shares	Average cost \$	Fair value \$	Net assets %
Equity investments				
Alderon Iron Ore Corp. ⁽¹⁾	370,000	1,110,000	950,834	10.72
Argosy Energy Inc.	336,700	791,245	400,673	4.52
Border Petroleum Corp.	720,000	180,000	147,600	1.66
Brigus Gold Corp. ⁽¹⁾	348,000	591,600	330,857	3.73
Elgin Mining Inc. ⁽¹⁾	557,200	780,080	529,899	5.97
Fission Energy Corp. ⁽¹⁾	752,000	639,200	520,228	5.86
Guide Exploration Ltd.	238,000	844,900	747,320	8.42
Manitok Energy Inc.	295,400	649,880	472,640	5.33
Marathon Gold Corporation	535,500	883,575	578,340	6.52
Noront Resources Ltd. ⁽¹⁾	1,108,900	953,654	822,412	9.27
North Country Gold Corp.	777,800	700,020	552,238	6.22
Seabridge Gold Inc. ⁽¹⁾	39,800	1,039,974	629,572	7.10
Tamarack Valley Energy Ltd. ⁽¹⁾	250,000	100,000	81,311	0.93
Tourmaline Oil Corp.	42,500	1,742,500	1,129,650	12.73
Treasury Metals Inc. ⁽¹⁾	609,000	700,350	660,104	7.44
Trelawney Mining and Exploration Inc.	297,900	1,400,130	875,826	9.87
West Kirkland Mining Inc. ⁽¹⁾	50,000	63,500	42,204	0.48
White Tiger Gold Ltd. ⁽¹⁾	853,700	700,033	743,575	8.38
	<u>8,182,400</u>	<u>13,870,641</u>	10,215,283	115.15
Liabilities - net of other assets			<u>(1,343,983)</u>	<u>(15.15)</u>
Net assets			<u>8,871,300</u>	<u>100.00</u>

⁽¹⁾ Subject to hold period restrictions

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

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership Quebec Class

Statement of Net Assets

As at December 31, 2011

(expressed in Canadian dollars)

	\$
Assets	
Due from related parties (note 6)	19,159
Deferred loan arrangement fee (note 3)	21,848
Investments - at fair value	<u>1,641,799</u>
	<u>1,682,806</u>
Liabilities	
Bank indebtedness	7,420
Accounts payable and accrued liabilities	26,815
Loan payable (note 3)	<u>214,361</u>
	<u>248,596</u>
Net assets representing Partnership equity	<u>1,434,210</u>
Partnership units outstanding (note 5)	<u>80,247</u>
Net assets per Partnership unit	<u>17.87</u>

**Approved by the General Partner
Maple Leaf Short Duration 2011-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 Short Duration 2011-II Flow-Through Limited Partnership Quebec Class

Statement of Operations

For the period from commencement of operations on September 22, 2011 to December 31, 2011

(expressed in Canadian dollars)

	\$
Expenses	
Administrative and other (notes 4 and 6)	11,360
Audit fees	13,440
Interest	1,263
Management fee (note 4)	3,800
Custodial fees (note 7)	551
Legal fees	<u>1,646</u>
	32,060
Net investment loss	(32,060)
Unrealized depreciation on investments	<u>(364,376)</u>
Decrease in net assets from operations	<u>(396,436)</u>
Decrease in net assets from operations per Partnership unit	<u>(4.94)</u>

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

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership Quebec Class

Statement of Changes in Net Assets

For the period from commencement of operations on September 22, 2011 to December 31, 2011

(expressed in Canadian dollars)

	\$
Net assets - Beginning of period	-
Decrease in net assets from operations	(396,436)
Partners' transactions	
Proceeds from issuance of Partnership units	2,006,176
General Partner's contribution	10
Agents fees	(135,417)
Costs of issue	(40,123)
	<u>1,830,646</u>
Net assets - End of period	<u>1,434,210</u>

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

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership Quebec Class

Statement of Cash Flows

For the period from commencement of operations on September 22, 2011 to December 31, 2011

(expressed in Canadian dollars)

	\$
Cash flows from operating activities	
Net investment loss	(32,060)
Changes in non-cash working capital items	
Accounts payable and accrued liabilities	26,815
Due from related parties	(19,159)
Deferred loan arrangement fee	(21,848)
	<u>(46,252)</u>
Purchase of investments	<u>(2,006,175)</u>
	<u>(2,052,427)</u>
Cash flows from financing activities	
General Partner's contribution	10
Proceeds from issuance of Partnership units	2,006,176
Proceeds from loan	214,361
Agents fees	(135,417)
Costs of issue	(40,123)
	<u>2,045,007</u>
Decrease in cash	(7,420)
Cash - Beginning of period	<u>-</u>
Bank indebtedness - End of period	<u>(7,420)</u>
Interest paid	<u>1,028</u>

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

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership Quebec Class

Statement of Investment Portfolio

As at December 31, 2011

(expressed in Canadian dollars)

	Number of shares/ warrants	Average Cost \$	Fair value \$	Net assets %
Equity investments				
Alderon Iron Ore Corp. ⁽¹⁾	50,000	150,000	128,491	8.96
Argosy Energy Inc.	50,300	118,205	59,857	4.17
Brigus Gold Corp. ⁽¹⁾	52,000	88,400	49,438	3.45
Cogitore Resources Inc. ⁽¹⁾	1,179,700	200,549	182,120	12.69
Fancamp Exploration Ltd. ⁽¹⁾	482,000	194,622	134,646	9.39
Fission Energy Corp. ⁽¹⁾	48,000	40,800	33,206	2.32
Gold Bullion Development Corp. ⁽¹⁾	1,115,000	189,118	176,435	12.30
Integra Gold Corp. ⁽¹⁾	200,000	96,151	77,115	5.38
Noront Resources Ltd. ⁽¹⁾	56,000	48,160	41,532	2.90
Tourmaline Oil Corp. ⁽¹⁾	6,300	258,300	163,097	11.37
White Tiger Gold Ltd. ⁽¹⁾	488,300	400,406	425,311	29.64
Yorbeau Resources Inc. ⁽¹⁾	802,500	200,625	146,417	10.21
	<u>4,530,100</u>	<u>1,985,336</u>	<u>1,617,665</u>	<u>112.78</u>
Warrants				
Fancamp Exploration Ltd. ⁽¹⁾	241,000	5,408	8,546	0.60
Gold Bullion Development Corp. ⁽¹⁾	557,500	11,582	11,582	0.81
Integra Gold Corp. ⁽¹⁾	100,000	3,849	4,006	0.28
	<u>898,500</u>	<u>20,839</u>	<u>24,134</u>	<u>1.69</u>
	<u>5,428,600</u>	<u>2,006,175</u>	<u>1,641,799</u>	<u>114.47</u>
Liabilities - net of other assets			<u>(207,589)</u>	<u>(14.47)</u>
Net assets			<u>1,434,210</u>	<u>100.00</u>

⁽¹⁾ Subject to hold period restrictions

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

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2011

(expressed in Canadian dollars)

1 Formation and purpose of the Partnership

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership (the “Partnership”) was formed on September 16, 2011 as a limited partnership under the laws of the Province of British Columbia. The Partnership consists of two classes of limited partnership units, the National Class and the Quebec Class, 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 (the “National Portfolio”) is to provide holders of National Class units of the Partnership (the “National Class Limited Partners”) with a tax assisted investment in a diversified portfolio of flow-through shares and other securities, if any, of resource issuers across Canada with a view to (i) maximizing the tax benefits of an investment in the National Class units, and (ii) achieving capital appreciation and/or income for the National Class Limited Partners. The investment objective of the investment portfolio in respect of the Quebec Class (the “Quebec Portfolio”) is to provide holders of Quebec Class units of the Partnership (the “Quebec Class Limited Partners”) with a tax assisted investment in a diversified portfolio of flow-through shares and other securities, if any, of resource issuers principally in Quebec with a view to (i) maximizing the tax benefits of an investment in the Quebec Class units, and (ii) achieving capital appreciation and/or for the Quebec Class Limited Partners.

The Partnership is managed by Maple Leaf Short Duration 2011-II Flow-Through Management Corp. (the “General Partner”). Under the Amended and Restated Limited Partnership Agreement between the General Partner and each of the Limited Partners (the “LPA”) dated October 28, 2011, 99.9% of the net income of the Partnership, 100% of the net loss of the Partnership and 100% of any Eligible Expenditures renounced to the Partnership will be allocated pro rata to the Limited Partners and the General Partner is to be allocated 0.01% of the net income of the Partnership.

The Partnership is expected to dissolve on or before December 31, 2012. Upon dissolution, Limited Partners are entitled to receive 99.99% of the net assets of the Partnership and the General Partner is entitled to receive 0.01% of the net assets. The General Partner intends to implement a transaction pursuant to which the Partnership will transfer its assets to a mutual fund in exchange for shares of that mutual fund (the “Liquidity Event”) and the mutual fund shares will be distributed to the Limited Partners, pro rata, on a tax deferred basis upon the dissolution of the Partnership. The Liquidity Event is subject to the mutual agreement of the General Partner and the mutual fund and the receipt of all necessary regulatory approvals

2 Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The following is a summary of significant accounting policies used by the Partnership:

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2011

(expressed in Canadian dollars)

Investments in public equity securities

The fair value of equity securities traded in active markets is measured using the closing bid price at the year-end date. 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 may differ from carrying value based on closing bid prices, 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.

Warrants

Warrants are recorded at their estimated fair value using a recognized valuation model.

Transaction costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of investments, are recorded as an expense in the statement of operations.

Cash

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

Revenue and expense recognition

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 unrealized gains and losses in the value of investments are reflected in the statement of operations and calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains and losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. Interest is recorded on an accrual basis. All costs directly attributable to operating activities are expensed as incurred. General expenses were allocated based on the number of units issued in each Class with the exception of Class specific fees which would be charged to that Class.

Purchases and sales of securities are accounted for on a trade date basis.

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 be allocated to the Limited Partners based upon their proportionate share of the Partnership.

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2011

(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.

Valuation of Partnership units

Net assets per Partnership unit are calculated by dividing the net assets of the Partnership by its outstanding units on each valuation date.

Increase (decrease) in net assets from operations per Partnership unit

Increase (decrease) in net assets from operations per Partnership unit is determined by dividing the net increase (decrease) in net assets from operations by the weighted average number of units outstanding during the reporting period.

Income taxes

Since the Partnership is an unincorporated business, the liability for income taxes is that of the partners and not the Partnership. Accordingly, no provision for income taxes for the Partnership has been made in these financial statements.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and income and expenses during the reporting period. Actual results could differ from those reported and the differences could be material. Significant areas involving the use of estimates include determining estimated fair value of warrants. In calculating the estimated fair value, the Partnership makes maximum use of publicly available market-based inputs.

Financial instruments

Interest receivable and dividends receivable are designated as loans and receivables and recorded at amortized cost. Similarly, accounts payable, accrued liabilities and loans payable are designated as other financial liabilities and recorded at cost or amortized cost. The carrying value of financial liabilities approximates fair value due to the relatively short period to maturity.

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2011

(expressed in Canadian dollars)

3 Loan payable

In November 2011, the Partnership established a credit facility of up to \$4,950,000 (subject to certain conditions including borrowing limits based on assets) with a Canadian chartered bank (the "Bank") for the payment of issue costs and provided the Bank with a security interest in all the assets of the Partnership. Management fees of \$50,000 (\$25,000 National Class; \$25,000 Quebec Class) have been deferred and recognized over the expected term of the loan. As at December 31, 2011, the loan principal balance outstanding was \$1,696,442 (\$1,482,081 National Class; \$214,361 Quebec Class), which is the maximum amount borrowed during the period. The Partnership pays interest on the outstanding loan balance at the Bank's prime lending rate plus 2.0% per annum. This loan is repayable at the earlier date of (a) dissolution; and (b) May 31, 2012.

4 Expenses of the Partnership

The Partnership paid, from the proceeds of the Partnership's credit facility, all of the expenses of the offering and all other costs that were reasonably incurred in connection with the formation, capitalization or organization of the Partnership, and pays certain operating and administrative costs that are not expected to be fully deductible in computing income of the Partnership pursuant to the *Income Tax Act*.

The Partnership pays all of the expenses of carrying on of its business, including legal and audit fees, interest and administrative costs relating to financial and other reports, and compliance with all applicable laws, regulations and policies. The General Partner is reimbursed for all reasonable out-of-pocket costs and expenses that are incurred by the General Partner on behalf of the Partnership in the ordinary course of business or other costs and expenses incidental to acting as general partner so long as the General Partner is not in default of its obligations. Such costs and expenses include reimbursement for any overhead costs or costs of personnel of the General Partner and its affiliated companies that provide time and services to the Partnership.

The General Partner is entitled to an annual management fee of 2.0% of the net asset value of the Partnership, calculated and paid in arrears, which totalled \$30,071 (\$26,271 National Class; \$3,800 Quebec Class) for the period ended December 31, 2011, of which \$nil was payable at December 31, 2011. The General Partner is also entitled to a performance bonus equal to 20% of the product of: (a) the number of units outstanding on Performance Bonus Date (as defined in the LPA); and (b) the amount by which the net asset value per unit (prior to giving effect to the performance bonus) plus the total distributions per unit during the Performance Bonus Term exceeds \$28. As at December 31, 2011, this threshold has not been achieved; accordingly, no performance bonus has been accrued.

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2011

(expressed in Canadian dollars)

5 Partners' equity

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 1,200,000 National Class units and 600,000 Quebec 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

b) Issued and outstanding

As at December 31, 2011, 554,823 National Class units and 80,247 Quebec Class units were issued and outstanding.

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

6 Related party balances and transactions

The General Partner has retained CADO Bancorp Ltd., a related company by way of common directors, to provide office space and perform certain administrative functions on behalf of the General Partner. During the period ended December 31, 2011, an amount of \$54,600 (\$47,701 National Class; \$6,899 Quebec Class) was incurred and is included in administrative and other expenses and \$nil remained payable at December 31, 2011. Balances and transactions with related parties have been recorded at the exchange amount.

During the period, an administration fee was also charged by the General Partner in the amount of \$2,240 (\$1,957 National Class; \$283 Quebec Class). In addition, at December 31, 2011, there are amounts due from the General Partner of \$151,623 (\$132,464 National Class; \$19,159 Quebec Class), relating to issuance costs in excess of the agreed limit on expenses relating to the offering. Balances outstanding are unsecured, non-interest bearing with no specific terms of repayment.

7 Custodial fees

During the period ended December 31, 2011, the Partnership incurred custodial fees of \$4,358 (\$3,807 National Class; \$551 Quebec Class), which are included in administrative and other expenses in the statement of operations.

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2011

(expressed in Canadian dollars)

8 Reconciliation of net asset value

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the transactional net asset value determined under National Instrument 81 - 106 ("NI 81 - 106") and net assets of an investment fund as determined under Canadian GAAP is required for financial reporting purposes. For investments that are traded in an active market where quoted prices are readily and regularly available, Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855 requires bid prices (for investments held) and ask prices (for investments sold short) to be used in the fair valuation of investments, rather than the use of closing prices currently used for the purposes of determining net asset value under NI 81 - 106. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques, rather than the use of valuation techniques by virtue of general practice in the investment fund industry. These changes account for the difference between net asset value and net assets as follows:

	Net asset value per NI 81 - 106 as at December 31, 2011 \$	Section 3855 adjustment \$	Net assets per Section 3855 as at December 31, 2011 \$
National Class			
Total net assets	8,938,348	67,048	8,871,300
Total per unit	16.11	0.12	15.99
Quebec Class			
Total net assets	1,450,204	15,994	1,434,210
Total per unit	18.07	0.20	17.87

9 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 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.

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2011

(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 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, 2011, 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 \$510,764 and \$82,090 for the National Class and Quebec Class, respectively.

Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2011

(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 except for interest on the loan payable. 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.

The table below summarizes the Partnership's exposure to interest rate risks at December 31, 2011. It includes the Partnership's assets and liabilities at fair values, categorized by the earlier of contractual repricing or maturity dates.

	December 31, 2011		
	Interest bearing \$	Non-interest bearing \$	Total \$
National Class			
Cash	96,420	-	96,420
Investments	-	10,215,283	10,215,283
Loan payable	(1,482,081)	-	(1,482,081)
Other liabilities	-	(112,634)	(112,634)
Other assets	-	154,312	154,312
	<u>(1,385,661)</u>	<u>10,256,961</u>	<u>8,871,300</u>
Quebec Class			
Bank indebtedness	(7,420)	-	(7,420)
Investments	-	1,641,799	1,641,799
Loan payable	(214,361)	-	(214,361)
Other liabilities	-	(26,815)	(26,815)
Other assets	-	41,007	41,007
	<u>(221,781)</u>	<u>1,655,991</u>	<u>1,434,210</u>

The Partnership's exposure to interest rate changes results from the difference between assets and liabilities and their respective maturities or interest rate repricing dates. Based on current differences as at December 31, 2011, the Partnership estimates that an immediate and sustained 100 basis point change in interest rates would impact net interest expense over the next 12 months by approximately \$13,857 and \$2,218 for the National Class and the Quebec Class, respectively.

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(expressed in Canadian dollars)

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 reputable brokers with a high credit rating.

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, 2011.

Concentration risk

	% of net assets of National Class	% of net assets of Quebec Class
Sector/subgroup		
Precious metals	45.85	62.07
Energy	33.58	15.55
Base metals	29.86	34.54
Uranium	5.86	2.32
Cash (bank indebtedness)	1.09	(0.52)
Net liabilities	(16.24)	(13.96)
	<hr/> 100.00	<hr/> 100.00

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 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.

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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 is exposed to liquidity risk related to the loan payable (note 3), which is due the earlier of (a) dissolution; and (b) May 31, 2012. 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.

Fair value disclosure

The three levels of the fair value hierarchy as per CICA Handbook Section 3862, *Financial Instruments - Disclosures*, are:

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 following table illustrates the classification of the Partnership's financial instruments within the fair value hierarchy as at December 31, 2011:

	Financial assets at fair value as at December 31, 2011			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
National Class				
Equities	3,777,674	6,437,609	-	10,215,283
Quebec Class				
Equities	-	1,617,665	-	1,617,665
Warrants	-	-	24,134	24,134
	-	1,617,665	24,134	1,641,799

The fair value of publicly traded equity securities 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 Partnership's publicly traded equity securities that are thinly traded and, where fair values are adjusted for hold period restrictions, are categorized as Level 2.

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(expressed in Canadian dollars)

The following table reconciles the Partnership's Level 3 fair value measurements from the commencement of operations to December 31, 2011:

	Fair value measurements using Level 3 inputs
	Warrants \$
Quebec Class	
Balance - September 22, 2011	-
Purchases	20,839
Sales/expiry	-
Unrealized losses	3,295
Exercised	-
	<hr/>
Balance - December 31, 2011	24,134

There were no Level 3 securities held in National Class.

The Partnership's publicly traded warrants are categorized as Level 2. The fair value of remaining warrants is estimated using the Black-Scholes pricing model that factors in current and contractual prices of the underlying instruments, time value of money, yield curve and volatility. These warrants are categorized in Level 3 because significant judgment and estimates were involved to determine volatility. A 10% increase (decrease) in volatility would result in an increase (decrease) in estimated fair values of approximately \$4,371 (\$4,380) in the Quebec Class portfolio. The National Class portfolio does not hold any warrants.

10 Partnership capital

Units issued and outstanding represent the capital of the Partnership. In 2011, the National Class issued 554,823 units for \$13,870,575 and the Quebec Class issued 80,247 units for \$2,006,175, 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. There are no externally imposed restrictions on the Partnership's capital although any distributions of capital are limited in relation to the borrowing limits on the loan payable (note 3).

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Notes to Financial Statements

December 31, 2011

(expressed in Canadian dollars)

11 Future accounting standards

In 2008, the CICA affirmed its intention to transition to International Financial Reporting Standards (“IFRS”) for publicly accountable enterprises. The Canadian Accounting Standards Board decided to extend the deferral of mandatory adoption of IFRS for investment companies until January 1, 2014. The decision is in response to the International Accounting Standards Board’s announcement in late 2010 that its investment company project is delayed and will not likely be issued before January 1, 2013. As the Partnership will be dissolved prior to the mandatory IFRS adoption date, it is unlikely that the Partnership will be impacted by these future accounting changes.