# FRONT STREET CANADIAN ENERGY RESOURCE FUND

# INTERIM UNAUDITED FINANCIAL STATEMENTS

# JUNE 30, 2015

**NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS**

The accompanying interim financial statements have not been reviewed by the external auditors of the Fund in accordance with standards established by the Chartered Professional Accountants of Canada. The external auditors will be auditing the annual financial statements of the Fund in accordance with Canadian generally accepted auditing standards.

## FRONT STREET CANADIAN ENERGY RESOURCE FUND

## STATEMENTS OF FINANCIAL POSITION
## AS AT JUNE 30, 2015 AND DECEMBER 31, 2014

| | | June 30, 2015 (Unaudited)) | | December 31, 2014 (Audited) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Financial assets at fair value through profit or loss * | **$** | **11,988,710** | $ | 14,935,063 |
| Subscriptions receivable | | **-** | | 1,125,000 |
| Receivable for investments sold | | **347,484** | | 328,184 |
| Dividends receivable | | **1,042** | | - |
| | **$** | **12,337,236** | $ | 16,388,247 |
| **LIABILITIES** | | | | |
| Bank indebtedness | | **150,968** | | 2,612,449 |
| Accrued expenses, note 8 | | **79,963** | | 95,311 |
| Redemptions payable | | **60,552** | | 244,532 |
| Payable for investment purchased | | **45,135** | | - |
| **Total liabilities before net assets attributable to unitholders of redeemable units** | | **336,618** | | 2,952,292 |
| **Net assets attributable to unitholders of redeemable units** | **$** | **12,000,618** | $ | 13,435,955 |
| **Net assets attributable to unitholders of redeemable units** | | | | |
| Class B | **$** | **11,546,867** | $ | 13,057,883 |
| Class F | | **453,751** | | 378,072 |
| **Number of redeemable units outstanding** | | | | |
| Class B | | **1,109,983** | | 1,159,106 |
| Class F | | **43,277** | | 33,485 |
| **Net assets attributable to unitholders of redeemable units per unit** | | | | |
| Class B | **$** | **10.40** | $ | 11.27 |
| Class F | | **10.48** | | 11.29 |

* Cost of investments is reflected on the schedule of investment portfolio.

**Approved on behalf of Front Street Capital 2004, The Manager:**

Gary P. Selke
Management Committee Member

Normand A. Lamarche
Management Committee Member

See accompanying notes to the financial statements.

## FRONT STREET CANADIAN ENERGY RESOURCE FUND

## STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
**FOR THE PERIODS ENDED JUNE 30, 2015 and 2014**

| | | **2015** | | 2014 |
|---|---|---|---|---|
| **Income** | | | | |
| Interest income for distribution purposes and other | $ | **9** | **$** | 13 |
| Securities lending income, note 11 | | **9,480** | | 18,870 |
| Dividends | | **14,217** | | 24,223 |
| Foreign currency gain (loss) on cash and cash equivalents and other net assets | | **(3,157)** | | (1) |
| Other net changes in fair value of financial assets at fair value through profit or loss ("FVTPL") | | | | |
| Net realized gain (loss) on financial assets at FVTPL | | **(2,130,954)** | | 3,244,694 |
| Change in unrealized appreciation on financial assets at FVTPL | | **1,326,110** | | 7,685,041 |
| | | **(784,295)** | | 10,972,840 |
| **Expenses** | | | | |
| Management fees, note 6 and 8 | | **128,512** | | 232,052 |
| Transaction costs, notes 7 and 8 | | **34,398** | | 66,175 |
| Operating costs | | **37,775** | | 47,990 |
| Interest and borrowing costs | | **19,896** | | 15,680 |
| Dividends paid | | **1,250** | | 44,000 |
| Audit fees | | **21,500** | | 17,356 |
| Legal fees | | **479** | | 13,335 |
| Trustees' fees | | **6,348** | | 4,959 |
| | | **250,158** | | 441,547 |
| **(Decrease) increase in net assets attributable to unitholders of redeemable units from operations** | **$** | **(1,034,453)** | $ | 10,531,293 |
| **(Decrease) increase in net assets attributable to unitholders of redeemable units from operations** | | | | |
| Class B | $ | **(1,016,940)** | $ | 10,236,662 |
| Class F | | **(17,513)** | | 294,631 |
| **(Decrease) increase in net assets attributable to unitholders of redeemable units from operations per unit** | | | | |
| Class B | $ | **(0.90)** | $ | 8.79 |
| Class F | | **(0.42)** | | 8.64 |

See accompanying notes to financial statements

## FRONT STREET CANADIAN ENERGY RESOURCE FUND

## STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF REDEEMABLE UNITS (UNAUDITED)

**FOR THE PERIODS ENDED JUNE 30, 2015 and 2014**

| | | **2015** | | 2014 |
|---|---|---|---|---|
| **Net assets attributable to unitholders of redeemable units, beginning of period** | | | | |
| Class B | $ | 13,057,883 | $ | 14,487,487 |
| Class F | | 378,072 | | 398,224 |
| | | 13,435,955 | | 14,885,711 |
| **Increase (decrease) in net assets attributable to unitholders of redeemable units from operations** | | | | |
| Class B | | (1,016,940) | | 10,236,662 |
| Class F | | (17,513) | | 294,631 |
| | | (1,034,453) | | 10,531,293 |
| **Redeemable unit transactions** | | | | |
| Proceeds from redeemable units issued | | | | |
| Class B | | - | | 1,075,000 |
| Class F | | 101,192 | | 146,122 |
| | | 101,192 | | 1,221,122 |
| Redemption of redeemable units | | | | |
| Class B | | (494,076) | | (431,147) |
| Class F | | (8,000) | | (26,089) |
| | | (502,076) | | (457,236) |
| **Net Increase (decrease) from redeemable unit transactions** | | (400,884) | | 763,886 |
| **Increase (decrease) in net assets attributable to unitholders of redeemable units** | | (1,435,337) | | 11,295,179 |
| **Net assets attributable to unitholders of redeemable units, end of period** | | | | |
| Class B | | 11,546,867 | | 25,368,002 |
| Class F | | 453,751 | | 812,888 |
| | **$** | 12,000,618 | $ | 26,180,890 |

See accompanying notes to the financial statements

## FRONT STREET CANADIAN ENERGY RESOURCE FUND

## STATEMENTS OF CASH FLOWS (UNAUDITED)

**FOR THE PERIODS ENDED JUNE 30, 2015 and 2014**

| | | **2015** | | 2014 |
|---|---|---|---|---|
| **Cash Flow from Operating Activities** | | | | |
| Increase/(decrease) in net assets attributable to unitholders of redeemable units from operations | **$** | **(1,034,453)** | $ | 10,531,293 |
| Adjustments for: | | | | |
| Foreign currency (gain) loss on bank indebtedness and other net assets | | **3,157** | | 1 |
| Net realized (gain) loss on financial assets at FVTPL | | **2,130,954** | | (3,244,694) |
| Change in unrealized appreciation on financial assets at FVTPL | | **(1,326,110)** | | (7,685,041) |
| (Increase) decrease in dividends receivable | | **(1,042)** | | 10,680 |
| Increase (decrease) in accrued expenses | | **(15,348)** | | 14,021 |
| Purchase of financial assets at FVTPL | | **(724,804)** | | (8,448,314) |
| Proceeds from sales of financial assets at FVTPL | | **2,892,148** | | 8,438,595 |
| **Net cash generated (used) by operating activities** | | **1,924,502** | | (383,460) |
| **Cash Flows from Financing Activities** | | | | |
| Proceeds from redeemable units issued | | **1,226,192** | | 1,146,122 |
| Amount paid on redemption of redeemable units | | **(686,056)** | | (591,858) |
| **Net cash generated (used) by financing activities** | | **540,136** | | 554,264 |
| Net change in bank indebtedness | | **2,464,638** | | 170,804 |
| Foreign currency gain (loss) on bank indebtedness and other net assets | | **(3,157)** | | (1) |
| Bank indebtedness, beginning of the period | | **(2,612,449)** | | (917,587) |
| **Bank indebtedness, end of period** | **$** | **(150,968)** | $ | (746,784) |
| Interest received, net of withholding tax | **$** | **9** | $ | 13 |
| Dividends received, net of withholding tax | **$** | **13,175** | $ | 34,903 |
| Securities lending received | **$** | **9,480** | $ | 18,870 |
| Interest paid | **$** | **(19,896)** | $ | (15,680) |
| Dividend expenses paid | **$** | **(1,250)** | $ | (44,000) |

See accompanying notes to the financial statements.

## FRONT STREET CANADIAN ENERGY RESOURCE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)
**AS AT JUNE 30, 2015**

| | Number of Shares/ Units/Par Value | Cost $ | Fair Value $ |
|---|---|---|---|
| **Long positions (99.9 % )** | | | |
| **Energy (78.4% )** | | | |
| Boulder Energy Ltd | 47,009 | $ 482,206 | $ 390,175 |
| Canacol Energy Limited | 78,766 | 503,765 | 218,182 |
| CanElson Drilling Inc. | 180,000 | 1,116,000 | 777,600 |
| Chinook Energy Inc. | 172,600 | 348,652 | 162,244 |
| CSands Limited Partnership | 628,540 | 314,370 | 314,270 |
| Granite Oil Corp oration | 28,470 | 271,347 | 179,076 |
| Kelt Exploration Limited | 124,900 | 1,434,815 | 1,054,156 |
| Leucrotta Exploration Inc. | 989,500 | 1,677,266 | 1,137,925 |
| Mapan Energy Limited | 549,500 | 1,080,539 | 763,805 |
| Petroamerica Oil Corporation | 3,247,456 | 987,950 | 340,983 |
| Raging River Exploration Inc. | 86,100 | 637,066 | 751,653 |
| RMP Energy Inc. | 227,511 | 1,253,037 | 532,376 |
| Sintana Energy Inc. | 3,988,750 | 1,019,458 | 199,437 |
| Spartan Energy Corporation | 559,875 | 374,613 | 1,724,415 |
| Whitecap Resources Inc. | 3,000 | 35,460 | 39,540 |
| Xtreme Drilling and Coil Services Corporation | 293,091 | 1,033,505 | 817,724 |
| | | $ 12,570,049 | $ 9,403,561 |
| **Industrials (10.3%)** | | | |
| Ceiba Energy Services Inc. | 2,888,000 | 1,241,840 | 967,480 |
| ENTREC Corporation | 553,287 | 774,325 | 271,111 |
| | | $ 2,016,165 | $ 1,238,591 |
| **Materials (11.2%)** | | | |
| AZ Mining Inc | 1,819,401 | 1,035,690 | 682,275 |
| Calston Exploration Inc. | 1,739,232 | 434,808 | 34,785 |
| Dalradian Resources Inc. | 557,048 | 189,049 | 545,907 |
| Hudbay Minerals Inc., Warrants July 20, 2018 | 48,090 | 115,415 | 55,303 |
| Plata Latina Minerals Corporation | 771,500 | 311,089 | 19,288 |
| Tolima Gold Inc. | 1,800,000 | 724,500 | 9,000 |
| | | $ 2,810,551 | $ 1,346,558 |
| **Total Long Positions (99.9%)** | | $ 17,396,765 | $ 11,988,710 |
| **Transaction costs, note 7** | | (57,379) | |
| **Total Investments (99.9%)** | | $ **17,339,386** | 11,988,710 |
| **Bank Indebtedness (-1.3%)** | | | (150,968) |
| **Other assets less other liabilities (1.4%)** | | | 162,876 |
| **Net assets (100.0%)** | | | $ 12,000,618 |

See accompanying notes to the financial statements.

## 1. THE FUND

Front Street Canadian Energy Resource Fund (Formerly Front Street Canadian Energy Fund) (the "Fund") is a mutual fund trust created under the laws of the Province of Ontario pursuant to a trust agreement dated January 3, 2005 (the "Trust Agreement") and amended and restated as of May 1, 2009. The business of the Fund is to invest in equity, debt and derivative securities. Effective May 1, 2009, the Trust Agreement was amended to change the name of the Fund from "Front Street Mining Opportunities Fund" to "Front Street Canadian Energy Fund", redesignate the units of the Fund as B Units, authorize the Fund to issue F Units and amend the investment objective, investment strategies and investment restrictions of the Fund. Effective December 15, 2009, Valiant Trust Company replaced HSBC Trust Company (Canada) as the trustee of the Fund (the "Trustee"). Pursuant to the Amended and Restated Trust Agreement dated February 15, 2010, the name of the Fund has been changed to Front Street Canadian Energy Resource Fund. The Fund is domiciled in Canada, and the address of its registered office is 33 Yonge Street, Suite 600, Toronto, Ontario, Canada, M5E 1G4.

As of December 31, 2013, Series B and Series F units have been issued. Series F commenced operations on June 1, 2010.

Front Street Capital 2004 is the Manager of the Fund (the "Manager"). Front Street Investment Management Inc. (the "Investment Advisor") has been retained by the Manager, on behalf of the Fund, to provide investment advisory and portfolio management services to the Fund. NBCN Inc. is the custodian. Citigroup Fund Services Canada, Inc. provides fund accounting and unitholder record keeping services.

The Fund's investment objective is to achieve maximum capital appreciation by investing primarily in a diversified portfolio (the "portfolio") consisting primarily of equity and equity-related securities of small and medium-sized business entities in a range of energy-related industries, including oil and gas exploration and production, servicing and drilling, the power generation market, including coal, liquefied natural gas, nuclear and electricity, and alternative energy-related projects, including fuel cell, power generation and wind power projects, as well as other related natural resource sector industries including mineral resource mining and exploration, forestry and water resource projects.

The Fund is not a mutual fund for securities law purposes. As a result, certain of the protections provided to investors in mutual funds under such laws are not available to investors in the units.

## 2. BASIS OF PRESENTATION AND ADOPTION OF INTERNATIONAL FINANCIAL STANDARDS

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") using IAS 34 Interim Financial Reporting (IAS 34). The Fund adopted IFRS in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. The accounting, estimation and valuation policies adopted on conversion to IFRS, as described below, have been applied consistently to all periods presented herein.

These financial statements were authorized for issue by the Manager on August 19, 2015.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, except for financial assets and liabilities at fair value through profit and loss which are measured at fair value.

(c) Functional and presentation currency

The financial statements have been presented in Canadian dollars, which is the Fund's functional currency, and all values are rounded to the nearest dollar except where otherwise indicated.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Transaction costs include brokerage commissions incurred in the purchase and sale of portfolio investments in which the Fund invests. All such costs are expensed in the period incurred and presented in the statements of comprehensive income. Purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value through profit and loss (FVTPL), including certain investments in debt securities which have been designated at FVTPL. The Fund's obligation for net assets attributable to unitholders of redeemable 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 required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives except for warrants classified as level 2 are identical to those used in measuring its net asset value (NAV) for transactions with unitholders.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if there is a currently enforceable legal 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. Quantitative information on the impact on the Fund's statements of financial position if all amounts were set off is required.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

(b) Fair value measurement

The Fund's portfolio investments are classified as fair value through profit and loss ("FVTPL"). Any unrealized gain or loss arising due to changes in fair value during the reporting period is presented separately in the statements of comprehensive income. Portfolio investments cannot be reclassified out of the FVTPL category while they are held.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. The fair value of financial instruments traded in active markets should be measured based on a price within the bid and ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. When the closing sale price of financial instruments traded in active markets is outside the bid and ask spread, such financial instruments are measured based on the bid price for securities owned or held long and on the asking price for securities sold short. The fair value of financial instruments not traded in an active market (including, but not limited to securities in private companies, warrants and restricted securities) are determined using valuation techniques. Depending on the circumstances, the Fund may use several methods and make assumptions based on market conditions existing at each reporting date. Valuation techniques may include, without limitation, the use of comparable recent arm's length transactions, discounted cash flow analysis, option-pricing models and other valuation techniques commonly used by market participants. Estimated fair values for investments in securities not traded in an active market are based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for such investments.

The fair value of financial instruments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided above less a discount of 2% per month up to four months.

Short-term investments, if any, are valued at the aggregate of cost and accrued interest receivable, which approximates fair value.

For financial statement reporting purposes, under National Instrument 81-106 ("NI 81-106") the Fund is required to disclose the differences between net assets attributable to redeemable units per unit and net asset value per unit, including any differences in valuation principles or practices for the purposes of calculating net asset value versus those required under IFRS. A reconciliation between the net assets attributable to redeemable units per unit for financial reporting purposes and net asset value for investor transactions is presented in note 12 (Reconciliation of Net Asset Value to IFRS Net Assets Attributable to Unitholders of Redeemable Units).

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

(c) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

(d) Bank indebtedness

Bank indebtedness is the balance of a margin account representing cash loans with the brokers which are secured by the underlying investments owned by the Fund. Bank indebtedness is shown net of cash and cash equivalents since both the margin account and cash and cash equivalents accounts are maintained with the same custodian.

(e) Redeemable units

The Fund classifies redeemable units issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has multiple classes of redeemable units that do not have identical features and therefore, do not qualify as equity under IAS 32, Financial Instruments. The redeemable units, which are classified as financial liabilities and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date. The units represent the residual interest in the Fund.

(f) Impairment of financial assets

At the end of each reporting period, the Fund reviews its financial assets that are carried at amortized cost for any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured and recognized as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

(g) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Realized gains and losses are calculated on a weighted average cost basis.

Revenue from investments is recognized on the accrual basis. Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis and is recognized through profit and loss. Dividend revenue is recognized on the ex-dividend date.

(h) Foreign currency translation

The fair value of investments and derivatives, other assets and liabilities denominated in foreign currencies are translated at the exchange rate between the functional currency and the foreign currency at each of the valuation date. Foreign currency transactions, including purchase and sales of investments, investment income and expenses are translated at the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Realized and unrealized exchange gains and losses on foreign currency cash and cash equivalents and other assets and liabilities are presented as "Foreign currency gain (loss) on cash and cash equivalents and other net assets". Realized and unrealized exchange gains and losses on investments and derivatives are presented within "Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss".

(i) Increase (decrease) in net assets attributable to unitholders of redeemable units from operations per unit

Increase (decrease) in net assets attributable to unitholders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations of a series by the average number of units outstanding of that series during the period.

(j) Net assets attributable to unitholders of redeemable units per unit

The net assets attributable to unitholders of redeemable units per unit are calculated by dividing the net assets of a series of units by the total number of redeemable units of that series outstanding at the end of the period.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(k) Transaction costs

Portfolio transaction costs are expensed and are included in "Transaction costs" in the statements of comprehensive income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges. The individual security's cost shown on the schedule of investment portfolio includes only those transaction costs incurred on the acquisition of portfolio investments.

(l) Provisions

The Fund recognizes a provision, if as a result of a prior event, the Fund has a current obligation requiring the outflow of resources to settle. Provisions are recorded at the Manager's best estimates of the most probable outcome of any future settlement.

(m) Income taxes

The Fund presently qualifies as a mutual fund trust under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund allocates to its unitholders sufficient net income and net realized capital gains so that it will not be subject to income taxes. Foreign income is subject to foreign withholding taxes.

(n) Securities lending, repurchase and reverse repurchase transactions

The Fund is permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the offering memorandum. These transactions involve the temporary exchange of securities for collateral with commitment to redeliver the same securities on a future date. The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the statements of comprehensive income under the heading securities lending income.

(o) Future changes in accounting standards

IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The timely preparation of financial statements requires the Fund to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The following summarizes the accounting judgments, estimates and assumptions the Fund considers significant:

(a) Valuation of investments

Portfolio investments are measured and reported at fair value through profit and loss. Portfolio investments may include securities not traded in an active market, the fair value of which is determined using valuation techniques. Such estimates of fair value of portfolio investments not traded in an active market involve assumptions and uncertainties, and may include matters of significant judgment. Therefore, such estimates are subjective and cannot be determined with precision. Changes in assumptions may significantly affect the estimates.

(b) Other judgments, estimates and assumptions

Estimates are also used when determining the amount of impairment of assets and the likelihood of contingencies.

(c) Assessment as investment entity

The Manager has concluded that the Fund meets the characteristics of an investment entity, in that it has more than one investment and is managed in accordance with the Trust Agreement and offering memorandum; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties, and has also concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

## 5. REDEEMABLE UNITS

Net assets attributable to holders of redeemable units consists of amounts paid for units, undistributed income, realized gains and losses, unrealized appreciation (depreciation) of financial assets at FVTPL, less amounts paid for redemptions and represents the capital of the Fund. The Fund may issue an unlimited number of redeemable units. Each unit is redeemable at the option of the unitholder in accordance with the Trust Agreement, and entitles the unitholder to a proportionate interest in the net assets of the Fund. The Fund has no restrictions or specified capital requirements on subscriptions or redemptions of units. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives.

The Fund is authorized to issue an unlimited number of units in one or more series. Series B units and series F units have been issued. Each unit of a series represents an undivided interest in the net assets of the Fund applicable to that series. Each unit has equal rights with respect to voting, liquidation and other events in respect of the Fund.

Subject to the Fund's right to suspend redemptions, units that have been held by a Unitholder for a minimum of six months may be surrendered at least 30 days prior to the last business day of each month (each, a "Redemption Date") for redemption on such Redemption Date. Units so surrendered for redemption by a Unitholder will be redeemed on such Redemption Date for a redemption price equal to the applicable Series Net Asset Value per Unit on such Redemption Date.

The following redeemable unitholder transactions took place during the periods ended June 30:

| | 2015 | 2014 |
|---|---|---|
| Units outstanding, beginning of the period | | |
| Series B | 1,159,106 | 1,145,706 |
| Series F | 33,485 | 31,769 |
| Redeemable Units issued during the period | | |
| Series B | - | 61,468 |
| Series F | 10,554 | 7,607 |
| Redeemable Units redeemed during the period | | |
| Series B | 49,123 | 23,996 |
| Series F | 762 | 1,335 |
| Units outstanding, end of the period | | |
| Series B | 1,109,983 | 1,183,178 |
| Series F | 43,277 | 38,041 |

## 6. MANAGEMENT AND PERFORMANCE FEES

The Fund pays a monthly management fee, within 10 business days after the end of each month, equal to 1/12 of 2% of the Series B net asset value and a monthly management fee equal to 1/12 of 1% of the Series F net asset value, calculated weekly during the month and paid at the end of each month in arrears for each series. The Manager will pay any fees owing to the Investment Advisor out of the management fee.

The Fund is responsible for payment of all operating and administrative expenses of the Fund. The main components of these expenses are legal and accounting fees, printing expenses, reporting issuer filing and sustaining fees, custodial fees, trustees' fees, fees payable to, and expenses incurred by making distributions to unitholders. As the Fund has more than one series of units, the unitholders of each series, bear their pro rata unit of those expenses which are common to the operation of all series, as well as those expenses which are attributable solely to that series.

The Manager may, at its discretion add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund.

The Fund pays a performance fee per unit of each series equal to 20% of the amount by which the aggregate of:

(a) the Series Net Asset Value per unit for the relevant series at the end of such fiscal year (without regard to any accrual of the Performance Bonus), and

(b) Any distribution per unit of such series declared during such year;

exceeds the series Net Asset Value per unit for such series at the beginning of such fiscal year, provided that the Fund generates an annual return on investment of at least 6% and provided that the Series Net Asset Value per unit (including distributions) for the relevant series is greater than all previous values at the end of each previous fiscal year in which a performance bonus was paid.

## 7. TRANSACTION COSTS AND SOFT DOLLARS

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended June 30, 2015 was $34,398 (2014 - $66,175).

There were no soft dollar amounts included in brokerage commissions.

## 8. RELATED PARTY TRANSACTIONS

During the periods ended June 30, 2015 and 2014, fees paid to the Manager were as follows:

| | 2015 | 2014 |
|---|---|---|
| Management fees, note 6 | $ 128,512 | $ 232,052 |

Included in accrued expenses are amounts payable to the Manager as follows:

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Management fees payable | $ 21,934 | $ 24,951 |

The following are redeemable units held by the related party of the Fund:

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Series B units held by the Partners of the Manager | 683,823 | 595,056 |
| Percentage of Series B units held by the Partners of the Manager | 61.61% | 51.34% |
| Series B units held by the relatives of the Partners of the Manager | 102,311 | 102,311 |
| Percentage of Series B units held by the relatives of the Partners of the Manager | 9.22% | 8.83% |
| Series F units held by the Partners of the Manager | 8,857 | - |
| Percentage of Series F units held by the Partners of the Manager | 20.47% | Nil |

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the period ended June 30, 2015, Tuscarora Capital Inc, a company under common control to the Manager, received $20 (2014 - $2,674) in commissions on portfolio transactions for the Fund.

Management fees and performance fees are measured at the consideration prescribed by the offering documents of the Fund. When related parties enter unitholder transactions with the Fund, the consideration is the transactional NAV available to all other unitholders on the trade date.

## 9. INCOME TAXES AND DISTRIBUTION POLICY

The Fund intends to distribute all of its income for purposes of the Income Tax Act, including sufficient net realized capital gains (less applicable losses), on an annual basis, so that the Fund will not be liable for income tax. Distributions over the life of the Fund will be derived primarily from net realized capital gains and income from the Portfolio.

The Fund has $2,265,579 in non-capital losses available to be applied against taxable income of future years which will expire as follows:

| | |
|---|---|
| 2029 | $ 82,638 |
| 2030 | 973,966 |
| 2032 | 752,571 |
| 2033 | 316,363 |
| 2034 | 140,041 |
| | $ 2,265,579 |

The Fund has $5,083,572 in net capital losses available to be applied against capital gains of future years. These losses do not expire.

## 10. INDEMNIFICATION OF THE MANAGER

The Fund, pursuant to the Trust Agreement, will indemnify the Manager, its partners, directors, officers, employees and agents out of the Trust Property from all claims that may arise in connection with the exercise of its duties as Manager if they do not result from the Manager's willful misconduct, bad faith, gross negligence or reckless disregard of its duties, or breach of its obligations as manager under the Trust Agreement.

## 11. SECURITIES LENDING

The Fund lends portfolio securities from time to time in order to earn additional income. The Fund has entered into a securities lending program with its custodian, NBCN Inc. The aggregate fair value of all securities loaned will not exceed 50% of the net assets of the Fund. The Fund receives collateral (in the form of obligations of, or guaranteed by, the Government of Canada, or a province thereof, or by the United States government or its agencies and/or cash) against the loaned securities. Collateral is maintained in an amount representing at least 102% of the fair value of the loaned securities during the period the loan is outstanding. The fair value of the loaned securities is determined daily at the close of business of the Fund and any additional collateral required is delivered to the Fund on the next business day. As at June 30, 2015 and December 31, 2014, the aggregate fair values of the Fund's securities loaned and the collateral received were as follows:

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Value of securities loaned | $ 451,300 | $ 340,301 |
| Value of collateral received | $ 515,210 | $ 372,588 |

## 12. RECONCILIATION OF NET ASSET VALUE TO NET ASSETS FOR FINANCIAL STATEMENTS

Investment funds may have two different net asset values: (i) one for financial statements, which is prepared in accordance with IFRS (referred to as "IFRS NA") and (ii) another for all other purposes, including unit pricing for investor transactions (referred to as "net asset value"). For investments that are traded in an active market where quoted prices are readily and regularly available, IFRS requires investments to be valued using the methods and principles described in note 3 (Summary of significant accounting policies – Fair value measurement), wherein the Fund may use closing sale prices for the purpose of determining net asset value. For investments that are not traded in an active market, IFRS requires the use of specific valuation techniques, rather than the use of valuation techniques in general practice in the investment funds industry. National Instrument 81-106 ("NI 81-106") requires that and annual financial statements present a reconciliation of Net asset value per unit to IFRS Net Assets Attributable to Unitholders of Redeemable Units.

As at June 30, 2015 and December 31, 2014 there were no variances between the IFRS NA per unit to Net asset value per unit.

## 13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of financial assets at FVTPL, subscriptions receivable, receivable for investments sold, dividends receivable, bank indebtedness, redemptions payable and accrued expenses. It is the Manager's opinion that due to the short term nature of these financial instruments, the Fund is not exposed to significant market price, currency, interest rate, liquidity, cash flow, credit, and portfolio concentration risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

All securities present a risk of loss of capital. The Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

The schedule of investment portfolio presents the securities held by the Fund as at June 30, 2015 and groups the securities by asset type, sector and/or market segment. The investment portfolio is comprised of issuers in the energy sector. The Manager will maintain a mix of debt instruments, equities and cash that represents its view of the most optimal combination of these investments based on economic outlook, market conditions and the relative value of these investments. Significant risks that are relevant to the Fund are discussed below.

## 13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

i) Market price risk

Market price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Fund is exposed to market price risk arising from its investments in securities. The Investment Advisor manages the Fund's market price risk on a daily basis in accordance with the Fund's investment objective and policies.

ii) Currency risk

The Fund may invest in financial instruments denominated in currencies other than its measurement currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than Canadian dollars, absent any changes in market prices or investment specific events.

Included in the undernoted accounts are the following foreign currency balances:

As at June 30, 2015

| Currency | Financial assets at FVTPL | Cash and cash equivalents | Total | Percentage of Net Assets |
|---|---|---|---|---|
| United States Dollar | $ - | $ - | $ - | 0.0% |

As at December 31, 2014

| Currency | Financial assets at FVTPL | Cash and cash equivalents | Total | Percentage of Net Assets |
|---|---|---|---|---|
| United States Dollar | $ 348,513 | $ 54 | $ 348,567 | 2.6% |

## 13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

iii) Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at June 30, 2015 and December 31, 2014, the bulk of the Fund's investments are substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

As at June 30, 2015

| Financial assets | Floating Rate Financial Assets | Fixed Rate Financial Assets | Non-interest bearing | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | $ - | $ - | $ 11,988,710 | $ 11,988,710 |
| Loans and receivables | - | - | 348,526 | 348,526 |
| Total | $ | $ - | $ 12,337,236 | $ 12,337,236 |
| Financial liabilities | | | | |
| Other financial liabilities | $ - | $ - | $ 336,618 | $ 336,618 |
| Total | $ - | $ - | $ 336,618 | $ 336,618 |
| IFRS NA | | | | $ 12,000,618 |

As at December 31, 2014

| Financial assets | Floating Rate Financial Instruments | Fixed Rate Financial Instruments | Non-interest Bearing | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | $ - | $ - | $ 14,935,063 | $ 14,935,063 |
| Loans and receivables | - | - | 1,453,184 | 1,453,184 |
| | $ - | $ - | $ 16,388,247 | $ 16,388,247 |
| Financial liabilities | | | | |
| Other financial liabilities | $ 2,612,449 | $ - | $ 339,843 | $ 2,952,292 |
| | $ 2,612,449 | $ - | $ 339,843 | $ 2,952,292 |
| IFRS NA | | | | $ 13,435,955 |

13. **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** (Continued...)

iv) Liquidity risk

Liquidity risk is the risk the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Unitholder redemption requests are the main liquidity risk for the Fund.

The Fund maintains sufficient cash and marketable securities, and manages liquidity risk through its ability to close out market positions.

As at June 30, 2015

| Financial assets | 0 - 12 months | 1 - 3 years | 3 - 5 years | Beyond 5 years | Indefinite maturity | Total |
|---|---|---|---|---|---|---|
| Financial assets at FVTPL | $ - | $ - | $ 55,303 | $ - | $ 11,933,407 | $ 11,988,710 |
| Loans and receivables | 348,526 | - | - | - | - | 348,526 |
| | $ 348,526 | $ - | $ 55,303 | $ - | $ 11,933,407 | $ 12,337,236 |
| Financial liabilities | | | | | | |
| Other financial liabilities | $ 336,618 | $ - | $ - | $ - | $ - | $ 336,618 |
| | $ 336,618 | $ - | $ - | $ - | $ - | $ 336,618 |
| IFRS NA | | | | | | $ 12,000,618 |

As at December 31, 2014

| Financial assets | 0 - 12 months | 1 - 3 years | 3 - 5 years | Beyond 5 years | Indefinite maturity | Total |
|---|---|---|---|---|---|---|
| Financial assets at FVTPL | $ - | $ - | $ 50,014 | $ - | $ 14,885,049 | $ 14,935,063 |
| Loans and receivables | 1,453,184 | - | - | - | - | 1,453,184 |
| | $ 1,453,184 | $ - | $ 50,014 | $ - | $ 14,885,049 | $ 16,388,247 |
| Financial liabilities | | | | | | |
| Other financial liabilities | $ 2,952,292 | $ - | $ - | $ - | $ - | $ 2,952,292 |
| | $ 2,952,292 | $ - | $ - | $ - | $ - | $ 2,952,292 |
| IFRS NA | | | | | | $ 13,435,955 |

13. **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** (Continued...)

iv) Liquidity risk (continued…)

Certain of the Fund's investments are in private securities which are thinly traded. As at June 30, 2015, the fair value of such assets was 2.9% (December 31, 2014 – 8.6%) of the total net assets.

v) Cash flow risk

The risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations could result from a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

vi) Credit risk

The Fund is exposed to credit risk arising from its transactions with its counterparties and brokers, related to securities purchases and sales. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial assets which potentially expose the Fund to credit risk consist principally of investments in bonds and amounts due from brokers. The Fund seeks to mitigate its exposure to credit risk by placing its cash, and transacting its securities activity with large financial institutions. The Fund may also invest in corporate bonds. Until the bonds are sold or mature, the Fund is exposed to credit risk relating to whether the bond issuer will meet its obligations when they come due. The extent of the Fund's exposure to credit risk in respect of these financial assets is reflected in their carrying value as recorded in the Fund's Statement of Financial Position.

To partially mitigate credit risk with respect to its securities lending the Fund receives collateral against the securities loaned (note 11). As at June 30, 2015, the Fund loaned securities with an aggregate fair value of $451,300 (December 31, 2014 - $340,301) and received collateral with aggregate fair value of $515,210 (December 31, 2014 - $372,588).

As at June 30, 2015 and December 31, 2014, the Fund had no investments in debt instruments.

vii) 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. The Fund's concentration risk by market segments/categories of financial instruments has been summarized as follows:

| | June 30 2015 | December 31 2014 |
|---|---|---|
| Energy | 78.4% | 82.3% |
| Materials | 11.2% | 12..9% |
| Industrials | 10.3% | 16.0% |
| Other assets less liabilities | 0.1% | (11.2)% |
| Total | 100.0% | 100.0% |

## 14. CAPITAL MANAGEMENT

The Fund considers financial instruments in the form of Redeemable units to represent capital. In managing this capital, the objectives of the Fund are:

(a) to safeguard the Fund's ability to continue as a going concern, be flexible and take advantage of opportunities that might present themselves;

(b) to provide an appropriate return to unitholders; and

(c) to use active management strategies intended to enhance the returns of the Fund and concurrently minimize risk and preserve capital, consistent with the investment guidelines, strategies and objectives of the Fund.

The Fund follows, and is in compliance with, the Investment Guidelines described in the Offering memorandum.

The Fund is not subject to any externally imposed capital requirements. The Manager considers the Fund's capital to consist of the issued redeemable units and the net assets attributable to unitholders of redeemable units.

## 15. FAIR VALUE HIERARCHY

IFRS requires the Fund to use a three-tier hierarchy as a framework for disclosing fair values, based on inputs used to value the Partnership's investments in financial assets and financial liabilities. This hierarchy is summarized as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

15. **FAIR VALUE HIERARCHY** (Continued…)

The following tables summarize the inputs used as of June 30, 2015 and December 31, 2014, in valuing the Fund's financial assets and liabilities at FVTPL.

As at June 30, 2015

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | $ 11,630,655 | $ 9,000 | $ 349,055 | $ 11,988,710 |

As at December 31, 2014

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | $ 13,776,622 | $ - | $ 1,158,441 | $ 14,935,063 |

The following table reconciles opening balances to closing balances for fair value measurements in Level 3 of the fair value hierarchy:

June 30, 2015

| | Financial assets at FVTPL Equities |
|---|---|
| Balance at December 30, 2014 | $ 1,158,441 |
| Sales | (679,302) |
| Gains (losses) | |
| Realized | (968,752) |
| Unrealized | 838,668 |
| Balance at June 30, 2015 | $ 349,055 |

15. **FAIR VALUE HIERARCHY** (Continued…)

| | Financial assets at FVTPL Equities |
|---|---|
| Balance at December 31, 2013 | $ 1,357,618 |
| Purchases | 914,470 |
| Proceeds from sales | (212,920) |
| Transfers out | (2,000,875) |
| Realized loss | (37,080) |
| Unrealized gain | 1,137,228 |
| Balance at December 31, 2014 | $ 1,158,441 |

The transfer out during the period ended December 31, 2014 involved the Fund receiving shares of a level one entity as a result of an acquisition.

Valuation techniques and framework

The Fund's portfolio investments in equity securities are classified as Level 1 when the security is actively traded and a reliable price is observable. The Fund may not be able to trade certain equity securities of publicly listed issuers (primarily warrants and shares for which trading is restricted by a contractual hold period), and therefore observable prices may not be available. In such cases, fair value is determined based on observable market data (e.g., prices for transactions for similar securities of the same issuer) and the fair value is classified as Level 2. However, if the determination of fair value requires significant unobservable data, the measurement of such securities is classified as Level 3.

Valuation techniques are used for equity securities classified as Level 2 and Level 3 (primarily private companies).

Valuation techniques may include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models, including but not limited to the Black-Scholes stock option model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, EBITDA and/or revenue multiples and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement for an asset to be sold or a liability to be transferred between market participants at a measurement date.

15. **FAIR VALUE HIERARCHY** (Continued…)

The Fund uses widely recognized valuation models for determining the fair value of common and simple financial instruments, such as warrants and temporarily restricted shares of public companies, which generally use observable market data and require some judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and other simple derivatives. The availability of observable market prices and model inputs may reduce the need for judgment and estimation and may reduce, but does not eliminate, uncertainty associated with determining fair values. The availability of observable inputs may vary and depends on the nature of the securities being valued and markets, and is subject to change based on specific events and general conditions in the financial markets. The Manager applies a certain discount to restricted securities in order to determine the fair value of these securities. To determine the fair value of warrants, the manager uses the Black-Scholes stock option model, which incorporates the volatility of the underlying stock.

The Fund may invest in equity securities of private companies, which are classified as Level 3 securities. These may be valued using the most recent rounds of financing, or in certain cases, using models. Some or all of the significant inputs into the valuation models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of judgment and estimation in the determination of fair value. Judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the security being valued, and other inputs (such as discount rate, liquidity risk, credit risk, as applicable), to the extent that the Fund believes that a third party market participant would take them into account in pricing a transaction.

The Fund has established a control framework for the measurement of fair value. The valuation process is overseen by the Manager, who is responsible for developing the Fund's valuation processes and procedures, conducting periodic reviews of those policies and evaluating their consistent application. When third party information, such as broker quotes or pricing services or recent transactions, is used to measure value, then the Manager assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes verifying the information provided, and analyzing the information to check for any material inconsistencies.

The tables below summarize the level 3 financial assets at FVTPL valued based on the aforementioned valuation techniques as at Jun 30, 2015 and December 31, 2014.

As at June 30, 2015

| | Number of Shares/Units /Par Value | Cost $ | Fair Value $ |
|---|---|---|---|
| Calston Exploration Inc. | 1,739,232 | $ 434,808 | $ 34,785 |
| CSands Limited Partnership | 628,540 | 314,370 | 314,270 |
| | | $ 749,178 | $ 349,055 |

## 15. FAIR VALUE HIERARCHY (Continued…)

As at December 31, 2014

| | Number of Shares/Units /Par Value | Cost $ | Fair Value $ |
|---|---|---|---|
| Calston Exploration Inc. | 1,739,232 | $ 434,808 | $ 95,658 |
| CSands Limited Partnership | 628,540 | 314,370 | 314,270 |
| Pacific Stone Tech Inc. | 2,860 | 1,047,954 | 348,513 |
| Timberrock Energy Corporation | 2,000,000 | 600,100 | 400,000 |
| | | $ 2,397,232 | $ 1,158,441 |

## 16. EXEMPTION FROM REGULATORY FILING REQUIREMENTS

The Fund is not a reporting issuer and is exempt from the financial statement filing requirements of Sections 2.1 and 2.3 of National Instrument 81-106 for the period ended June 30, 2015 and following financial periods. The Fund has prepared its financial statements under National Instrument 81-106 and has advised the Ontario Securities Commission that it is relying on the exemption not to file its financial statements according to Sections 2.1 and 2.3.

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