



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis ("MD&A") was prepared as of August 26, 2015 and is management's assessment of Maple Leaf Royalties Corp.'s ("MLRC" or "Maple Leaf" or the "Company") financial and operating results for the six months ended June 30, 2015. This MD&A should be read in conjunction with the interim June 30, 2015 unaudited financial statements and the audited consolidated financial statements of the Company for the six months ended December 31, 2014 along with the notes related thereto. The Board of Directors approved this MD&A on August 26, 2015.

MLRC prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### **Forward-Looking Information**

This MD&A contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Company. Any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

The Company believes the forecasts or projections herein are reasonable, however readers are cautioned not to place undue reliance on such forward-looking information and readers should review the filing statement filed with Canadian securities regulatory authorities. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons including, but not limited to, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Company may invest and the risks detailed in the prospectus of the Company. We caution that the foregoing list of factors is not exhaustive.

The forward-looking information is given as of the date of this MD&A, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

### **Non-GAAP Measures**

This MD&A uses the term "netbacks" which is a term not recognized under General Accepted Accounting Principles ("GAAP"). The Company uses these measures to help evaluate its performance, leverage, and liquidity as well as to assess potential acquisitions.

The Company considers corporate netbacks as a key measure as it demonstrates its profitability relative to current commodity prices. Corporate netbacks are comprised of operating, cash flow and net earnings netbacks. Operating netback is calculated as the average sales price of commodities less royalties, transportation costs and operating expenses. Cash flow netback starts with the operating netback and further deducts general and administrative costs, interest expense and then adds or deducts any realized gains or losses on derivative contracts. To calculate the net earnings (loss) netback, Maple Leaf takes the cash flow netback and adjusts for all non-cash items including: unrealized gains/losses on derivative contracts, share-based compensation expense, depletion, depreciation, accretion, gains/losses on dispositions, impairments, transaction costs, exploration and evaluation

expense and deferred income taxes. There is no GAAP measure that is reasonably comparable to the netback calculations.

### **Additional GAAP Measures**

In this MD&A, we refer to additional GAAP financial measures that do not have any standardized meaning as prescribed by GAAP. Additional GAAP financial measures are line items, headings or subtotals in addition to those required under GAAP, and financial measures disclosed in the notes to the financial statements which are relevant to an understanding of the financial statements and are not presented elsewhere in the financial statements. These measures have been described and presented in order to provide shareholders and potential investors with additional measures for analyzing our ability to generate funds to finance our operations and information regarding our liquidity. Users are cautioned that additional GAAP financial measures presented by the Corporation may not be comparable with measures provided by other entities. The additional GAAP financial measures are the inclusion of cash flow from operations and working capital.

The Company considers cash flow from operations (also referred to as “cash flow”) a key performance measure as it demonstrates the Company’s ability to generate funds necessary to fund future growth through capital investment. Maple Leaf’s determination of cash flow from operations may not be comparable to that reported by other companies. The reconciliation between cash flows from operating activities and cash flow from operations can be found in the table below. Maple Leaf also presents cash flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net earnings (loss) per share, which per share amount is calculated under IFRS and is more fully described in the notes to the financial statements.

Cash flow from operations is calculated as cash from operating activities before changes in non-cash working capital and before transaction costs. Cash flow from operations per share is calculated as cash flow from operations divided by the weighted-average number of shares outstanding during the period. Because cash flow from operations and cash flow from operations per share are not impacted by fluctuations in non-cash working capital balances, we believe these measures are more indicative of operational performance than cash from operating activities. A reconciliation of cash flow from operations to the GAAP measured cash flow from operating activities is presented in the following table:

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014
	(\$)	(\$)	(\$)	(\$)
Cash provided by (used in) operating activities	<b>450,894</b>	(48,504)	<b>349,336</b>	(64,673)
Add:				
Changes in non-cash working capital	<b>175,238</b>	8,082	<b>510,202</b>	10,777
Cash flow from operations	<b>626,132</b>	(40,422)	<b>859,538</b>	(53,896)

Working capital surplus (deficiency) is used to assess efficiency, liquidity and general financial strength. Working capital is calculated as current assets less current liabilities.

	As at June 30, 2015 (\$)	As at December 31, 2014 (\$)
Working capital	41,625	2,746,796

## Barrel of Oil Equivalent

Where amounts are expressed as a barrel of oil equivalent (“BOE”), or barrel of oil equivalent per day (“BOE/d”), natural gas volumes have been converted to barrels of oil equivalent at six (6) thousand cubic feet (“Mcf”) to one (1) barrel. Use of the term BOE may be misleading particularly if used in isolation. The BOE conversion ratio of 6 Mcf to 1 barrel (“Bbl”) of oil or natural gas liquids is based on an energy equivalency conversion methodology primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Regulators’ National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

## Amounts

All dollar amounts quoted are in Canadian dollars unless otherwise noted. All share data is quoted in thousands of shares, except per share data or as specifically otherwise noted.

## DETAILED FINANCIAL REVIEW

### PRODUCTION REVENUE AND VOLUMES

During the second quarter of 2015, the Company closed two asset acquisitions, further building its asset base on the two prior acquisitions completed in late 2014 and the first quarter of 2015. The first acquisition of the second quarter was closed April 1, 2015, and consisted of a combination of royalty assets and non-operated working interest assets in west-central Alberta. The second acquisition of the most recent quarter was closed May 1, 2015 and consisted of a royalty on 1,000 acres of contiguous producing lands in southern Alberta. The new acquisitions contributed to the production volumes noted below from their respective closing dates through to the end of the quarter.

Maple Leaf’s production in the second quarter was moderately impacted by unusual events in natural gas and natural gas liquids markets. A number of the Company’s royalty payors and partners experienced temporary restrictions of natural gas volumes due to infrastructure issues in west-central Alberta. These issues appear to have dissipated in the third quarter to date. Additionally, the Alberta market for propane in the second quarter of 2015 suffered from abnormally low prices. At many of the Company’s properties, the received propane price after transportation was negative. In these cases, the Company did not book volumes associated with propane. The propane market remains challenged and this pricing issue has persisted to date. Total impact of the aforementioned issues on the quarter amounted to approximately 20 BOE per day.

## Daily Net Sales Volumes

Second quarter 2015 production included volumes from the Company's first two acquisitions, plus a full quarter of contribution from the acquisition that closed April 1, 2015, and 61 days of contribution from the latest acquisition that closed May 1, 2015. All production was derived from the company's royalty assets in the greater Pembina, Bigstone, and Bow Island areas of Alberta plus non-operated working interest assets in the Kakwa, Sundance, Rimbey and Strachan areas of Alberta.

Royalty interest volumes shown below are the net volumes received by the Company. Working interest volumes shown below are the Company's gross interest volumes before the deduction of any lessor or gross overriding royalties payable to third parties. Prior to the initial acquisition in December 2014, the company did not own any oil and gas interests, and hence production in the comparative periods is nil.

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014
<b>Royalty Interests</b>				
Natural gas (Mcf/d)	<b>1,402</b>	0	<b>1,112</b>	0
Light oil (Bbl/d)	<b>72</b>	0	<b>54</b>	0
Natural gas liquids (Bbl/d)	<b>40</b>	0	<b>31</b>	0
<i>Subtotal Barrels of oil equivalent (BOE/d)</i>	<b>345</b>	<i>0</i>	<b>270</b>	<i>0</i>
<b>Working Interests</b>				
Natural gas (Mcf/d)	<b>1,056</b>	0	<b>531</b>	0
Light oil (Bbl/d)	<b>29</b>	0	<b>14</b>	0
Natural gas liquids (Bbl/d)	<b>32</b>	0	<b>16</b>	0
<i>Subtotal Barrels of oil equivalent (BOE/d)</i>	<b>236</b>	<i>0</i>	<b>119</b>	<i>0</i>
<b>Total – Combined Royalty and Working Interests</b>				
Natural gas (Mcf/d)	<b>2,457</b>	0	<b>1,643</b>	0
Light oil (Bbl/d)	<b>100</b>	0	<b>68</b>	0
Natural gas liquids (Bbl/d)	<b>72</b>	0	<b>47</b>	0
<i>Grand Total (BOE/d)</i>	<b>582</b>	<i>0</i>	<b>389</b>	<i>0</i>

## Volumetric Product Mix

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014
<b>Royalty Interests</b>				
Natural gas	<b>40.2%</b>	n/a	<b>47.7%</b>	n/a
Light oil	<b>12.3%</b>	n/a	<b>13.8%</b>	n/a
Natural gas liquids	<b>6.9%</b>	n/a	<b>7.9%</b>	n/a
<i>Royalty Interests Subtotal</i>	<b>59.4%</b>	<i>n/a</i>	<b>69.4%</b>	<i>n/a</i>

**Working Interests**

Natural gas	<b>30.2%</b>	n/a	<b>22.8%</b>	n/a
Light oil	<b>4.9%</b>	n/a	<b>3.7%</b>	n/a
Natural gas liquids	<b>5.5%</b>	n/a	<b>4.1%</b>	n/a
<i>Working Interests Subtotal</i>	<b>40.6%</b>	n/a	<b>30.6%</b>	n/a

**Total – Combined Royalty and Working Interests**

Natural gas	<b>70.4%</b>	n/a	<b>70.5%</b>	n/a
Light oil	<b>17.2%</b>	n/a	<b>17.5%</b>	n/a
Natural gas liquids	<b>12.4%</b>	n/a	<b>12.0%</b>	n/a
<i>Grand Total</i>	<b>100.0%</b>	n/a	<b>100.0%</b>	n/a

59.4% of the Company's production on a volume basis in the second quarter was from royalty interests. This compares to 100% in the prior quarter. The decrease was due to the addition of non-operated working interests to the production portfolio in the second quarter of 2015.

**Benchmark Pricing**

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	% Change	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014	% Change
<b>Crude Oil</b>						
WTI (US\$/Bbl)	<b>57.86</b>	103.33	-44%	<b>53.19</b>	101.02	-47%
Edmonton light (CDN\$/Bbl)	<b>68.52</b>	104.18	-34%	<b>60.60</b>	101.99	-41%
<b>Natural Gas</b>						
NYMEX (US\$/Mmbtu)	<b>2.75</b>	4.61	-40%	<b>2.82</b>	4.89	-42%
AECO - Daily (CDN\$/Mcf)	<b>2.65</b>	4.69	-43%	<b>2.70</b>	5.19	-48%
<b>Foreign Exchange</b>						
Canadian to US dollar	<b>1.230</b>	1.090	13%	<b>1.235</b>	1.096	13%
US to Canadian dollar	<b>0.813</b>	0.917	-11%	<b>0.810</b>	0.912	-11%

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Gas prices are influenced by a variety of factors such as weather patterns, LNG imports, supplies in western Alberta, demand in eastern Canada and the United States, United States production, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 43% lower in the first quarter of 2015 as compared to the same quarter of 2014. Similarly, there was a decrease in WTI prices of 44% offset by a 13% depreciation in the Canadian dollar. This resulted in a 34% decrease in Edmonton par prices in the most recent quarter versus the same quarter in 2014. Differentials between WTI and Edmonton par and commodity prices in general continue to be volatile.

## Realized Commodity Prices

Maple Leaf receives its royalty revenues via cash payments from the payor of the respective royalty interests. Typically, the revenue statement indicates the gross commodity price received by the operator, which may include adjustments for product quality and certain transportation, delivery, or marketing costs. Some defined deductions and expenses may be allowed, depending on the royalty contract. The values received for royalty volumes shown below are the gross price received before defined operating cost deductions, but inclusive of product quality adjustments and transportation, delivery, or marketing costs incurred that may be implicit to the gross price received by the Company.

With respect to its working interest revenues, all of which are non-operated, Maple Leaf takes a portion of its production in kind and sells it on the spot market directly. In instances where the Company does not take production in kind, the operator pays Maple Leaf market rates for its share of production on a monthly basis.

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014
<b>Royalty Interests</b>				
Natural gas (\$/Mcf)	2.51	n/a	2.68	n/a
Light oil (\$/Bbl)	61.73	n/a	58.55	n/a
Natural gas liquids (\$/Bbl)	46.18	n/a	41.11	n/a
<i>Royalty Interests Subtotal (\$/BOE)</i>	<b>28.35</b>	<i>n/a</i>	<b>27.38</b>	<i>n/a</i>
<b>Working Interests</b>				
Natural gas (\$/Mcf)	2.69	n/a	2.69	n/a
Light oil (\$/Bbl)	61.23	n/a	61.23	n/a
Natural gas liquids (\$/Bbl)	24.21	n/a	24.21	n/a
<i>Working Interests Subtotal (\$/BOE)</i>	<b>22.69</b>	<i>n/a</i>	<b>22.69</b>	<i>n/a</i>
<b>Total – Combined Royalty and Working Interests</b>				
Natural gas (\$/Mcf)	2.59	n/a	2.69	n/a
Light oil (\$/Bbl)	61.58	n/a	59.12	n/a
Natural gas liquids (\$/Bbl)	36.47	n/a	35.33	n/a
<i>Grand Total (\$/BOE)</i>	<b>26.05</b>	<i>n/a</i>	<b>25.95</b>	<i>n/a</i>

## Petroleum and Natural Gas (“P&NG”) Sales

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014
	(\$)	(\$)	(\$)	(\$)
<b>Royalty Interests</b>				
Natural gas	319,549	0	540,249	0
Light oil	402,737	0	567,730	0
Natural gas liquids	168,885	0	229,004	0
<i>Royalty Interests Subtotal</i>	<b>891,171</b>	<i>0</i>	<b>1,336,983</b>	<i>0</i>

<b>Working Interests</b>				
Natural gas	258,643	0	258,643	0
Light oil	159,251	0	159,251	0
Natural gas liquids	70,132	0	70,132	0
<i>Working Interests Subtotal</i>	<b>488,026</b>	<i>0</i>	<b>488,026</b>	<i>0</i>
<b>Total – Combined Royalty and Working Interests</b>				
Natural gas	578,192	0	798,892	0
Light oil	561,988	0	726,981	0
Natural gas liquids	239,017	0	299,136	0
<i>Grand Total – Combined Interests</i>	<b>1,379,197</b>	<i>0</i>	<b>1,825,009</b>	<i>0</i>

The percentage contribution of each product to total P&NG sales is as follows:

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
<b>Royalty Interests</b>				
Natural gas	23%	n/a	30%	n/a
Light oil	29%	n/a	31%	n/a
Natural gas liquids	12%	n/a	13%	n/a
<i>Royalty Interests Subtotal</i>	<b>65%</b>	<i>n/a</i>	<b>73%</b>	<i>n/a</i>
<b>Working Interests</b>				
Natural gas	19%	n/a	14%	n/a
Light oil	12%	n/a	9%	n/a
Natural gas liquids	5%	n/a	4%	n/a
<i>Working Interests Subtotal</i>	<b>35%</b>	<i>n/a</i>	<b>27%</b>	<i>n/a</i>
<b>Total – Combined Royalty and Working Interests</b>				
Natural gas	42%	n/a	44%	n/a
Light oil	41%	n/a	40%	n/a
Natural gas liquids	17%	n/a	16%	n/a
<i>Grand Total – Combined Interests</i>	<b>100%</b>	<i>n/a</i>	<b>100%</b>	<i>n/a</i>

## RISK MANAGEMENT ACTIVITIES

Maple Leaf had no commodity derivative contracts in place in 2014 nor in the first two quarters of 2015, and presently owns no such contracts. The company receives current market pricing for its production and does not have an active hedging program.

## ROYALTY EXPENSES

The second quarter of 2015 marks the first quarter in which Maple Leaf owned working interest production. In all prior periods, royalty expenses were nil. On its current working interest production base, Maple Leaf pays a combination of lessor royalties (both freehold and crown) and gross overriding royalties.

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014
	(\$)	(\$)	(\$)	(\$)
Crown royalties	<b>20,601</b>	n/a	<b>20,601</b>	n/a
Freehold lessor royalties	<b>22,035</b>	n/a	<b>22,035</b>	n/a
Gross overriding royalties	<b>13,114</b>	n/a	<b>13,114</b>	n/a
Total royalties	<b>55,750</b>	n/a	<b>55,750</b>	n/a
Royalties (as a % of working interest P&NG sales)	<b>11.4%</b>	n/a	<b>11.4%</b>	n/a

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014
	(\$/BOE)	(\$/BOE)	(\$/BOE)	(\$/BOE)
Crown royalties (\$ per working interest BOE)	<b>0.96</b>	n/a	<b>0.96</b>	n/a
Freehold lessor royalties (\$ per working interest BOE)	<b>1.02</b>	n/a	<b>1.02</b>	n/a
Gross overriding royalties (\$ per working interest BOE)	<b>0.61</b>	n/a	<b>0.61</b>	n/a
Total royalties (\$ per working interest BOE)	<b>2.59</b>	n/a	<b>2.59</b>	n/a

## OPERATING & TRANSPORTATION EXPENSES & DEDUCTIONS

Maple Leaf's royalty contracts may allow for certain specified operating and transportation deductions. Those deductions are quantified by the royalty payer and deducted from the gross amount of royalties that are payable to Maple Leaf. The following table summarizes the actual specified operating and transportation costs incurred by Maple Leaf. These costs do not include deductions that were not specified by the royalty payer and that would have been intrinsic to the realized prices noted above. The large increases in the absolute value of expenses in the most recent quarter relate to increased production volumes in the same period.

With respect to the Company's working interests, Maple Leaf is responsible for operating and transportation expenses related to production operations, product treatment, and transportation of product to sales. Working interest production generally has a higher operating cost structure than production from royalty interests.

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014
Operating and Transportation Expenses and Deductions on Royalty Interests (\$)	<b>100,679</b>	0	<b>188,234</b>	0
\$ per BOE	<b>3.20</b>	n/a	<b>3.86</b>	n/a
As % of royalty sales	<b>11.30%</b>	n/a	<b>14.08%</b>	n/a
Operating and Transportation Expenses and Deductions on Working Interests (\$)	<b>284,197</b>	0	<b>284,197</b>	0
\$ per BOE	<b>13.21</b>	n/a	<b>13.21</b>	n/a
As % of working interest sales	<b>58.23%</b>	n/a	<b>58.23%</b>	n/a
Combined Operating and Transportation Expenses and Deductions on Royalty Interests and Working Interests (\$)	<b>384,876</b>	0	<b>472,431</b>	0
\$ per BOE	<b>7.27</b>	n/a	<b>6.72</b>	n/a
As % of total sales	<b>27.91%</b>	n/a	<b>25.89%</b>	n/a

## GENERAL AND ADMINISTRATIVE (G&A) EXPENSE

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014
	(\$)	(\$)	(\$)	(\$)
General and administrative	<b>199,112</b>	2,311	<b>273,318</b>	4,622
Legal	<b>42,492</b>	0	<b>60,780</b>	0
Audit	<b>20,000</b>	0	<b>30,000</b>	0
Filing fees	<b>20,083</b>	0	<b>25,353</b>	0
Professional fees	<b>12,092</b>	0	<b>19,592</b>	0
Geological and engineering	<b>8,206</b>	0	<b>20,285</b>	0
Registrar and transfer agent	<b>7,761</b>	0	<b>11,631</b>	0
Employee expense	<b>0</b>	0	0	0
Total G&A Expense	<b>309,746</b>	0	<b>440,959</b>	0
G&A Expense (\$ per BOE)	<b>5.85</b>	n/a	<b>6.27</b>	n/a

## FINANCE EXPENSE

In May 2015, the Company established a credit facility of up to \$1,000,000 with the National Bank of Canada (the "Bank") to assist in financing the acquisition of gross overriding royalty interest in southern Alberta from two private oil and gas companies. As at June 30, 2015, the loan principal balance outstanding was \$700,000. The Company pays interest on the outstanding loan balance at the Bank's prime lending rate plus 1.0% per annum. Net finance expense is comprised of interest on bank debt and other bank charges.

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014
	(\$)	(\$)	(\$)	(\$)
Expense per financial statements	<b>4,135</b>	27,715	4,135	27,715
Average debt outstanding	<b>469,231</b>	923,828	235,912	923,828
Average interest rate (%)	<b>3.85</b>	6.00	3.85	6.00
Expense (\$ per BOE)	<b>0.08</b>	n/a	<b>0.00</b>	n/a

## DEPLETION AND DEPRECIATION (“D&D”)

Aggregate D&D in the quarter was \$1,663,275. The large increase in D&D in the current quarter compared to the prior quarter relates to increased production.

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014
	(\$)	(\$)	(\$)	(\$)
Expense per financial statements	<b>1,663,275</b>	0	1,966,004	0
Expense (\$ per BOE)	<b>31.41</b>	n/a	<b>27.95</b>	n/a

## NETBACKS

A summary of netbacks realized by Maple Leaf is shown below.

	<b>Three months ended June 30, 2015</b>	Three months ended June 30, 2014	<b>Six months ended June 30, 2015</b>	Six months ended June 30, 2014
	(\$)	(\$)	(\$)	(\$)
<b>Royalty Interests</b>				
Realized revenue	<b>891,171</b>	0	<b>1,336,983</b>	0
Royalties payable	<b>0</b>	0	<b>0</b>	0
Operating & transportation expenses	<b>100,679</b>	0	<b>188,234</b>	0
Operating from royalty interests	<b>790,492</b>	0	<b>1,148,749</b>	0
<b>Working Interests</b>				
Realized revenue	<b>488,026</b>	0	<b>488,026</b>	0
Royalties payable	<b>55,750</b>	0	<b>55,750</b>	0
Operating & transportation expenses	<b>284,197</b>	0	<b>284,197</b>	0
Operating from working interests	<b>148,079</b>	0	<b>148,079</b>	0
<b>Combined Royalty and Working Interests</b>				
Realized revenue	<b>1,379,197</b>	0	<b>1,825,009</b>	0
Royalties payable	<b>55,750</b>	0	<b>55,750</b>	0

Operating & transportation expenses	384,876	0	472,431	0
Operating from combined interests	938,571	0	1,296,828	0
<b>Total G&amp;A</b>	<b>309,746</b>	<b>0</b>	<b>440,959</b>	<b>0</b>
Interest income - cash	1,441	0	7,803	0
Interest expense - cash	(4,135)	0	(4,135)	0
<b>Cash flow</b>	<b>626,131</b>	<b>0</b>	<b>859,537</b>	<b>0</b>
Cost of listing-non-cash	0	0	0	0
Depletion	1,663,275	0	1,966,004	0
Accretion	2,492	0	2,492	0
Interest – non cash	0	27,715	0	27,715
(Gain) loss on debentures – non-cash	0	0	0	0
<b>Net income (loss)</b>	<b>(1,039,636)</b>	<b>(27,715)</b>	<b>(1,108,959)</b>	<b>(27,715)</b>

	Three months ended June 30, 2015 (\$/BOE)	Three months ended June 30, 2014 (\$/BOE)	Six months ended June 30, 2015 (\$/BOE)	Six months ended June 30, 2014 (\$/BOE)
<b>Royalty Interests</b>				
Realized price	28.35	n/a	27.38	n/a
Royalties payable	0.00	n/a	0.00	n/a
Operating & transportation expenses	3.20	n/a	3.86	n/a
Operating from royalty interests	25.14	n/a	23.53	n/a
<b>Working Interests</b>				
Realized price	22.69	n/a	n/a	n/a
Royalties payable	2.59	n/a	n/a	n/a
Operating & transportation expenses	13.21	n/a	n/a	n/a
Operating from working interests	6.89	n/a	n/a	n/a
<b>Combined Royalty and Working Interests</b>				
Realized price	26.05	n/a	25.95	n/a
Royalties payable	1.05	n/a	0.79	n/a
Operating & transportation expenses	7.27	n/a	6.72	n/a
Operating from combined interests	17.73	n/a	18.44	n/a
Total G&A	5.85	n/a	6.27	n/a
Interest income - cash	0.03	n/a	0.11	n/a
Interest expense - cash	(0.08)	n/a	(0.06)	n/a
<b>Cash flow</b>	<b>11.83</b>	<b>n/a</b>	<b>12.22</b>	<b>n/a</b>
Cost of listing-non-cash	0.00	n/a	0.00	n/a
Depletion	31.41	n/a	27.95	n/a
Interest – non-cash	0.00	n/a	0.00	n/a
(Gain) loss on debentures – non-cash	0.00	n/a	0.00	n/a
<b>Net income (loss)</b>	<b>(19.64)</b>	<b>n/a</b>	<b>(15.77)</b>	<b>n/a</b>

## **CAPITAL EXPENDITURES**

The Company acquired various royalty interests and non-operated working interests in a total of 17 oil and natural gas wells in Alberta and Saskatchewan in consideration of the issuance and delivery of 23,500,000 common shares. Based on a price of \$0.45 per share, total deemed consideration is \$10.575 million. The transaction closed on April 1, 2015 with an effective date of March 1, 2015.

The Company executed purchase and sale agreements with two private oil and gas companies whereby Maple Leaf acquired a 5-15% sliding scale gross overriding royalty on oil and a 15% gross overriding royalty on natural gas and natural gas liquids on 1,000 contiguous acres in southern Alberta. The total purchase price for both of the acquisitions, after customary purchase price adjustments, was \$3.72 million, which was funded through a combination of \$3 million in cash and bank debt. The transaction had an effective date of April 1, 2015, and closed on May 1, 2015.

## **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2015, the Company had positive working capital of \$41,625 and \$300,000 of unutilized capacity on its credit facility. The Company believes that it is well positioned to take advantage in the current low price commodity environment with future opportunities being funded through available credit facilities, equity issuances and funds from operations.

The Company generally relies on operating cash flows, equity issuances and its credit facility to fund its capital requirements and provide liquidity. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. Future liquidity depends primarily on funds from operations, existing credit facilities and the ability to access debt and equity markets.

The Company generates positive operating cash flow.

## **RELATED PARTY TRANSACTIONS**

MLRC had entered into the following related party transactions during the period ended June 30, 2015:

For the three month period ended June 30, 2015, management fees of \$151,339, year to date \$202,009, (December 31, 2014 - \$4,016) were incurred and are included in administrative and other expense; \$158,137 (December 31, - \$4,016) remained payable as at June 30, 2015. Balances and transactions with related parties have been recorded at the exchange amount.

## **OFF BALANCE SHEET FINANCINGS**

There were no off balance sheet financings during the period.

## SHARE CAPITAL

The following table provides a summary of the outstanding common shares and other equity instruments as at:

<i>(000's)</i>	June 30, 2015	March 31, 2015	December 31, 2014
Common shares outstanding	75,415	51,915	28,915
Options and warrants	10,068	10,068	10,068
Fully diluted shares	85,483	61,983	38,983
Weighted average common shares	70,113	44,504	11,833

Total common shares outstanding as at the date hereof is 75,415,131.

## SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous five quarters.

	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014
<b>Production</b>					
Barrels of oil equivalent per day	582	193	15	0	0
<b>Financial</b>					
Royalty income (net of deductions)	790,493	358,257	32,318	0	0
Working interest sales	488,026	0	0	0	0
Royalty expense	(55,750)	0	0	0	0
Interest revenue	1,441	6,362	5,840	0	0
Funds from (used by) operations	(450,894)	(101,558)	(43,624)	(85)	(20,020)
Operating income (loss)	(1,039,635)	(69,323)	154,673	(171,431)	(64,673)
Petroleum and natural gas interests	28,205,865	15,445,357	6,812,960	0	0
Total assets	29,541,648	18,882,074	10,265,004	3,392,466	317,336

## ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual General and Special Meeting of Shareholders was held on June 2, 2015. At this Meeting, the shareholders re-elected all incumbent directors, re-approved the Corporation's stock option plan, approved a new share incentive plan and approved the reappointment of PricewaterhouseCoopers LLP, Chartered Accountants, as the Corporation's auditor. The proposed amendment to the Corporation's Articles to include Advance Notice Provisions was not proceeded with due to insufficient support by the Corporation's shareholders.

## SUBSEQUENT EVENT

On July 31, 2015, the Company paid a quarterly dividend of \$0.003 per common share to shareholders of record as of July 15, 2015.

## **OUTLOOK**

Although natural gas prices have been somewhat stable, oil prices have declined significantly in the third quarter of 2015. Natural gas liquids markets also remain challenged by supply issues that are resulting in depressed prices, with propane prices suffering significantly. Cash flow in the third quarter is expected to decline for these reasons as well as natural production declines given that the operators of Maple Leaf's production base have not brought any new wells on stream this year.

Maple Leaf continues to see a relatively robust market for oil and gas royalties assets, and market prices for these assets appear to have been declining with commodity prices as of late. Although Maple Leaf is considering the potential rationalization of some non-core non-operated working interest assets as a method of internally raising capital for redeployment into oil and gas royalties, the ability to raise cash via equity markets will be key to the ongoing growth by acquisition business plan. The Company intends to keep relatively low leverage ratios, and does not plan to utilize debt as a primary source of financing for future royalty acquisitions

## **CRITICAL ACCOUNTING ESTIMATES**

A summary of the significant accounting policies used by MLRC can be found in Note 3 of the June 30, 2015 unaudited consolidated financial statements. Note 4 of the Company's unaudited consolidated financial statements for the period ended June 30, 2015 discloses the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements. The June 30, 2015, unaudited consolidated financial statements are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can materially differ from these estimates.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

## **Accounts receivable**

Accounts receivable are recorded at the estimated recoverable amount which involves an estimate of uncollectible amounts where applicable. The Company assesses the parties within the accounts and provides, if determined, an estimate of uncollectible amounts based on several factors which include aging, the party's credit worthiness and the nature of the receivable.

## **Oil and gas reserves**

Oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with the National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* and incorporating the estimated future cost of developing and extracting those reserves. Commercial reserves are determined using estimates of oil and natural gas in place, recovery factors and future prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. There are numerous uncertainties inherent in estimating oil and gas reserves. The key estimates used in the determination of cash flows from oil and natural gas reserves include the following:

- i) Reserves – Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.
- ii) Oil and natural gas prices – Forward price estimates are used in the cash flow models. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchange rates, weather, and economic and geopolitical factors.
- iii) Discount rate – The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

Estimating reserves is very complex, requiring many judgments based on geological, geophysical, engineering and economic data. These estimates may change, having either a positive or negative impact on net earnings as further information becomes available and as the economic environment changes.

Purchase price allocations and calculations of depletion and depreciation and impairment are based on estimates of oil and gas reserves. Reserves estimates are based on engineering data, estimated future prices, expected future rates of production and timing of future capital expenditures. By their nature, these estimates are subject to measurement uncertainties and interpretations and the impact on the financial statements could be material. The Company expects that over time, its reserves estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels and may be affected by changes in commodity prices.

## **Depletion**

Depletion of oil and gas properties is provided using the unit-of-production method and is based on production volumes in relation to total estimated proved and probable reserves as determined by the Company's independent engineers. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

The calculation of the unit-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecast production. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- Changes in proved and probable reserves.

- The effect on proved and probable reserves of differences between actual production as compared to forecasts as well as commodity price assumptions.

### **Impairment**

The recoverable amounts of Cash Generating Units (“CGU”), as defined below, and individual assets have been determined based on fair values less costs of disposal. These calculations require the use of estimates and assumptions including information on future commodity prices, expected production volumes, quantity of reserves and discount rates. Key assumptions in the determination of cash flows from reserves include reserves as estimated by the Company’s independent qualified reserve evaluators. It is possible that oil and gas price assumptions may change which may then impact the estimated life of fields and may then require a material adjustment to the carrying value. The Company monitors internal and external indicators of impairment relating to its assets.

The Company’s significant accounting policies are disclosed in note 3 to the consolidated financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These accounting policies are discussed below and are included to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results than reported. The Company’s management reviews its estimates regularly. The emergence of new information and changed circumstances may result in actual results that differ materially from current estimates.

### **CGU definition**

The determination of CGUs requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risk and materiality. The asset composition of a CGU can directly impact the recoverability of the assets included therein.

### **Recoverable amounts of CGUs**

In performing the impairment test of its oil and gas interests, management assesses its interests, which are utilized in determining the amortization charge for the period and assessing whether any impairment charge is required. By their nature, these estimates of discovered and probable crude oil and natural gas reserves, including the estimates of future prices, costs, related future cash flows and the selection of a post-tax discount rate relevant to the asset in question are subject to measurement uncertainty.

The Company uses a report prepared by an independent reserves specialist who periodically assesses the Company’s level of royalty interests by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Company’s assets. Significant judgment is involved when determining whether there have been any significant changes in the Company’s royalty interests. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

### **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities based on the Company’s current understanding of tax laws as applied to the Company’s circumstances. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

## **CHANGES IN ACCOUNTING POLICIES**

The following new standards have not been early adopted by the Company:

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace International Accounting Standards ("IAS") 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

In May 2014, the FASB issued ASU 2014-09, "Revenue Recognition - Revenue from Contracts with Customers" ("ASU 2014-09") that requires companies to recognize revenue when a customer obtains control rather than when companies have transferred substantially all risks and rewards of a good or service. This update is effective for annual reporting periods beginning on or after December 15, 2016 and interim periods therein and requires expanded disclosures. The Company is currently assessing the impact the adoption of ASU 2014-09 will have on its consolidated financial statements. The new and amended standards did not have an impact on the Company's financial statements.

## **RISK FACTORS AND RISK MANAGEMENT**

The risks in the oil and gas industry are varied and wide-ranging. The primary risks and how the Company mitigates them are as follows:

### **Financial risks**

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk (currency risk, interest rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

### **Credit risk**

Credit risk is the risk of financial loss to the Company if an investor or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents accounts receivable and short-term investments.

Investment objectives are primarily directed towards preservation of capital and liquidity. The investment policy provides limitations on concentrations of credit risk, credit quality and the duration of investments, as well as minimum rating requirements for cash and cash equivalents held in banks and financial institutions. Management monitors its exposure to credit risk on a continual basis.

The maximum credit risk exposure is \$1,314,717 (December 31, 2014 - \$3,451,294). The Company believes the credit risk associated with the cash and cash equivalents and the short-term investment is limited due to the credit quality of the financial institutions with which the funds are held.

## **Market risk**

### **Interest rate risk**

The Company holds a portion of cash in bank accounts that earn variable interest rates. All other financial liabilities in the form of payables and provisions are non-interest bearing. Future net cash flows from interest income on cash and interest expense on variable rate borrowings will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy for short term investments and cash held in banks. This policy focuses primarily on preservation of capital and liquidity. The Company currently does not engage in any hedging or derivative transactions to manage interest rate risk.

As of June 30, 2015, management estimates that if interest rates had changed by 1% (i.e. 100 basis points), assuming all other variables remained constant, the impact to net loss would be immaterial.

### **Currency risk**

Currency risk is the risk that the value of monetary assets and liabilities denominated in currencies other than the Canadian dollar (the reporting currency of the Company) will fluctuate due to changes in foreign exchange rates. The Company's monetary assets and liabilities are all denominated in Canadian dollars.

### **Other price risk**

The Company's financial assets consist of cash and cash equivalents and a short-term investment in a GIC. The short-term investment carries a fixed interest rate; therefore, the Company does not have any significant exposure to other price risk.

### **Liquidity risk**

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company's approach to managing liquidity risk is to provide reasonable assurance that it can provide sufficient capital to meet liabilities when due. The Company's ability to settle borrowings and other long term liabilities when due is dependent upon future liquidity from capital sources or positive cash flows from operations.

All of the derivative and non-derivative financial liabilities mature in 12 months or less.

## **Administrative Risks**

The increased transparency required by securities regulators and constantly evolving accounting guidelines dictate significant resources be devoted to these areas. MLRC maintains processes designed to comply with the required disclosures; has a strong Board of Directors and engages technical advisors to assist in meeting securities guidelines.

## **Regulatory Risk**

There can be no assurance that government regulations including: royalties, income taxes, environmental laws and other regulatory requirements will not be changed in a manner which would adversely affect the Company or its shareholders. While MLRC has no control over these regulatory risks, it monitors these changes by participating in industry organizations.

## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Corporation's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the Corporation's Chief

Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. The Chief Executive Officer and the Chief Financial Officer have concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2014 to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, would be known to them. In addition, the Chief Executive Officer and the Chief Financial Officer have concluded the Internal Controls over Financial Reporting is effective as at June 30, 2015.

There have been no changes in the Company's internal controls over financial reporting that occurred during the most recent three months ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. There were no material weaknesses in MLRC's internal controls or corporate reporting noted during the period.

It should be noted that while the Chief Executive Officer and the Chief Financial Officer of the Company believe that the Company's controls provide a reasonable level of assurance with regard to their effectiveness, they do not expect that the disclosure controls and procedures or internal controls over financial reporting will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable but not absolute assurance that the objectives of the control system are met.

The June 30, 2015, unaudited financial statements are available on SEDAR at [www.sedar.com](http://www.sedar.com) as well as the Company's website at [www.mapleleafroyalties.ca](http://www.mapleleafroyalties.ca).

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**CORPORATE HEAD OFFICE**

Suite 808 – 609 Granville Street  
Vancouver, BC V7Y 1G5

**CALGARY OFFICE**

Suite 305, 400-5<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 0L6

**DIRECTORS**

Hugh Cartwright  
Martin Cheyne  
Shane Doyle  
Daniel Gundersen  
Lowell Jackson  
Adam Thomas  
John Zahary

**LEGAL COUNSEL**

DLA Piper (Canada) LLP  
Suite 1000, Livingston Place West  
250 2<sup>nd</sup> Street SW  
Calgary, AB T2P 0C1

**AUDITORS**

PricewaterhouseCoopers LLP  
250 Howe Street, Suite 700  
Vancouver, BC V6C 3S7

**TRANSFER AGENT**

Valiant Trust Company  
310, 606 4th Street SW  
Calgary, AB T2P 1T1