HLD LAND DEVELOPMENT LIMITED PARTNERSHIP
Management's Discussion and Analysis
For the Year Ended December 31, 2013

The following management's discussion and analysis ("MD&A") is prepared as at April 29, 2014 and is intended to assist readers in understanding HLD Land Development Limited Partnership ("HLD" or the "Limited Partnership"), its history, business environment, strategies, performance and risk factors from the viewpoint of management of HLD. It should be read in conjunction with the audited consolidated financial statements of HLD for the years ended December 31, 2013 and 2012 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All figures are expressed in Canadian dollars.

Additional information relating to HLD, its activities and operations can be found on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") located at www.sedar.com.

Business of the Limited Partnership

HLD is a Canadian-based limited partnership whose limited partnership units are traded on the Canadian Stock Exchange under the symbol HLD.UN. The Limited Partnership had a working interest in a junior oil and gas exploration and production entity until November 29, 2013 after which point it sold its working interest in that particular property. The Limited Partnership continues to make progress in pursuing its strategic initiatives and seek other junior oil and gas exploration and production investment opportunities while it carries on with its equity and foreign currency trading activities. The Limited Partnership is also mandated to engage in such other activities outside of the oil and gas industry and trading activities as the General Partner deems appropriate and in the best interest of the Limited Partnership to increase value for the unitholders.

Selected Annual Information

On November 29, 2013, HLD closed its sale of its 25.875% working interest in 12 light oil wells located near Kerrobert, Saskatchewan which were producing from the Viking Formation and were subject to freehold royalty burdens ranging from 13.5% to 20%. The aggregate consideration received from the purchaser for the oil and gas assets was $150,000.

As at December 31, 2013, as a result of the sale of oil and gas assets on November 29, 2013, the investment in working interest in petroleum and natural gas properties was reported as a discontinued operation. Therefore, HLD recorded an income from discontinued operations of $144,032.

A loss from continuing operations of $349,475 was recorded for the year ended December 31, 2013 due to additional professional fees relating to generating new potential deals and investment opportunities.

A gain on sale of equity investments of $43,918 was realized as at December 31, 2013.

Selected Financial Data

The following is a summary of HLD's financial information for the three most recent financial years:

Year Ended December 31			
	2013 ($)	2012 ($)	2011 ($)
Balance Sheet			
Working capital	274,139	468,134	2,045,827
Promissory notes receivable	-	-	1,000,000
Investment in warrants	-	-	129,260
Petroleum and natural gas properties	-	115,428	283,024
Total assets	363,404	622,092	2,539,198
Long term liabilities	17,859	121,839	147,433
Revenues and Earnings			
Total revenues (including interest and other income)	271,104	235,104	447,245
Total expenses (including finance costs)	403,203	511,920	1,043,030
Net loss	(205,443)	(276,816)	(595,785)
Results of Operations – Per Unit Results			
Net loss – basic and diluted	(0.030)	(0.040)	(0.086)
Total cash distribution	-	1,447,139	2,557,240
Total distribution-in-kind	-	125,000	-

The following is a summary of HLD's quarterly results for the eight most recent completed quarters:

	Quarters Ended							
	Mar. 31, 2012	**Jun. 30, 2012**	**Sep. 30, 2012**	**Dec. 31, 2012**	**Mar. 31, 2013**	**Jun. 30, 2013**	**Sep. 30, 2013**	**Dec. 31, 2013**
	($)	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**
Revenue and Earnings								
Total Revenue (including interest and other income)	76,654	47,660	53,245	57,546	19,423	9,782	70,502	171,397
Net Income (Loss)	(73,418)	(20,883)	(33,476)	(150,041)	(128,953)	78,653	(257,931)	102,788
Per Unit Results								
Net Income (Loss) (Basic)	(0.011)	(0.003)	(0.0049)	(0.0218)	(0.019)	0.0114	(0.0374)	0.0149
Net Income (Loss) (Fully Diluted)	(0.011)	(0.003)	(0.0049)	(0.0218)	(0.019)	0.0114	(0.0374)	0.0149

The following is a breakdown of the HLD quarterly expenses for 2013 and 2012 and expenses for the years ended December 31, 2013 and 2012:

	3 Months Ended		Year Ended	
	Dec. 31, 2013 ($)	Dec. 31, 2012 ($)	Dec. 31, 2013 ($)	Dec. 31, 2012 ($)
Royalties	2,747	181	24,456	13,578
Operating expenses on petroleum and natural gas properties	973	18,682	30,193	87,248
Depletion, depreciation and accretion	4,425	14,681	24,619	51,998
Loss on impairment of petroleum and natural gas properties	-	125,837	-	94,848
Loss on foreign exchange	-	-	42	-
Bank charges and interest	223	416	1,755	664
Director's fees	7,973	-	53,604	-
Office and administration	2,428	10,296	22,319	42,683
Professional fees	34,125	11,952	136,343	103,441
Commissions	-	-	488	-
Consulting	6,000	15,000	42,000	60,000
Transfer agent and regulatory fees	4,885	4,135	22,215	21,108
Wages and salaries	11,336	6,407	45,169	36,352
Total	**75,115**	**207,587**	**403,203**	**511,920**

The preceding financial data is prepared in accordance with IFRS, as issued by the International Accounting Standards Board, using the same accounting policies and methods of application as described in Note 2 of HLD's audited consolidated financial statements for the years ended December 31, 2013 and 2012.

Fourth Quarter or Three Months Ended December 31, 2013

Gross Revenues

The investments of the Limited Partnership generated revenues of $8,227 for the quarter ended December 31, 2013. The petroleum and natural gas working interest generated revenues of $18,021. Interest, dividend and other income of $776 were received. An unrealized holding loss on investments of $6,506 was also recognized in the quarter.

Operating Results from Petroleum and Natural Gas Properties

The petroleum and natural gas working interest generated revenues of $18,021 for the three months ended December 31, 2013 which was an increase from $1,490 for the same period in 2012.

The petroleum and natural gas working interest generated a net income of $9,876 for the three months ended December 31, 2013 which was a major improvement from a net loss position of $157,891 for the same period in 2012 due to lower operating expenses in the current quarter.

Total petroleum and natural gas sales of $18,021 was recorded for the three months ended December 31, 2013 with direct expenses totaling $8,145 for the quarter ($2,747 in royalties, $973 in operating expenses and $4,425 for depreciation, depletion and accretion). The petroleum and natural gas sales generated for the three months ended December 31, 2012 was much lower than the current quarter as an amount of $1,490 was recognized. An amount of $159,381 was recorded as direct expenses for the quarter ended December 31, 2012 ($181 in royalties, $18,682 in operating expenses, $14,681 for depreciation, depletion and accretion, and $125,837 as a loss on impairment of petroleum and natural gas properties.

Overall, the total sales from the investment in oil and gas working interest for the three months ended December 31, 2013 was $16,531 higher than what was recorded for the same period in 2012. Similarly, the net profit generated for the fourth quarter was $9,876 compared to a net loss of $157,891. Refer to the 2013 annual result section, under Operating Results from Petroleum and Natural Gas Properties and Discontinued Operations, for more information.

Investment Trading

Some of the equity investments were sold resulting in a realized loss of $10,570 for the three months ended December 31, 2013 compared to a nil amount for the same period in 2012. Due to a slight increase in the fair market value of the equity investments held, an unrealized holding gain on investments of $6,506 was recognized for the three months ended December 31, 2013 while an unrealized holding gain on investments of $54,951 was recorded for the same period in 2012.

Income from Other Investments

Interest and other income of $776 were received for the three months ended December 31, 2013, which was increased from $622 for the same period in 2012.

Operating Expenses

Expenses related to professional fees (including legal, accounting, audit, consulting and other professional fees) increased to $40,125 for the quarter ended December 31, 2013 from $26,952 for the quarter ended December 31, 2012. A director's fee (inclusive of payroll expenses) of $7,973 was paid during the quarter while wages and salaries for the quarter were $11,336. With an extensive effort and planning in cost cutting measures, the management of HLD was able to reduce the office administration and other expenses to $7,536 for the three months ended December 31, 2013 from $14,847 for the three months ended December 31, 2012.

Year Ended December 31, 2013

Gross Revenues

The investments of the Limited Partnership generated revenues of $107,934 for 2013 compared to $156,533 for 2012. The main reasons for the decrease of $48,599 in revenues were due to the sale of petroleum and natural gas properties effective November 29, 2013.

Operating Results from Petroleum and Natural Gas Properties and Discontinued Operations

The petroleum and natural gas working interest generated revenues of $60,130 for 2013 which was a reduction from $108,597 from 2012.

The petroleum and natural gas working interest incurred a net loss of $19,138 for 2013 which was an improvement from a net loss position of $139,075 for 2012. Lower sales, shorter period of revenues received and increased operating costs were the main reasons for the net loss due to maturity of a certain oil wells.

Overall, the total revenues recorded from the investment in oil and gas working interest for 2013 was $60,130, which was a significant reduction from $108,597 as reported in 2012. Total direct expenses recorded for 2013 was $79,268 ($24,456 in royalties, $30,193 in operating expenses and $24,619 for depreciation, depletion and accretion) which was a decrease from $247,672 in 2012 ($13,578 in royalties, $87,248 in operating expenses, $51,998 for depreciation, depletion and accretion and $94,848 in impairment loss).

Effective November 29, 2013, the Limited Partnership disposed of its petroleum and natural gas properties to a third party and the key figures resulting from this discontinued operation are presented as follows:

Loss from discontinued operations is composed as follows:

		2013		2012
Petroleum and natural gas sales	$	60,130	$	108,597
Royalties		(24,456)		(13,578)
Operating expenses on petroleum and natural gas properties		(30,193)		(87,248)
Depreciation, depletion, and accretion		(24,619)		(51,998)
Impairment of petroleum and natural gas properties		-		(94,848)
	$	(19,138)	$	(139,075)

The gain on sale of the petroleum and natural gas properties is composed as follows:

Cost of the assets	$	501,907
Provision for site restoration		(105,088)
Accumulated depreciation		(161,952)
Cumulative impairment charges		(248,037)
Carrying value		(13,170)
Proceeds on sale		150,000
Gain on sale	$	163,170

Investment Trading

A significant portion of the equity investments were sold in 2013 and a gain of $43,918 was realized while no gain on sale of investments was recorded for 2012. Due to a decrease in the fair market value of the equity investments held, an unrealized holding loss on investments of $73,344 was reported for 2013 while an unrealized holding gain on investments of $78,571 was recorded for 2012 due to the higher fair market values at the time.

Income from Other Investments

Interest and other income of $3,758 were received for 2013 which was lower than 2012 of $47,453.

Operating Expenses

Expenses related to professional fees (including legal, accounting, audit, consulting and other professional fees) increased to $178,343 for 2013 from $163,441 for 2012, for general corporate matters and pursuing new investment opportunities. A director's fee (inclusive of payroll expenses) of $53,604 was paid during 2013 while wages and salaries for the year were $45,169. Mnagement of HLD was able to reduce the office administration and other expenses to $46,819 for 2013 from $64,455 for 2012.

Liquidity and Capital Resources

Cash on hand as at December 31, 2013 decreased to $267,283 which was $57,832 lower than the balance as at December 31, 2012 of $325,115.

There was a net outflow of cash of $325,775 from operating activities for the year ended December 31, 2013.

Investing activities generated a cash balance of $271,098 primarily from the sale of the petroleum and natural gas properties and sale of some equity investments. There was a total outflow of $2,087 as a result of investing activities due to the advance made to a related party of $2,087.

Financing activities had a net outflow of $1,068 as a result of the promissory note repayments stemming from an earlier period.

The amount of cash on hand and the current working capital are sufficient to support HLD's operating activities and current obligations.

Contractual Commitments

The Limited Partnership does not have any contractual commitments.

Off-Balance Sheet Financing

The Limited Partnership has no off-balance sheet arrangements.

Changes in Accounting Policies

There were no major changes to the Limited Partnership's significant accounting policies in 2013 except the adoption of certain standards and amendments issued effective for accounting periods beginning on or after January 1, 2013. See Note 2 to the audited consolidated financial statements for the years ended December 31, 2013 and 2012.

Accounting Policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The consolidated financial statements represent the Limited Partnership's presentation of its results and financial position along with its accounting policies under IFRS for the years ended December 31, 2013 and 2012.

Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are applicable. The policies set out below were consistently applied to all the periods presented unless otherwise noted.

Adoption of new and amended IFRS standards

The following accounting standards, amendments and interpretations were issued effective for accounting periods beginning on or after January 1, 2013. Many of these updates are not applicable or consequential to the Limited Partnership and have been excluded from the discussion below. As of January 1, 2013, the Limited Partnership adopted the following IFRS standards and amendments in accordance with the transitional provisions of each standard.

(i) IFRS 10 *Consolidated Financial Statements* replaces the consolidation guidance in IAS 27 *Consolidation and Separate Financial Statements* and Standing Interpretations Committee ("SIC") 12 *Consolidation – Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The retrospective adoption of this standard did not have any impact on the Limited Partnership's financial statements.

(ii) IFRS 11 *Joint Arrangements* replaces the guidance in IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-monetary Contributions by Ventures*, and divides joint arrangements into two types: joint operations and joint ventures each with their own accounting model. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be accounted for using the equity method. The retrospective adoption of this standard did not have any impact on the Limited Partnership's financial statements.

(iii) IFRS 12 *Disclosure of Interest in Other Entities* requires enhanced disclosures about both consolidated and unconsolidated entities in which an entity has involvement. The objective for IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The retrospective adoption of the annual disclosure requirements of this standard did not have a material impact on the Limited Partnership's financial statements.

(iv) IFRS 13 *Fair Value Measurements* defines fair value, sets out in a single IFRS, a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). The retrospective adoption of this standard did not have any impact on the Limited Partnership's financial statements.

Principles of consolidation

The consolidated financial statements include the accounts of the Limited Partnership and its wholly owned subsidiaries, HLD Equishare Inc., HLD (Trading) General Partner Ltd. and HLD (Trading) Limited Partnership. Inter-company transactions and balances are eliminated upon consolidation. The financial statements of the subsidiaries are prepared using consistent accounting policies and reporting date as of the Limited Partnership.

Critical judgments and sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments
The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involved judgment or assessments made by management.

(ii) Management is required to assess impairment in respect of petroleum and natural gas properties. The triggering events are defined in IAS 36. In making the assessment, management is required to make judgments on the status of each project and the future plans towards remaining reserves.

Management has determined that there were triggering events present as defined in IAS 36.

Estimation uncertainty
The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year:

(i) The valuation of financial statements which are classified as fair value through profit or loss – See Note 4 to the audited consolidated financial statements for HLD for the years ended December 31, 2013 and 2012.

Petroleum and natural gas properties

The fair value of all consideration paid to acquire petroleum and natural gas property is capitalized, including amounts due under option agreements. Consideration may include cash, loans or other financial liabilities, and equity instruments including common shares and share purchase warrants.

Petroleum and natural gas properties also include exploration and evaluation expenditures attributable to exploration license or field where proved reserves are determined to exist.

Tangible assets acquired for use in the petroleum and natural gas activities are classified as petroleum and natural gas properties; however, to the extent that such tangible asset is consumed in developing exploration and evaluation expenditures, the amount reflecting that consumption is recorded as part of the cost of exploration and evaluation expenditures.

Exploration and evaluation expenditures

The Limited Partnership capitalizes all costs associated with an exploration well as exploration and evaluation assets until the drilling of the well project is complete and the results have been evaluated. These costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting oil and natural gas is considered to be determined. A mineral resource is considered to be determined when proved reserves are determined to exist. The carrying amount, net of accumulated impairment charges, of exploration and evaluation expenditures represents costs incurred to date and does not reflect present or future values. Upon the determination of proved reserves, the exploration and evaluation expenditures are transferred to petroleum and natural gas properties. Management reviews each exploration license or field, at least annually, to ascertain whether proven reserves have been discovered.

Pre-license costs

The costs incurred before the legal rights to explore a specific area have been obtained and they are expensed in the period in which they are incurred.

Depletion and depreciation

Petroleum and natural gas properties are depleted on a unit-of-production basis over the estimated proved developed reserves before royalties, as determined by independent engineers. For depletion purposes, relative volumes of petroleum and natural gas production and reserves are converted to

equivalent oil on the basis of six thousand cubic feet of natural gas being equivalent to one barrel of crude oil.

Costs of acquiring and evaluating unproved properties would be excluded from costs subject to depletion and depreciation until it is determined whether proved reserves are attributable to the properties or impairment occurs.

Oil tanks and equipment used in petroleum and natural gas production are amortized on a declining balance basis over their useful lives; which is estimated to be four years.

Impairment of non-current assets

Impairment tests for non-current assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the non-current asset's recoverable amount is calculated. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. If the carrying value of a non-current asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount of the non-current asset to its recoverable amount.

For the purposes of assessing impairment, assets are grouped into Cash Generating Units ("CGU"), defined as the lowest levels for which there are separately identifiable cash inflows. An impairment loss is recognized for the amount by which the carrying amount of the CGU exceeds its recoverable amount.

Upon determination of proved reserves, exploration and evaluation expenditures attributable to those reserves are first tested for impairment using CGU's, and then reclassified to petroleum and natural gas properties.

Impairments are reversed for all CGU's and individual assets to the extent that events or circumstances give rise to changes in the estimate of recoverable amount since the period the impairment was recorded.

Provisions for site restoration

Obligations to retire a non-current asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or an event occurs giving rise to such an obligation. The Limited Partnership is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Limited Partnership may be found to be responsible for damage caused by prior owners and operators of its petroleum and natural gas properties and in relation to interests previously held by the Limited Partnership. The Limited Partnership believes it has conducted its exploration and evaluation activities in compliance with applicable environmental laws and regulations.

On initial recognition, the estimated fair value of a provision is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-current asset. The liability is

increased over time through periodic charges to profit and loss. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation.

Revenue recognition

Revenue from the sale of petroleum and natural gas is recorded when title passes to the customer and collection is reasonably assured. Revenue from petroleum and gas production represents the Limited Partnership's working interest share before royalty payments to governments and other interest owners.

Loss per Limited Partner Unit

The basic loss per Limited Partner Unit for 2013 and 2012 is calculated using the weighted average number of Limited Partner Units outstanding during the period, which amounted to 6,891,064 (2012 – 6,891,064). Diluted loss per Limited Partner Unit is the same as basic earnings for the years ended December 31, 2013 and 2012.

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash and investments are classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable and due from related party are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At December 31, 2013, the Limited Partnership has not classified any financial assets as available for sale.

Transaction costs associated with financial assets at fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Trade and other payables and promissory notes payable are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At December 31, 2013, the Limited Partnership has not classified any financial liabilities as fair value through profit or loss.

Partners' equity

Units issued by the Limited Partnership are classified as equity. Costs directly attributable to the issue of limited partner units, unit purchase warrants and unit options are recognized as a deduction from equity, net of any related income tax effects.

Capital Risk Management

The Limited Partnership's objectives when managing capital are to safeguard its ability to continue as a going concern to sustain the investment trading business. The Limited Partnership defines capital that it manages as cash and limited partners' contributions. In order to maintain the capital structure, the Limited Partnership may adjust the amount of its distributions, adjust its level of capital spending, issue new units, or sell assets. The Limited Partnership will continue to assess new investments if it feels there is sufficient economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable. The Limited Partnership is not exposed to any internally or externally imposed capital requirements.

Financial Instruments and Financial Risk Factors

Fair value

The fair value of the Limited Partnership's financial instruments is believed to approximate their book values due to their short terms to maturity.

The Limited Partnership classifies the fair value of cash and investments according to the following hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

- Level 3: Values based on prices or valuation techniques that require inputs that are both observable and significant to the overall fair value measurement.

The fair value of cash and investments are considered as Level 1. A portion of the investments includes the investment in warrants which is recorded at cost as these instruments are not actively traded in the open market and as a result their fair value is not reliably measurable. See Note 5 to the audited consolidated financial statements for HLD for the years ended December 31, 2013 and 2012 for a description of the investment in warrants.

Financial risk factors
The Limited Partnership is exposed to a number of different risks arising from financial instruments. These risk factors include liquidity risk, credit risk and market risks relating to commodity prices and foreign currency risk.

The Limited Partnership maintains a governance process to manage its financial risks. Management is responsible for overseeing the Limited Partnership's risk management for trading activities. All risk management activity is carried out by management that has the appropriate skills, with the assistance of consultants, and supervision with the appropriate financial and management controls.

Liquidity risk
Liquidity risk is the risk that the Limited Partnership will encounter difficulty in meeting obligations associated with financial liabilities. The Limited Partnership believes that it has access to sufficient capital through internally generated cash flows to fund its future operations. The Limited Partnership prepares budgets and synopses which are regularly monitored and updated as considered necessary.

Credit risk
Credit risk is the risk that a counterparty to a financial asset will default resulting in the Limited Partnership incurring a loss. Most of the Limited Partnership's assets relate to cash. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Limited Partnership manages this credit risk by dealing with entities which are believed to be creditworthy.

Market risk
Market risk is the risk arising from possible market price movements and their impact on the future performance of the business. Market risk includes the following:

(i) **Foreign currency exchange risk**
The Limited Partnership is exposed to foreign currency exchange risk due to its trading activities in foreign currencies. The foreign currency exchange risk on trading activities is not considered significant.

(ii) **Commodity price risk**
Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also

world economic events that dictate the levels of supply and demand. The Limited Partnership had no derivative instruments to provide protection against lower commodity prices as at December 31, 2013.

(iii) **Interest rate risk**
The Limited Partnership is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Limited Partnership's obligations is not considered significant.

(iv) **Equity price risk**
Equity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in equity prices. Equity prices are impacted by not only the financial performance of the particular company but also world economic events that affect the overall equity market. The equity price risk on investments and investments in special warrants is not considered significant.

Transactions with Related Parties

As at December 31, 2013, the related party transactions that the Limited Partnership entered into were as follows:

- The Limited Partnership made total compensation payments to its key management personnel of $134,000 (December 31, 2012 - $94,000). Of which, $42,000 was recorded as wages and salaries, $50,000 was recorded as director's fees and $42,000 was recorded as consulting.

- A balance of $2,715 (December 31, 2012 - $628) was receivable from 7275803 Canada Inc., the general partner of the Limited Partnership.

Proposed Transactions & Outlook

Management of HLD is actively pursuing additional investment opportunities in order to broaden the Limited Partnership's investment trading activities. With a mandate to increase unitholder value, the Limited Partnership may also engage in such other activities outside of the oil and gas industry as the General Partner deems appropriate and in the best interest of the Limited Partnership.

Taxation Matters

Income taxes

The Limited Partnership is subject to income taxes on certain types of income. The Limited Partnership will be liable for income taxes determined by reference to the prevailing corporate income tax rate in effect at the time. The Limited Partnership recognizes current income taxes for the estimated income taxes payable for the current year.

In November 2012, the Canada Revenue Agency (the "CRA") issued Requirements for Information ("RFIs") to the Limited Partnership with respect to its 2010 and 2011 fiscal periods. The Limited Partnership provided virtually all of the information requested.

In July 2013, the CRA issued RFIs to directors of the Limited Partnership's general partner, and to limited partners of the Limited Partnership (including insiders and investors). The CRA later withdrew and re-issued the Insider and Director RFIs and issued a new RFI to the general partner. The Limited Partnership is continuing to discuss these RFIs with the CRA and to consider its options for challenging the RFIs, either within the CRA or in court.

The partners will be updated if and when more information becomes available or when the CRA proposes any changes to the Limited Partnership's information return.

Deferred income taxes

Deferred income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are recognized using substantively enacted income tax rates. The effect of changes in effective income tax rates is recognized in comprehensive income in the period in which the change is substantively enacted. Deferred income tax assets are recognized with respect to deductible temporary differences only to the extent their realization is considered to be probable. The Limited Partnership will not accumulate loss carryforwards, as losses are allocated to the limited partners at the end of each year.

As at December 31, 2013, no provision for income tax payable has been recognized as the Limited Partnership was in a loss position. Also, no deferred income tax assets or liabilities have been recognized.

SIFT Rules

On October 31, 2006, the Minister Finance announced proposed changes to the taxation of certain publicly-traded trusts and partnerships and their unitholders, which were enacted on June 22, 2007. These legislative provisions, as subsequently amended, are herein referred to as the "SIFT Rules".

The SIFT Rules apply to Canadian resident partnerships as defined in the Income Tax Act that hold one or more "non-portfolio properties" and the units of which are listed or traded on a stock exchange or other public market (a "specified investment flow-through partnership" or "SIFT partnership").

The Limited Partnership is a "SIFT partnership" under the SIFT Rules and starting in 2011 would be subject to tax on its income from non-portfolio properties and taxable capital gains from dispositions of non-portfolio properties at a rate comparable to the combined federal and provincial corporate income tax rate and distributions of such income to unitholders will be treated as eligible dividends paid by a taxable Canadian corporation. Certain properties owned by the Limited Partnership will constitute "non-portfolio properties" under the SIFT Rules, with the result that a substantial portion of the Limited Partnership's income will be subject to the new tax under the SIFT Rules.

Conversion to Corporation

The Income Tax Act contains rules which permit a SIFT partnership to convert to a corporation on a tax deferred basis provided the conversion was done prior to January 1, 2013. The Limited Partnership has made the necessary assessments and decided that it was in the best interest of the Limited Partnership to remain as a SIFT partnership. Therefore, no conversion had been done.

Disclosure of Outstanding Unit Data

As of the date of the MD&A, the Limited Partnership had 6,891,064 units issued and outstanding.