

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST

**IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF DUNDEE ENERGY LIMITED PARTNERSHIP OF THE
CITY OF TORONTO IN THE PROVINCE OF ONTARIO**

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF DUNDEE OIL AND GAS LIMITED OF THE CITY OF TORONTO IN THE
PROVINCE OF ONTARIO**

**FIRST REPORT OF THE PROPOSAL TRUSTEE
FTI CONSULTING CANADA INC.**

October 24, 2017

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1.0 INTRODUCTION

1.1 On August 15, 2017 (the "**Filing Date**"), each of Dundee Energy Limited Partnership ("**DELP**") and Dundee Oil and Gas Limited ("**DOGL**") (together, "**Dundee**" or the "**Debtors**") filed a Notice of Intention to Make a Proposal (the "**NOIs**") pursuant to s. 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c. B-3, as amended (the "**BIA**").

1.2 FTI Consulting Canada Inc. (the "**Proposal Trustee**") has consented to act as trustee under the NOIs.

1.3 By order dated August 16, 2017 (the "**Sale Process Order**") the Ontario Superior Court of Justice (In Bankruptcy and Insolvency) (Commercial List) (the "**Court**");

- a) declared that the proposal proceedings for DELP and DOGL (together, the "**Proposal Proceedings**") were administratively consolidated and continued under a joint title of proceedings;
- b) directed that all materials in the Proposal Proceedings shall be filed with the Commercial List Office only in the DELP estate and court file and dispensed with any further filing thereof in the DOGL estate and court file;
- c) approved a sale solicitation process (the "**BIA SSP**") for all of the assets, undertakings and properties of Dundee (collectively, the "**Property**") under the supervision of the Proposal Trustee;
- d) approved the amended and restated forbearance agreement dated August 14, 2017 (the "**Forbearance Agreement**") between Dundee, Dundee Energy Limited

(“**DEL**”) and National Bank, as lender and agent for the lenders to Dundee (in such capacity, the “**Lender**”);

- e) authorized DELP to continue to obtain and borrow, repay and re-borrow additional monies under the credit facility (the “**Credit Facility**”) made available to DELP by the Lender pursuant to the amended and restated credit agreement among DELP, as borrower, DEL and DOGL, as guarantors, and the Lender, dated as of July 31, 2012 as amended (the “**Credit Agreement**”) subject to the terms of the Forbearance Agreement, in order to finance DELP’s working capital requirements, provided that borrowings by DELP under the Credit Facility shall not exceed the amounts contemplated in the Credit Agreement and the Forbearance Agreement;
- f) extended the time within which a proposal must be filed by Dundee under the BIA, as well as the corresponding stay of proceedings under s. 69 of the BIA, until October 30, 2017 (the “**Stay Period**”);
- g) granted a charge (the “**DIP Charge**”) on the Property in favour of the Lender as security for all obligations of Dundee to the Lender relating to advances made to DELP under the Credit Facility from and after the date of the Sale Process Order;
- h) granted the Administration Charge and the Directors’ Charge (each as defined in the Sale Process Order) on the Property in the amounts of \$250,000 and \$50,000 respectively;

- i) declared that each of the Administration Charge and the DIP Charge shall rank in priority to all other Encumbrances (as defined in the Sale Process Order) on the Property in favour of any person, with the exception of certain secured lenders; and
- j) declared that the Directors' Charge shall rank in priority to all other Encumbrances on the Property in favour of any person, with the exception of the Administration Charge, the DIP Charge, the security granted to the Lender pursuant to the Credit Agreement and certain other secured lenders.

2.0 PURPOSE OF THE FIRST REPORT

2.1 The purpose of this first report of the Proposal Trustee (the "**First Report**") is to provide the Court with the following:

- a) an update on Dundee's operations since the Filing Date;
- b) the Proposal Trustee's activities since the Filing Date;
- c) an update on the first phase ("**Phase 1**") of the BIA SSP;
- d) the receipts and disbursements of Dundee for the nine-week period ended October 13, 2017, as compared to Dundee's cash flow forecast filed with the Court on August 25, 2017 (the "**August Cash Flow Forecast**"), a copy of which is attached as **Appendix "A"**;

- e) the Proposal Trustee’s review of Dundee’s updated cash flow forecast for the period ending January 12, 2018 (the “**October Cash Flow Forecast**”), a copy of which is attached as **Appendix “B”**;
- f) the proposed extension of the Stay Period until December 15, 2017; and
- g) the Proposal Trustee’s conclusions and recommendations in connection with the foregoing.

3.0 TERMS OF REFERENCE

3.1 In preparing the First Report, the Proposal Trustee has relied upon unaudited financial information of Dundee’s books and records, certain financial information prepared by Dundee and discussions with Dundee’s current management (“**Management**”).

3.2 Except as described in the First Report:

- a) The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided to it by Management in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
- b) The Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in the First Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

3.3 Future oriented financial information reported or relied on in preparing the First Report is based on Management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

3.4 The Proposal Trustee has assumed the integrity and truthfulness of the information and explanations presented to it by Management. The Proposal Trustee has not independently audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance with respect to the information contained in the First Report. The Proposal Trustee assumes no responsibility or liability for any loss or damage incurred by or caused to any person or entity as a result of the circulation, publication, re-production or use of or reliance upon this First Report or for any use which any person or entity makes of the First Report, or any reliance on or a decision made based upon the First Report, other than for the express purposes as set out in this First Report.

3.5 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the Sale Process Order.

3.6 A copy of the First Report and all other Court materials, orders and endorsements issued in these proceedings are, and will be, available on the Proposal Trustee's website at: <http://cfcanada.fticonsulting.com/Dundee/> (the "**Proposal Trustee's Website**").

4.0 BACKGROUND AND UPDATE ON DUNDEE'S OPERATIONS

4.1 DELP is a limited partnership created pursuant to the *Limited Partnership Act* (Ontario). DELP operates drilling and wellsite services in Ontario. It holds on-shore and off-shore oil and natural gas producing assets, such as wells, drill and service barges, supply boats and a rotary drilling rig.

4.2 DOGL is a company incorporated in Ontario and is the general partner of DELP. DOGL's only asset is its interest in DELP.

4.3 DELP's primary lender and secured creditor is the Lender. Pursuant to the Sale Process Order, the Lender is unaffected by the stay proceedings in the Proposal Proceedings.

4.4 Since the date of the Sale Process Order, the Proposal Trustee has worked closely with Management and monitored Dundee's business operations. The Debtors and Management have assisted the Proposal Trustee with the BIA SSP, where necessary, and preparation of the August Cash Flow Forecast and the October Cash Flow Forecast. Additionally, the Debtors have continued to report to the Lender as required pursuant to the Forbearance Agreement. As at the date of the First Report, the Debtors have not defaulted under the terms of the Forbearance Agreement. Generally, all vendors have continued to ship goods/provide services to the Debtors and all significant issues have been resolved or are in the process of being resolved by the Debtors, with the assistance of the Proposal Trustee.

4.5 Management has advised the Proposal Trustee that Dundee has continued with its environmental programs in the ordinary course since the Filing Date.

5.0 PROPOSAL TRUSTEE'S ACTIVITIES TO DATE

5.1 In addition to the other activities and conduct of the Proposal Trustee described in the First Report, since the Filing Date, the Proposal Trustee has:

- a) created and maintained the Proposal Trustee's Website;
- b) provided notice to every known creditor, in the prescribed manner, a copy of the NOIs pursuant to s. 50.4(6) of the BIA;
- c) corresponded and met with Management and legal counsel;
- d) assisted Dundee in communicating with suppliers to continue going concern operations of Dundee;
- e) assisted Dundee in communicating with royalty and lease holders;
- f) responded to inquiries from stakeholders, including addressing questions or concerns of parties who contacted the Proposal Trustee on the toll-free number or general email account established by the Proposal Trustee;
- g) assisted Dundee in implementing an appropriate accounting cut-off to ensure proper determination of pre and post-filing obligations and liabilities;
- h) monitored Dundee's business and financial affairs in order to assess Dundee's business and financial affairs;
- i) monitored weekly proposed disbursements with respect to payment terms with suppliers and creditors of Dundee in accordance with the Proposal Proceedings;

- j) implemented and supervised the BIA SSP in accordance with its terms, including (as described below) preparing and distributing teaser letters, the NDA, CIM and the Phase 1 Bid Letter (each as defined below), uploading documents to the electronic data room, and engaging in discussions with numerous interested parties regarding the BIA SSP and related matters;
- k) provided updates to the Lender regarding the BIA SSP;
- l) provided assistance to Dundee in the preparation of the August Cash Flow Forecast and October Cash Flow Forecast and reported to the Lender as required under the Forbearance Agreement;
- m) assisted Dundee in filing its cash-flow statement and filed a corresponding report on the reasonableness of the cash-flow statement in accordance with s. 50.4(2) of the BIA for both the August Cash Flow Forecast and the October Cash Flow Forecast (defined in paragraph 2.1 of First Report); and
- n) prepared the First Report in consultation with the Proposal Trustee's legal counsel, Thornton Grout Finnigan LLP.

6.0 BIA SSP UPDATE

6.1 As described in the BIA SSP, the purpose of the BIA SSP is to seek proposals to purchase some or all of the Property.

6.2 Since the date of the Sale Process Order, the following activities have been undertaken by Dundee and the Proposal Trustee in relation to the BIA SSP:

- a) notices regarding the BIA SSP were published in the *Daily Oil Bulletin* and the national edition of *The Global and Mail* on September 14, 2017;
- b) a press release setting out the above notices and other information regarding the BIA SSP was issued through Canada Newswire on September 14, 2017;
- c) a list of prospective parties (the “**BIA SSP Participant List**”) was prepared by the Proposal Trustee, with the assistance of Management. The Proposal Trustee invited parties on the BIA SSP Participant List to participate in the BIA SSP. Other parties that also became aware of the BIA SSP and expressed an interest in participating were added to the BIA SSP Participant List. In total, the Proposal Trustee contacted 469 parties in Phase 1 of the BIA SSP, consisting primarily of strategic and financial parties within Canada and the United States;
- d) a non-confidential teaser letter providing an overview of the opportunity to acquire all or a part of the Property was prepared and distributed to all parties on the BIA SSP Participant List;
- e) a form of non-disclosure agreement (the “**NDA**”) was prepared and distributed to all parties on the BIA SSP Participant List;
- f) a confidential information memorandum (the “**CIM**”) describing the opportunity to acquire all or a part of the Property was provided to each Qualified Bidder (as defined in the BIA SSP) who executed the NDA; and
- g) an electronic data room was established to provide information to Qualified Bidders who executed the NDA as part of their Phase 1 due diligence.

6.3 The Proposal Trustee is of the view that strong interest has been expressed from parties participating in the BIA SSP. Numerous parties executed the NDA, conducted due diligence and were provided information to facilitate the preparation of letters of intent in accordance with the BIA SSP.

6.4 On October 3, 2017, the Proposal Trustee provided all Qualified Bidders that had executed the NDA at that time with a letter setting out the instructions for bid submissions in accordance with Phase I of the BIA SSP (the “**Phase 1 Bid Letter**”). Qualified Bidders that executed NDAs following October 3, 2017 were promptly provided with the Phase 1 Bid Letter by the Proposal Trustee. The Phase 1 Bid Letter set out, among other things, the requirement that a Qualified Bidder must submit its non-binding letter of intent (an “**LOI**”) in accordance with the BIA SSP on or before the Phase I bid deadline of 12:00 p.m. EDT October 19, 2017 (the “**Phase 1 Bid Deadline**”).

6.5 Multiple parties submitted LOI’s to the Proposal Trustee by the Phase 1 Bid Deadline. The Proposal Trustee is currently in the process of seeking clarification with respect to certain of the LOI’s received. The Proposal Trustee will update both Dundee and the Lender regarding the results of Phase 1 of the BIA SSP. The Proposal Trustee has determined that there is a reasonable prospect of obtaining a Qualified Bid (as defined in the BIA SSP) and, accordingly, recommends that the BIA SSP proceed to Phase 2.

6.6 As set out in the BIA SSP, the deadline for delivering a final binding proposal to purchase some or all of the Property pursuant to Phase 2 of the BIA SSP is 12:00 p.m. EDT November 24, 2017, or such other date or time as may be determined by the Proposal Trustee in consultation with the Lender.

6.7 At this time, the Proposal Trustee is satisfied that the BIA SSP has been managed in accordance with its terms and that parties are being provided a reasonable opportunity to participate in the process. The Proposal Trustee will continue to implement the BIA SSP in accordance with its terms.

7.0 CASH FLOW RESULTS RELATIVE TO FORECAST

Cash Flow Results and Variances

7.1 Cash receipts and disbursements for the nine-week period ended October 13, 2017 (the “**Reporting Period**”) as compared to the August Cash Flow Forecast are presented in the table below:

Dundee Energy Limited Partnership and Dundee Oil & Gas Limited
Schedule of Actual Receipts and Disbursements Compared to the August Cash Flow Forecast⁽¹⁾
For the Nine-Week Period Ended October 13, 2017
(\$000's CAD)

	<u>Actual</u>	<u>Forecast</u>	<u>Variance</u>
Oil	1,589	1,453	136
Gas	2,903	2,436	467
Other	20	29	(9)
Total Collections	4,512	3,918	594
<i>Operating Expenses</i>			
Production Expenditures	(806)	(1,208)	402
Landowner Disbursements	(184)	(606)	422
Abandonment Costs	(531)	(871)	340
Total Operating Expenses Disbursements	(1,521)	(2,685)	1,164
<i>Payroll/Other Expenses</i>			
Payroll	(1,063)	(973)	(90)
G&A	(233)	(165)	(68)
Interest & Financing Fees	(653)	(787)	134
Realized Risk Mgmt. Gain / (Loss)	(102)	(83)	(19)
Restructuring Expenses	(420)	(250)	(170)
Total Payroll/Other Expenses Disbursements	(2,471)	(2,258)	(213)
Net Cash Flow	520	(1,025)	1,545
Opening Credit Facility Balance⁽²⁾	(56,112)	(56,112)	
Change in Credit Facility Balance	520	(1,025)	
Closing Credit Facility Balance	(55,592)	(57,137)	
Bank Line Limit	(58,000)	(58,000)	
Bank Line Availability	2,408	863	1,545

Note 1

Readers are cautioned to read the Terms of Reference as set out in paragraph 3 in the First Report.

Note 2

Opening Credit Facility Balance includes \$57.3M credit facility balance net of cash on deposit of \$1.4M and outstanding cheques in the amount of \$0.2M.

7.2 During the Reporting Period, Dundee's total cash receipts in the amount of approximately \$4.5 million were approximately \$0.6M higher than projected in the August Cash Flow Forecast. Management attributes this variance to higher than anticipated natural gas and oil sales due to improved pricing, mainly from oil.

7.3 Dundee's total disbursements in the approximate amount of \$3.9 million during the Reporting Period were approximately \$1.0M lower than projected in the August Cash Flow Forecast. Management attributes the variance to both timing and permanent differences related to disbursements to Dundee's vendors and royalty holders.

7.4 Overall, during the Reporting Period, Dundee experienced a positive cash flow variance of approximately \$1.5M relative to the August Cash Flow Forecast.

Credit Facility

7.5 As at October 13, 2017 the amount outstanding under the Credit Facility net of cash on deposit (the "**Credit Facility Balance**") was \$55.6M, which is approximately \$1.5M lower than forecast due to the variances noted above. Since the date of the Sale Process Order, the Lender has advanced approximately \$1.1 million to DELP and DELP has repaid \$1.0 million to the Lender (net advance of \$0.1 million) under the Credit Facility. Since the Filing Date, Dundee has generated positive cash flow from its operations enabling it to continue to meet its obligations under the Credit Facility and the Forbearance Agreement.

8.0 CASH FLOW FORECAST UPDATE

8.1 As noted above, the Debtors have prepared the October Cash Flow Forecast for the period ending January 12, 2018 (the "**October Cash Flow Period**"). The Debtors are seeking an

extension of the Stay Period to December 15, 2017 and the October Cash Flow Period extends beyond the Stay Period.

8.2 The October Cash Flow Forecast is presented on a weekly basis during the October Cash Flow Period and represents Management's estimate of the projected cash flow during the October Cash Flow Period. The October Cash Flow Forecast has been prepared using the probable and hypothetical assumptions set out in the notes to the October Cash Flow Forecast (the "**Cash Flow Assumptions**").

8.3 The Proposal Trustee has reviewed the October Cash Flow Forecast to the standard required of a Court-appointed Proposal Trustee by s. 50.4(2)(a) of the BIA, which requires the Proposal Trustee to review the debtor's cash flow statement as to its reasonableness and report on the reasonableness of the cash flow statement to the Court. Pursuant to this standard, the Proposal Trustee's review of the October Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of Management and employees of Dundee. The Proposal Trustee reviewed information provided by Management for the Cash Flow Assumptions.

8.4 For detail surrounding the October Cash Flow Forecast please refer to Appendix "**B**".

8.5 The October Cash Flow Forecast projects that the Credit Facility Balance as at January 12, 2018 will be \$57.1M, an increase from the Credit Facility Balance as at October 13, 2017 of \$55.6M. The increase in the Credit Facility Balance is primarily due to timing as the October Cash Flow Forecast is projected to mid-January and therefore does not include the Debtors' monthly receipts as they are typically collected at the end of each month.

8.6 The October Cash Flow Forecast projects collections during the October Cash Flow Period of \$5.9M primarily related to oil and natural gas sales with the largest disbursements during the October Cash Flow Period relating to operating expenses of \$2.0 M and interest and financing fees of \$1.2M.

8.7 The October Cash Flow Forecast indicates that the Debtors have sufficient liquidity to operate the business as a going concern during the Stay Period and the October Cash Flow Period.

8.8 The October Cash Flow Forecast has been prepared solely for the purpose described above and readers are cautioned that it may not be appropriate for other purposes.

9.0 EXTENSION OF THE STAY PERIOD

9.1 Pursuant to the Sale Process Order, the Stay Period will expire on October 30, 2017. The Debtors are seeking an extension of the Stay Period to December 15, 2017. Pursuant to section 50.4(9) of the BIA, the Stay Period may be extended by the Court for up to 45 days for any individual extension and not exceeding six months from the commencement of the Stay Period.

9.2 The Proposal Trustee supports the Debtors' motion to extend the Stay Period to December 15, 2017 for the following reasons:

- a) the extension of the Stay Period is required to enable Dundee to continue to operate in the ordinary course and proceed to the second phase of the BIA SSP pursuant to which Qualified Bidders are required to submit binding offers to purchase the Property by November 24, 2017;

- b) it is forecasted that Dundee has sufficient liquidity to be able to continue operating in the ordinary course of business during the requested Stay Period;
- c) no creditor would be materially prejudiced by the extension of the Stay Period;
and
- d) the Debtors continue to act in good faith and with due diligence in these Proposal Proceedings since the filing of the NOIs.

10.0 PROPOSAL TRUSTEE'S CONCLUSIONS AND RECOMMENDATIONS

10.1 For the reasons set out in the First Report, the Proposal Trustee is of the view that the requested extension of the Stay Period to December 15, 2017 is reasonable and respectfully recommends that the Court grant the relief sought by Dundee.

All of which is respectfully submitted this 24th day of October, 2017.

**FTI Consulting Canada Inc., solely in its capacity as
Proposal Trustee of Dundee Energy Limited Partnership
and Dundee Oil and Gas Limited and not in its personal
or corporate capacity**


Per: Jeffery Rosenberg
Senior Managing Director

Appendix A

Dundee Energy Limited Partnership (Estimate Number 31-458352)
 Dundee Oil and Gas Limited (31-2282778)

Start Date: 8/10/2017

18 Week Cash Flow

Week Ending	Week 1 18-Aug-17	Week 2 25-Aug-17	Week 3 01-Sep-17	Week 4 08-Sep-17	Week 5 15-Sep-17	Week 6 22-Sep-17	Week 7 29-Sep-17	Week 8 06-Oct-17	Week 9 13-Oct-17	Week 10 20-Oct-17	Week 11 27-Oct-17	Week 12 03-Nov-17	Week 13 10-Nov-17	Week 14 17-Nov-17	Week 15 24-Nov-17	Week 16 01-Dec-17	Total
Oil	709						743				738				756		2,947
Gas	1,252						1,173				1,132				1,176		4,744
Processing	4						4				4				4		15
Other	4						4				7				4		32
Total Revenue	1,969						1,973				1,880				1,940		7,738
Royalties																	
Operating	(91)	(337)	(288)		(438)			(279)		(428)		(288)					(856)
Transportation			(23)				(22)	(297)				(281)					(2,368)
Field Netback	(65)	1,632	(312)	(43)	(438)		1,973	(598)		(428)	1,880	(591)			1,444		4,447
Realized Risk Mgmt. Gain / (Loss)	58						(40)						(49)				(74)
Field Netback net of Risk Mgmt.	(7)	1,632	(312)	(43)	(438)		1,973	(638)		(428)	1,880	(591)			1,444		4,373
Payroll			(295)		(243)		(243)	(191)				(95)		(184)			(1,531)
Other G&A		(101)						(123)									(415)
EBITDA	(7)	1,531	(607)	(43)	(681)		1,680	(761)	(191)	(428)	1,880	(878)	(49)	(184)	1,444	(280)	2,426
Interest & Financing Fees	(25)			(384)				(378)				(398)					(1,185)
Abandonment Operating Exp.			(451)								(576)						(1,657)
Abandonment Payroll Exp.	(120)				(100)		(100)										(420)
P&NG Rights			(38)					(0)				(11)					(78)
Restructuring Expenses		(100)						(150)				(175)					(600)
Funds from Operations	(152)	1,431	(1,195)	(427)	(781)		1,580	(1,290)	(191)	(428)	1,304	(1,462)	(49)	(184)	609	(280)	(1,514)
Opening Draw on Credit Facility	(56,112)	(56,264)	(54,833)	(56,028)	(56,455)	(57,236)	(57,236)	(55,656)	(56,946)	(57,137)	(57,566)	(56,261)	(57,723)	(57,772)	(57,956)	(57,346)	(56,112)
Ending Draw on Credit Facility	(56,264)	(54,833)	(56,028)	(56,455)	(57,236)	(57,236)	(55,656)	(56,946)	(57,137)	(57,566)	(56,261)	(57,723)	(57,772)	(57,956)	(57,346)	(57,626)	(57,626)
Bank Line	(57,900)																(57,900)
Operating Credit Card	(100)																(100)
Total Credit Facility	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)
Remaining Balance on Credit Facility	1,736	3,167	1,972	1,545	764	764	2,344	1,054	863	434	1,739	277	228	44	654	374	374

Lucie Presot
 Lucie Presot, Interim Chief Financial Officer

Mr. Jeffrey Rosenberg
 Mr. Jeffrey Rosenberg, Licensed Insolvency Trustee

**In the Matter of the Notice of Intention
to make a Proposal of Dundee Energy Limited Partnership
Notes to Cash Flow Statement
For the sixteen week period commencing August 14, 2017**

1. Purpose of the Cash Flow Statement

Dundee Energy Limited Partnership (the “Company” or “Dundee”) has prepared the attached Cash Flow (the “Cash Flow”) and the accompanying Notes to the Cash Flow Statement (collectively the “Cash Flow Statement”) in support of the proposal (the “Proposal”) that it filed under the Bankruptcy and Insolvency Act (“BIA”) on August 15, 2017. Mr. Jeffrey Rosenberg of FTI Consulting Canada Inc. is the Proposal Trustee in this matter (the “Trustee”). The Cash Flow Statement should be read in conjunction with the Report on Cash Flow Statement by Dundee Energy Limited Partnership (Form 30 under the BIA) and also with the Trustee’s Report on Cash Flow Statement (Form 29 under the BIA).

The Company has prepared the Cash Flow Statement based on probably and hypothetical assumptions that reflect the Company’s planned course of action for the period August 14, 2017 to December 1, 2017 (the “Cash Flow Period”). Management is of the opinion that, as at the date of filing the Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Company and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Cash Flow Statement.

The Cash Flow Statement has been developed pursuant to subsection 50 (6) of the BIA and is in support of the Company’s Proposal. The information contained in the Cash Flow Statement is subject to changing assumptions and/or receipt of new or additional information; actual results may vary. This Cash Flow Statement should not be used for any other purpose, and creditors are cautioned that the information provided in the Cash Flow Statement could vary based on changing future circumstances.

2. Global Cash Flow Assumptions

The Cash Flow assumes the Company has filed its Notice of Intention to make a Proposal on August 15, 2017, which falls in the middle of week 1. The Company will operate as a going concern and will continue to make bank loan interest payments as cash flow permits. The Company has sufficient cash on hand and borrowing room on its Credit Facility to maintain operations through the 16 week Cash Flow.

3. Oil and Gas Revenue

The Company's oil and gas revenue is the product of strip pricing as of July 26, 2017 and its expected production forecast. The Company's production forecast is based on historical results and decline rates. Oil and gas revenue is received on the 22nd day of the month in the following month. (i.e. August production revenue would be received on September 22nd)

4. Processing and Other Revenue

Processing and Other Revenue is derived from the Company's expected marketing and royalty revenue on third party production which is directed through its processing facilities. Processing and other revenue is assumed to be received on the 22nd day of the following month.

5. Royalties

The Company's monthly royalty expense is a product of the Company's expected production volumes and both crown and gross overriding royalty percentages. The crown rate is 12.5% for the Company's Ontario production which includes all fields except the Mikwan field in Alberta. The Mikwan crown rate is 5%. The gross overriding royalty rate differs between production field but ranges from 0% for its offshore production to 10.5% for its Mikwan production. The total royalties including both crown and gross overriding royalties over the Company's different production fields range from 12.5% to 18.5%

6. Operating Expenses

The Company's monthly operating expenses are based on historical expenses including but not limited to well and equipment maintenance costs, land rental expenses, utilities and regularly scheduled well workovers. The Company's operating expenses are related to but not dependant on monthly production.

7. Transportation Expenses

The Company's monthly transportation expenses are the expected cost of trucking extracted oil and gas from the well site to a processing facility. Transportation expense is a product of monthly production and the Company's historical transportation costs for either oil or gas. Transportation expenses are assumed to be paid no earlier than 45 days following the expense being incurred.

8. Realized Risk Management Gain / (Loss)

Realized risk management gain or loss is calculated as the difference between the Company's hedged gas price and the actual average monthly pricing multiplied by the amount of production hedged. The Company currently has 1 hedging contract for 5000 btu's which expires on December 31, 2017. The Company's realized risk management gain or loss is assumed to be settled within 3 business days of the end of the month.

9. Payroll

The payroll includes both salaried office employees and hourly field staff. The Company's payroll is paid on the 15th and end of the month.

10. Other G&A

Other G&A includes but is not limited to employee benefits, office rent and miscellaneous office expenses. Other G&A is assumed to be paid a week following the receiving of revenue payments.

11. Interest & Financing Fees

Interest and financing fees are the interest payments owed by the Company for its Credit Facility as per its loan agreement. Interest and financing fees are assumed to be paid on the last day of the month.

12. Abandonment Operating Expenses

Abandonment operating expenses relate to the expenses incurred as the Company completes the government mandated well abandonments. The Cash Flow assumes abandonments will continue into September; however the Company's ability to continue with its currently planned abandonment schedule is reliant on the weather and lake conditions. Abandonment operating expenses are assumed to be paid no earlier than 60 days following the expense being incurred.

13. Abandonment Payroll Expenses

Abandonment payroll expenses are the employee costs relating to the government mandated abandonments schedule to be completed by the Company. The abandonment payroll is paid on a bi-weekly basis.

14. P&NG Rights

P&NG rights relate to land rental payments on undeveloped land. P&NG rights are assumed to be paid a week following the receiving of revenue payments.

15. Restructuring Expenses

Restructuring Expenses relate to the professional fees to be incurred during the NOI and Proposal process. These expenses include the Company's counsel, Trustee's fees, Trustee's counsel's fees and selling agent's fees.

16. Credit Facility

The Company's Credit Facility allows a maximum draw of \$58 million as per its loan agreement. There are two separate parts to the Credit facility; a \$57.9 million operating line and a MasterCard with a \$100,000 limit.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-458352
Estate No.

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

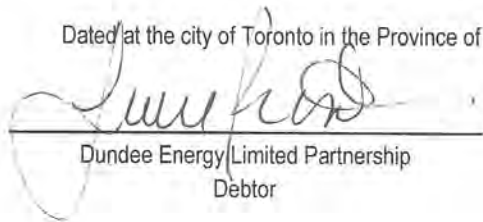
The Management of Dundee Energy Limited Partnership, has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 16th day of August 2017, consisting of *WEEKLY CASH FLOWS UNTIL THE WEEK ENDING DECEMBER 1, 2017 PREPARED ON THE BASIS OF THE NOTES (1-16) ATTACHED TO THE CASH FLOW STATEMENT.*

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Toronto in the Province of Ontario, this ^{25TH} 14th day of August 2017.


Dundee Energy Limited Partnership
Debtor

Lucie Presot
Name and title of signing officer

CFO
Name and title of signing officer

District of: Ontario
Division No. 09 - Toronto
Court No. 31-458352
Estate No.

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

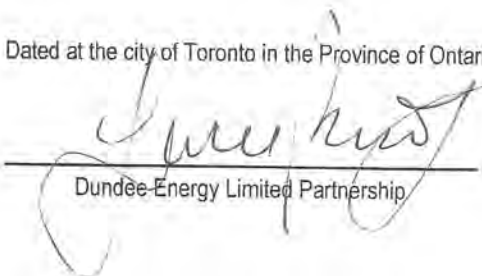
Purpose:

To show the Company has sufficient cash to fund operations through the 16 week period ending December 1, 2017.

Projection Notes:

See attached Cash Flow Assumption Notes

Dated at the city of Toronto in the Province of Ontario, this ^{25th} 14th day of August 2017.



Dundee Energy Limited Partnership

District of: Ontario
Division No. 09 - Toronto
Court No. 31-458352
Estate No.

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

The attached statement of projected cash flow of Dundee Energy Limited Partnership, as of the 16th day of August 2017, consisting of , has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

25/11

Dated at the city of Toronto in the Province of Ontario, this 14th day of August 2017.

FTI Consulting Canada Inc. - Licensed Insolvency Trustee

Per:



Jeffrey Rosenberg - Licensed Insolvency Trustee

TD Waterhouse Tower
79 Wellington St. West
Toronto ON M5K 1G8

District of: Ontario
Division No. 09 - Toronto
Court No. 31-458352
Estate No.

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

Purpose:

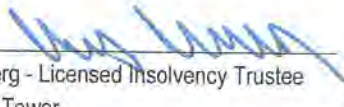
To show the Company has sufficient cash to fund operations through the 16 week period ending December 1, 2017.

Projection Notes:

See attached Cash Flow Assumption Notes

Dated at the city of Toronto in the Province of Ontario, this 14th day of August 2017,

FTI Consulting Canada Inc. - Licensed Insolvency Trustee
Per:



Jeffrey Rosenberg - Licensed Insolvency Trustee
TD Waterhouse Tower
79 Wellington St. West
Toronto ON M5K 1G8

Appendix B

Appendix B
Dundee Energy Limited Partnership and Dundee Oil & Gas Limited
October Cash Flow Forecast to January 12, 2018
13 Week Cash Flow

	Week 1 20-Oct-17	Week 2 27-Oct-17	Week 3 03-Nov-17	Week 4 10-Nov-17	Week 5 17-Nov-17	Week 6 24-Nov-17	Week 7 01-Dec-17	Week 8 08-Dec-17	Week 9 15-Dec-17	Week 10 22-Dec-17	Week 11 29-Dec-17	Week 12 05-Jan-18	Week 13 12-Jan-18	Total
Amounts in thousands (000's)														
In Canadian Dollars														
Week Ending														
Oil	736						773				762			2,271
Gas	1,181						1,239				1,189			3,609
Processing	4						4				4			12
Other	7						4				4			15
Total Revenue	1,928						2,020				1,959			5,907
Royalties	(282)						(285)							(844)
Operating	(221)	(246)	(197)	(151)	(151)	(151)	(145)	(167)	(145)	(277)	(190)	(190)	(168)	(2,077)
Field Netback	(221)	1,400	(197)	(151)	(151)	(151)	1,590	(167)	(145)	(423)	1,959	(190)	(168)	2,986
Realized Risk Mgmt. Gain / (Loss)				(77)			(69)					(104)		(250)
Field Netback net of Risk Mgmt.	(221)	1,400	(197)	(228)	(151)	(151)	1,590	(236)	(145)	(422)	1,959	(294)	(168)	2,736
Payroll	(61)	(61)	(191)	(184)	(184)	(24)	(24)	(24)	(24)	(24)	(167)	(20)	(20)	(893)
Other G&A	(282)	1,339	(412)	(252)	(359)	(175)	1,382	(240)	(336)	(446)	1,792	(324)	(199)	(374)
EBITDA														1,468
Interest & Financing Fees	(338)	(308)	(397)		(50)		(37)	(388)	(75)		(390)			(1,175)
Abandonment Disbursements			(30)											(801)
P&NG Rights			(30)											(417)
Restructuring Expenses				(200)				(200)						(600)
Funds from Operations	(620)	1,031	(669)	(452)	(359)	(235)	1,345	(848)	(411)	(446)	1,792	(1,064)	(398)	(1,524)
Opening Draw on Credit Facility	(55,592)	(56,212)	(55,181)	(56,050)	(56,502)	(56,861)	(57,086)	(55,741)	(56,589)	(57,000)	(57,446)	(56,654)	(56,718)	(55,592)
Ending Draw on Credit Facility	(56,212)	(55,181)	(56,050)	(56,502)	(56,861)	(57,086)	(55,741)	(56,589)	(57,000)	(57,446)	(56,654)	(56,718)	(57,116)	(57,116)
Bank Line	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)	(58,000)
Operating Credit Card														
Total Credit Facility	1,788	2,819	1,950	1,498	1,139	914	2,259	1,411	1,000	554	2,346	1,282	884	884
Remaining Balance on Credit Facility														

[Signature]
 Ms Lucie Presoir, Interim Chief Financial Officer

[Signature]
 Dundee Oil and Gas Limited, Debtor
 Ms Lucie Presoir, Interim Chief Financial Officer

[Signature]
 FTI Consulting Canada Inc.
 Mr. Jeffrey Rosenberg, Licensed Insolvency Trustee

**In the Matter of the Notice of Intention to make a Proposal of
Dundee Energy Limited Partnership and Dundee Oil & Gas Limited
Notes to the October Cash Flow Statement
For the thirteen week period ending January 12, 2018**

1. Purpose of the October Cash Flow Statement

Dundee Energy Limited Partnership and Dundee Oil & Gas Limited (together the “**Debtors**”) have prepared the attached forecast for the period October 20, 2017 to January 12, 2018 (the “**Cash Flow Period**”) and the accompanying notes (collectively the “**October Cash Flow Statement**”) in support of the proposal (the “**Proposal**”) that it filed under the *Bankruptcy and Insolvency Act* (“**BIA**”) on August 15, 2017. The October Cash Flow Statement should be read in conjunction with the Report on Cash Flow Statement by the Debtors (Form 30 under the BIA) and also with the Trustee’s Report on Cash Flow Statement (Form 29 under the BIA), each appended to the October Cash Flow Statement.

The Debtors have prepared the October Cash Flow Statement based on probable and hypothetical assumptions that reflect the Debtors’ planned course of action for the Cash Flow Period. Management is of the opinion that, as at the date of filing the October Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Debtors and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the October Cash Flow Statement.

The October Cash Flow Statement has been developed pursuant to s.50(6) of the BIA and is in support of the Debtors’ Proposal. The information contained in the October Cash Flow Statement is subject to changing assumptions and/or receipt of new or additional information and actual results may vary. The October Cash Flow Statement should not be used for any other purpose and creditors are cautioned that the information provided in the October Cash Flow Statement could vary based on changing future circumstances.

2. Global October Cash Flow Assumptions

The Debtors will operate as a going concern and will continue to make interest payments on its secured loan (the “**Credit Facility**”) with National Bank of Canada (the “**Bank**”) as cash flow permits. The Debtors have sufficient cash on hand and borrowing availability under the Credit Facility to maintain operations through the Cash Flow Period.

3. Oil and Gas Revenue

The Debtors’ oil and gas revenue is the product of NYMEX futures settlement pricing as of October 16, 2017 and its expected production forecast. The Debtors’ production forecast is based on historical results and decline rates. Oil and gas revenue is received between the 20th and 25th of the month in the following

month. (i.e. October production revenue would be received on November 20th – 25th).

4. Processing and Other Revenue

Processing and Other Revenue is derived from the Debtors' expected marketing and royalty revenue on third party production which is directed through its processing facilities. Processing and other revenue is assumed to be received on the 22nd day of the following month.

5. Royalties

The Debtors' monthly royalty expense is a product of the Debtors' expected production revenues and freehold, crown and gross overriding royalty percentages. The freehold and crown rate is 12.5% for the Debtors' Ontario production which includes all fields except the Mikwan field in Alberta. The Mikwan crown rate is 5%. The gross overriding royalty rate differs between production field but ranges from 0% for its offshore production to 10.5% for its Mikwan production. The total royalties including freehold, crown and gross overriding royalties over the Debtors' different production fields range from 12.5% to 18.5%.

6. Operating Expenses

The Debtors' monthly operating expenses are based on historical expenses including but not limited to well and equipment maintenance costs, land rental expenses, utilities, transportation and regularly scheduled well workovers. The Debtors' operating expenses, excluding transportation, are related to but not dependant on monthly production. Whereas transportation expenses are a product of monthly production and the Debtors' historical transportation costs for either oil or gas. Based on negotiation with vendors following August 15, 2017 (the date the Notice of Intention to Make a Proposal was filed) monthly transportation costs for natural gas are forecast to be paid at the beginning of each month in advance of the monthly transportation services being provided.

7. Realized Risk Management Gain / (Loss)

Realized risk management gain or loss is calculated as the difference between the Debtors' hedged gas price and the actual average monthly pricing multiplied by the amount of production hedged. The Debtors currently have one hedging contract for 5,000 mmbtu/d which expires on January 1, 2018. The Debtors' realized risk management gain or loss is assumed to be settled within three business days of the end of the month.

8. Payroll

The payroll includes both salaried office employees and field staff as well employee benefits. The Debtors' payroll is paid on the 15th and end of the month.

9. Other G&A

Other G&A includes but is not limited to office rent and miscellaneous office expenses. Other G&A is assumed to be paid in weekly vendor settlement payments as they come due in the normal course of business.

10. Interest & Financing Fees

Interest and financing fees are the interest payments owed by the Debtors to the Bank under the Credit Facility. Interest and financing fees are assumed to be paid on the last day of the month.

11. Abandonment Disbursements

Abandonment disbursements relate to the expenses incurred as the Debtors' complete the government mandated well abandonments, including abandonment related payroll expenses. The October Cash Flow assumes abandonments will primarily conclude by the end of December; however the Debtors' ability to continue with its currently planned onshore abandonment schedule is reliant on the weather and crop harvest conditions. Offshore abandonment activities have ceased for the year and remaining costs represent demobilization of the abandonment barge vessel. Abandonment operating expenses (i.e. non abandonment payroll related) are assumed to be paid in weekly vendor settlement payments as they come due in the normal course of business. Abandonment payroll is paid on a bi-weekly basis.

12. P&NG Rights

P&NG rights relate to land rental payments on undeveloped land. P&NG rights are assumed to be paid at the beginning of each month as they come due for annual renewal.

13. Restructuring Expenses

Restructuring expenses relate to the professional fees to be incurred in connection with the Proposal proceeding, including expenses of the Debtors' counsel, Trustee and its counsel and the Bank and its counsel.

14. Credit Facility

The Credit Facility allows a maximum draw of \$58 million as per its underlying credit facility agreement. The Credit facility consists of a \$57.9 million operating line and a MasterCard with a \$100,000 limit.

District of: Ontario
Division No. 09 – Toronto
Court No. 31-458352
Estate No.

FORM 30

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

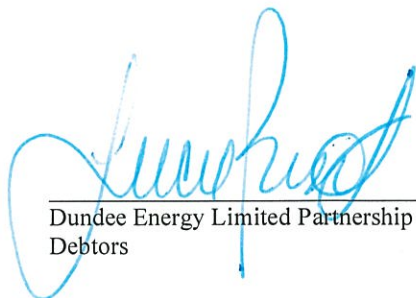
The Management of Dundee Energy Limited Partnership and Dundee Oil & Gas Limited, has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 16th day of October 2017, consisting of weekly cash flows until the week ending January 12th, 2018 prepared on the basis of the notes attached to the cash flow statement.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Toronto in the Province of Ontario, this 23rd day of October 2017.



Dundee Energy Limited Partnership and Dundee Oil & Gas Limited
Debtors

Lucie Presot, Interim CFO
Name and title of signing officer

District of: Ontario
Division No. 09 – Toronto
Court No. 31-458352
Estate No.

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

Purpose:

To show the Company has sufficient cash to fund operations through the 13 week period ending January 12, 2018

Projection Notes:

See attached Cash Flow Assumption Notes

Dated at the city of Toronto in the Province of Ontario, this 23rd day of October 2017

 Interim CFO

Dundee Energy Limited Partnership and Dundee Oil & Gas Limited

District of: Ontario
Division No. 09 – Toronto
Court No. 31-458352
Estate No.

FORM 29

Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

The attached statement of projected cash flow of Dundee Energy Limited Partnership and Dundee Oil & Gas Limited, as of the 16th day of October 2017, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by: the management and employees of the insolvent person; *or* the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management; *or* the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- a) the hypothetical assumptions are not consistent with the purpose of the projection;
- b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; *or*
- c) the projection does not reflect the probable and hypothetical assumptions.

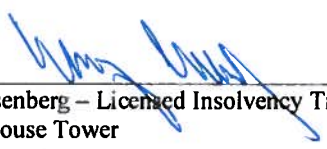
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached and readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Toronto in the Province of Ontario, this 23rd day of October 2017

FTI Consulting Canada Inc. – Licensed Insolvency Trustee

Per:



Jeffrey Rosenberg – Licensed Insolvency Trustee
TD Waterhouse Tower
79 Wellington St. West
Toronto ON M5K 1G8

District of: Ontario
Division No. 09 – Toronto
Court No. 31-458352
Estate No.

FORM 29 - Attachment
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

Purpose:

To show the Company has sufficient cash to fund operations through the 13 week period ending January 12, 2018

Projection Notes:

See attached Cash Flow Assumption Notes

Dated at the city of Toronto in the Province of Ontario, this 23rd day of October 2017

FTI Consulting Canada Inc. – Licensed Insolvency Trustee
Per:



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