

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF DUNDEE OIL AND GAS LIMITED

**FOURTH SUPPLEMENTARY AFFIDAVIT OF JANE LOWRIE
(SWORN NOVEMBER 13, 2018)**

I, Jane Lowrie, of the City of London, in the Province of Ontario, MAKE OATH AND
SAY:

Introduction

1. I am the President and Chief Executive Officer of Lagasco Inc. ("**Lagasco**"), and as such, have knowledge of the matters contained in this affidavit. Where I have relied on information received from others, I have stated the source of that information and I believe it to be true.
2. I swear this affidavit in support of the proposed closing of the sale of the relevant assets of Dundee Oil and Gas Limited and Dundee Energy Limited Partnership (collectively, "**Dundee**" or the "**Debtor**") to Lagasco in this CCAA proceeding. This affidavit is supplementary to three prior affidavits I have sworn in this proceeding.
3. The background to this proposed transaction is set out in the Monitor's Seventh Report, including the Court's June 11, 2018 Order which approved the sale of the relevant assets to

Lagasco, and the proposed assignment to the Lagasco under section 11.3 of the CCAA of certain leases and contracts.

Further Steps since October 24, 2018

4. On October 24, 2018 the Court made an order authorizing the Monitor to consent to an extension of the outside date under the asset purchase agreement for closing this transaction to November 16, 2018. A Fourth Asset Purchase Amending Agreement was thereafter executed extending the outside date to November 16, 2018 and requiring the payment by Lagasco of certain extension and professional fees. Lagasco has paid all extension and professional service fee amounts specified under that agreement.

5. On October 26, 2018 Lagasco entered into a binding term sheet with a new lender (the "**Lender**"), to provide replacement financing. Subsequently, on November 1, 2018, Lagasco entered into a Loan Agreement with the Lender. The new Loan Agreement does not require the separation of on-shore and off-shore assets, and as a result Lagasco will be the sole purchaser of the Dundee assets, and there will be no second step transaction with respect to on-shore assets.

6. Lagasco has been working closely with the Lender and its solicitors, McMillan LLP, to complete all necessary agreements, documents and steps in respect of the primary debt financing and are in the midst at the time of execution of this affidavit of finalizing a Loan Amending Agreement that addresses, among other things, the final mechanics of closing the transaction to purchase the Dundee assets.

7. In addition to the primary debt financing from the Lender, Lagasco will be financing the purchase of the Dundee assets by way of: a shareholder loan from Clearbeach Resources Inc.

("Clearbeach") in the amount of \$5.5 million, which amount is being advanced to Clearbeach by Crich Holdings and Buildings Limited; a separate \$3.9 million shareholder loan to Lagasco from Clearbeach; and the further sum of \$2.6 million from certain individual investors in the equity of Lagasco, who will receive promissory notes with specified repayment terms. The details of the financing of the purchase price have been shared throughout the process with the Monitor.

8. As a result, I anticipate all funds necessary to pay the purchase price for the transaction are or will be in the trust account of Lagasco's solicitors, Harrison Pensa LLP, by November 14, 2018.

9. I understand that series of Orders to complete the transaction are also being sought by Dundee on November 14, including a Discharges Order to effect discharges of earlier instruments from title in respect of certain real properties, a Surrendered Leases Order to further effect discharges of earlier lease-related instruments from title in respect of certain real properties, a Transferred Leases (Off-Shore) Order to enter Lagasco as lessee or other rights-holder in place of Dundee, and a Transferred Leases (On-Shore) Order to effect the same steps in respect of on-shore leases and properties.

Revised Lagasco Cash-Flow Forecast

10. Throughout the process, including since October 26, 2018, Lagasco has been in frequent communication with the Monitor and the Ministry of Natural Resources and Forestry ("MNRF") and their respective counsel in respect of revised cash-flow forecasts for the acquired enterprise. As is typical in such a process, the Monitor and the MNRF have over the course of this matter sought clarification and further information in respect of the cash-flows, and Lagasco has worked very diligently to respond to all such inquiries on a very timely basis.

11. A copy of the current November 13, 2018 cash-flow forecast (redacted at the request of the Monitor to remove the purchase price, or indicators of that price) is attached to this affidavit as **Exhibit "A" ("November Cash-Flows")**.

12. As reflected in the appended November Cash-Flows, based on the financing, structure, Deloitte reserve reports, and anticipated revenues and liabilities, Lagasco will comfortably be able to operate the acquired enterprise, sustain operations and acquisition debt, and meets its obligation as they come due. Lagasco will be able to pay all liabilities, plugging, abandonment and salvage costs associated with the leases and contracts that are being acquired as part of the Dundee assets.

13. The operations of Lagasco will be cash positive in every year of operations. Moreover, Lagasco will be able to perform and fulfil the obligations arising under the contracts assigned under section 11.3 of the CCAA, and will have paid Cure Costs (through deposit with the Monitor) following closing.

14. As the Monitor has outlined, Dundee's financial difficulties did not arise due to operating losses, and in fact cash-flow from Dundee's operation have been positive. Lagasco, as reflected in the November Cash-Flows, anticipates a reduction of operating and general and administrative expenses, through synergies, payroll savings and efficient use of resources, while at the same time meeting all safety, environmental and statutory and regulatory obligations, including capping expenses associated with wells that have reached the end of their economic life. It is my understanding from the Monitor that Dundee was comfortably able to fund capping expenses from operations, and that will be true of Lagasco as well.

15. In addition, Lagasco has identified surplus Dundee equipment that can be sold to generate revenue. Lagasco also anticipates entering into supply contracts at rates above the oil and gas

pricing identified in the most recent Deloitte reserve report, generating additional revenues. This will also lock-in some of the oil and gas production sales at pre-determined pricing, removing some of the commodity price fluctuation risk.

16. The November Cash-Flows also reference certain on-shore and off-shore mineral lease costs, which it was learned after the earlier June forecasts were not included in the Deloitte reserve report. These costs are included in the November Cash-Flows at an expense of approximately \$520,000 annually. Lagasco was also advised recently that the Deloitte reserve report did not include certain inspection costs for Dundee barges to be acquired. At the request of the Monitor, these additional expenses are now included in the November Cash-Flows.

Ministry of Natural Resources and Forestry

17. As indicated above, Lagasco has been in frequent communication with representatives of the MNRF or its counsel to provide cash-flow forecasts, financing information, proposed operating information, real property details, and to respond to a series of questions posed by the MNRF about the proposed transaction. The principals of Lagasco are well known by and I believe respected by the Ministry.

18. As of the time of execution of this affidavit, Lagasco is still awaiting final confirmation from the MNRF as to its approval for the transaction.

Confidential Information

19. The Monitor in its Seventh Report outlines some of the many steps Lagasco has taken over the past four weeks to address the confidential information disclosure issue. Lagasco has taken this

issue very seriously, clearly listened to His Honour's words in Court on October 26 and in His Honour's most recent Endorsement, and has worked very diligently to respond to the issue.

20. Lagasco has made a considered and specific proposal to the Monitor to address the confidential information disclosure issue, and is awaiting further word from the Monitor in response. I expect that the matter will be addressed in court, and I hope that a mutual recommendation will be made by the Monitor and Lagasco.

Dundee Stakeholders and the Ontario Economy

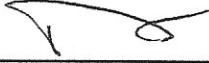
21. As I previously stated, I believe that Lagasco is uniquely positioned to productively continue and operate the Dundee oil and gas assets, maintain employment for as many current employees as possible, do business with Ontario-based and other suppliers and purchasers, and continue the Dundee oil and gas assets as a productive and tax-paying enterprise in the Ontario economy.

Lagasco Wants to Close

22. Lagasco has devoted very considerable time, money and resources to complete the transaction, including negotiating financing and other agreements, employee contracts, reviewing and negotiating or transferring sales contracts and supplier contracts, planning an IT transition, and reorganizing our systems to meet the challenge of consolidated operations. Lagasco has also paid several extension fees and professional service fees. If for any reason the transaction could not close, that would cause a very significant loss for Lagasco, for myself and for my family.

23. Lagasco remains committed to closing this transaction and has worked exceptionally hard to persevere through a number of challenges to do so, many beyond its control.

SWORN before me, at the City of London,)
in the Province of Ontario, this 13th day of)
November, 2018.)
)
)
)



A Commissioner for Taking Affidavits

T. McCULLOUGH



JANE LOWRIE

This is **Exhibit "A"** to the Fourth
Supplementary Affidavit of Jane Lowrie,
Sworn before me in London, Ontario this
13th day of November 2018

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

A Commissioner for Taking Affidavits

LAGASCO INC.
DUNDEE PURCHASE

	Nov 17-30	Dec-18	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
CASH IN																
Revenue - Onshore	\$ -	\$ 1,024,757	\$ 11,896,337	\$ 10,275,884	\$ 9,274,854	\$ 8,526,732	\$ 7,778,280	\$ 7,093,588	\$ 6,549,268	\$ 5,860,132	\$ 5,327,021	\$ 4,858,995	\$ 4,431,716	\$ 3,970,592	\$ 3,680,694	\$ 3,375,013
Revenue - Offshore	\$ -	\$ -	\$ 24,911	\$ 24,483	\$ 24,166	\$ 24,291	\$ 24,083	\$ 23,939	\$ 23,666	\$ 23,474	\$ 23,298	\$ 23,197	\$ 21,767	\$ 18,102	\$ 18,092	\$ 18,138
Revenue - (offshore)	\$ -	\$ 1,061,985	\$ 12,025,542	\$ 12,164,372	\$ 12,385,471	\$ 12,408,252	\$ 12,713,212	\$ 13,006,670	\$ 13,316,400	\$ 13,115,323	\$ 12,940,631	\$ 12,242,675	\$ 11,263,722	\$ 11,003,072	\$ 10,746,316	\$ 10,606,880
Term debt	\$ -	\$ -	\$ 1,079	\$ 1,102	\$ 1,130	\$ 1,143	\$ 1,181	\$ 1,218	\$ 1,256	\$ 1,246	\$ 1,235	\$ 1,215	\$ 1,200	\$ 1,177	\$ 1,154	\$ 1,144
Post-Closing October Net Revenue																
CCO/COIN - OMR - Shareholder loan																
Shareholder loans																
Cash in	\$ 2,086,742	\$ 23,449,870	\$ 22,485,941	\$ 22,485,941	\$ 21,663,570	\$ 20,980,418	\$ 20,516,756	\$ 20,135,415	\$ 19,891,120	\$ 19,100,176	\$ 18,262,185	\$ 17,126,082	\$ 15,718,406	\$ 14,992,944	\$ 14,446,257	\$ 14,001,176
CASH OUT																
Royalties - Leasehold - ON	\$ 159,885	\$ 1,777,933	\$ 1,604,414	\$ 1,604,414	\$ 1,447,021	\$ 1,328,804	\$ 1,214,111	\$ 1,110,753	\$ 1,026,233	\$ 928,187	\$ 831,650	\$ 755,530	\$ 680,139	\$ 621,063	\$ 576,751	\$ 529,380
Royalties - Offshore	\$ 148,160	\$ 1,850,185	\$ 1,872,455	\$ 1,872,455	\$ 1,903,989	\$ 1,911,482	\$ 1,958,850	\$ 2,004,699	\$ 2,052,347	\$ 2,021,591	\$ 1,990,031	\$ 1,879,766	\$ 1,715,851	\$ 1,677,001	\$ 1,637,990	\$ 1,617,661
Operating Costs - onshore	\$ 294,690	\$ 3,273,303	\$ 3,135,177	\$ 3,135,177	\$ 2,885,175	\$ 2,661,100	\$ 2,463,704	\$ 2,291,507	\$ 2,189,933	\$ 2,043,013	\$ 1,830,777	\$ 1,695,588	\$ 1,567,953	\$ 1,408,787	\$ 1,354,523	\$ 1,270,333
Operating Costs - offshore	\$ 423,086	\$ 5,173,576	\$ 5,077,931	\$ 5,077,931	\$ 4,962,056	\$ 4,840,808	\$ 4,705,257	\$ 4,635,551	\$ 4,487,361	\$ 4,427,004	\$ 4,346,082	\$ 4,093,810	\$ 3,161,366	\$ 3,054,276	\$ 2,966,375	\$ 2,854,330
General and Administrative	\$ 229,276	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655	\$ 1,375,655
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Barge costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional lease costs	\$ 130,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000	\$ 520,000
Shareholder loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payment of existing LCO working capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Purchase Price Net of Deposit and Extension Fees	\$ 630,910	\$ 1,832,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Closing and Post-Closing costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Abandonment costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interim Interest - IAI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Repayment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Out	\$ 1,832,671	\$ 21,833,231	\$ 21,859,250	\$ 21,859,250	\$ 20,119,907	\$ 18,467,581	\$ 16,600,248	\$ 15,527,326	\$ 14,046,726	\$ 12,372,854	\$ 11,539,943	\$ 10,021,073	\$ 8,113,993	\$ 6,746,273	\$ 5,503,097	\$ 4,463,447
Difference	\$ 172,651	\$ 253,764	\$ 1,816,638	\$ 606,692	\$ 1,843,662	\$ 2,492,836	\$ 6,083,432	\$ 598,089	\$ 155,606	\$ 2,727,322	\$ 4,772,242	\$ 3,103,009	\$ 4,320,413	\$ 4,244,671	\$ 3,613,160	\$ 3,370,729
Cumulative	\$ 497,39	\$ 1,007,989	\$ 1,261,753	\$ 3,078,391	\$ 3,685,083	\$ 5,228,745	\$ 7,721,381	\$ 1,638,090	\$ 2,236,178	\$ 2,080,572	\$ 4,807,894	\$ 12,633,146	\$ 16,953,559	\$ 21,198,229	\$ 24,811,389	\$ 28,182,119

cash opening balance sheet

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AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DUNDEE OIL AND GAS LIMITED

Court File No. CV-18-591908-00CL

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PROCEEDING COMMENCED AT
TORONTO

**FOURTH SUPPLEMENTARY AFFIDAVIT OF
JANE LOWRIE**

BENNETT JONES LLP
3400 One First Canadian Place
P.O. Box 130
Toronto ON M5X 1A4

Richard Swan (#32076A)
Telephone: (416) 777-7479
Email: swanr@bennettjones.com

William A. Bortolin (#65426V)
Telephone: (416) 777-6126
Email: bortolinw@bennettjones.com

Fax: (416) 863-1716

Lawyers for Lagasco Inc.