

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**

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

December 4, 2017

Table of Contents

1.0	INTRODUCTION.....	1
2.0	PURPOSE OF THE SECOND REPORT.....	3
3.0	TERMS OF REFERENCE.....	4
4.0	BACKGROUND AND UPDATE ON DUNDEE'S OPERATIONS.....	6
5.0	PROPOSAL TRUSTEE'S ACTIVITIES TO DATE	7
6.0	BIA SSP UPDATE	8
7.0	CASH FLOW RESULTS RELATIVE TO FORECAST.....	10
8.0	CASH FLOW FORECAST UPDATE	12
9.0	EXTENSION OF THE STAY PERIOD.....	14
10.0	PROPOSAL TRUSTEE'S CONCLUSIONS AND RECOMMENDATIONS.....	15

Listing of Appendices

Appendix “A” Cash Flow Forecast to February 23, 2018

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.

1.2 By order dated October 30, 2017 (the "**Extension Order**"), the Court extended the Stay Period to December 15, 2017.

2.0 PURPOSE OF THE SECOND REPORT

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

- a) an update on Dundee's operations since the First Report;
- b) an update on the Proposal Trustee's activities since the First Report;
- c) an update on the second phase ("**Phase 2**") of the BIA SSP;
- d) The receipts and disbursements of Dundee for the period ended November 24, 2017;

- e) The Proposal Trustee’s review of Dundee’s updated cash flow forecast for the period ending February 23, 2018 (the “**Cash Flow Forecast**”), a copy of which is attached as Appendix “**A**”;
- f) the basis for the proposed extension of the Stay Period until January 29, 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 Second 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 Second 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 Second 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 Second 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 Second 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 Second Report or for any use which any person or entity makes of the Second Report, or any reliance on or a decision made based upon the Second Report, other than for the express purposes as set out in this Second 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 (including the BIA SSP attached thereto).

3.6 A copy of the Second 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 First Report, the Proposal Trustee has continued to work 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 Cash Flow Forecast. Additionally, the Debtors have continued to report to the Lender as required pursuant to the Forbearance Agreement.

4.5 As at the date of this Second Report, the Debtors have not defaulted under the terms of the Forbearance Agreement. The Debtors and the Lender entered into an amendment to the Forbearance Agreement on or about November 28, 2017, which approved the renewal by Dundee of certain leases and postponed certain milestones that the Debtors must meet in the BIA SSP, which is further discussed below.

4.6 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 Second Report, since the First Report, the Proposal Trustee has:

- a) continued to maintain the Proposal Trustee's Website;
- b) continued to correspond and meet with Management and legal counsel;
- c) continued to assist Dundee in communicating with suppliers to maintain going concern operations of Dundee;
- d) continued to assist Dundee in communicating with royalty and lease holders;
- e) continued to respond 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;
- f) continued to assist Dundee in implementing an appropriate accounting cut-off to ensure proper determination of pre and post-filing obligations and liabilities;
- g) continued to monitor Dundee's business and financial affairs in order to assess Dundee's business and financial affairs;
- h) continued to monitor weekly proposed disbursements with respect to payment terms with suppliers and creditors of Dundee in accordance with the Proposal Proceedings;

- i) continued to implement and supervise the BIA SSP in accordance with its terms, described in more detail below;
- j) provided updates to the Lender regarding the BIA SSP;
- k) provided assistance to Dundee in the preparation of the Cash Flow Forecast and reported to the Lender as required under the Forbearance Agreement; and
- l) prepared the Second Report in consultation with the Proposal Trustee's legal counsel.

6.0 BIA SSP UPDATE

6.1 Phase 1 of the BIA SSP has been completed. The Proposal Trustee received and evaluated the Qualified Bids it received on or before the Phase 1 Bid Deadline. As a result of that evaluation, the Proposal Trustee determined that certain Qualified Bidders should be invited to participate in Phase 2 of the BIA SSP and to continue conducting their due diligence. The Proposal Trustee provided its recommendation to the Lender and the Lender consented to continue the BIA SSP into Phase 2.

6.2 As part of Phase 2 of the BIA SSP, the Proposal Trustee granted Qualified Bidders access to additional materials in the Data Room for review and answered any questions that arose from the due diligence process.

6.3 At the request of certain Qualified Bidders, the Proposal Trustee coordinated site visits and meetings with Management. The purpose of the meetings were to conduct on-site management presentations, facility tours and answer due diligence related questions.

- 6.4 The Proposal Trustee drafted and circulated a Phase 2 bid instruction letter advising Qualified Bidders of the requirements to submit a Final Bid, including that a Final Bid must be received by the Proposal Trustee by 12:00 p.m. (Eastern Time) on November 24, 2017 (the “**Phase 2 Bid Deadline**”), or such other date or time as may be determined by the Proposal Trustee in consultation with the Lender.
- 6.5 The Proposal Trustee’s counsel prepared the Form of Purchase Agreement which was circulated to all Phase 2 Qualified Bidders. In accordance with the BIA SSP, each Final Bid must include a duly authorized and executed purchase agreement based on the Form of Purchase Agreement (showing amendments and modifications made thereto). In addition, the Proposal Trustee provided each Phase 2 Qualified Bidder with an analysis of working capital to be used in connection with final bids.
- 6.6 Based on the feedback received by Qualified Bidders that entered Phase 2, the Proposal Trustee determined it would be beneficial to extend the Phase 2 Bid Deadline to December 1, 2017. In accordance with the BIA SSP, the Proposal Trustee sought and obtained the required consent from the Lender to provide an extension. Accordingly, the milestones set out in the BIA SSP and/or the Forbearance Agreement have been revised as follows:

Milestone	Original deadline	Amended deadline
Phase 2 Bid Deadline	November 24, 2017	December 1, 2017
Execution of definitive purchase agreement	December 4, 2017	December 11, 2017

Approval Motion	December 8, 2017	December 15, 2017
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6.7 The Proposal Trustee received multiple Final Bids by the Phase 2 Bid Deadline. The Proposal Trustee is reviewing and analyzing the Final Bids in accordance with the BIA SSP and will report to the Court at a later date on the results of the BIA SSP.

6.8 Although the BIA SSP requires Deposits under the Final Bids to be paid to the Proposal Trustee, the BIA SSP was amended with the consent of the Lender such that all Deposits have been deposited to the trust account maintained by the Debtors’ counsel, Gowling WLG (Canada) LLP.

7.0 CASH FLOW RESULTS RELATIVE TO FORECAST

Cash Flow Results and Variances

7.1 Cash receipts and disbursements, since the First Report, for the six week period ended November 24, 2017 (the “**Reporting Period**”) as compared to the October 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 Six-Week Period Ended November 24, 2017
(\$000's CAD)

	<u>Actual</u>	<u>Forecast</u>	<u>Variance</u>
Oil	1,597	736	861
Gas	2,807	1,181	1,626
Other	-	11	(11)
Total Collections	4,404	1,928	2,476
<i>Operating Expenses</i>			
Production Expenditures	(879)	(1,117)	238
Landowner Disbursements	(284)	(312)	28
Abandonment Costs	(80)	(726)	646
Total Operating Expenses Disbursements	(1,243)	(2,155)	912
<i>Payroll/Other Expenses</i>			
Payroll	(405)	(375)	(30)
G&A	(103)	(218)	115
Interest & Financing Fees	(327)	(397)	70
Realized Risk Mgmt. Gain / (Loss)	(10)	(77)	67
Restructuring Expenses	(455)	(200)	(255)
Total Payroll/Other Expenses Disbursements	(1,300)	(1,266)	(34)
Net Cash Flow	1,861	(1,494)	3,355
Opening Credit Facility Balance⁽²⁾	(55,592)	(55,592)	
Change in Credit Facility Balance	1,861	(1,494)	
Closing Credit Facility Balance	(53,731)	(57,086)	
Bank Line Limit	(58,000)	(58,000)	
Bank Line Availability	4,269	914	3,355

Note 1

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

Note 2

Opening Credit Facility Balance includes \$57.4M credit facility balance net of cash on deposit of \$2.0M 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 \$4.4M were approximately \$2.5M higher than projected in the October Cash Flow Forecast. Management attributes this variance primarily to timing as oil and natural gas collections are typically received between the 20th and 25th of each month and as a result collections received the week ended November 24, 2017 were forecast to be received the week ended December 1, 2017.

7.3 Dundee's total disbursements in the amount of \$2.5M during the Reporting Period were approximately \$0.9M lower than projected in the October Cash Flow Forecast. Management attributes the variance to both timing and permanent differences related to disbursements to Dundee's abandonment and operations vendors.

7.4 Overall, during the Reporting Period, Dundee experienced a positive cash flow variance of approximately \$3.4M relative to the October Cash Flow Forecast.

Credit Facility

7.5 As at November 24, 2017 the amount outstanding under the Credit Facility net of cash on deposit (the "**Credit Facility Balance**") was \$53.7M, which is approximately \$3.4M lower than forecast due to the variances noted above. Since the date of the Sale Process Order, the Lender has advanced approximately \$1.4M to DELP and DELP has repaid \$1.3M to the Lender (net advance of \$0.1M) under the Credit Facility. Since the First Report, Dundee has continued to generate 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 Cash Flow Forecast for the period ending February 23, 2018 (the "**Cash Flow Period**"). The Debtors are seeking an extension of the Stay Period to January 29, 2018 and the Cash Flow Period extends beyond the Stay Period.

8.2 The Cash Flow Forecast is presented on a weekly basis during the Cash Flow Period and represents Management's estimate of the projected cash flow during the Cash Flow Period. The Cash Flow Forecast has been prepared using the probable and hypothetical assumptions set out

in the notes to the Cash Flow Forecast (the “**Cash Flow Assumptions**”).

8.3 The Proposal Trustee has reviewed the 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 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 Cash Flow Forecast please refer to Appendix “A”.

8.5 The Cash Flow Forecast indicates that Dundee will have sufficient liquidity to operate the business as a going concern during the Stay Period and the Cash Flow Period.

8.6 The Cash Flow Forecast projects that the Credit Facility Balance as at February 23, 2018 will be \$55.1M, an increase from the Credit Facility Balance as at November 24, 2017 of \$53.7M. The increase in the Credit Facility Balance is primarily due to timing of gas collections which are expected to be received the week ended March 2, 2018 and therefore not included in the Cash Flow Period.

8.7 The Cash Flow Forecast projects collections during the Cash Flow Period of \$5.0M primarily related to oil and natural gas sales with the largest disbursements during the Cash Flow Period relating to operating expenses of \$1.8M and interest and financing fees of \$1.1M.

8.8 The Cash Flow Forecast indicates that the Debtors have sufficient liquidity to operate the

business as a going concern during the Stay Period and the Cash Flow Period.

8.9 The 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 December 15, 2017. The Debtors are seeking an extension of the Stay Period to January 29, 2018. 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 January 29, 2018 for the following reasons:

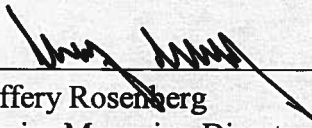
- a) the extension of the Stay Period is required to enable Dundee to continue to operate in the ordinary course and complete the BIA SSP, enter into a binding asset purchase agreement with respect to the Successful Bid(s) and seek approval of this Court to complete the transaction(s) contemplated therein;
- 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 Second Report, the Proposal Trustee is of the view that the requested extension of the Stay Period to January 29, 2018 is reasonable and respectfully recommends that the Court grant the relief sought by Dundee.

All of which is respectfully submitted this 4th day of December, 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

Appendix A
 Dundee Energy Limited Partnership and Dundee Oil & Gas Limited
 Cash Flow Forecast to February 23, 2018
 13 Week Cash Flow

	Week 1 01-Dec-17	Week 2 08-Dec-17	Week 3 15-Dec-17	Week 4 22-Dec-17	Week 5 29-Dec-17	Week 6 05-Jan-18	Week 7 12-Jan-18	Week 8 19-Jan-18	Week 9 26-Jan-18	Week 10 02-Feb-18	Week 11 09-Feb-18	Week 12 16-Feb-18	Week 13 23-Feb-18	Total
Oil					762				801				796	2,359
Gas					1,189				1,408				-	2,597
Processing	4				4				4				4	16
Other	4				4				7				4	19
Total Revenue	8	-	-	-	1,959	-	-	-	2,220	-	-	-	803	4,991
Royalties	(317)			(340)					(312)				(123)	(969)
Operating	(145)	(167)	(145)	(145)	(145)	(190)	(168)	(168)	(168)	(145)	(123)	(123)	(123)	(1,810)
Field Netback	(462)	(167)	(145)	(485)	1,959	(190)	(168)	(168)	1,740	(145)	(123)	(123)	681	2,212
Realized Risk Mgmt. Gain / (Loss)	(454)	(241)	(145)	(485)	1,959	(190)	(168)	(168)	1,740	(145)	(123)	(123)	681	2,138
Field Netback net of Risk Mgmt.	(184)	(24)	(167)	(167)	-	(30)	(171)	(30)	(30)	(171)	(19)	(19)	(34)	(1,025)
Payroll	(24)	(24)	(24)	(24)	-	(30)	(30)	(30)	(30)	(19)	(19)	(19)	(34)	(307)
Other G&A	(662)	(265)	(336)	(676)	1,959	(220)	(369)	(198)	1,710	(335)	(142)	(307)	647	806
EBITDA	(371)	(388)	(72)	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(1,088)
Interest & Financing Fees														(75)
Abandonment Disbursements														(387)
P&NG Rights														(600)
Restructuring Expenses														(1,344)
Funds from Operations	(699)	(953)	(411)	(676)	1,959	(920)	(669)	(198)	1,710	(685)	(142)	(307)	647	(1,344)
Opening Draw on Credit Facility	(53,731)	(54,430)	(55,383)	(55,794)	(56,470)	(54,511)	(55,431)	(56,100)	(56,298)	(54,588)	(55,273)	(55,415)	(55,722)	(53,731)
Ending Draw on Credit Facility	(54,430)	(55,383)	(55,794)	(56,470)	(54,511)	(55,431)	(56,100)	(56,298)	(54,588)	(55,273)	(55,415)	(55,722)	(55,075)	(55,075)
Bank Line														
Operating Credit Card														
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)
Remaining Balance on Credit Facility	3,570	2,617	2,206	1,530	3,489	2,569	1,900	1,702	3,412	2,727	2,585	2,278	2,925	2,925

[Signature]
 Dundee Energy Limited Partnership, Debtor
 Ms. Lacey Presot, Interim Chief Financial Officer

[Signature]
 Dundee Oil and Gas Limited, Debtor
 Ms. Lacey Presot, 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 Cash Flow Statement
For the thirteen week period ending February 23, 2018**

1. Purpose of the Cash Flow Statement

Dundee Energy Limited Partnership and Dundee Oil & Gas Limited (together the “**Debtors**”) have prepared the attached forecast for the period November 25, 2017 to February 23, 2018 (the “**Cash Flow Period**”) and the accompanying notes (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. The 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 Cash Flow Statement.

The Debtors have prepared the 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 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 Cash Flow Statement.

The Cash Flow Statement has been developed pursuant to s.50(6) of the BIA and is in support of the Proposal. The information contained in the Cash Flow Statement is subject to changing assumptions and/or receipt of new or additional information and actual results may vary. The 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 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 November 28, 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. November production revenue would be received on December 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 on the third business day of the month for that month (i.e. The December contract will settle on December 3rd).

8. Payroll

The payroll includes both salaried office employees and field staff as well as employee benefits. The Debtors' payroll is funded a minimum of two business days prior to 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 Cash Flow assumes abandonments will conclude in 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 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 25th day of November 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,

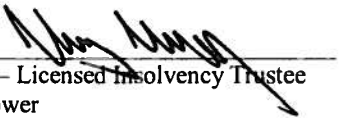
- a) the hypothetical assumptions are not consistent with the purpose of the projection;
- b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given 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 4th day of December 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 February 23, 2018

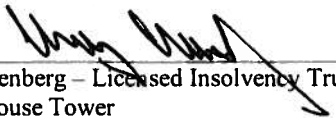
Projection Notes:

See attached Cash Flow Assumption Notes

Dated at the city of Toronto in the Province of Ontario, this 4th day of December 2017

FTI Consulting Canada Inc. – Licensed Insolvency Trustee

Per:



Jeffrey Rosenberg – Licensed Insolvency Trustee
TD Waterhouse Tower
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