

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**

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

January 22, 2018

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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**”), a copy of which is attached as Appendix “**A**”, 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 made as of August 15, 2017 (as amended, 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 The Stay Period was most recently extended to January 26, 2018 by order of the Court dated December 7, 2017.

2.0 PURPOSE OF THE THIRD REPORT

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

- a) an update on Dundee's operations since the second report of the Proposal Trustee dated December 4, 2017 and the supplement to the second report dated December 5, 2017 (together, the "**Second Report**");
- b) an update on the Proposal Trustee's activities since the Second 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 January 12, 2018;

- e) the Proposal Trustee’s review of Dundee’s updated cash flow forecast for the period ending April 20, 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 February 15, 2018; and
- g) the Proposal Trustee’s conclusions and recommendations in connection with the foregoing.

3.0 TERMS OF REFERENCE

3.1 In preparing the Third 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 Third 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 Third 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 Third 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 Third 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 Third Report or for any use which any person or entity makes of the Third Report, or any reliance on or a decision made based upon the Third Report, other than for the express purposes as set out in this Third 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 Third 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://cfcanda.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 Partnerships 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 Second 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 In order to accommodate the additional time required to complete Phase 2 of the BIA SSP, the Debtors and the Lender have agreed to postpone certain milestones that the Debtors must meet in the BIA SSP as described 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 Third Report, since the date of the Second 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 same;
- 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) continued to negotiate with Qualified Bidders in accordance with the BIA SSP;
- k) provided updates to the Lender regarding the BIA SSP and engaged in discussions with respect to continuation of the Proposal Proceedings under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C.-36 (as amended, "CCAA");
- l) engaged in discussions with the Ministry of Natural Resources and Forestry ("MNRF") with respect to the BIA SSP and Qualified Bidders;
- m) provided assistance to Dundee in the preparation of the Cash Flow Forecast and reported to the Lender as required under the Forbearance Agreement; and
- n) prepared the Third Report in consultation with the Proposal Trustee's legal counsel.

6.0 BIA SSP UPDATE

6.1 As set out in the BIA SSP, final binding proposals to purchase some or all of the Property (each, a "**Final Bid**") were required to be delivered to the Proposal Trustee by the Phase 2 Bid Deadline of November 24, 2017, which was extended to December 1, 2017 with the consent of the Lender. The Proposal Trustee received multiple Final Bids by the Phase 2 Bid Deadline. The Proposal Trustee has been negotiating the terms of the Form of Purchase Agreement with certain Qualified Bidders that submitted a Final Bid.

6.2 Given that the Proposal Trustee is continuing to engage in negotiations with the remaining Qualified Bidders, the Proposal Trustee determined it would be beneficial to extend certain milestones provided in the BIA SSP. 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 have been revised as follows:

| Milestone | Amended Deadline |
|--|---|
| Execution of definitive purchase agreement | February 2, 2018 |
| Approval Motion | February 15, 2018 |
| Closing of the sale transaction(s) | As soon as possible but no later than February 15, 2018 |

6.3 The Proposal Trustee expects that a definitive agreement to purchase substantially all of the Property will be finalized with one of the remaining Qualified Bidders by the end of the month. Although closing of such transaction will be scheduled as quickly as possible, the Proposal Trustee anticipates that closing may not occur prior to February 15, 2018, which, as discussed below, may necessitate the continuation of the Proposal Proceedings under the CCAA or conversion to receivership proceedings and a further extension of the last milestone listed above. The Lender has advised the Proposal Trustee that it will be seeking credit approval to amend the Forbearance Agreement to accommodate the further extension of the BIA SSP milestone dates described above and expects to obtain a decision from its credit committee before the date of the within motion.

7.0 CASH FLOW RESULTS RELATIVE TO FORECAST

Cash Flow Results and Variances

7.1 Cash receipts and disbursements, since the Second Report, for the seven week period ended January 12, 2018 (the “**Reporting Period**”) as compared to the cash flow forecast filed in the Second Report (the “**December 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 December Cash Flow Forecast ⁽¹⁾
For the Seven-Week Period Ended January 12, 2018
(\$000's CAD)

| | <u>Actual</u> | <u>Forecast</u> | <u>Variance</u> |
|--|-----------------|-----------------|-----------------|
| Oil | 910 | 762 | 148 |
| Gas | 1,367 | 1,189 | 178 |
| Other | 3 | 12 | (9) |
| Total Collections | 2,280 | 1,963 | 317 |
| <i>Operating Expenses</i> | | | |
| Production Expenditures | (633) | (960) | 327 |
| Landowner Disbursements | (776) | (1,044) | 268 |
| Abandonment Costs | (4) | (75) | 71 |
| Total Operating Expenses Disbursements | (1,413) | (2,079) | 666 |
| <i>Payroll/Other Expenses</i> | | | |
| Payroll | (661) | (689) | 28 |
| G&A | (244) | (152) | (92) |
| Interest & Financing Fees | (644) | (738) | 94 |
| Realized Risk Mgmt. Gain / (Loss) | (75) | (74) | (1) |
| Restructuring Expenses | (289) | (600) | 311 |
| Total Payroll/Other Expenses Disbursements | (1,913) | (2,253) | 340 |
| Net Cash Flow | (1,046) | (2,369) | 1,323 |
| Opening Credit Facility Balance ⁽²⁾⁽³⁾ | (53,731) | (53,731) | |
| Change in Credit Facility Balance | (1,046) | (2,369) | |
| Closing Credit Facility Balance | (54,777) | (56,100) | |
| Bank Line Limit | (58,000) | (58,000) | |
| Bank Line Availability | 3,223 | 1,900 | 1,323 |

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 \$4.0M and outstanding cheques in the amount of \$0.3M.

7.2 During the Reporting Period, Dundee's total cash receipts in the amount of \$2.3M were approximately \$0.3M higher than projected in the December Cash Flow Forecast. Management attributes this variance primarily to fluctuations in commodity prices relative to forecast.

7.3 Dundee's total disbursements in the amount of \$3.2M during the Reporting Period were approximately \$1.0M lower than projected in the December Cash Flow Forecast. Management

attributes the variance to both timing and permanent differences to related to disbursements to Dundee's lease holders, operations vendors and restructuring professionals.

7.4 Overall, during the Reporting Period, Dundee experienced a positive cash flow variance of approximately \$1.3M relative to the December Cash Flow Forecast.

Credit Facility

7.5 As at January 12, 2018 the amount outstanding under the Credit Facility net of cash on deposit (the "**Credit Facility Balance**") was \$54.7M, which is approximately \$1.3M 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 under the Credit Facility. Since the Second 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 April 20, 2018 (the "**Cash Flow Period**"). The Cash Flow Forecast is attached as **Appendix "B"**.

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 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.

8.5 The Cash Flow Forecast projects that the Credit Facility Balance as at April 20, 2018 will be \$55.1M, which approximates the Credit Facility Balance as at January 26, 2018 of \$54.9M.

8.6 The Cash Flow Forecast projects collections during the Cash Flow Period of \$6.4M primarily related to oil and natural gas sales with the largest disbursements during the Cash Flow period related to operation expenses of \$1.5M and \$1.1M of interest and financing fees. The restructuring expenses are subject to further review and approval by the Lender. The Lender and the Proposal Trustee are engaged in ongoing discussions regarding the projected disbursements for certain professional fees, which could result in the reduction of the overall amount of restructuring expenses payable during the Cash Flow Period.

8.7 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 January 26, 2018. The

Debtors are seeking an extension of the Stay Period to February 15, 2018.

9.2 Pursuant to section 50.4(9) of the BIA, the Court may grant an extension to file a proposal for a maximum of six months from the commencement of the Proposal Proceedings. Given that the Proposal Proceedings were commenced on August 15, 2017, the Stay Period is deemed to expire on February 15, 2018.

9.3 The Proposal Trustee has discussed with the Debtors and the Lender the possibility of continuing the Proposal Proceedings under the CCAA in the event that the BIA SSP is not completed prior to February 15, 2018. Given the current state of negotiations with the Qualified Bidders, the Proposal Trustee anticipates that the Debtors will be in a position by the week of February 5, 2018 to determine if it will be necessary to continue the Proposal Proceedings under the CCAA in order to complete the BIA SSP.

9.4 The Proposal Trustee supports the extension of the Stay Period to February 15, 2018 for the following reasons:

- a) the Proposal Trustee has been actively engaged in discussions with the Qualified Bidders pursuant to the BIA SSP, and anticipates that the Debtors will shortly enter into a binding agreement(s) to purchase substantially all of the Property;
- b) it is forecasted that Dundee has sufficient liquidity 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

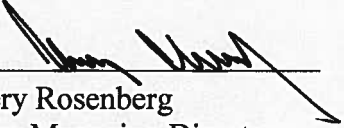
Proceedings since the filing of the NOIs.

10.0 PROPOSAL TRUSTEE'S CONCLUSIONS AND RECOMMENDATIONS

10.1 For the reasons set out in the Third Report, the Proposal Trustee is of the view that the requested extension of the Stay Period to February 15, 2018 is reasonable and respectfully recommends that the Court grant the relief sought by Dundee

All of which is respectfully submitted this 22nd day of January, 2018.

**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

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

THE HONOURABLE REGIONAL) WEDNESDAY, THE 16th
)
SENIOR JUSTICE MORAWETZ) DAY OF AUGUST, 2017

Estate Number: 31-458352
Court File No.: 31-458352

 AND 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

Estate Number: 31-2282778
Court File No.: 31-2282778

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

ORDER

THIS MOTION, made by Dundee Energy Limited Partnership (“**DELP**”) and Dundee Oil and Gas Limited (“**DOLG**”) for various relief pursuant to the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c. B-3, as amended (the “**BIA**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Lucie Presot sworn 14 August 2017 (the “**Presot Affidavit**”) and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to DELP and Dundee Oil and Gas Limited (“**DOGL**” and together with DELP, “**Dundee**”), counsel for

FTI Consulting Canada Inc., in its capacity as the proposal trustee (the “**Proposal Trustee**”) and counsel for the National Bank of Canada (“**National Bank**”), no one else appearing:

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

ADMINISTRATIVE CONSOLIDATION

2. **THIS COURT ORDERS** that the proposal proceedings of DELP (estate number 31-458352) and DOGL (estate number 31-2282778 (collectively, the “**Proposal Proceedings**”) be and are hereby administratively consolidated and the Proposal Proceedings are hereby authorized and directed to continue under the following joint title of proceedings:

Estate Number: 31-458352
Court File No.: 31-458352

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

**AND 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**

Estate Number: 31-2282778
Court File No.: 31-2282778

**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**

3. **THIS COURT ORDERS** that all further materials in the Proposal Proceedings shall be filed with the Commercial List Office only in the DELP estate and court file (estate number 31-458352 and court file number 31-458352) and hereby dispenses with further filing thereof in the DOGL estate and court file (estate number 31-2282778 and court file number 31-2282778).

APPROVAL OF THE SALE SOLICITATION PROCESS

4. **THIS COURT ORDERS** that the sale solicitation process (“**BIA SSP**”) attached hereto as **Schedule “A”** (subject to such non-material amendments as may be agreed to by National Bank and the Proposal Trustee) be and is hereby approved and the Proposal Trustee is hereby authorized and directed to take such steps as it deems necessary or advisable to carry out the BIA SSP, subject to prior approval of this Court being obtained before completion of any transaction(s) under the BIA SSP.

5. **THIS COURT ORDERS** that each of the Proposal Trustee and any Assistants (as defined below) retained by the Proposal Trustee shall have no personal or corporate liability with respect to any and all losses, claims, damages or liability of any nature or kind to any person in connection with or as a result of performing its duties under the BIA SSP (including, without limitation, through the disclosure of any and all information or documentation regarding Dundee, the Property or the Business (as such terms are defined herein below)), except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Proposal Trustee or such Assistants, as determined by the Court.

6. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Proposal Trustee is hereby authorized and permitted to disclose and transfer to each potential bidder (the “**Bidders**”) and to their advisors, if requested by such Bidders, personal information of identifiable individuals, including, without limitation, all human resources and payroll information in Dundee’s records pertaining to Dundee’s past and current employees, but only to the extent desirable or required to negotiate or attempt to complete a sale of the Property and/or the Business (as hereinafter defined) (“**Sale**”). Each Bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to Dundee, or in the alternative destroy all such information. The successful Bidder(s) shall maintain and protect the privacy of such information and, upon closing of the transaction contemplated in the successful Bid(s), shall be entitled to use the personal information provided to it that is related to the Property and/or Business acquired pursuant to the Sale in a manner which is in all material respects identical to the prior use of such information by Dundee, and

shall return all other personal information to Dundee, or ensure that all other personal information is destroyed.

POSSESSION OF PROPERTY AND OPERATIONS

7. **THIS COURT ORDERS** that Dundee shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”) and shall continue to carry on business in a manner consistent with the preservation of its business (the “**Business**”), subject at all times to the terms of the Forbearance Agreement and the Cash-Flow Statements (each as defined below). The Proposal Trustee shall not, by fulfilling its obligations under this Order, be deemed to have taken or maintained possession or control of the Property or Business, or any part thereof.

8. **THIS COURT ORDERS** that nothing contained in this Order shall require the Proposal Trustee to occupy or take control, care, possession or management (separately and/or collectively, “**Possession**”) of any of the Property or Business. The Proposal Trustee shall not be or be deemed to be in Possession of the Property or Business for any purpose whatsoever, including, without limitation, within the meaning of the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder, or any other similar legislation in any other applicable jurisdiction, unless it is actually in possession or control of the Property or Business.

POWERS OF PROPOSAL TRUSTEE

9. **THIS COURT ORDERS** that, in addition to the powers afforded to the Proposal Trustee under the BIA, the Proposal Trustee be and is hereby authorized to take all steps required to implement the BIA SSP and carry out the terms of this Order, including, without limitation, to:

- (a) assist Dundee in its preparation of the cash-flow statements (the “**Cash-Flow Statements**”) and reporting required by National Bank, which information shall be reviewed with the Proposal Trustee and delivered to National Bank and its

counsel in accordance with the Forbearance Agreement or as otherwise agreed to by National Bank;

- (b) report to National Bank on, without limitation, information related to the Business or Property and the carrying out of the BIA SSP;
- (c) report to this Court at such times and intervals as the Proposal Trustee may deem appropriate with respect to matters relating to the Business or Property, and such other matters as may be relevant to the proceedings herein;
- (d) have full and complete access to the Business and Property, including the premises, books, records, data, including data in electronic form, and other financial documents of Dundee, to the extent that it is necessary or desirable to adequately assess and monitor Dundee's Business and financial affairs or to perform its duties arising under this Order;
- (e) to retain and employ such consultants, agents, experts, accountants, advisors, counsel and such other persons (collectively "Assistants") as it deems reasonably necessary or desirable to assist with the BIA SSP or for the carrying out of the terms of this Order, in each case with the consent of National Bank; and
- (f) perform such other duties as are required by this Order or by this Court from time to time.

10. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal, shall be commenced or continued against the Proposal Trustee except with the written consent of the Proposal Trustee or with leave of the Court.

11. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Proposal Trustee under the BIA or as an officer of this Court, the Proposal Trustee shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Proposal Trustee under the BIA or any applicable legislation.

ADMINISTRATION CHARGE

12. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and counsel to Dundee shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to or after the date of this Order, by Dundee as part of the costs of these proceedings, subject to the terms of the Forbearance Agreement and the Cash-Flow Statements and any assessment by the Court. Dundee is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel to the Proposal Trustee and counsel to Dundee (for work performed in connection with these BIA proceedings) on a weekly basis or on such other basis agreed by Dundee and the applicable payee (with the consent of National Bank), subject to the terms of the Forbearance Agreement and the Cash-Flow Statements.

13. **THIS COURT ORDERS** that the Proposal Trustee, counsel for the Proposal Trustee and counsel to Dundee shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which Administration Charge shall not exceed an aggregate amount of \$250,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 24 and 26 hereof.

DIRECTORS’ AND OFFICERS’ INDEMNIFICATION AND CHARGE

14. **THIS COURT ORDERS** that Dundee shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of Dundee after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director’s or officer’s gross negligence or wilful misconduct.

15. **THIS COURT ORDERS** that the directors and officers of Dundee shall be entitled to the benefit of and are hereby granted a charge (the “**Directors’ Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$50,000, as security for the indemnity provided in paragraph 14 of this Order. The Directors’ Charge shall have the priority set out in paragraphs 24 and 26 herein.

16. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) Dundee's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 14 of this Order.

FORBEARANCE AGREEMENT

17. **THIS COURT ORDERS** that the execution, delivery and entry into by Dundee of the amended and restated forbearance agreement dated 14 August 2017 (the "**Forbearance Agreement**") made among DELP, DOGL, Dundee Energy Limited ("**DEL**") and National Bank, as lender and agent for the lenders (in such capacity, the "**Lender**") (as described in the Presot Affidavit) is hereby approved, and Dundee is hereby authorized and directed to comply with and perform its obligations under the Forbearance Agreement and the amended and restated credit agreement made among DELP, as borrower, DEL and DOGL, as guarantors, and the Lender, dated as of 31 July 2012, as amended (the "**Credit Agreement**").

18. **THIS COURT ORDERS** that Dundee shall be entitled, subject to the terms of the Credit Agreement and the Forbearance Agreement, to continue to obtain and borrow, repay and re-borrow additional monies under the credit facility granted under the Credit Agreement (the "**Credit Facility**") from the Lender pursuant to the Credit Agreement and the Forbearance Agreement, in order to finance Dundee's working capital requirements, provided that borrowings by Dundee under the Credit Facility shall not exceed the amounts contemplated in the Credit Agreement and the Forbearance Agreement. For greater certainty, the Lender shall be entitled to apply receipts and deposits made to Dundee's bank accounts against the indebtedness of Dundee to the Lender in accordance with the Credit Agreement and the Forbearance Agreement, whether such indebtedness arose before or after the date of this Order.

19. **THIS COURT ORDERS** that Dundee is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees or other definitive documents (the "**Definitive Documents**"), as are contemplated by the Forbearance Agreement or as may be reasonably required by the Lender pursuant to the terms thereof, together with such modifications as may be agreed upon by Dundee and the

Lender and consented to by the Proposal Trustee, and Dundee be and is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the Lender under and pursuant to the Credit Agreement and the Forbearance Agreement as and when same become due and are to be performed, notwithstanding any other provision of this Order.

20. **THIS COURT ORDERS** that in addition to the existing liens, charges, mortgages and encumbrances in favour of the Lender, as security for all of the obligations of Dundee to the Lender relating to advances made to Dundee under the Credit Facility from and after the date of this Order, the Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Charge**”) on the Property. The DIP Charge shall have the priority set out in paragraphs 24 and 26 hereof.

21. **THIS COURT ORDERS** that, upon the earlier of the occurrence of a Termination Event or the last day of the Forbearance Period (in each case as defined in the Forbearance Agreement), the Lender may,

- (a) immediately cease making advances to Dundee;
- (b) set off and/or consolidate any amounts owing by the Lender to Dundee against the obligations of Dundee to the Lender under the Credit Agreement, the Forbearance Agreement, any other Credit Documents (as defined in the Credit Agreement) or the Definitive Documents; and
- (c) apply to this Court for an order authorizing the Lender to exercise any and all of its rights and remedies against Dundee or the Property under or pursuant to the Credit Agreement, the Forbearance Agreement, the other Credit Documents, the Definitive Documents, the DIP Charge, or the *Personal Property Security Act* (Ontario) or similar legislation in any other applicable jurisdiction, including without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver in respect of the Property, or for a bankruptcy order against Dundee and for the appointment of a trustee in bankruptcy of Dundee and the foregoing rights and remedies of the Lender shall

be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of Dundee or the Property.

22. **THIS COURT ORDERS AND DECLARES** that the Lender shall be unaffected by the stay of proceedings provided for in section 69 or 69.1 of the BIA, as applicable.

23. **THIS COURT ORDERS AND DECLARES** that the payments made by Dundee pursuant to this Order, the Credit Agreement, the Forbearance Agreement, the other Credit Documents or any of the Definitive Documents, and the granting of the DIP Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

24. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge, the DIP Charge and the Security (as defined in the Credit Agreement) granted to the Lender over the Property, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$250,000);

Second – DIP Charge;

Third – Security granted to the Lender under or pursuant to the Credit Agreement (and as described in the Forbearance Agreement); and

Fourth – Directors' Charge (to the maximum amount of \$50,000).

25. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge, the Directors' Charge or the DIP Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

26. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property so charged by them and such Charges shall rank in priority to all other security

interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person, other than (subject to further Order of the Court) validly perfected and enforceable security interests, if any, in favour of Alex Williamson Motor Sales Limited, Jim Pattison Industries Ltd. or National Leasing Group Inc., in each case under the Personal Property Security Registry (Ontario)), or in favour of Enerflex Ltd. under the Personal Property Security Registry (Alberta).

27. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, Dundee shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless Dundee also obtains the prior written consent of the Proposal Trustee, the Lender and the beneficiaries of the Administration Charge and the Directors’ Charge, or further Order of this Court.

28. **THIS COURT ORDERS** that the Charges, the Forbearance Agreement, the Credit Agreement, the other Credit Documents and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) and/or the Lender shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds Dundee or the Lender, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Forbearance Agreement, the Credit Agreement, the other Credit Documents or the Definitive Documents shall create or be deemed to constitute a breach by Dundee or the Lender of any Agreement to which any one of them is a party;

- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from Dundee entering into the Forbearance Agreement, the Credit Agreement, the other Credit Documents or the Definitive Documents or the creation of the Charges, or the execution, delivery or performance of any such documents; and
- (c) the payments made by Dundee pursuant to this Order, the Forbearance Agreement, the Credit Agreement, the other Credit Documents or the Definitive Documents or the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

29. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in Dundee's interest in such real property leases.

EXTENSION OF TIME TO FILE PROPOSAL

30. **THIS COURT ORDERS** that, subject to paragraph 22 of this Order, the time within which a Proposal must be filed with the Official Receiver under section 62(1) of the BIA, and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including 30 October 2017.

SERVICE AND NOTICE

31. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <http://cfcanada.fticonsulting.com/Dundee>.

32. **THIS COURT ORDERS** that Dundee, the Proposal Trustee and their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to Dundee's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements, within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

33. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, Dundee and the Proposal Trustee are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to Dundee's creditors or other interested parties at their respective addresses as last shown on the records of Dundee and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

34. **THIS COURT ORDERS** that Dundee or the Proposal Trustee may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

35. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of Dundee, the Business or the Property.

36. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist Dundee, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to Dundee and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give

effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist Dundee and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

37. **THIS COURT ORDERS** that each of Dundee, the Lender and the Proposal Trustee be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Proposal Trustee is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

38. **THIS COURT ORDERS** that any interested party (including Dundee, the Lender and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order; provided, however, that the Lender shall be entitled to rely on this Order as issued for all advances made and payments received under the Credit Agreement or the Forbearance Agreement up to and including the date this Order may be varied or amended.

39. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.



SCHEDULE A

Dundee Energy Sale Solicitation Process

1. On August 15, 2017, Dundee Energy Limited Partnership and its general partner, Dundee Oil and Gas Limited (together, the "**Debtors**") filed a Notice of Intention to Make a Proposal pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the "**NOI Proceedings**"). FTI Consulting Canada Inc. ("**FTI**") was appointed as the proposal trustee (the "**Proposal Trustee**") under the NOI Proceedings.
2. In connection with the NOI Proceedings, the Debtors intend to bring a motion before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") for an order (the "**Sale Process Order**") approving, *inter alia*, a sale solicitation process (the "**BIA SSP**" or "**Sale Process**") as described in this document. The purpose of the Sale Process is to seek proposals to purchase some or all of the assets, undertakings and properties of the Debtors (collectively, the "**Property**") and to implement one or a combination of transactions to purchase some or all of the Property.
3. The BIA SSP describes the manner in which prospective bidders (a) may gain access to or continue to have access to due diligence materials concerning the Debtors, their business and operations (the "**Business**") and the Property; (b) the manner in which bidders and bids become Qualified Bidders and Qualified Bids (as defined below), respectively; (c) the process for the evaluation of bids received; (d) the process for the ultimate selection of a Successful Bidder (as defined below); and (e) the process for obtaining such approvals (including the approval of the Court) as may be necessary or appropriate in respect of a Successful Bid.

Defined Terms

4. All capitalized terms used in the BIA SSP and not otherwise defined have the meanings given to them below:

"**Approval Motion**" as defined in paragraph 31;

"**Business**" means the business being carried on by the Debtors;

"**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the City of Toronto;

"**Claims and Interests**" as defined in paragraph 40;

"**Confidential Information Memorandum**" as defined in paragraph 8(d);

"**Court**" as defined in paragraph 2;

"**Data Room**" as defined in paragraph 13;

"**Debtors**" as defined in paragraph 1;

"**Deposit**" as defined in paragraph 24(m);

“**Final Bid**” as defined in paragraph 23;

“**Form of Purchase Agreement**” means the form of purchase and sale agreement to be developed by the Proposal Trustee and provided to those Qualified Bidders that submit a Qualified LOI;

“**FTI**” as defined in paragraph 1;

“**Known Potential Bidders**” as defined in paragraph 8(b);

“**Lender**” means National Bank of Canada;

“**LOI**” as defined in paragraph 12;

“**NDA**” means a non-disclosure agreement in form and substance satisfactory to the Proposal Trustee, which will inure to the benefit of any purchaser of the Property;

“**NOI Proceedings**” as defined in paragraph 1;

“**Notice**” as defined in paragraph 8(a);

“**Phase 1**” as defined in paragraph 12;

“**Phase 1 Bid Deadline**” as defined in paragraph 14;

“**Phase 2**” as defined in paragraph 22;

“**Phase 2 Bid Deadline**” as defined in paragraph 23;

“**Potential Bidder**” as defined in paragraph 9;

“**Property**” means the assets, properties and undertakings of the Debtors or any portion thereof;

“**Proposal Trustee**” as defined in paragraph 1;

“**Qualified Advisors**” as defined in paragraph 22;

“**Qualified Bid**” means a third party offer to purchase some or all of the Property in the form specified by the BIA SSP;

“**Qualified Bidder**” as defined in paragraph 10;

“**Qualified LOI**” as defined in paragraph 15;

“**Sale Process Order**” as defined in paragraph 2;

“**Successful Bid**” as defined in paragraph 28; and

“**Teaser**” as defined in paragraph 8(c).

Conduct of Sale Process and Timeline

5. The Proposal Trustee shall implement the Sale Process. The Sale Process Order and the BIA SSP shall exclusively govern the process for soliciting and selecting Qualified Bids.
6. The Debtors are required to assist and support the efforts of the Proposal Trustee in undertaking the Sale Process. In the event that there is disagreement as to the interpretation or application of the BIA SSP or the responsibilities of the Proposal Trustee or the Debtors hereunder, the Court will have jurisdiction to hear such matter and provide advice and directions, upon application by the Proposal Trustee or the Debtors.
7. The following table sets out the key milestones under the BIA SSP, subject to extension by the Proposal Trustee pursuant to and in accordance with the BIA SSP:

| Milestone | Deadline |
|--|-------------------|
| Commencement Date | September 5, 2017 |
| Phase 1 Bid Deadline | October 19, 2017 |
| Phase 2 Bid Deadline | November 24, 2017 |
| Settle and execute a binding asset purchase agreement with respect to the Successful Bid | December 4, 2017 |
| Date by which Approval Motion is heard | December 8, 2017 |
| Closing of the transaction with Successful Bidder | January 10, 2018 |

Opportunity

8. As soon as practicable following issuance of the Sale Process Order, the Proposal Trustee, shall:
 - (a) cause a notice of the Sale Process (and such other relevant information which the Proposal Trustee considers appropriate) to be published in the *Daily Oil Bulletin* and the national edition of *The Globe and Mail*. On the same date, the Debtors will issue a press release setting out relevant information from such notice with Canada Newswire designating dissemination in Canada and major financial centres in the United States (the “**Notice**”);
 - (b) in consultation with the Debtors, the Lender and any other stakeholder as deemed appropriate by the Proposal Trustee, prepare a list of persons who may have an interest in submitting a bid for the Property (the “**Known Potential Bidders**”);
 - (c) prepare a non-confidential teaser letter (the “**Teaser**”) describing the opportunity to acquire some, all or substantially all of the Property to be made available by the Proposal Trustee to Known Potential Bidders, along with a draft form of the NDA; and
 - (d) prepare a confidential information memorandum (the “**Confidential Information Memorandum**”) describing the opportunity to acquire all or a portion of the

Property, which will be made available by the Proposal Trustee to Qualified Bidders who execute the NDA.

Participation Requirements

9. In order to participate in the Sale Process, each person (a "**Potential Bidder**") must deliver to the Proposal Trustee at the address specified in Exhibit "A":
 - (a) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the principals of the Potential Bidder; and
 - (b) an executed NDA, which, among other things, shall include provisions whereby the Potential Bidder agrees to accept and be bound by the BIA SSP.
10. A Potential Bidder that has executed an NDA, and has delivered the documents and information described above, and that the Proposal Trustee, in its reasonable business judgement, determines is likely, based on the availability of financing, experience and other considerations, to be able to consummate a transaction to acquire some or all of the Property (including any liabilities to be assumed) will be deemed a "**Qualified Bidder**", and be promptly notified of such determination by the Proposal Trustee. **In no event shall the Lender constitute a Qualified Bidder.**
11. At any time during Phase 1 or Phase 2, the Proposal Trustee may, in its reasonable business judgment and after consultation with the Lender, eliminate a Qualified Bidder from the Sale Process, whereupon such bidder will be eliminated from the Sale Process and will no longer be a Qualified Bidder.

Phase 1

12. For a period of forty-five (45) days following the date upon which the Notice is first published, the Proposal Trustee (with the assistance of the Debtors and in accordance with the BIA SSP) will solicit a non-binding indication of interest in the form of a non-binding letter of intent ("**LOI**") from each Qualified Bidder who may be interested in acquiring all or a portion of the Property ("**Phase 1**").
13. The Proposal Trustee will provide each Qualified Bidder who has executed an NDA with a copy of the Confidential Information Memorandum and access to an electronic data room of due diligence information (the "**Data Room**"). The Proposal Trustee, the Debtors and the Lender make no representation or warranty as to the information (i) contained in the Confidential Information Memorandum or the Data Room, (ii) provided through the due diligence process in Phase 1 or Phase 2 or (iii) otherwise made available to a Qualified Bidder, except to the extent expressly contemplated in any definitive sale agreement with a Successful Bidder duly executed and delivered by the Debtors and approved by the Court.
14. A Qualified Bidder that wishes to have the opportunity to submit a Qualified Bid as part of Phase 2 must deliver an LOI to the Proposal Trustee at the address specified in Exhibit "A" by no later than **12:00 p.m. (Eastern Time) on October 19, 2017**, or such other date

or time as may be agreed by the Proposal Trustee (the "**Phase 1 Bid Deadline**"). The Proposal Trustee shall be entitled to provide copies of the LOIs received to the Debtors and the Lender.

15. An LOI will be considered a "**Qualified LOI**" only if it:
- (a) is submitted by a Qualified Bidder and received by the Phase 1 Bid Deadline;
 - (b) sets out the purchase price range in Canadian dollars (and U.S. dollar equivalent), including details of any liabilities to be assumed by the Qualified Bidder, along with a description as to how the Qualified Bidder intends to value net working capital of the Business;
 - (c) sets out the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - (d) contains specific indication of the sources of capital for the Qualified Bidder and preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit-quality support or enhancement that will allow the Proposal Trustee to make a reasonable business or professional judgment as to the Qualified Bidder's financial or other capabilities to consummate the transaction contemplated by its LOI;
 - (e) contains a description of the structure and financing of the transaction (including, but not limited to, the sources of financing of the purchase price, preliminary evidence of the availability of such financing, steps necessary and associated timing to obtain such financing and any related contingencies, as applicable);
 - (f) contains a description of the conditions and approvals required for a final and binding offer, including any anticipated corporate, security holder, internal or regulatory approvals required to close the transaction, an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals;
 - (g) contains specific statements concerning the treatment of employees and plans for the ongoing involvement and roles of the Debtors' employees;
 - (h) contains an outline of any additional due diligence required to be conducted by the Qualified Bidder in order to submit a final and binding offer;
 - (i) fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid and the complete terms of any such participation;
 - (j) contains all conditions to closing that the Qualified Bidder may wish to impose; and
 - (k) contains such other information as may reasonably be requested by the Proposal Trustee.

16. The Proposal Trustee, in consultation with the Lender, may waive compliance with any one or more of the requirements specified above, and deem such non-compliant LOI to be a Qualified LOI, provided that doing so shall not constitute a waiver by the Proposal Trustee of the requirements of the foregoing paragraph or an obligation on the part of the Proposal Trustee to designate any other LOI as a Qualified LOI. The Proposal Trustee will be under no obligation to negotiate identical terms with, or extend identical terms to, each Qualified Bidder.

Assessment of Qualified LOIs and Continuation or Termination of Sale Process

17. Within three (3) days following the Phase 1 Bid Deadline, or such later date as may be determined by the Proposal Trustee, the Proposal Trustee will, in consultation with the Lender, assess the Qualified LOIs received during Phase 1, if any, and will determine whether there is a reasonable prospect of obtaining a Qualified Bid. The Proposal Trustee may request clarification from a Qualified Bidder of the terms of its Qualified LOI.
18. In assessing the Qualified LOIs, the Proposal Trustee, following consultation with the Lender, will consider, among other things, the following:
 - (a) the form and amount of consideration being offered, including any purchase price adjustments and/or any non-cash consideration;
 - (b) the demonstrated financial capability of the Qualified Bidder to consummate the proposed transaction;
 - (c) the conditions to closing of the proposed transaction; and
 - (d) the estimated time required to complete the proposed transaction.
19. If one or more Qualified LOIs are received and the Proposal Trustee, exercising its reasonable business judgment and following consultation with the Lender, determines that there is a reasonable prospect that a Qualified LOI may become a Qualified Bid, the Proposal Trustee will continue the Sale Process into Phase 2 in accordance with the BIA SSP.
20. If the Proposal Trustee determines that (a) no Qualified LOI has been received; or (b) there is no reasonable prospect of a Qualified LOI resulting in a Qualified Bid, the Proposal Trustee may, in its sole and absolute discretion, designate one or more LOIs as a Qualified LOI. If no Qualified LOI is received or designated by the Proposal Trustee, any of the Lender, the Proposal Trustee, or the Debtors may apply to the Court for further advice and directions including with respect to termination of the BIA SSP.
21. Following the Phase 1 Bid Deadline, the Proposal Trustee specifically reserves the right to negotiate with any Qualified Bidder with respect to any provision of its LOI or to request or agree to any changes in any such LOI. The Proposal Trustee may choose to take such steps with respect to one or more than one Qualified Bidder but the Proposal Trustee shall have no obligation to negotiate identical terms with, or extend identical terms to, each Qualified Bidder. The Proposal Trustee reserves the right to request some,

but not all, Qualified Bidders to submit a revised LOI reflecting improved terms or other amendments requested by the Proposal Trustee. The Proposal Trustee will be under no obligation to provide each Qualified Bidder the opportunity to improve terms of any LOI submitted to the Proposal Trustee following the Phase 1 Bid Deadline.

Phase 2

22. Each Qualified Bidder with a Qualified LOI who has been invited by the Proposal Trustee to participate in Phase 2 and at the request of such Qualified Bidder, its Qualified Advisors (as defined below), will be granted further access to such due diligence materials and information relating to the Property and the Business as the Proposal Trustee in its reasonable business judgement, determines appropriate, including information or materials reasonably requested by each Qualified Bidder, on-site presentations and tours of the Property, and access to further information in the Data Room (“**Phase 2**”). In addition, selected due diligence materials may be withheld from a Qualified Bidder under Phase 2 if the Proposal Trustee determines such information to represent proprietary or sensitive competitive information. “Qualified Advisors” means the legal and financial advisor(s) and/or lenders to a Qualified Bidder, provided that, in each case, such advisor or lender: (a) is reasonably acceptable to the Proposal Trustee; and (b) has executed or is bound by the NDA.
23. A Qualified Bidder that is not eliminated from the Sale Process and that wishes to proceed must deliver to the Proposal Trustee a final binding proposal to purchase some or all of the Property (a “**Final Bid**”) including a duly authorized and executed purchase agreement based on the Form of Purchase Agreement and accompanied by a mark-up of the Form of Purchase Agreement showing amendments and modifications made thereto, together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Qualified Bidder, at the address specified in Exhibit "A" hereto (including by email or fax transmission) so as to be received by the Proposal Trustee by no later than **12:00 p.m. (Eastern Time) on November 24, 2017**, or such other date or time as may be determined by the Proposal Trustee in consultation with the Lender (the “**Phase 2 Bid Deadline**”).
24. A Final Bid will be considered a Qualified Bid only if (a) it is submitted by a Qualified Bidder who submitted a Qualified LOI on or before the Phase 1 Bid Deadline or whose LOI was designated as a Qualified LOI by the Proposal Trustee; and (b) the Final Bid complies with, among other things, the following requirements:
 - (a) it includes a letter stating that the Qualified Bidder’s offer is irrevocable until the earlier of: (i) the approval by the Court of a Successful Bid; and (ii) thirty (30) days following the Phase 2 Bid Deadline, provided that if such Qualified Bidder is selected as the Successful Bidder, its offer will remain irrevocable until the closing of the transaction with the Successful Bidder;
 - (b) it includes written evidence of a firm irrevocable commitment for all required financing, or other evidence of the financial ability of such Qualified Bidder to consummate the proposed transaction, that will allow the Proposal Trustee, to make a reasonable determination as to the Qualified Bidder's financial and other capabilities to consummate the transaction contemplated by its Final Bid;

- (c) sets out the purchase price range in Canadian dollars (and U.S. dollar equivalent), including details of any liabilities to be assumed by the Qualified Bidder, along with a description as to how the Qualified Bidder intends to value net working capital of the Business;
- (d) it describes the Property to be included as well as the Property to be excluded, divested or disclaimed prior to closing, if any;
- (e) it includes full details of the proposed number of employees who will become employees of the Qualified Bidder and provisions setting out the terms and conditions of employment for continuing employees;
- (f) it includes details of any liabilities to be assumed by the Qualified Bidder;
- (g) it is not conditional upon, among other things:
 - (i) the outcome of unperformed due diligence by the Qualified Bidder; or
 - (ii) obtaining financing;
- (h) it fully discloses the identity of each entity that will be sponsoring or participating in the Final Bid, and the complete terms of such participation;
- (i) it outlines any anticipated regulatory and other approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals;
- (j) it identifies with particularity the contracts and leases the Qualified Bidder wishes to assume and reject, contains full details of the Qualified Bidder's proposal for the treatment of related cure costs (and provides adequate assurance of future performance thereunder); and it identifies with particularity any executory contract or unexpired lease the assumption and assignment of which is a condition to closing;
- (k) it provides a timeline to closing with critical milestones;
- (l) it includes evidence, in form and substance reasonably satisfactory to the Proposal Trustee, of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Final Bid;
- (m) it is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a bank account specified by the Proposal Trustee), or such other form acceptable to the Proposal Trustee, payable to the order of the Proposal Trustee, in trust, in an amount equal to not less than 10% of the purchase price, to be held and dealt with in accordance with the terms of the BIA SSP;
- (n) it contains other information reasonably requested by the Proposal Trustee;
- (o) it is received by the Phase 2 Bid Deadline; and

- (p) it includes an acknowledgement and representation that the Qualified Bidder: (a) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its Final Bid; and (b) did not rely upon any written or oral statements, representations, promises, warranties or guarantees whatsoever, whether express or implied (by operation of law or otherwise) made by the Proposal Trustee, the Debtors or the Lender, regarding any matter or thing, including, without limitation, the Debtors, the Property, the Business the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly stated in the purchase and sale agreement.
25. The Proposal Trustee may waive compliance with any one or more of the requirements specified above and deem such Final Bid to be a Qualified Bid, provided that doing so shall not constitute a waiver by the Proposal Trustee of the requirements of the foregoing paragraph or an obligation on the part of the Proposal Trustee to designate any other Final Bid as a Qualified Bid. The Proposal Trustee will be under no obligation to negotiate identical terms with, or extend identical terms to, each Qualified Bidder.

Evaluation of Qualified Bids

26. The Proposal Trustee, in consultation with the Lender, will review each Final Bid received. For the purpose of such consultation and evaluations, the Proposal Trustee may request clarification of the terms of any Final Bid.
27. Evaluation criteria may include, but are not limited to items such as: (a) the purchase price and net value (including assumed liabilities and other obligations to be performed by the Qualified Bidder); (b) the firm, irrevocable commitment for financing the transaction; (c) the claims likely to be created by such Final Bid in relation to other Final Bids; (d) the counterparties to the transaction; (e) the terms of the proposed transaction documents; (f) other factors affecting the speed, certainty and value of the transaction (including any regulatory approvals required to close the transaction; (g) planned treatment of stakeholders; (h) the assets included or excluded from the Final Bid; (i) proposed treatment of the employees; (j) any transition services required from the Debtors post-closing and any related restructuring costs; and (k) the likelihood and timing of consummating the transaction.
28. If one or more Qualified Bids is received or so designated by the Proposal Trustee, the Proposal Trustee, exercising its reasonable business judgment and following consultation with the Lender, may select the most favourable Qualified Bid(s) (each, a "**Successful Bid**"), whereupon the Debtors shall proceed to negotiate and settle the terms of a definitive agreement with the applicable Qualified Bidder. The terms of any such definitive agreement must be acceptable to the Proposal Trustee and the Lender, each in its discretion.
29. Following the Phase 2 Bid Deadline, the Proposal Trustee specifically reserves its right to negotiate with any Qualified Bidder with respect to any provision of its Final Bid or to request or agree to any changes in any such Final Bid. The Proposal Trustee may choose to take such steps with respect to one or more Qualified Bidder but the Proposal Trustee

shall have no obligation to negotiate identical terms with, or extend identical terms to, each Qualified Bidder. The Proposal Trustee reserves its right to request some, but not all, Qualified Bidders submit a revised Final Bid reflecting improved terms or other amendments requested by the Proposal Trustee. The Proposal Trustee will be under no obligation to provide to each Qualified Bidder the opportunity to improve the terms of any Final Bid submitted to the Proposal Trustee following the Phase 2 Deadline.

Phase 2 Guidelines

30. If the Proposal Trustee determines that no Qualified Bid has been received at the end of Phase 2, the Proposal Trustee may, in its sole and absolute discretion, designate one or more Final Bids as a Qualified Bid. If no Qualified Bid is received or designated by the Proposal Trustee, any of the Lender, the Proposal Trustee or the Debtors may apply to the Court for further advice and directions, including with respect to the termination of the Sale Process.

Approval Motion for Successful Bid

31. The Debtors will bring a motion before the Court (the "**Approval Motion**") for an order approving the Successful Bid(s) and authorizing the Debtors to enter into any and all necessary agreements with respect to the Successful Bid(s) and to undertake such other actions as may be necessary or appropriate to give effect to the Successful Bid(s).
32. The Approval Motion will be held on a date to be scheduled by the Court upon motion by the Debtors. The Approval Motion may be adjourned or rescheduled by the Debtors or the Proposal Trustee, on notice to the Lender, by an announcement of the adjourned date at the Approval Motion and without the need for any further notice thereof, provided that in no circumstance shall the Approval Motion be adjourned or rescheduled beyond December 8, 2017.
33. All Qualified Bids (other than the Successful Bid) will be deemed rejected on the date of approval of the Successful Bid(s) by the Court.

Deposits

34. All Deposits will be retained by the Proposal Trustee and invested in an interest bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved at the Approval Motion will be applied to the purchase price to be paid by the Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposits (plus applicable interest) of Qualified Bidders not selected as the Successful Bidder(s) will be returned to such bidders within 5 Business Days of the date upon which the Successful Bid is approved by the Court. If there is no Successful Bid, then, subject to the following paragraph, all Deposits (plus applicable interest) will be returned to the bidders within 5 Business Days of the date upon which the Sale Process is terminated in accordance with the BIA SSP.
35. If a Successful Bidder breaches its obligations under the terms of the Sale Process, its Deposit plus interest shall be forfeited as liquidated damages and not as a penalty.

Approvals

36. For the avoidance of doubt, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required pursuant to the NOI Proceedings or any statute or as otherwise required at law in order to implement a Successful Bid.

Amendment

37. The Proposal Trustee may vary or amend the BIA SSP (including, without limitation, extending the Phase 1 Bid Deadline or the Phase 2 Bid Deadline) with the consent of the Lender or the approval of the Court.
38. The Sale Process does not, and will not be interpreted to, create any contractual or other legal relationship between the Proposal Trustee or the Debtors and any Qualified Bidder or any other person, other than as specifically set forth in a definitive agreement that may be signed with the Debtors. At any time during the Sale Process, the Proposal Trustee may apply to the Court for advice and directions with respect to the discharge of its power and duties hereunder.

"As Is, Where Is"

39. Any sale of the Property by the Debtors will be on an "as is, where is" basis as at the time of closing and without surviving representations or warranties of any kind, nature, or description by the Debtors, the Proposal Trustee, the Lender or any of their respective affiliates, advisors, agents or representatives, except to the extent otherwise provided under a definitive agreement with a Successful Bidder executed and delivered by the Debtors. Neither the Proposal Trustee, the Debtors, the Lender nor any of their respective affiliates, advisors, agents or representatives makes any representation or warranty as to title, description, fitness for purpose, merchantability, quantity, conditions or quality of any of the Property or the accuracy or completeness of the information contained in any of the Teaser, Confidential Information Memorandum or in the Data Room, except to the extent otherwise provided by the Debtors under a definitive agreement with a Successful Bidder executed and delivered by the Debtors. The Debtors are not required to inspect or count, or provide any inspection or counting, of the Property or any part thereof and each Qualified Bidder shall be deemed, at its own expense, to have relied entirely on its own inspection and investigation with respect to the Property. It shall be the Successful Bidder's sole responsibility to obtain, at its own expense, any consents to such transfer and any further documents or assurances which are necessary or desirable in the circumstances. Without limiting the generality of the foregoing, any and all conditions, warranties and representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) do not apply to the sale of the Property and shall be waived by the Successful Bidder.

Free Of Any And All Claims and Interests

40. As part of the Approval Motion, the Debtors will seek an order vesting in the Successful Bidder all of the right, title and interest of the Debtors to that part of the Property subject to the Successful Bid free and clear of all pledges, liens, security interests, encumbrances,

claims, charges, options and interests on or against the Property (collectively, the "**Claims and Interests**"). Such Claims and Interests will attach only to the net proceeds of the sale of such Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in a definitive agreement with a Successful Bidder.

No Obligation to Conclude a Transaction

41. The highest or any Final Bid received pursuant to the BIA SSP will not necessarily be accepted. In addition, at any time during the Sale Process, the Proposal Trustee may terminate the BIA SSP, and shall provide notice of such a decision to all Qualified Bidders.

Further Orders

42. At any time during the Sale Process, the Proposal Trustee may apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

Exhibit "A"

Address

FTI Consulting Inc.
TD South Tower
79 Wellington Street West
Suite 2010, PO Box 104
Toronto ON M5K 1G8

Attention: Messrs. Dean Mullett and Adam Zaley

Estate Number/Court File No: 31-458352

AND 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

Estate Number/Court File No: 31-2282778

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

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

(PROCEEDING COMMENCED AT TORONTO)

ORDER

GOWLING WLG (CANADA) LLP
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto, Ontario M5X 1G5

E. Patrick Shea (LSUC No. 39655K)
Telephone: (416) 369-7399
Facsimile: (416) 862-7661

SOLICITORS FOR DELP AND DOGL

Appendix B

Appendix B
 Dundee Energy Limited Partnership and Dundee Oil & Gas Limited
 Cash Flow Forecast to April 20, 2018
 13 Week Cash Flow

| Week Ending | Week 1 26-Jan-18 | Week 2 02-Feb-18 | Week 3 09-Feb-18 | Week 4 16-Feb-18 | Week 5 23-Feb-18 | Week 6 02-Mar-18 | Week 7 09-Mar-18 | Week 8 16-Mar-18 | Week 9 23-Mar-18 | Week 10 30-Mar-18 | Week 11 06-Apr-18 | Week 12 13-Apr-18 | Week 13 20-Apr-18 | Total |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|-----------------|
| Oil | 801 | - | - | - | 797 | 89 | - | - | 824 | 92 | - | - | - | 2,603 |
| Gas | 1,408 | - | - | - | - | 1,177 | - | - | - | 1,209 | - | - | - | 3,794 |
| Processing | 4 | - | - | - | 4 | - | - | - | 4 | - | - | - | - | 12 |
| Other | 7 | - | - | - | 4 | - | - | - | 0 | - | - | - | - | 11 |
| Total Revenue | 2,220 | - | - | - | 805 | 1,266 | - | - | 828 | 1,301 | - | - | - | 6,420 |
| Royalties | (168) | (312) | (123) | (123) | (123) | (290) | (123) | (123) | (132) | (311) | (144) | (166) | (144) | (913) |
| Operating | (435) | (435) | (435) | (435) | (435) | (844) | (844) | (844) | (844) | (844) | (844) | (844) | (844) | (1,828) |
| Field Netback | 0 | (171) | 0 | (165) | 0 | (164) | (167) | (167) | (167) | (167) | (165) | (165) | (165) | (999) |
| Payroll | (30) | (19) | (19) | (19) | (34) | (25) | (25) | (25) | (25) | (21) | (21) | (21) | (21) | (305) |
| Other G&A | 2,022 | (625) | (164) | (307) | 648 | 655 | (177) | (324) | 672 | 658 | (165) | (353) | (165) | 2,375 |
| EBITDA | - | (350) | - | - | - | (350) | - | - | - | - | (350) | - | - | (1,050) |
| Interest & Financing Fees | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Abandonment Disbursements | - | (244) | - | - | - | (12) | - | - | - | (17) | - | (68) | - | (176) |
| P&NG Rights | - | (420) | - | - | - | (295) | - | - | - | (17) | - | - | - | (773) |
| Restructuring Expenses | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Funds from Operations | 2,022 | (1,639) | (164) | (307) | 648 | (2) | (177) | (324) | 672 | 640 | (810) | (440) | (253) | (1,344) |
| Opening Draw on Credit Facility | (54,975) | (52,953) | (54,592) | (54,756) | (55,063) | (54,415) | (54,417) | (54,594) | (54,918) | (54,247) | (53,606) | (54,416) | (54,856) | (54,975) |
| Ending Draw on Credit Facility | (52,953) | (54,592) | (54,756) | (55,063) | (54,415) | (54,417) | (54,594) | (54,918) | (54,247) | (53,606) | (54,416) | (54,856) | (55,109) | (55,109) |
| 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 | 5,047 | 3,408 | 3,244 | 2,937 | 3,585 | 3,583 | 3,406 | 3,082 | 3,753 | 4,394 | 3,584 | 3,144 | 2,891 | 2,891 |
| 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 | 5,047 | 3,408 | 3,244 | 2,937 | 3,585 | 3,583 | 3,406 | 3,082 | 3,753 | 4,394 | 3,584 | 3,144 | 2,891 | 2,891 |

Lucie Presot
 Dundee Energy Limited Partnership, Debtor
 Ms. Lucie Presot, Interim Chief Financial Officer

Mr. Jeffrey Rosenberg
 FIT Consulting Canada Inc.
 Mr. Jeffrey Rosenberg, Licensed Insolvency Trustee

Ms. Lucie Presot
 Dundee Oil and Gas Limited, Debtor
 Ms. Lucie Presot, Interim Chief Financial Officer

**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 April 20, 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 January 20, 2018 to April 20, 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 January 16, 2018 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. February production revenue would be received on March 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. 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.

8. 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.

9. 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.

10. 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 abandonment related activities will commence in April as weather conditions are expected to be satisfactory for the Debtor to begin preparing to work on its wells in Lake Erie; however the Debtors' ability to continue with its currently planned offshore and onshore abandonment schedule is reliant on the weather and crop harvest conditions. 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.

11. 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.

12. 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.

13. 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 20th day of January 2018, 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,

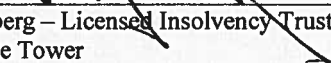
- a) the hypothetical assumptions are not consistent with the purpose of the projection;
- b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given 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 22nd day of January 2018

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 April 20, 2018

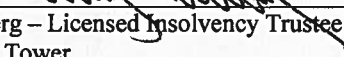
Projection Notes:

See attached Cash Flow Assumption Notes

Dated at the city of Toronto in the Province of Ontario, this 22nd day of January 2018

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 30

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

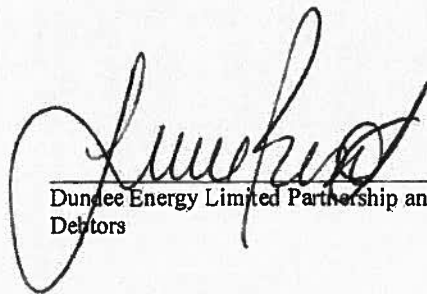
The Management of Dundee Energy Limited Partnership and Dundee Oil & Gas Limited, has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 20th day of January 2018, consisting of weekly cash flows until the week ending April 20th, 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 22nd day of January 2018.



Dundee Energy Limited Partnership and Dundee Oil & Gas Limited
Debtors

Lucie Presot 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)

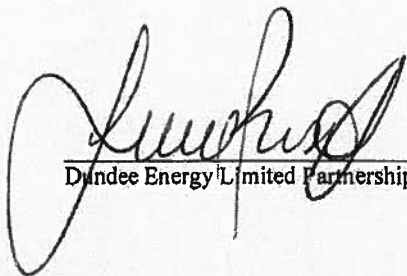
Purpose:

To show the Company has sufficient cash to fund operations through the 13 week period ending April 20, 2018

Projection Notes:

See attached Cash Flow Assumption Notes

Dated at the city of Toronto in the Province of Ontario, this 22nd day of January 2018



Dundee Energy Limited Partnership and Dundee Oil & Gas Limited

Lucy Prescot, CFO
Name and title of signing officer

**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**

Court File No.: 31-458352

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**
Proceedings commenced at Toronto

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

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Lawyers for the Proposal Trustee