



DUNDEE
ENERGY LIMITED

ANNUAL INFORMATION FORM

February 20, 2015

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FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements which reflect management's expectations regarding future growth, results of operations, performance, business prospects and opportunities of Dundee Energy Limited (also referred to herein as "Dundee Energy", the "Company", "we" or "us"). Forward-looking statements include future-oriented financial information, within the meaning of the securities legislation of certain of the provinces and territories of Canada, including the *Securities Act* (Ontario).

Certain information set forth in this AIF, including management's assessment of the Company's future plans and operations, contains forward-looking statements. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions and may include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In particular, forward-looking statements contained in this document include, but are not limited to, statements with respect to: financial and business prospects and financial outlook; performance characteristics of the Company's oil and natural gas properties; oil and natural gas production levels and reserve estimates; the quantity of oil and natural gas reserves and recovery rates; the Company's capital expenditure programs and their impact upon production, supply and demand for oil and natural gas and commodity prices; drilling plans, strategy and commitments, availability of rigs, equipment and other goods and services; expectations regarding the Company's ability to raise capital and continually add to reserves through acquisitions, exploration and development; treatment under government regulatory regimes and tax laws; anticipated work programs and land tenure; the granting of formal permits, licences or authorities to prospect; the timing of acquisitions; and the realization of the anticipated benefits of the Company's acquisitions and dispositions. In addition, statements relating to "reserves" or "resources" are, by their nature, forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

By their nature, forward-looking statements are subject to numerous risks and uncertainties including but not limited to, risks related to price and marketability of oil and gas products, the need for additional funding to execute on further exploration and development work, exploration, development and production of oil and gas, uncertainty of reserve estimates, litigation, change in regulations, management and key personnel, the cyclical nature of the oil and gas business, dependence on a small number of customers, the granting of operating permits and licenses, the risk of doing business in other countries, availability of equipment and access, and competition in the oil and gas industry, the Company's hedging activities, the mitigation of environmental risks, changes in taxation or accounting regime, health and safety and insurance coverage, labour cost, political environment, future acquisitions, aboriginal claims and other risk factors discussed or referred to in the section entitled "Risk Factors" in the Company's Annual Information Form and other documents filed from time to time with the securities administrators, all of which may be accessed at www.sedar.com. These statements are only predictions, not guarantees, and actual events or results may differ materially. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

Forward-looking statements and other information contained herein concerning the oil and gas industry and the Company's general expectations concerning this industry is based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors, including adverse impact resulting from volatility in oil and gas prices.

In addition, a number of assumptions were made by the Company in connection with certain forward-looking information and forward-looking statements for 2015 and beyond included in this AIF. These assumptions include: the impact of low oil and gas prices; the ability of the Company to obtain financing on acceptable

terms; the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which the Company has an interest to operate such projects in a safe, efficient and effective manner; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and/or exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; the ability of the Company to successfully market its oil and natural gas products; estimates on global industrial production in key geographic markets; global oil and natural gas demand and supply; that the Company will not have any labour, equipment or other disruptions at any of its operations of any significance in 2015 other than any planned maintenance or similar shutdowns and that any third parties on which the Company is relying will not experience any unplanned disruptions; that the reports it relies on for certain of its estimates are accurate; and that the above mentioned risks and the risk factors described elsewhere in this AIF do not materialize.

The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what resulting benefits the Company will derive. The forward-looking statements, including future-oriented financial information, contained herein are presented solely for the purpose of conveying management's reasonable belief of the direction of the Company and may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

GLOSSARY

“**1995 Amalgamation**” means the acquisition by the Company of Clearport by way of an amalgamation of Clearport and Salek pursuant to an amalgamation agreement dated as of May 19, 1995 among the Company, Salek and Clearport;

“**ACS**” means the ACS group of companies, including ACS Servicios Comunicaciones y Energia, S.L., the Engineering, Procurement and Construction contractor as well as the Operation and Maintenance Contractor for the Castor Project;

“**AIF**” means this annual information form;

“**Amalco**” means the company formed by the 1995 Amalgamation;

“**APEX**” means Atlas Petroleum Exploration Worldwide Ltd.;

“**Audit Committee**” means the audit committee of the Company;

“**Board**” means the board of directors of the Company;

“**Castor Project**” means the development of an underground natural gas storage facility in Spain, as more particularly described in the section entitled “*Description of the Business – General – The Castor Project*”;

“**CBCA**” means the Canada Business Corporations Act;

“**Clearport**” means Clearport Petroleums Ltd.;

“**CLP**” means Castor UGS Limited Partnership;

“**Common Shares**” means common shares of the Company;

“**Company**” means Dundee Energy Limited;

“**Compensation Committee**” means the compensation committee of the Company;

“**Credit Facility**” means the bank loan revolving credit facility and operating line of up to \$70 million which was provided directly to DELP by a Canadian chartered bank under an Amended and Restated Credit Agreement dated July 31, 2012, as amended by an Amending Agreement dated July 31, 2013;

“**Deloitte**” means Deloitte LLP;

“**DELP**” means Dundee Energy Limited Partnership;

“**DNO**” means DNO Tunisia AS, a wholly-owned subsidiary of DNO International ASA;

“**DNO Agreement**” means the agreement among Eurogas International, APEX and DNO with respect to the Sfax Permit, in the Republic of Tunisia;

“**Dundee**” means Dundee Corporation, a public Canadian independent holding company listed on the TSX under the symbol DC.A;

“**Dundee Energy**” means Dundee Energy Limited;

“**Dundee Resources**” means Dundee Resources Limited, a wholly-owned subsidiary of Dundee;

“**Escal**” means Escal UGS S.L.;

“**Eurogas International**” means Eurogas International Inc.;

“**Great Plains**” means Great Plains Exploration Inc.;

“**IFRS**” means International Financial Reporting Standards;

“**IPS**” means Innovative Production Services, Ltd.;

“**MD&A**” means Dundee Energy’s management’s discussion and analysis;

“**NEB**” means the National Energy Board of Canada;

“**NI 51-101**” means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators;

“**NI 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators;

“**Order**” means: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant corporation access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days;

“**Preferred Shares**” means the \$32,150,000 preferred share interest held by the Company in Eurogas International;

“**PWC**” means PricewaterhouseCoopers LLP;

“**Restructuring**” means the restructuring of the Company’s interest in Eurogas International completed on July 10, 2008, as more particularly described in the section entitled “*Description of the Business – General – Preferred Share Interest in Eurogas International*”;

“**Salek**” means Salek Oil Limited;

“**Sfax Permit**” means the Sfax offshore exploration permit covering 797,655 acres located in the shallow Mediterranean waters in the Gulf of Gabes, offshore Tunisia and southeast of the city of Sfax;

“**Southern Ontario Assets**” means the 95% working interest in approximately 62,000 gross acres of onshore oil and gas properties, and an 100% working interest in approximately 324,000 gross acres of offshore gas properties and certain other assets, as more particularly described in the section entitled “*Description of the Business – General – Southern Ontario Assets*”, all located in and around Lake Erie in Ontario, acquired by DELP, a wholly-owned limited partnership of the Company;

“**TSX**” means the Toronto Stock Exchange;

“**WTI**” means West Texas Intermediate; and

“**Windiga**” means Windiga Energy Inc.

ABBREVIATIONS

In this AIF, the following abbreviations have the meanings set forth below:

Oil and Natural Gas Liquids		Natural Gas	
Bbl	barrel	Mcf	thousand cubic feet
Bbls	barrels		

Other	
BOE or boe	barrel of oil equivalent is a unit of energy based on the approximate energy released by burning one barrel of crude oil. Six thousand cubic feet of natural gas is the approximate energy equivalent of 1 barrel of oil. This conversion factor is an industry accepted norm and is not based on current prices.
m3	cubic metres
MBOE or Mboe	1,000 barrels of oil equivalent
MMBOE	1,000,000 barrels of oil equivalent

Disclosure provided herein in respect of BOEs (barrels of oil equivalent) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Where any disclosure of reserves data is made in this AIF that does not reflect all reserves of Dundee Energy, the reader should note that the estimates of reserves and future net revenue for individual properties or groups of properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

CONVERSIONS

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units):

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls oil	6.289
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

REPORTING CURRENCY, FINANCIAL AND RESERVE INFORMATION

The information in this AIF is presented as at December 31, 2014 unless otherwise indicated.

All dollar amounts referred to herein are in Canadian dollars unless stated otherwise. Unless otherwise indicated, all financial information included herein has been prepared in accordance with IFRS.

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

CORPORATE STRUCTURE

NAME, ADDRESS AND INCORPORATION

The Company's full corporate name is Dundee Energy Limited. The Company was originally incorporated under the laws of the Province of British Columbia on February 16, 1983 as Giant North Resources Ltd. and on November 27, 1984 the Company altered its memorandum to change its name to Euromin Canada Ltd. On April 28, 1989, the Company was continued under the CBCA and was authorized to issue an unlimited number of common shares. On June 3, 1994, the articles of the Company were amended to change its name to International Euromin Corporation, to authorize the Company to issue an unlimited number of first preferred shares, issuable in series, and to consolidate the then outstanding common shares on a five-for-one basis. On June 30, 1995, the articles of the Company were amended to change its name to Eurogas Corporation and the then outstanding common shares were consolidated on a two-for-one basis.

On June 30, 1995, pursuant to an amalgamation agreement dated as of May 19, 1995 among the Company, Salek and Clearport, the Company acquired Clearport by way of an amalgamation, referred to herein as the 1995 Amalgamation, of Clearport and Salek, then a wholly-owned subsidiary of the Company, with the shareholders of Clearport receiving 0.315 of a common share of the Company for each common share of Clearport. On August 31, 1995, the Company amalgamated by way of a short form vertical amalgamation with the company formed by the 1995 Amalgamation, referred to herein as Amalco, and 3179583 Canada Inc., then a wholly-owned subsidiary of Amalco.

On March 30, 2004, the Company entered into an arrangement agreement with its then wholly-owned subsidiary, Great Plains. Articles of Arrangement effecting the arrangement and restated articles of the Company were filed on June 11, 2004. Pursuant to the arrangement, the majority of the Canadian assets of the Company were transferred to Great Plains and each shareholder of the Company received one new common share and 0.2 of a common share of Great Plains.

On June 15, 2011, the Company filed articles of amendment to change its name from Eurogas Corporation to Dundee Energy Limited.

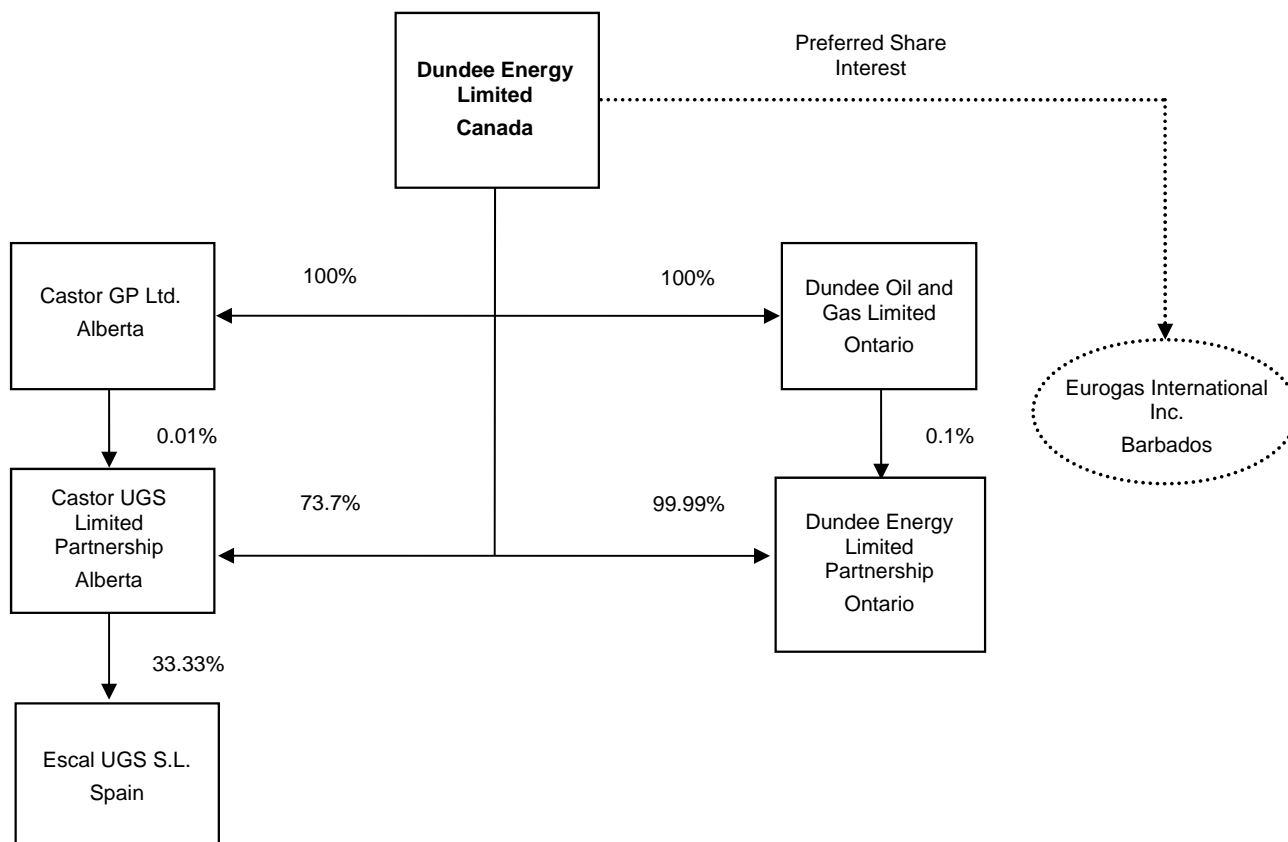
The Company's head office is located at 1 Adelaide Street East, Suite 2100, Toronto, Ontario, M5C 2V9, Canada and its registered office is located at Suite 250, 435 – 4th Avenue SW, Calgary, Alberta, T2P 3A8, Canada.

The Company is a reporting issuer in all of the provinces and territories of Canada.

INTERCORPORATE AND OTHER RELATIONSHIPS

Intercorporate Relationships

The following chart illustrates the intercorporate relationships among Dundee Energy and its direct and indirect subsidiaries as of the date of this AIF and, for each subsidiary, its jurisdiction of incorporation and the percentage of votes attaching to all voting securities of the subsidiary beneficially owned or controlled or directed, directly or indirectly, by Dundee Energy. None of the subsidiaries have any restricted securities issued and outstanding.



In addition, as reflected in the above chart, the Company holds a \$32,150,000 preferred share interest in Eurogas International and does not own any common shares in Eurogas International. The nature of the Preferred Shares limits the upside value of the Company's interest in Eurogas International to the face value of the Preferred Shares and any accrued dividend thereon. The Company's interest in Eurogas International is described in further detail in the section entitled "Description of the Business – General – Preferred Share Interest in Eurogas International".

Other Relationships

As at the date hereof, Dundee owns, directly and indirectly, an approximate 57.9% equity interest in Dundee Energy. Dundee Resources is a wholly-owned subsidiary of Dundee that provides the Company with administrative support services as well as geophysical, geological and engineering consultation with regard to the Company's activities.

GENERAL DEVELOPMENT OF THE BUSINESS

THREE YEAR HISTORY

A summary of the three year history of the Company follows. Further details regarding several of the highlights described below can be found in the section entitled "*Description of the Business*".

2014 Highlights

- In April 2014, the Company made the second tranche payment of \$1.1 million to acquire additional common shares of Windiga Energy Inc. as part of the Company's original financing agreement from 2013. See the section entitled "*Description of the Business – General – Investment in Windiga Energy Inc.*" for more information.
- On August 5, 2014, the Company acquired the remaining 15% working interest in certain offshore gas properties in southern Ontario that it did not already own, increasing its working interest to 100%. The acquisition is expected to add an average of 1,700 Mcf/d to the Company's existing natural gas production and an estimated 17.2 million Mcf in proved and probable reserves. The increase in working interest was acquired for aggregate cash consideration of \$3.3 million, representing an average cost of \$0.19/Mcf or \$1.16/boe of proved and probable reserves. See the section entitled "*Description of the Business – General – Southern Ontario Assets*" for more information.
- On October 3, 2014, the Spanish government approved Royal Decree-Law 13/2014, which came into force on October 4, 2014 and formally accepted the relinquishment of the Castor Project. The Royal Decree-Law acknowledged the termination of the concession, and reverting of ownership of the associated facilities back to the public domain. As provided in the terms for relinquishment, Escal was entitled to receive compensation equal to the net value of its investment in the Castor Project, which the Royal Decree-Law determined to be €1.46 billion. Accordingly, in November 2014, Escal received €1.35 billion being the net value of its investment, after deducting amounts of €110 million previously received by Escal during the pre-commissioning stage of development. These proceeds, along with a bridge financing of approximately €60 million provided by ACS, were applied towards the repayment of €1.41 billion of outstanding bonds issued by Watercraft Capital S.A., Escal's financing vehicle. See the section entitled "*Description of the Business – General – The Castor Project – Cushion Gas*" for more information.

2013 Highlights

- On April 4, 2013, the Company completed a rights offering ("Rights Offering"), which was fully subscribed, raising gross proceeds of \$8,886,745. Each registered holder of Common Shares as at the close of business on March 12, 2013 received one transferable right ("Right") for each Common Share held. A holder of Rights was entitled to acquire one Common Share ("Rights Common Shares") or one flow-through Common Share ("Rights FT Shares") for every seven (7) Rights held upon payment of the applicable subscription price of: (a) \$0.34, in the case of Rights Common Shares; and (b) \$0.39, in the case of Rights FT Shares. The Company issued 5,734,067 Rights Common Shares and 17,787,596 Rights FT Shares under the rights offering.

- On May 22, 2013, the Company acquired a 31% interest in Windiga (formerly SMF Energy Inc.) for \$1.1 million of cash consideration
- On July 5, 2013, the Company entered into a transaction pursuant to which it acquired an additional 20% working interest in certain offshore gas properties in southern Ontario, increasing its working interest from 65% to 85%. The acquisition added an average of 2,500 Mcf/d to the Company's existing natural gas production and an estimated 24.5 million Mcf in proved and probable natural gas reserves. The increase in working interest was acquired for aggregate cash consideration of \$4.9 million, representing an average cost of \$0.20/Mcf or \$1.22/boe of proved and probable reserves.
- On September 10, 2013, the Company entered into an asset exchange agreement pursuant to which it acquired certain oil producing assets and seismic data in exchange for the transfer of its working interests in certain other oil producing assets and certain property, plant and equipment. The Company realized a net gain of \$0.3 million from the exchange of property, plant and equipment.
- In mid-September 2013, seismic activity was detected in the area surrounding the Castor Project. Even though, throughout this period, gas to liquid levels in the reservoir remained stable, significantly reducing concerns over the leakage of cushion gas, and the seismic activity did not affect the integrity of the facility and the underground reservoir, nor caused any damage, the Spanish authorities implemented a suspension to the injection of further volumes of cushion gas mandating an independent assessment of the source of seismic activity to be completed. An independent assessment was subsequently completed and was submitted to the Spanish authorities suggesting that the seismicity observed appeared to be related to a secondary fault present in the area. See the section entitled "*Description of the Business – General – The Castor Project – Cushion Gas*" for more information.

2012 Highlights

- In October 2012, the Board conditionally approved a transferable rights offering pursuant to which the Company raised gross proceeds of \$8,886,745 to enhance its drilling program. The Company completed the rights offering on April 05, 2013. Dundee, the principal shareholder of the Company, agreed to backstop the offering by purchasing common shares not otherwise purchased pursuant to the exercise of rights by shareholders. The terms of Dundee's backstop were identical in all respects to those of shareholders participating in the rights offering.
- The Company renewed its normal course issuer bid through the TSX effective from April 3, 2012 to April 2, 2013, upon expiration of its earlier established normal course issuer bid. Throughout 2012, the Company purchased 23,500 Common Shares under a normal course issuer bid at an aggregate cost of \$14,265. All Common Shares purchased under the normal course issuer bid were cancelled, in accordance with the policies and rules of the TSX.
- The Company recognized an impairment loss of \$15.5 million in respect of certain natural gas assets.

DESCRIPTION OF THE BUSINESS

Dundee Energy is a Canadian-based company whose common shares currently trade on the TSX under the symbol "DEN". Dundee Energy is focused on creating long term value through the development and acquisition of energy projects. Dundee Energy holds interests, both directly and indirectly, in: (i) the largest accumulation of producing oil and natural gas assets in Ontario, being the Southern Ontario Assets; (ii) preferred shares of Eurogas International, an oil and gas exploration company; (iii) 24.6% equity stake in

Escal UGS SL, a Spanish entity which until recently owned a concession for the development and commercialization of the Castor Underground Gas Storage; and (iv) 45% equity stake in Windiga Energy, a company involved in development of alternative energy projects in Africa.

GENERAL

Southern Ontario Assets

Dundee Energy Limited Partnership (“DELP”), a wholly owned limited partnership of the Company, holds an approximate 95% working interest in 62,000 gross acres of onshore oil and gas properties and an approximate 100% working interest in 324,000 gross acres of offshore gas properties, all located in and around Lake Erie in Ontario, Canada. The Southern Ontario Assets also include an approximate 100% interest in an onshore drilling rig, an offshore fleet of drilling and completion barges and five gas processing or compressor plants that are located onshore and process offshore raw gas.

On August 5, 2014, the Company acquired the remaining 15% working interest in certain offshore gas properties in Southern Ontario that it did not already own, increasing its working interest to approximately 100%. The acquisition added an approximate average of 1,700 Mcf/d to the Company’s existing natural gas production and an estimated 17.2 million Mcf in proved and probable reserves. The increase in working interest was acquired for aggregate cash consideration of \$3.3 million, representing an average cost of \$0.19/Mcf or \$1.16/boe of proved and probable reserves.

The majority of the Company’s natural gas flows from offshore wells on Lake Erie that produce from Silurian-aged sandstone and carbonates at a maximum depth of 550 metres. The main producing horizons are the Grimsby, Whirlpool and Guelph formations. This gas is transported to shore through a pipeline grid on the bottom of Lake Erie, and then processed at one of five of the Company’s onshore processing facilities. The Company entered into transportation agreements with pipeline companies and the majority of its natural gas is transferred to the Dawn Hub, which is conveniently located proximate to the greater Toronto area, at which point it is sold to third parties.

Sweet, light oil production comes from onshore Ordovician and Silurian-aged carbonate reservoirs located at geological depths of up to 850 metres. Raw oil and condensate is processed at six oil batteries and several single well locations. Once processed, oil is sold to a third party that transports the oil to Sarnia, Ontario for refining.

Ontario Reserves Information

The Company retained Deloitte LLP (“Deloitte”), an independent qualified reserves evaluator, to prepare a report on the Company’s working interest in its oil and natural gas reserves in southern Ontario. In respect of the assets of DELP, Form 51-101F1 – *Statement of Reserves Data and Other Oil and Gas Information*, and Form 51-101F3 – *Report of Management and Directors on Oil and Gas Disclosure*, have been filed under the Company’s profile on SEDAR at www.sedar.com which are incorporated by reference herein.

The Company has a Corporate Governance and Reserves Committee which oversees the selection, qualifications and reporting procedures of the independent engineering consultants. Reserves at December 31, 2014 were determined using the guidelines and definitions set out under NI 51-101. At December 31, 2014, the proved and probable reserves in southern Ontario increased by 6% to 20,516 million boe (“Mboe”) from 19,364 Mboe at December 31, 2013.

At December 31, 2013, the Company estimated the reserve life index for natural gas and oil at 25 years and 9.4 years, respectively. As at December 31, 2014, the reserve life index for natural gas increased to 25.7 years, while the reserve life index for oil increased to 11.8 years.

PRODUCTION AND SERVICES

Production Volumes in Ontario

The Company’s operating performance is dependent on production volumes of oil, natural gas and natural gas liquids, and the prices received for production volumes. Prices for these commodities may vary

significantly from year to year and are determined by supply and demand factors, weather, general economic conditions and changes in foreign exchange rates.

During 2014, production volumes averaged of 2,348 boe/d comparable with an average of 2,333 boe/d produced in 2013.

Average daily natural gas production increased by approximately 4% over production volumes achieved in the prior year. Increased volumes from the acquisitions of additional working interests completed in each of August 2014 and July 2013 were offset by the natural decline in the Company's natural gas reserves, which has averaged approximately 5% per annum. The year-over-year increase was also impacted by a temporary suspension of production in parts of central Lake Erie, Ontario, while production pipelines underwent significant repairs following damage caused by ice scouring in February 2014.

In 2014, oil production volumes decreased to an average of 572 bbl/d compared with an average of 615bbl/d produced in 2013. The decrease reflects the natural decline of approximately 14% per annum in the underlying assets.

Oil and Gas Sales in Ontario

Natural gas is produced from offshore wells on Lake Erie, pipelined to shore and processed at the Company's onshore processing facilities. The Company has entered into transportation agreements with pipeline companies to transfer natural gas into sales distribution pipelines for delivery of natural gas to the Dawn Hub (which is located in the Province of Ontario and proximate to the greater Toronto area), at which point it is sold to third parties.

Oil and condensate production is trucked from six oil batteries and several single well locations to Sarnia, Ontario and subsequently sold to third parties.

Revenues from oil and gas sales were \$46.2 million during 2014. This compares with revenues of \$39.2 million earned in the prior year. The Company's revenues are subject to royalty payments to provincial governments, freehold landowners and overriding royalty owners. In 2014, the Company recorded royalty obligations of \$7.0 million (2013 – \$6 million) against its oil and gas sales, representing an average royalty rate of approximately 15% (2013 – 15%) of revenues.

For a detailed description regarding the Company's production and services activities and cash flows, please refer to the Company's financial statements and MD&A as at and for the year ended December 31, 2014.

Decommissioning Liabilities

The Company has recorded a decommissioning liability, representing its best estimate of the costs that it will incur to settle future site restoration, abandonment and reclamation obligations. At December 31, 2014, the Company's estimate of these future costs on an undiscounted basis was approximately \$99.8 million. These obligations are forecasted to be incurred over a 50-year period. The Company incurred \$1.2 million in reclamation costs during 2014 and it anticipates that it will incur another \$1.4 million in reclamation costs over the next 12 months.

In accordance with accounting requirements, the estimated decommissioning liability is recorded in the Company's consolidated financial statements on a discounted basis using discount rates that are specific to the underlying obligations. At December 31, 2014, the discounted amount of the Company's decommissioning liabilities was \$56.3 million. The discount used in calculating the Company's decommissioning liabilities is accreted over time. During 2014, the Company incurred accretion expense of \$1.1 million (2013 – \$0.9 million).

Credit Facility

DELP's Credit Facility was established with a Canadian chartered bank that is structured as a revolving demand loan, with a tiered interest rate schedule that varies based on DELP's net debt to cash flow ratio, as defined in the Credit Facility. On July 31, 2013, the interest rate structure of DELP's credit facility was amended, increasing the interest rate on loans or letters of credit to the bank's prime lending rate plus

3.5%; or, for bankers' acceptances, to the bank's then prevailing bankers' acceptance rate plus 4.5%. The amended agreement provides for a standby fee of 0.55% on unused amounts under the credit facility. At December 31, 2014, DELP had drawn \$62.0 million against the Credit Facility.

The Company has assigned a limited recourse guarantee of its units in DELP as security pursuant to the Credit Facility. The Credit Facility is subject to certain covenants, including maintenance of minimum levels of working capital. At December 31, 2014, the Company was in compliance with all such covenants.

The Castor Project

The Castor Project is a Spanish infrastructure undertaking that converted an abandoned oilfield to a natural gas storage facility. The Castor Project, and the related exploitation concession, were owned and developed by Escal UGS S.L. ("Escal"), a company incorporated under Spanish jurisdiction. ACS Servicios Comunicaciones y Energy S.L. ("ACS"), a construction group in Spain, is a 67% shareholder of Escal, while Castor UGS Limited Partnership, the Company's 74% owned subsidiary, holds the remaining 33% interest in Escal.

In July 2013, Escal initiated the technical and economic audits of the Castor Project, which were required for the inclusion of the project to the Spanish gas system. These audits concluded that the Castor Project was technically fit to store and deliver gas, that it had an appropriate process design and configuration, and that it had sufficient safety engineering for operation. However, in mid September 2013, micro-seismic activity was detected in the area surrounding the Castor Project, following which the Spanish authorities implemented a suspension to further activities related to the Castor Project until an independent assessment of the source of the seismic activity was completed. Independent assessments were subsequently completed, putting forth that the seismicity observed appeared to be related to a secondary fault present in the area and to be coincidental with the injection of cushion gas. However, and notwithstanding the results of the technical and economic audits, as well as the results of the independent assessments as to the source of seismic activity, the Spanish authorities did not revoke their mandated suspension.

Escal subsequently considered various options available in respect of the Castor Project, and in July 2014, Escal determined that it was appropriate to exercise its right under the underground gas storage concession to relinquish the concession to the Spanish authorities. On October 3, 2014, the Spanish government approved Royal Decree-Law 13/2014, which was effective on October 4, 2014, the date of its publication in the Spanish Official State Gazette. The Royal Decree-Law formally accepts the relinquishment of the Castor Project, it acknowledges the termination of the concession, and it reverts ownership of the associated facilities back to the public domain.

Under the terms of the relinquishment, Escal was entitled to receive compensation equal to the net value of its investment in the Castor Project, which the Royal Decree-Law determined to be €1.46 billion. In November 2014, Escal received €1.35 billion, being the net value of its investment, after deducting amounts of €110 million previously received by Escal during the pre-commissioning stage of development. These proceeds were applied towards the partial repayment of the €1.41 billion of outstanding bonds issued by Watercraft Capital S.A., Escal's financing vehicle.

In addition to the net value of its investment as outlined above, the Royal Decree-Law also provides Escal with certain other remuneration rights, including financial remuneration for the period from the provisional commissioning date of the Castor Project on July 5, 2012 through to October 4, 2014, as well as the reimbursement of operating and maintenance costs incurred during this period. The final quantification of any additional remuneration amounts, if any, and the expected timing of receipt, have not yet been determined. In November 2014, ACS arranged a €300 million refinancing of Escal, of which €60 million was applied to repay the balance of amounts owing pursuant to the outstanding bond arrangements. CLP is of the view that the refinancing arranged by ACS was not in the best interests of Escal and consequently, CLP has lodged a legal action challenging the approval of the refinancing. Additionally, CLP has determined that the use of proceeds from the refinancing may have compromised CLP's interests as a shareholder and, accordingly, CLP is currently evaluating the appropriate course of action to take in this regard.

The Royal Decree-Law mandates that the Castor Project remain mothballed until the Spanish government is satisfied with technical studies and reports on any future commissioning of such facilities. Enagás Transporte, S.A.U., the technical manager of the Spanish gas system, has been tasked with completing

these studies and it is entrusted with the ongoing care and maintenance of the facilities. However, and in accordance with the terms of the Royal Decree-Law, Escal and its shareholders remain responsible for any possible flaws or defects in the facilities associated with the Castor Project that become apparent during the 10 years following the issuance of the Royal Decree-Law.

Investment in Windiga Energy Inc.

The Company has invested \$2,150,000 (including \$1,075,000 invested during the year ended December 31, 2014) to acquire a 45% equity interest in Windiga, a Canadian-based independent power producer focused on developing, owning and operating renewable energy facilities on the African continent. In addition to its 45% equity interest, senior officers of the Company's parent currently represent 20% of the board of directors of Windiga.

In October 2014, Windiga announced the signing of a power purchase agreement ("PPA") with the National Electricity Company of Burkina Faso for the construction and operation of a 20-megawatt photovoltaic plant to be located in Zina, in the province of Mouhoun. Completion of the PPA was the final step in the authorization process, and allows Windiga to begin construction of a solar power plant in sub-Saharan Africa. The plant is expected to produce approximately 34 gigawatt hours of clean energy per annum, and will be connected to Burkina Faso's main power grid. In order to commence construction of the plant, Windiga is currently focused on finalizing the necessary financing agreements needed to fund the construction phase of the project.

In Mauritania, Windiga has signed agreements that provide a framework for the general terms and conditions of a 30-year PPA with both the Mauritanian Electricity Company and with the Urban Community of Nouakchott for the construction and operation of a waste-to-energy plant. These agreements define the terms of the purchase of electricity and the supply of waste, and also further the development of the project to build a 15-megawatt waste-to-energy power plant in the city of Nouakchott.

Windiga has also signed an agreement outlining a framework for the general terms and conditions of a 20-year PPA with the Electricity Company of Ghana for the construction and operation of a 20-megawatt solar power plant in the northern community of Tilli.

Preferred Share Interest in Eurogas International

Restructuring of Eurogas International

On July 10, 2008, the Company announced a restructuring plan that would allow for the distribution of its then 100% interest in Eurogas International as a dividend-in-kind to shareholders of the Company, referred to herein as the "Restructuring", such that each shareholder of the Company received one newly issued common share of Eurogas International for every five (5) shares of the Company held. As part of the Restructuring, the Company exchanged its previous interest in the common shares of Eurogas International for 32,150,000 newly issued Series A Preference Shares, having an aggregate value equal to the fair market value of Eurogas International at the time of issuance, being the Preferred Shares, and 31,143,635 newly issued common shares of Eurogas International, having an aggregate value of \$1.00. The newly issued common shares of Eurogas International were then distributed to shareholders of the Company at nominal value as part of the Restructuring. On March 31, 2009, Eurogas International began trading on the Canadian Securities Exchange (formerly the Canadian National Stock Exchange) under the symbol "EI".

The Preferred Shares issued by Eurogas International rank in priority to the common shares of Eurogas International as to the payment of dividends and the distribution of assets on dissolution, liquidation or winding-up of Eurogas International and entitle the Company, as the holder thereof, to a fixed preferential cumulative dividend at the rate of 4% per annum. The Series A Preference Shares are non-voting except in the event Eurogas International fails to pay the cumulative 4% dividend for eight quarters. The Preferred Shares may be redeemed, at the option of either Eurogas International or the Company, at any time, at a price equal to their face value, being an aggregate of \$32,150,000 plus accrued and unpaid dividends.

The Company has not advised Eurogas International of its intent with respect to exercising its right to the redemption of the Preferred Shares. The Company is entitled to demand payment of the associated cumulative dividends at anytime. As at December 31, 2014, Eurogas International had failed to pay the cumulative 4% dividend. Therefore, the Company is entitled to voting exclusively and separately as a

series to elect a majority of the members of the Board of Directors of Eurogas International.

At December 31, 2014, cumulative dividends outstanding on the Series A Preference Shares were \$8.2 million (2013 – \$7.0 million), representing outstanding dividends for more than eight quarters. Notwithstanding the Company not receiving any dividends on its investment at December 31, 2014, the Company had not exercised its entitlement to elect the majority of the members of the Board of Directors of Eurogas International.

Eurogas International's Tunisia Assets

On January 17, 2014, Eurogas International completed a farmout arrangement with DNO Tunisia AS with respect to its working interest in the Sfax permit and the associated Ras El Besh development concession. As a result of the DNO Agreement, DNO Tunisia AS acquired an 87.5% participating interest in the Sfax permit in exchange for a US\$6 million cash payment to the original joint venture partners, of which Eurogas International's share was US\$2.7 million, and the carrying of 100% of all future costs associated with the Sfax permit. Under the terms of the DNO Agreement, and with the approval of the Tunisian authorities, DNO has contractually assumed full responsibility for completion of the drilling obligations associated with the Sfax Permit, including any compensatory payments that may arise as a result of non-compliance. In that regard, DNO has provided a full guarantee to the Tunisian governmental authorities.

Subsequent to December 31, 2014, DNO Tunisia AS completed the drilling of its first well on the Sfax permit. The well was drilled to a total depth of 2,815 metres. The Douleb and Bireno fractured carbonates formations proved to be water bearing in the compartment of the principal structure targeted by the drilling activity and therefore, DNO Tunisia AS concluded that further analysis of the well's logging and testing results would be required in order to re-evaluate the prospect. In view of these results, DNO Tunisia AS is currently reassessing its work plan for the remainder of 2015, taking into consideration the implications of its obligations and commitments pursuant to the terms of the Sfax permit, against the approaching maturity of the current permit renewal period, which expires in December 2015.

BUSINESS PLAN AND CORPORATE STRATEGY OF DUNDEE ENERGY

Dundee Energy has pursued a business strategy of developing high quality long life energy assets with the goal of providing long term value for its shareholders. The recent dramatic downturn in oil and gas prices, as well as the relinquishment of the Castor Underground Gas storage project in Spain has adversely impacted the asset base and potential cash flow of the Company. Within current constraints the Company will take cost efficient initiatives to maintain production levels in the Southern Ontario Assets, and to implement operating and organisational efficiencies in order to reduce costs. The Company's recent acquisitions of the Southern Ontario Assets have enhanced shareholder value by adding low-cost natural gas producing reserves and creating efficiencies of scale.

Key factors in enabling the Company to achieve its business strategy include:

- geological and geophysical analysis and interpretation to identify drilling and well rework opportunities in its current asset base;
- operational efficiency to ensure maximization of values from its current proved reserves;
- ensuring adequate funding to complete its strategic plan including alliances with joint venture partners; and
- working closely with governmental authorities in the jurisdictions in which it operates.

From time to time, management may consider further asset and corporate acquisition opportunities that meet the Company's business parameters and which can be efficiently financed and structured. In assessing the appropriateness of a potential acquisition, the Company may consider:

- supply and demand for oil and natural gas and commodity prices;
- the potential return on the project, if successful;

- oil and gas production levels;
- the quantity and quality of oil and natural gas reserves and recovery rates;
- the amount of potential for additional reservoir development;
- operational efficiencies that may be derived from scalability;
- capital expenditure programs; and
- treatment under governmental regulatory regimes and tax laws.

While the Company believes that it has the skills and resources necessary to achieve its objectives, participation in the exploration and development of oil and gas, by its nature, has a number of inherent risks. See the section entitled “*Risk Factors*” for further details.

EMPLOYEES

Exploration, development and production of petroleum and natural gas resources requires specialized skills and knowledge in the areas of petroleum engineering, geophysics, geology and title. Dundee Energy has personnel with the required specialized skills and knowledge to carry out its current operations. While the current labour market in the industry is highly competitive, Dundee Energy expects to be able to attract and retain appropriately qualified employees for fiscal 2015.

Most of the Company’s operations are carried out by employees of DELP. Employees of DELP carry out the Company’s Ontario business. As of February 20, 2015, DELP had approximately 34 employees, plus various seasonal employees. A long term collective bargaining agreement in respect of the Company’s unionized employees was renewed in the first quarter of 2014.

The President and Chief Executive Officer of the Company, Mr. Jaffar Khan, has entered into a consulting contract pursuant to which he provides the Company with certain executive services.

In addition, designated employees of Dundee Corporation and Dundee Resources Limited, affiliates of the Company, including Mr. David Bhumgara, Ms. Lucie Presot and Mr. Bruce Sherley have continued their consulting services to the Company pursuant to a services arrangement.

SOCIAL AND ENVIRONMENTAL POLICIES

The Company has implemented stringent standards relating to health, safety and environmental protection. All employees receive education and training on these policies to the extent that such policies pertain to their particular roles and responsibilities.

INDUSTRY CONDITIONS, TRENDS AND ENVIRONMENTAL MATTERS

INDUSTRY CONDITIONS

Volatility in Commodity Prices

The Company’s financial performance is highly sensitive to prevailing prices of oil and natural gas. Fluctuations in oil or natural gas prices could have a material adverse effect on the Company’s operations and financial condition, the value of its reserves and its level of spending for oil and gas exploration and development. Any prolonged period of low oil and natural gas prices could result in a decision by the Company to suspend or terminate exploration or production, as it may become economically unfeasible to explore for and/or produce oil or natural gas at such prices.

The Company believes cash flows generated from ongoing operating activities, combined with amounts available pursuant to its credit facility, provide the Company with sufficient cash flow to support its working capital requirements during periods of volatile commodity prices.

Competition

The oil and gas industry is highly competitive. Generally, there is intense competition for the acquisition of undeveloped or producing resource properties considered to have commercial potential. The Company actively competes for reserve acquisitions, exploration leases, licences, concessions and skilled industry personnel. The Company's competitors include major integrated oil and natural gas companies and other independent oil and natural gas companies. A number of the Company's competitors include companies that carry on refining operations, market oil and other products on a worldwide basis and have greater financial and personnel resources available to them than the Company. Prices paid for oil and natural gas properties are subject to market fluctuations and directly affect the profitability of producing any oil or natural gas reserves that may be acquired or developed by the Company.

The Company's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers is also dependent upon developing and maintaining close working relationships with industry participants and joint venture parties, and its ability to select and evaluate suitable properties and to consummate transactions in this highly competitive environment.

The Company believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development and it strives to be competitive by leveraging the in house expertise of its team, and by utilizing current technologies to enhance exploitation, development and operational activities.

Pricing and Marketing

In Canada, producers of oil and natural gas are entitled to negotiate sales contracts directly with purchasers, with the result that the market determines the price of oil and natural gas. Oil and natural gas prices are primarily based on worldwide supply and demand. The specific price depends in part on quality, prices of competing fuels, distance to market, access to downstream transportation, the value of refined products, length of contract term, weather conditions, the supply/demand balance and other contractual terms.

Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the NEB. Natural gas exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain NEB and governmental criteria. Natural gas (other than propane, butane and ethane) exports for a term of less than two years or for a term of two to 20 years (in quantities of not more than 30,000 m³/day) must be made pursuant to a NEB order.

Any oil or natural gas export to be made pursuant to a contract with a longer duration (to a maximum of 25 years) or for a larger quantity, in the case of natural gas, requires a licence from the NEB. The issuance of such a licence requires a public hearing and governmental approval.

The Company realized an average price on sales of natural gas of \$6.54/Mcf in 2014, 46% higher than the average price of \$4.49/Mcf realized in the prior year. The increase is reflective of severe weather conditions experienced in Ontario from January to April 2014 and the high volatility in natural gas commodity prices during the winter months at the Dawn Hub, a leading provider of natural gas supply to the greater Toronto market area.

During 2014, the Company realized an average price of \$99.38/bbl on sales of crude oil, an increase of 1% over an average price of \$98.63/bbl realized during the prior year. The increase is consistent with period-over-period increases of 1% in the Edmonton Par average price for crude oil. In comparison, during the same period, the US dollar-denominated average West Texas Intermediate price decreased by approximately 5%.

Industry Regulation

The oil and natural gas industry is subject to extensive controls and regulations imposed by various levels of government. In Canada, the various provincial governments have legislation and regulations that govern royalties, production rates, land tenure, environmental protection, climate controls and other

matters. Although it is not expected that any of these controls and regulations will affect the operations of the Company in a manner materially different than they would affect other oil and natural gas companies of similar size, the controls and regulations should be considered carefully by investors in the oil and natural gas industry. Outlined below are some of the principal aspects of Canadian legislation and regulations governing the oil and natural gas industry. All current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted.

Provincial Royalties and Incentives

For crude oil, natural gas and related production from federal or provincial Crown lands, the royalty regime is a significant factor in the profitability of production operations. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date and the type or quality of the petroleum product produced. From time to time, the provincial governments have established incentive programs for exploration and development. Such programs often provide for royalty reductions, credits and holidays, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry. The trend in recent years has been for provincial governments to reduce the benefits under such programs and to allow them to expire without renewal, and consequently few such programs are currently operative. In Ontario, the Crown and freehold royalty rate for oil and gas production is 12.5%.

Land Tenure

Oil and natural gas located in Canada may be owned by provincial governments or may be privately owned. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits for varying terms, usually from two to five years, and on conditions set forth in provincial legislation, which may include requirements to perform specific work or make payments such as annual rental payments. Where such interests are privately owned, rights to explore for and produce oil and natural gas are generally granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

The oil and natural gas industry in Canada is subject to environmental regulation pursuant to international conventions and national, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on releases or emissions of various substances produced or utilized in association with certain oil and gas industry operations. In addition, legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness. Applicable environmental legislation in Ontario is the Environmental Protection Act. See "Risk Factors".

The operations of Dundee Energy are, and will continue to be, affected in varying degrees by laws and regulations regarding environmental protection. The Company is committed to meeting its responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with environmental legislation.

DIVIDENDS

The constating documents of the Company do not limit its ability to pay dividends or distributions in respect of its common shares or preferred shares. The Company has not paid or declared any cash dividends or

distributions since incorporation. The Company will not pay regular dividends or distributions in the foreseeable future. Any decision to pay dividends or distributions on its common shares (or preferred shares, if any) will be made by the board of directors of the Company on the basis of its earnings, financial requirements and other conditions existing at such future time.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value, issuable in series. As at the date of this AIF, there were 188,204,184 Common Shares issued and outstanding as fully paid and non-assessable and no preferred shares issued and outstanding.

COMMON SHARES

The holders of the Company's common shares are entitled to one vote per share at meetings of shareholders of the Company, to dividends as and when declared by the board of directors of the Company and, in the event of the liquidation, dissolution or winding-up of the Company, to receive such assets of the Company as are distributable to the holders of its common shares, subject to the rights of any securities having priority over the common shares.

PREFERRED SHARES

The preferred shares of the Company may be issued in one or more series, each series to consist of such number of shares as determined by the board of directors of the Company. The board of directors of the Company may also fix by resolution the designation, rights, privileges, restrictions and conditions attaching to the preferred shares of each such series including, without limiting the generality of the foregoing, the issue price, the right to dividends, redemption rights, conversion rights and voting rights. The Company's preferred shares shall be entitled to preference over the common shares and over any other shares ranking junior to the preferred shares with respect to payment of dividends and distribution of assets in the event of the liquidation, dissolution or winding-up of the Company.

MARKET FOR SECURITIES

TRADING PRICE AND VOLUME

Month	High (\$)	Low (\$)	Close (\$)	Volume (# of Shares)
December 2014	0.120	0.050	0.085	1,264,632
November 2014	0.170	0.090	0.100	2,200,813
October 2014	0.250	0.165	0.175	161,710
September 2014	0.240	0.160	0.235	1,140,407
August 2014	0.250	0.190	0.240	269,498
July 2014	0.300	0.190	0.250	756,530
June 2014	0.300	0.175	0.230	1,001,423
May 2014	0.320	0.245	0.280	492,383
April 2014	0.350	0.245	0.290	1,307,368
March 2014	0.300	0.235	0.275	229,908

Month	High (\$)	Low (\$)	Close (\$)	Volume (# of Shares)
February 2014	0.320	0.235	0.260	345,696
January 2014	0.330	0.305	0.305	228,779

NORMAL COURSE ISSUER BID

The Company renewed its normal course issuer bid through the TSX effective from May 7, 2014 to May 6, 2015 ("NCIB"), upon expiration of its earlier established normal course issuer bid. The Company has not yet purchased any Common Shares under its current NCIB.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

As at the date of this AIF and to the knowledge of the Company, there are no securities of the Company that are held in escrow or that are subject to a contractual restriction on transfer.

DIRECTORS AND OFFICERS

The following table and the notes thereto set out, for each director and executive officer of the Company, his or her name, his or her country and province or state of residence, his or her current position and office with the Company, his or her present principal occupation and principal occupations during the five preceding years and the date on which he or she was first elected or appointed a director of the Company, which is in each instance based on information furnished by the person concerned as of the date of this AIF. Each director will hold office until the next annual meeting of the shareholders of the Company unless he or she resigns or is removed as a director of the Company in accordance with the by-laws of the Company.

Name & Residence ⁽¹⁾	Present Position(s) with the Company	Present Principal Occupation or Employment ⁽¹⁾	Director Since
Cameron G. Berry ⁽⁵⁾⁽⁶⁾ British Columbia, Canada	Director	Retired business person	July 26, 2010
David Bhungara Ontario, Canada	Chief Financial Officer	Chief Financial Officer of the Company	N/A
John Cowan ⁽³⁾⁽⁶⁾ Ontario, Canada	Director	President, Xtivity Inc.	September 26, 2011
Mark Goodman Ontario, Canada	Director	Director, Chief Operating Officer and Executive Vice President, Dundee Corporation	April 30, 2012
Harold P. Gordon ⁽⁵⁾ Florida, U.S.A.	Chairman and Director	Vice Chairman, Dundee Corporation	March 10, 2014
Samuel W. Ingram ⁽²⁾⁽³⁾⁽⁴⁾⁽⁶⁾ Ontario, Canada	Director	President of Durango Oils Ltd. and consultant	July 26, 2010

Name & Residence ⁽¹⁾	Present Position(s) with the Company	Present Principal Occupation or Employment ⁽¹⁾	Director Since
M. Jaffar Khan ⁽⁴⁾⁽⁵⁾ London, England	President and Chief Executive Officer and Director	President and Chief Executive Officer of the Company	May 1, 2002
Garth A. C. MacRae ⁽²⁾⁽³⁾⁽⁵⁾ Ontario, Canada	Director	Retired business person	April 18, 1994
Lucie Presot Ontario, Canada	Vice President	Vice President and Chief Financial Officer of Dundee Corporation	N/A
Bruce Sherley Alberta, Canada	N/A ⁽⁷⁾	President of Dundee Oil and Gas Limited and President of United Hydrocarbon International Corp.	N/A
Michael Smith ⁽²⁾⁽⁴⁾⁽⁶⁾ Ontario, Canada	Director	Legal Counsel, Smith & Zoldhelyi	October 16, 2008

Notes:

⁽¹⁾ The information as to place of residence and principal occupation of each officer and director has been furnished by the respective officer or director.

⁽²⁾ Member of the Audit Committee.

⁽³⁾ Member of the Compensation Committee.

⁽⁴⁾ Member of the Health, Safety and Environment Committee.

⁽⁵⁾ Member of the Executive Committee.

⁽⁶⁾ Member of the Corporate Governance and Reserves Committee.

⁽⁷⁾ Mr. Sherley is the President of Dundee Oil and Gas Limited, the general partner of DELP, through which the Company owns and operates the Southern Ontario Assets.

Each of the persons named above has been employed in his or her present capacity or other executive position with the same firm or company or affiliates thereof for at least the last five years.

As of February 20, 2015 the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, 1,579,927 common shares of the Company, representing approximately 0.84% of the total number of common shares outstanding before giving effect to the exercise of options or other convertible securities held by such directors and officers. This information is based upon information provided by the directors and executive officers.

In addition, as of the date hereof, to the knowledge of management of the Company, Dundee owns, directly or indirectly, 108,993,482 common shares representing approximately 57.91% of the outstanding common shares of the Company. As of February 20, 2015, Mr. Ned Goodman owned in aggregate, directly and indirectly, class A subordinate voting shares and class B common shares of Dundee representing approximately an 85.3% voting interest in Dundee.

DESCRIPTION OF EACH DIRECTOR'S AND OFFICER'S ACTIVITIES

Cameron D. Berry has served as a director of the Company since July 2010, and has over 35 years experience in the oil and gas industry. Mr. Berry is a geologist and a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Mr. Berry has been a member of several public company boards.

David Bhumgara is the chief financial officer of the Company. Mr. Bhumgara is a senior financial executive with over 20 years experience in finance, accounting, corporate finance, operations and supply chain solutions within Canada and internationally. Mr. Bhumgara has a record of success in implementing ERP systems and controls within finance, and IT infrastructure and is an expert in ERP development, fiscal management, and financial reporting within private and public markets.

John Cowan has served as a director of the Company since September, 2011. Mr. Cowan graduated from the University of Western Ontario with a Bachelors Degree in Geology in 1977 and has over 30 years of experience in the oil and gas industry in Canada. Mr. Cowan has been a member of the American

Association of Petroleum Geologists since 1979, a 25 year member and past President of the Ontario Petroleum Institute, and is the co-author of a research paper presented by the Geological Survey of Canada.

Mark Goodman has served as a director of the Company since April, 2012. Mr. Mark Goodman has been working in the financial services and mining industry since 1992. He began his career working for Dundee Corporation and has held numerous positions within the organization. In 2005, he founded Cogitore Resources Inc., a base metal exploration company active in Northern Quebec. He has also served as President and Chief Executive Officer of both Valdez Gold and Cogitore Resources. Mr. Mark Goodman is currently a Chief Operating Officer and Executive Vice President at Dundee Corporation. He sits on the board of directors of several public and private companies.

Harold P. “Sonny” Gordon, Q.C. served as a ministerial assistant for a minister of the Government of Canada after qualifying as a member of the Bar. Mr. Gordon is Vice Chairman of Dundee Corporation and Pethealth Inc., both public Canadian corporations, and a director of Dorel Industries Inc. and several public and not for profit corporations. Mr. Gordon is also Chairman Emeritus of the Sauvé Scholars Foundation and United Hydrocarbon International Corp. In prior years, Mr. Gordon was a managing partner of Stikeman Elliott LLP and Vice Chairman of Hasbro, Inc.

Samuel W. Ingram, Q.C. has served as a director of the Company since July 2010. Mr. Ingram has over 35 years’ experience in the resource industry, having been Chief Legal Officer for publicly listed oil and gas and mining companies. Mr. Ingram is a director of Powder Mountain Energy Ltd. and Partner Jet Corp. and has also been a member of several public company boards and private joint venture boards.

M. Jaffar Khan is the President, Chief Executive Officer and a director of the Company. Mr. Khan has over 40 years of experience in the energy sector, including the development of a major energy project in Pakistan worth \$600 million. From 1971 to 1991, Mr. Khan occupied the role of chief financial officer of Canada Northwest Energy Ltd., a Canadian E&P company with extensive international operations. After the acquisition of the company by Sherritt Inc., Mr. Khan worked on projects in Cuba and Mexico.

Garth A. C. MacRae has served as a director of the Company since 1994. Mr. MacRae has over 19 years of public accounting experience and has held executive positions with Hudson Bay Mining, Brinco Limited and Denison Mines Limited. Mr. MacRae is currently a director and member of several public company boards and audit committees.

Lucie Presot is the Vice President of the Company. Ms. Presot is a senior financial executive with over 25 years’ experience in the financial services industry. Ms. Presot is currently the Vice President and Chief Financial Officer of Dundee Corporation, and has spent the past 18 years working in senior and executive roles within Dundee Corporation and its subsidiaries.

Bruce Sherley is the President of Dundee Oil and Gas Limited, the general partner of DELP. Mr. Sherley has over 40 years of experience in the petroleum sector in Canada and several foreign jurisdictions. He has occupied executive positions with mid-sized and junior energy companies and is a director of a private energy company located in Utah. Since joining the Company in 1999, Mr. Sherley has played a major role in maturing its underground natural gas storage project in Spain, evaluating the Eurogas International’s exploration acreage in Tunisia and acquiring and managing the Southern Ontario Assets. Mr. Sherley is also a director and President of United Hydrocarbon International Corp., a Canadian-based private international-focused oil and gas exploration and development company.

Michael Smith has served as a director of the Company since 2008. Mr. Smith has over 35 years of experience in the investment industry, is the founding member of the law firm Smith and Zoldhelyi and is currently a practicing lawyer. Mr. Smith has been a member of the board of directors of public companies as well as legal counsel with the Ontario Securities Commission.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the Company and based on the information furnished by the directors and executive officers of the Company, no director or executive officer of the Company is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any corporation (including Dundee Energy) that:

- (a) was subject to an Order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in such capacity.

Except as disclosed in this AIF, to the knowledge of the Company and based on the information furnished by the directors and executive officers of the Company, no director or executive officer of the Company or shareholder of the Company holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any corporation (including Dundee Energy) that while that person was acting in such capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets;
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Samuel W. Ingram was a Senior Vice President, General Counsel and Corporate Secretary of Sherritt International Corporation ("Sherritt International") from November 1995 to May 2006 during which period Sherritt International was a shareholder of Anaconda Nickel Limited ("ANL"), a publicly traded Australian company. On February 13, 2003, Sherritt International purchased 4,000,000 shares of ANL in the open market during a rights offering by ANL, where two major shareholders of ANL became involved in competing for control of ANL. On May 12, 2003, the Australian Government Takeovers Panel issued a declaration that the market acquisition of 4,000,000 shares of ANL by Sherritt International constituted unacceptable circumstances and ordered that the shares in question be vested in the Australian Securities and Investment Commission to sell and account to Sherritt International for the proceeds of sale, net of the costs, fees and expenses of the sale.

John Cowan was a director of Oilexco Incorporated when it obtained a court order for protection under the *Companies' Creditors Arrangement Act* (Canada) on February 5, 2009 and when it was the subject of a liquidation order from the Alberta Court of Queen's Bench on July 16, 2009.

CONFLICTS OF INTEREST

Certain directors and officers of the Company are also, and may continue to be, directors, officers or shareholders of other oil and gas companies whose operations may, from time to time, be in direct competition with those of the Company or with entities which may, from time to time, provide financing to or make equity investments in competitors of the Company. These other positions could create, or appear to create, potential conflicts of interest when these directors and senior management are faced with decisions that could have different implications for the Company and their other business interests.

In accordance with the CBCA, such directors and officers will be required to disclose all conflicts of interest as such conflicts arise. If a conflict of interest arises at a meeting of the board of directors of the Company, any director in a conflict will disclose his interest and abstain from voting on such matter. In the past, the Company has appointed committees of independent directors to evaluate opportunities where conflicts of interest exist or are perceived to exist, and the Company will continue to deal with conflicts in this fashion.

Although the Company expects that such conflicts will be handled in accordance with the CBCA and its corporate governance policies, there is no assurance that all conflicts will be adequately addressed.

There may be potential conflicts to which the directors of the Company are subject in connection with the business and operations of the Company. The individuals concerned are governed in any conflicts or potential conflicts by applicable law.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

LEGAL PROCEEDINGS

During 2014, Escal UGS S.L. relinquished the exploitation concession associated with the Castor development project in Spain. The relinquishment was formally accepted by the Spanish authorities by royal decree-law on October 4, 2014. In November 2014, Escal received €1.35 billion, being the net value of its investment, after deducting amounts of €110 million previously received by Escal during the pre-commissioning stage of development. These proceeds were applied towards the partial repayment of the €1.41 billion of outstanding bonds issued by Watercraft Capital S.A., Escal's financing vehicle. In November 2014, ACS arranged a €300 million refinancing of Escal, of which €60 million was applied to repay the balance of amounts owing pursuant to the outstanding bond arrangements. CLP is of the view that the refinancing arranged by ACS was not in the best interests of Escal and consequently, CLP has lodged a legal action challenging the approval of the refinancing. Additionally, CLP has determined that the use of proceeds from the refinancing may have compromised CLP's interests as a shareholder and, accordingly, CLP is currently evaluating the appropriate course of action to take in this regard.

REGULATORY ACTIONS

During the last financial year, there have been no penalties or sanctions imposed against Dundee Energy by a court or by a securities regulatory authority relating to securities legislation, by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision nor has Dundee Energy entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this AIF, no director or executive officer of Dundee Energy, no person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's outstanding voting securities and no associate or affiliate of any of the foregoing persons has or had any material interest, direct or indirect, in any transaction during the last three most recently completed financial years or during current financial year up to the date hereof that has materially affected or is reasonably expected to materially affect Dundee Energy.

Dundee Corporation, the Company's parent, purchased 13,317,356 Rights Shares and 2,454,636 FT Rights Shares under the Rights Offering. See the section entitled "*Development of the Business – Three Year History- 2013 Highlights*" for further details.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Trust Company of Canada, located at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Canada.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the following are the Company's material contracts entered into during the most recently completed financial year or during the current financial year up to the date hereof, or, if entered into before the most recently completed financial year, which are still in effect:

- Purchase and Sale Agreement dated April 6, 2010 between Talisman Energy Canada and DELP in respect of the acquisition by DELP of the Southern Ontario Assets. See the section entitled "*Description of the Business – General – Southern Ontario Assets*" for further details.
- Amended and Restated Credit Agreement dated July 31, 2012, made among DELP (as borrower) and the Company and Dundee Oil and Gas Limited (as guarantors) and National Bank of Canada (as Lender), as amended by an Amending Agreement dated July 31, 2013. See the Section entitled "*Description of the Business – General – Credit Facility*" for further details.

INTERESTS OF EXPERTS

NAMES OF EXPERTS

The only persons or companies who are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under NI 51-101 by the Company during, or relating to, the Company's most recently completed financial year, and whose profession or business gives authority to the report, valuation statement or opinion made by such person or company, are PWC, the Company's independent auditor, who audited the consolidated financial statements of the Company for the financial year ended December 31, 2014 and Deloitte LLP, the Company's independent reserve engineers, who prepared the reserves report for the Southern Ontario Assets.

INTERESTS OF EXPERTS

PWC is independent of the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

As at the date hereof, none of PWC or any director, officer, employee or partner, as applicable, of the aforementioned company or partnership, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

AUDIT COMMITTEE INFORMATION

AUDIT COMMITTEE CHARTER

The full text of the charter of the Audit Committee is attached as Schedule "A" to this AIF.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is comprised of three directors, being Messrs. Samuel W. Ingram, Garth A. C. MacRae (Chair) and Michael Smith, all of whom are independent and all of whom are financially literate. Each member is considered independent because he does not have nor is he deemed to have any direct or

indirect material relationships with the issuer. The Audit Committee is responsible for reviewing the Company's financial reporting procedures, internal controls and the performance of the Company's external auditor. The Audit Committee is also responsible for reviewing quarterly and annual financial statements prior to their approval by the full Board.

RELEVANT EDUCATION AND EXPERIENCE

Garth A. C. MacRae has served as a director of the Company since 1994. Mr. MacRae has over 19 years of public accounting experience and has held executive positions with Hudson Bay Mining, Brinco Limited and Denison Mines Limited. Mr. MacRae is currently a director and member of several public company boards and audit committees.

Michael Smith has served as a director of the Company since 2008. Mr. Smith has over 35 years of experience in the investment industry, is the founding member of the law firm Smith and Zoldhelyi and is currently a practicing lawyer. Mr. Smith has been a member of the board of directors of several public companies as well as legal counsel with the Ontario Securities Commission.

Samuel W. Ingram has served as a director of the Company since July 2010. Mr. Ingram has over 35 years of experience in the resource industry, having been Chief Legal Officer for publicly listed oil and gas and mining companies. Mr. Ingram has served as a member of several public company boards and private joint venture boards and is currently a director and member of two other public company boards and audit committees.

RELIANCE ON CERTAIN EXEMPTIONS

Since the commencement of the Company's most recently completed financial year, the Company has not relied on any exemptions contained in: (i) Section 2.4 (De Minimis Non-audit Services); (ii) Section 3.2 (Initial Public Offerings); (iii) Section 3.3(2) (Controlled Companies); (iv) Section 3.4 (Events Outside Control of Member); (v) Section 3.5 (Death, Disability or Resignation of Audit Committee Member); (vi) Section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances); or (vii) Section 8 (Exemptions), of NI 52-110.

Since the commencement of the Company's most recently completed financial year, the Company has not relied on Section 3.8 (Acquisition of Financial Literacy) of NI 52-110.

AUDIT COMMITTEE OVERSIGHT

Since the commencement of the Company's most recently completed financial year, there have been no recommendations of the Audit Committee to nominate or compensate an external auditor that was not adopted by the board of the directors of the Company.

PRE-APPROVAL POLICIES AND PROCEDURES

In accordance with its mandate, the Audit Committee has established policies and procedures for the pre-approval of allowable non-audit services and the associated fees thereof, to be provided by the external auditor. These policies and procedures safeguard the independence of the external auditor. The policy requires that management obtain the approval of the Chairman of the Audit Committee of its parent, Dundee Corporation, in advance of retaining the services of the external auditor for any service that is non-audit related.

EXTERNAL AUDITOR SERVICE FEES

The following table represents the fees paid by the Company to PWC, the Company's external auditor, during the fiscal years 2014 and 2013:

Nature of Services	2014 (\$)	2013 (\$)
Audit Fees ⁽¹⁾	162,700	151,670
Audit-Related Fees ⁽²⁾	60,000	61,313
Tax Fees ⁽³⁾	8,000	10,500
All Other Fees ⁽⁴⁾	0	0
TOTAL	230,700	223,483

Notes:

⁽¹⁾ "Audit Fees" include fees necessary for the audit of the Company's annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.

⁽²⁾ "Audit-Related Fees" include fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and that are not included in "Audit Fees".

⁽³⁾ "Tax Fees" include fees for professional services rendered by the Company's auditor for tax compliance, tax advice and tax planning.

⁽⁴⁾ "All Other Fees" include fees for products and services provided by the Company's auditor other than the services included in "Audit Fees", "Audit-Related Fees" and "Tax Fees".

RISK FACTORS

There are a number of inherent risks associated with the Company's activities. The following outlines some of the Company's principal risks and their potential impact to the Company. If any of the following risks actually occur, the Company's business may be harmed and the Company's financial condition and results of operations may suffer significantly.

Volatility of Commodity Prices

The Company's financial performance is highly sensitive to prevailing prices of oil and natural gas. Oil and natural gas prices fluctuate significantly in response to changes in the supply of and demand for crude oil and natural gas, market uncertainty, political and economic developments around the world, and a variety of other factors including economic conditions in the United States and Canada, the actions of the Organization of Petroleum Exporting Countries (OPEC), governmental regulations, taxes and royalties, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources, that are beyond the Company's control.

In addition, the price and availability of alternative fuels, including the effects of technological developments, specifically the development of hydraulic fracturing to extract shale gas may also impact the supply and demand for oil and gas. Any substantial and extended decline in the price of oil and gas will have an adverse effect on the Company's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Any prolonged period of low oil and natural gas prices may result in a decision by the Company to suspend or terminate exploration or production, as it may become economically unfeasible to explore for and/or produce oil or natural gas at such prices.

Additional Funding Requirements

The business and operations of the Company, including the business and operations of DELP, may require substantial additional capital in order to execute on further exploration and development work. Any additional funding required by DELP would have to be accessed through debt or equity financings and/or bank borrowings and there can be no assurance that such funding or borrowings would be available to DELP. An inability to raise additional funds, if necessary, would have a material effect upon the Company's operations and share price. Raising additional funds may result in shareholder dilution, possibly substantial, depending on the size, price and nature of the offering.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Long-term commercial success in the oil and gas business depends upon the ability to find, acquire, develop and commercially produce oil and natural gas reserves. There is no certainty that the expenditures incurred on our exploration properties will result in discoveries of commercial quantities of oil or gas. Without the continual addition of new reserves, production from existing reserves will decline over time as existing reserves are exploited. Future additions to the Company's reserve base depends upon the successful exploration and development of the properties it may have from time to time, and on its ability to acquire suitable producing properties or prospects. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that additional commercial quantities of oil or natural gas will be discovered or acquired by the Company or that, if discovered, will be accessible for extraction or economically viable for production.

Uncertainty of Reserve Estimates

The Company relies upon external evaluation of reserves in its evaluation of the Southern Ontario Assets, along with internally generated analysis. The process of estimating oil and gas reserves is complex and involves a significant number of assumptions in evaluating available geological, geophysical, engineering and economic data. Therefore, reserves estimates are inherently uncertain. These evaluations include many factors and assumptions such as geological factors, historical production, production rates, recoverable reserves, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, future prices of oil and natural gas, operating costs and the assumed effects of regulation by governmental agencies, all of which may vary materially from actual results and many of which are beyond the control of the Company. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Litigation Risk

The legal risks facing the Company, its directors, officers and/or employees include potential liability for violations of governmental regulations, environmental laws, health and safety laws, securities laws, damage claims for worker exposure to hazardous substances and for accidents causing injury or death. It is also possible that litigation and in particular class action litigation may increase in Canada as a result of the introduction of the secondary market civil liability regime. Litigation risk cannot be eliminated, even if there is no legal cause of action. Although the Company maintains liability insurance in an amount which it considers adequate and consistent with industry practice, the nature of these risks is such that legal liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material adverse effect on its financial condition. The seismic events that have occurred in Spain in relation to the injection of cushion gas at the Castor Project may increase the legal risk facing the directors and shareholders of the Castor UGS and Escal, entities involved in the Castor Project.

Foreign Operations

The Company's operations and investments are subject to special risks inherent in doing business in other countries, including Spain and, with respect to its investment in Eurogas International, Tunisia. These risks may involve matters arising out of the policies and regulations of foreign governments, imposition of special taxes, royalties or similar charges by government bodies, foreign exchange fluctuations and controls, access to capital markets, civil disturbances and deprivation or unenforceability of contract rights or the taking of property without fair compensation. Foreign properties, operations and investments may also be adversely affected by local political and economic developments, including nationalization, laws affecting foreign ownership, government participation, royalties, duties, rates of exchange, exchange controls,

currency fluctuations, taxation and new laws or policies as well as bylaws and policies of Canada affecting foreign trade, investment and taxation.

The Company's operations are also subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In the event of a dispute arising from international operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company operates in such a manner as to minimize and mitigate its exposure to these risks, however there can be no assurance that the Company will be successful in protecting itself from the impact of all of these risks.

Regulatory Matters

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Governments may regulate or intervene with respect to prices, taxes, royalties, the exportation of oil and natural gas and the decommissioning of old wells and facilities, among other things. Such regulations may change from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Company's costs, any of which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In order to conduct oil and gas operations, the Company will require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake. It is not expected that any of these controls or regulations will affect the operations of the Company in a manner materially different from the way they would affect other oil and natural gas companies of similar size.

Reliance on Operators, Management and Key Personnel

The Company's business activities rely on the technical skills of the personnel involved. The Company was not the operator in the Castor Project. To the extent that the Company was not the operator, the Company was dependent on such operator for the timing of activities related to such projects and was largely unable to direct or control the activities of the operator. The Company's success was also dependent, in part, upon the performance of its joint venture partner, key managers, service providers and consultants. Furthermore, competition for qualified personnel in the oil and natural gas industry is intense. Failure to retain the managers and consultants, or to attract or retain additional key personnel with the necessary skills and experience, could have a materially adverse impact upon the Company's growth and profitability.

Cyclical Nature of Business

The oil and gas business is generally cyclical. Our operations are dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely in recent years and are determined by supply and demand factors, including weather and general economic conditions. The exploration and development of oil and natural gas reserves are also dependent on access to areas where drilling is to be conducted. Seasonal weather variations, including freeze-up and break-up, will affect access in certain circumstances.

Economic Dependence

DELP has entered into significant contracts with a small number of customers for the sale of oil and gas. While it is not expected that the Company's business will be affected by the renegotiation or termination of such contracts, should such customers terminate their arrangements with DELP and DELP is unable to negotiate similar arrangements with alternative purchasers, it could have a material impact on the operations of the Company. In addition, certain of the Company's customers and potential customers are themselves exploring for oil and natural gas and the results of such exploration efforts could affect the Company's ability to sell or supply oil or gas to these customers in the future.

Permits and Licenses

In connection with its operations, the Company is required to obtain permits, and in some cases, renewals of permits from relevant authorities in the geographic segments in which it operates. In addition, the Company may be required to obtain licenses and permits from government agencies in other foreign jurisdictions. The ability of the Company to obtain, sustain or renew such permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Further, if permits and licenses, or renewals thereof, are not issued to the Company or unfavourable restrictions or conditions are imposed on the Company's drilling activities, there is a possibility it will not be able to conduct its operations as planned. Alternatively, failure by the Company to comply with the terms of permits or licenses might result in the suspension or termination of operations and subject the Company to monetary penalties or restrictions on operations. At December 31, 2014, the Company's permits were in good standing.

Availability of Drilling Equipment and Access

The Company's activities are dependent on the availability of drilling and related equipment, some of which is leased from third parties, in the particular areas where such activities will be conducted. Demand for such specialized equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. In addition, equipment failures may occur which could result in injuries and/or exploration and development delays.

Competition

The petroleum industry is competitive in all its phases. The Company competes with numerous other participants in the search for the acquisition of oil and natural gas properties. Many of the Company's competitors have financial resources, personnel and facilities available to them that are substantially larger than that of Dundee Energy. The Company's ability to find, and in the future increase, reserves will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploration and evaluation. Competitive factors in the distribution and marketing of oil and natural gas include price and reliability of the methods of delivery. Competition may also be presented by alternate fuel sources.

Environmental Concerns

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. The Company's activities are subject to environmental legislation in the jurisdictions in which it operates. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of such legislation may result in the imposition of fines or other penalties, some of which may be material. Should the Company be unable to fully remedy the cost of a breach of environmental laws, the Company or its operators may be required to suspend operations or enter into compliance measures pending completion of the required remedy. In certain circumstances, the Company may be required to obtain approval of environmental impact assessments.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it is in material compliance with current applicable environmental regulations, the enactment of new environmental laws may result in a curtailment of current activities or a material increase in the future costs of production, development or exploration activities or otherwise adversely affects the Company's financial condition or results of operations.

Hedging Activities

If the Company's properties produce commercial quantities of oil or natural gas, the Company may, from time to time, enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such increases.

Potential Conflicts of Interest

There are potential conflicts of interest to which directors of the Board, the senior management and the principal shareholders of the Company may be subject in connection with the Company's operations. Some of the Company's directors, the senior management and Dundee are or may become engaged in other oil and gas interests on their own behalf or on behalf of other companies or investment funds managed by Dundee and its subsidiaries, and situations may arise where the directors or senior management may be in competition with the Company. Further, no assurances can be given that opportunities identified by such board members or officers will be provided to the Company. Conflicts, if any, will be subject to the procedures and remedies set out under applicable corporate and securities laws.

Limited History of Earnings

The Company has had a limited history of earnings on its material properties and there is no assurance that its material properties will continue to generate earnings, operate profitably or provide a return on investment in the future. The Company has not paid any dividends on its outstanding common shares. Payment of dividends in the future, if any, will be dependent on, among other things, the cash flow, results of operations and financial condition of the Company, the need for funds to finance ongoing operations and other considerations as the Board considers relevant.

Climate Change

The Company faces a variety of uncertainties related to climate change. The oil and gas industry is subject to extensive environmental regulation pursuant to legislation in Canada. These range from potential impacts from emissions restrictions, carbon taxes and other government policy initiatives, to changes in weather patterns that may affect operations. Although, the Company is not a large emitter of greenhouse gases, these forms of legislation may have an impact on both revenues and cost structures at a future undetermined time.

Accounting Impairments as a Result of IFRS

The Company uses the "modified full cost method" of accounting for oil and natural gas properties. Under this accounting method, the Company evaluates the carrying value of its exploration and evaluation properties when events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount of an asset is the greater of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows ("cash generating units" or "CGUs"). If their carrying value is assessed not to be recoverable, an impairment loss is recognized. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

IFRS requires that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in our consolidated financial statements. The accounting policies may result in non-cash charges to net income and impairments of net assets in the consolidated financial statements. Such non-cash charges and impairments may be viewed unfavourably by the market and may result in an inability to borrow funds and/or may result in a decline in the price of the common shares of the Company.

Title to Properties

Although title reviews have been done and will continue to be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Company, which could result in a reduction of the revenue received by the Company.

Taxation

The Company may be subject to taxation in the jurisdictions in which it operates. Any changes in tax legislation and practice in these jurisdictions could adversely affect the Company.

Insurance, Health and Safety

The Company's oil and natural gas exploration and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, mechanical failure, pipe failure, chemical spills, accidental flows of oil, natural gas or well fluids, sour gas releases, contamination of oil and gas, storms or other adverse weather conditions and other occurrences or incidents, which could result in personal injury or loss of life, damage or destruction of properties, environmental damages, cost of remedying such conditions or incidents, regulatory investigations and penalties and liability to third parties. In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable.

The Company has a health, safety, security, environmental and operational integrity process to mitigate these risks. The Company also mitigates insurable risks to protect against significant losses by maintaining a comprehensive insurance program, while maintaining levels and amounts of risk within the Company that management believes to be acceptable. The Company believes its liability and property insurance is appropriate to its business and consistent with common industry practice. Such insurance will not provide coverage in all circumstances or may not provide sufficient coverage where liabilities exceed policy limits, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Labour Costs and Labour Relations

Labour costs constitute a significant portion of the operating costs. There can be no assurance that the Company will be able to maintain such costs at levels which do not negatively affect its business, results from operations and financial condition. To the extent that labour costs are subject to a collective bargaining agreement, there can be no assurance that future agreements with the employees' unions or the outcome of arbitrations will be on terms consistent with expectations or comparable to agreements entered into by competitors. Any future agreements or outcome of negotiations, mediations or arbitrations including in relation to wages or other labour costs or work rules may result in increased labour costs or other charges, which could have a material adverse effect on the Company's business results from operations and financial condition.

Geo-Political Risks

The marketability and price of oil and natural gas that may be acquired or discovered by the Company is, and will continue to be, affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising in the Middle East, and other areas of the world, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of the Company's net production revenue. In addition, the Company's oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of the Company's properties, wells or facilities are the subject of a terrorist attack, it may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive.

Volatility of Share Price

As the common shares of the Company are listed on the TSX, factors such as announcements of quarterly variations in operating results, or new actions by competitors of the Company, as well as market conditions in the oil and gas industry and macroeconomic factors may have a significant impact on the market price of the Company's common shares. The stock markets have from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular issuers. Share prices for several companies in the oil and gas industry in particular have experienced wide fluctuations that have been often unrelated to the operations of the companies themselves. In addition, there can be no assurance that an active public market will be sustained for the common shares of the Company.

Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern royalties, production rates and other matters. The royalty regime in a given province is a significant factor in the profitability of crude oil, natural gas liquids, sulphur and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Royalties from production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced. Other royalties and royalty like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Company makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of Canada. The Company is not aware that any claims have been made in respect of its Canadian properties and assets. However, if a claim arose and was successful, such claim may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Information System Risk

The Company depends on a variety of information systems to operate effectively. A failure of any one of the information systems or a failure among the systems could result in operational difficulties, damage or loss of data, productivity losses or result in unauthorized knowledge and use of information.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com and on its website at www.dundee-energy.com. In particular, additional information, including information regarding directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans (including the Share Incentive Plan ("SIP") and Deferred Share Unit Plan ("DSU")), is contained in the Company's information circular for its most recent annual meeting of securityholders that involved the election of directors. Additional financial information is provided in the Company's financial statements and MD&A for its financial year ended December 31, 2014.

**SCHEDULE “A”
TO THE ANNUAL INFORMATION FORM OF DUNDEE ENERGY LIMITED
(the “Corporation”)**

CHARTER OF THE AUDIT COMMITTEE

The primary responsibility of the Audit Committee (the “Committee”) is to oversee the Corporation’s financial reporting process and disclosure policies on behalf of the Board in order to assist the directors of the Corporation in meeting their responsibilities with respect to complete, timely and accurate regulatory filings by the Corporation, including financial reporting.

Management is responsible for the preparation, presentation and integrity of the Corporation’s financial statements and for the appropriateness of the accounting principles, internal controls, and disclosure and reporting policies that are used by the Corporation. The independent auditors are responsible for auditing the Corporation’s annual financial statements and for reviewing the Corporation’s interim financial statements.

The role, responsibility, authority and power of the Committee shall include, but not be limited to:

- (a) The Committee shall be directly responsible for the appointment and termination (subject to board and shareholder ratification), compensation and oversight of the work of the independent auditors, including resolution of disagreements between management and the independent auditors regarding financial reporting;
- (b) The Committee shall ensure that at all times there are direct communication channels between the Committee and the internal auditors, if applicable, and the external auditors of the Corporation to discuss and review specific issues, as appropriate;
- (c) The Committee shall discuss with the independent auditors (and internal auditors, if applicable) the overall scope and plans for their audits, including the adequacy of staff. The Committee shall discuss with Management and the independent auditors the adequacy and effectiveness of the accounting and financial controls including the Corporation’s policies and procedures to assess, monitor, and manage business risk, legal risk and adherence to the Corporation’s ethical compliance programs;
- (d) The Committee shall, at least annually, obtain and review a report by the independent auditors:
 - (i) describing their internal quality control procedures;
 - (ii) any material issues raised by the most recent internal quality control review, or peer review, or any inquiry or investigation by government or professional institute or society, within the preceding five years, respecting any independent audit carried out by the independent auditors, and any steps taken to deal with any such issues; and
 - (iii) all relationships between the independent auditor and the Corporation in order to assess auditor’s independence;
- (e) The Committee shall meet separately, on a regular basis, with Management and the independent auditors to discuss any issues or concerns warranting Committee attention. As part of this process, the Committee shall provide sufficient opportunity for the independent auditors to meet privately with the Committee;
- (f) The Committee shall receive regular reports from the independent auditors on critical policies and practices of the Corporation, including all alternative treatment of financial information within generally accepted accounting principles which have been discussed with management. Where

- alternative treatment exists, the independent auditors shall be invited to express their opinion as to whether the Corporation is using best practices;
- (g) The Committee shall review Management's policies and processes relating to its effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditors' report on Management's assertion;
 - (h) The Committee shall review and discuss earnings press releases, as well as information and earnings guidance provided to analysts and rating agencies;
 - (i) The Committee shall review the interim and annual financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with Management and with the independent auditors prior to recommending them to the Board of Directors for approval for release or inclusion in any reports to shareholders and/or regulatory authorities;
 - (j) The Committee shall monitor the effectiveness of and compliance with the Corporation's disclosure procedures;
 - (k) The Committee shall receive reports, if any, from the Corporation's legal representatives of evidence of material violation of securities laws or breaches of fiduciary duty;
 - (l) The Committee should review and ensure that procedures are in place for the receipt, retention and treatment of complaints received by the Corporation regarding accounting and auditing matters, as well as the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
 - (m) The Committee shall meet as often as it deems appropriate to discharge its responsibilities and, in any event, at least four times per year. Additional meetings may be held as deemed necessary by the Chairman of the Audit Committee or as requested by any member or the external auditors;
 - (n) The Committee shall review all issues related to a change of auditor, including the information to be included in the notice of change of auditor and the planned steps for an orderly transition;
 - (o) At all times, the membership of the Committee shall be such that:
 - (i) it shall be comprised of no fewer than three members of the Board;
 - (ii) a majority of the members of the Committee shall be resident Canadians; and
 - (iii) all of the members of the Committee shall be "independent", as defined by National Instrument 58-101 Disclosure of Corporate Governance Practices.
 - (p) No business shall be transacted by the Committee except:
 - (i) at a meeting of the members thereof at which a majority of the members thereof are present;
 - (ii) by a resolution in writing signed by all of the members of the Committee.