DUNDEE ENERGY LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dundee Energy Limited ("Dundee Energy" or the "Corporation") is a Canadian-based company focused on creating long-term value through the development and acquisition of high-impact energy projects. The Corporation's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "DEN". Dundee Energy holds interests, both directly and indirectly, in a large accumulation of producing oil and natural gas assets in southern Ontario and is the original developer of an offshore underground natural gas storage facility in Spain. The Corporation also holds an investment in preferred shares of Eurogas International Inc. ("Eurogas International"), an oil and gas exploration company targeting oil and natural gas reserves.

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of February 18, 2016 and provides an update on matters discussed in, and should be read in conjunction with the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2015 (the "2015 Consolidated Financial Statements"), which have been prepared using International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars unless otherwise specified. Tabular dollar amounts, unless otherwise specified, are in thousands of dollars, except for per unit or per share amounts.

PERFORMANCE MEASURES AND BASIS OF PRESENTATION

The Corporation's 2015 Consolidated Financial Statements have been prepared in accordance with IFRS and use the Canadian dollar as its presentation currency. However, the Corporation believes that important measures of its economic performance include certain measures that are not defined under IFRS and as such, may not be comparable to similar measures used by other companies. Throughout this MD&A, there are references to the following performance measures which management believes are valuable in assessing the economic performance of the Corporation. While these measures are not defined by IFRS, they are common benchmarks in the energy industry, and are used by the Corporation in assessing its operating results, including net earnings and cash flow.

- "Barrel of Oil Equivalent" or "boe" is calculated at a barrel of oil conversion ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of oil (6 Mcf to 1 bbl), based on an energy equivalency conversion method which is primarily applicable at the burner tip and does not always represent a value equivalency at the wellhead.

- "Field Level Cash Flows" is calculated as revenues from oil and natural gas sales, less royalties and production expenditures, adjusted for the effect of the Corporation's derivative financial instruments. Field level cash flows contribute to the funding of the Corporation's working capital and to capital expenditure requirements. Field level cash flows also provide for repayment of amounts owing pursuant to the Corporation's credit facilities (see *"Liquidity and Capital Resources"*).

- "Field Netbacks" refer to field level cash flows expressed on a measurement unit or barrel of oil equivalent basis.

- "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.

- "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.

- "Reserve Life Index" is determined by dividing proved reserves by expected annual production. For greater certainty, the reserve life index includes only proved reserves and does not include probable or possible reserves.

- "Per Day Amount" or "/d" is used throughout this MD&A to reflect production volumes on an average per day basis.

SIGNIFICANT PROJECTS

The Southern Ontario Assets

Dundee Energy Limited Partnership ("DELP"), a wholly owned limited partner of the Corporation, holds an approximate 95% working interest in 45,000 gross acres of onshore oil and gas properties and an approximate 100% working interest in 294,000 gross acres of offshore gas properties, all located in and around Lake Erie in Ontario, Canada. The Corporation's assets in southern Ontario 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.

The majority of the Corporation's raw natural gas production flows from offshore wells located under Lake Erie. These wells 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 raw natural gas is transported to shore through gathering pipelines on the bottom of Lake Erie to one of the Corporation's three onshore manufacturing facilities, which transform the raw natural gas into dry natural gas. The Corporation has entered into transportation agreements with utility pipeline companies and the majority of its natural gas is transferred to the Dawn Hub, which is conveniently located near 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 extracted and processed at six oil batteries and several single well locations. Once processed, oil was originally sold to a third party, which transported the oil to Sarnia, Ontario for refining. However, during the third quarter of 2015, DELP finalized an agreement with a third party purchaser in Pennsylvania, U.S. for the majority of its processed oil, providing DELP with a more consistent basis for pricing.

Castor UGS Limited Partnership and the Castor Project

The Corporation is the original developer of a Spanish infrastructure undertaking that converted an abandoned oilfield to a natural gas storage facility (the "Castor Project"). 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 Communicacions y Energia S.L. ("ACS"), a construction group in Spain, is a 67% shareholder of Escal, while Castor UGS Limited Partnership ("CLP"), the Corporation's 74% owned subsidiary, holds the remaining 33% interest in Escal.

In September 2013, the Spanish authorities mandated suspension of activities at the Castor Project, following micro-seismic activity detected in the surrounding area. Escal subsequently considered 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 became effective on October 4, 2014, the date of its publication in the Spanish Official State Gazette. The Royal Decree-Law formally accepted the relinquishment of the Castor Project, it acknowledged the termination of the concession, and it reverted ownership of the associated facilities back to the public domain.

In November 2014, and under the terms of the relinquishment, Escal received €1.35 billion, being the net value of its investment in the Castor Project, after deducting €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.

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., an affiliate of 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. Notwithstanding the assumption of ongoing care and maintenance by Enagás Transporte, S.A.U., 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.

The Royal Decree-Law also provided 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. On November 17, 2015, the Spanish Ministry of Industry, Energy, and Tourism issued a resolution establishing the additional remuneration at €253.3 million, and the reimbursement of operating and maintenance costs at an additional €42.3 million. Escal currently anticipates that approximately 75% of these amounts will be received in late 2016, with the balance to be received, subject to interest at 1.2%, over a 15-year period. On December 18, 2015, a further €4.35 million was authorized, as compensation for operating and maintenance costs between October 4, 2014 through to November 30, 2014, being the date of the hand-over of the facilities to Enagás Transporte, S.A.U. The Corporation anticipates that all amounts to be received by Escal pursuant to such arrangements will be applied to reduce debt outstanding in Escal, as further described below.

In November 2014 and following relinquishment of the Castor Project, ACS arranged a €300 million bank financing for Escal. At that time, €60 million of the bank facility was applied to repay the balance of all amounts owing pursuant to the outstanding bond arrangements. The remaining €240 million available pursuant to the bank line were used by Escal to repay Escal's shareholder loans solely to ACS. CLP is of the view that the new financing arranged by ACS was not in the best interest of Escal and consequently, CLP has lodged a legal action challenging the approval of the new financing.

Furthermore, in the opinion of CLP, the use of the €240 million in payment of subordinated loans solely to ACS contravenes the terms of the 2007 memorandum of understanding in respect of CLP's ownership rights in the equity and shareholder loans of Escal. Therefore, early in the second quarter of 2015, CLP commenced binding arbitration proceedings to resolve this contractual dispute with ACS. As required pursuant to the terms of the memorandum of understanding referred to above, the arbitration will be in accordance with the rules of the International Chamber of Commerce ("ICC") in Paris, and will be heard by an arbitral tribunal consisting of three arbitrators. CLP has initiated the assembly of the necessary documents in support of its claim for eventual transmission to the court. Evidentiary hearings are expected to commence in mid-2016.

Series A Preference Share Investment in Eurogas International Inc.

The Corporation holds a $32,150,000 preferred share investment in Eurogas International, an independent oil and gas company engaged in the exploration and evaluation of landholdings offshore Tunisia, targeting large scale oil and gas reserves. The Series A Preference Shares 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 Corporation to a fixed preferential cumulative dividend at a rate of 4% per annum. The Corporation may reinvest any dividends received into common shares of Eurogas International, subject to obtaining the necessary regulatory approvals. The Series A Preference Shares may be redeemed at the option of the Corporation or may be retracted by Eurogas International at any time at a price equal to their face value of $1.00 per Series A Preference Share. The Series A Preference Shares are non-voting except in the event Eurogas International fails to pay the cumulative 4% dividend for eight quarters. Thereafter, but only so long as any dividends on the Series A Preference Shares remain in arrears, the Corporation shall be entitled, voting exclusively and separately as a series, to elect a majority of the members of the Board of Directors of Eurogas International. Notwithstanding the Corporation not receiving any dividends on its investment at December 31, 2015, the Corporation had not exercised its entitlement to elect the majority of the members of the Board of Directors of Eurogas International.

Because of the Corporation's entitlement to demand redemption of its preferred share investment in Eurogas International at any time and at its full discretion, the Corporation classified its preferred share investment in Eurogas International as a loan receivable and the associated dividends as interest income. The Corporation has completed an assessment of the fair value of its preferred share interest in Eurogas International, which included forecasted cash flow expectations in respect of its investment. The assessment concluded that the Corporation's investment in the preferred shares of Eurogas International and the accrued dividends thereon are impaired and accordingly, the Corporation has fully provided against the carrying value of these assets.

Investment in Windiga Energy Inc.

The Corporation has invested $2,150,000 to acquire a 45% equity interest in Windiga Energy Inc. ("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 Corporation's parent currently represent 20% of the board of directors of Windiga. The Corporation has completed an assessment of whether it is able to exert significant influence over the operating and financial policies of Windiga. In completing its assessment, the Corporation considered various factors, including the anticipated dilution in its ownership that will be required in order for Windiga to access the necessary capital to advance its current initiatives. Accordingly, the Corporation has classified its investment in Windiga as a financial asset at fair value through profit or loss. As Windiga is a private enterprise in the initial stages of development, its fair value cannot be reliably measured and therefore, the Corporation's investment in Windiga is carried at cost.

Windiga's inaugural project is a 20-megawatt photovoltaic plant to be located in Zina, in the Mouhoun province of Burkina Faso. In December 2015, Windiga announced that the government of Burkina Faso had approved an amended investment and implementation agreement. Windiga has secured project financing in the form of equity with institutional investors and is working with development financial institutions on securing the debt for the construction and commissioning of the project. The power purchase agreement associated with this project has been amended and is now awaiting approval from the National Electricity Company of Burkina Faso. The plant is expected to produce approximately 38 gigawatt hours of clean energy per annum, and will be connected to Burkina Faso's main power grid.

In order to expand its portfolio of future projects, Windiga is actively pursuing various other renewable energy projects on the African continent.

CONSOLIDATED RESULTS OF OPERATIONS

Year ended December 31, 2015 compared with the year ended December 31, 2014

SELECTED CONSOLIDATED FINANCIAL INFORMATION

For the years ended December 31,			2015			2014			2013
	Net (Loss) Earnings	Attributable to Owners of the Parent	Non-Controlling Interest	Net Earnings (Loss)	Attributable to Owners of the Parent	Non-Controlling Interest	Net (Loss) Earnings	Attributable to Owners of the Parent	Non-Controlling Interest
Southern Ontario Assets	$ (9,311)	$ (9,311)	$ -	$ 4,759	$ 4,759	$ -	$ (4,774)	$ (4,774)	$ -
Castor Project	(1,546)	(1,141)	(405)	(1,504)	(1,137)	(367)	(226)	(169)	(57)
Loss from investment in preferred shares of Eurogas International	(1,286)	(1,286)	-	(1,286)	(1,286)	-	(1,286)	(1,286)	-
Corporate activities*	3,457	3,457	-	(988)	(988)	-	45	45	-
Net (loss) earnings for the year	$ (8,686)	$ (8,281)	$ (405)	$ 981	$ 1,348	$ (367)	$ (6,241)	$ (6,184)	$ (57)

* Corporate activities include income tax recovery (expense) amounts associated with the underlying operations of the Corporation's subsidiaries.

Consolidated Net Earnings

During 2015, the Corporation incurred a net loss attributable to owners of the parent of $8.3 million, representing a loss of $0.04 per share. The net loss in the current year includes an impairment of $0.9 million against certain oil-based properties, reflecting a decrease in the value of estimated reserves relating to that property. This compares with net earnings attributable to owners of the parent of $1.3 million, or $0.01 per share, generated in the prior year. Operating performance during 2015 was adversely affected by the results of the Corporation's assets in southern Ontario, which, despite seeing an increase in production volumes on a year-over-year basis, generated substantially lower revenues, reflective of lower realized prices for the sale of oil and natural gas.

Southern Ontario Assets

Operating Performance

The Corporation's operating performance is dependent on both production volumes of oil, natural gas and natural gas liquids, as well as the prices received for these commodities. During the year ended December 31, 2015, sales of oil and natural gas, net of royalty interests, were $25.1 million, a decrease of $14.2 million from net sales of $39.3 million earned during the prior year.

		Natural Gas		Oil and Liquids		Total
Net Sales						
Year ended December 31, 2015	$	14,635	$	10,451	$	25,086
Year ended December 31, 2014		21,555		17,725		39,280
Net decrease in net sales	$	(6,920)	$	(7,274)	$	(14,194)
Effect of changes in production volumes	$	2,168	$	(569)	$	1,599
Effect of changes in commodity prices		(9,088)		(6,705)		(15,793)
	$	(6,920)	$	(7,274)	$	(14,194)

* In accordance with industry practice, production volumes, reserve volumes and oil and gas sales are reported on a working interest or "net" basis.

Substantially lower commodity prices realized during 2015 decreased net sales by $15.8 million compared to 2014, although the decrease was partially offset by increased production volumes, which resulted in an increase of $1.6 million in net sales on a year-over-year basis. The increase in production volumes reflects an acquisition by the Corporation in August 2014 of the remaining 15% working interest in certain offshore gas properties in southern Ontario that it did not already own.

Effect of Commodity Prices on Revenues from Oil and Gas Sales

Prices for oil and natural gas vary from period to period due to several factors including supply, demand, weather, general economic conditions and changes in foreign exchange rates. The following tables illustrate the price per unit realized by the Corporation during 2015 and 2014, and provide a comparison of relative changes in benchmark price indicators for such commodities during these periods.

For the years ended December 31,			2015			2014
		Sales	Realized Prices ($ / unit)		Sales	Realized Prices ($ / unit)
Natural gas	$	17,233	4.05	$	25,298	6.54
Oil		12,324	60.26		20,759	99.38
Liquids		24	20.98		173	47.72
		29,581			46,230	
Less: Royalties at 15% (2014 – 15%)		(4,495)			(6,950)	
Net sales	$	25,086		$	39,280	

For the years ended December 31,			2015			2014
	US$	CAD$	Realized Prices ($)	US$	CAD$	Realized Prices ($)
Natural Gas						
Dawn Hub	2.95	3.75	4.05	6.21	6.84	6.54
NYMEX Henry Hub	2.63	3.35		4.36	4.80	
Oil						
Edmonton Par	n/a	57.20	60.26	n/a	93.98	99.38
West Texas Intermediate	48.66	61.89		93.17	102.52	

During 2015, the Corporation realized an average price on sales of natural gas of $4.05/Mcf, representing an 8% premium over the average benchmark price at the Dawn Hub of $3.75/Mcf. The Corporation continues to benefit from its proximity to the Dawn Hub, as it is a provider of natural gas supply to the greater Toronto market area. Despite this premium however, the

average realized price on sales of natural gas in the current year declined 38% from the average price of $6.54/Mcf realized by the Corporation in the prior year. The realized price for natural gas in the prior year reflected an increase in the price of natural gas in the January to April period of that year, caused by unanticipated severe winter weather conditions that drove up demand.

Volatility in the trading price for crude oil remains high, driven by uncertainty over future global economic growth and supply/demand fundamentals. Consistent with this volatility, during 2015, the Corporation realized an average price of $60.26/bbl on sales of crude oil, a 39% decrease from the average price of $99.38/bbl realized during 2014. On a comparative basis, the Edmonton Par average price for crude oil during 2015 fell 39% below the average price for crude oil in the prior year, while the US dollar-denominated West Texas Intermediate price for this commodity fell 48%.

Production Volumes

During 2015, production volumes increased marginally to an average of 2,506 boe/d, compared with an average of 2,348 boe/d produced in 2014.

Average daily volume during the years ended December 31,	2015	2014
Natural gas (Mcf/d)	11,660	10,594
Oil (bbls/d)	560	572
Liquids (bbls/d)	3	10
Total (boe/d)	2,506	2,348

Average daily natural gas production volumes increased to 11,660 Mcf/d during 2015, compared with production volumes of 10,594 Mcf/d achieved in the prior year, representing an increase of approximately 10%. The increase was due primarily to the purchase of additional working interest in certain offshore gas properties completed in August 2014. In addition, during the prior year, natural gas production volumes were negatively 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. These repairs resulted in lost production volumes of approximately 1,300 Mcf/d for the January to April 2014 timeframe.

Oil production volumes decreased to an average of 560 bbl/d during 2015, compared with an average of 572 bbl/d produced in the prior year. The decrease reflects the natural decline of approximately 9% in the underlying assets, partially offset by positive results of workover initiatives undertaken during 2015, to bring the overall decline to 2%.

Production Expenditures

Production expenditures include processing costs associated with bringing raw oil and natural gas from the reservoir to the surface sales point, and include separating the oil, gas and water, treating the oil and gas to remove impurities and disposing of produced water. Also included in production expenditures is an allocation of general and administrative costs, including labour, which is directly attributable to these activities.

During 2015, the Corporation incurred production expenditures of $15.8 million or $17.22/boe, a marginal decrease of $0.1 million from production expenditures of $15.9 million or $18.59/boe incurred in the prior year. The higher production unit cost incurred during 2014 reflected the unexpected costs associated with the repair of pipeline infrastructure in Lake Erie, Ontario, damaged by ice scouring in February 2014. Further, during 2015, the Corporation was able to reduce production expenditures in its oil and liquids field by employing more efficient workover techniques, while maintaining production volumes, resulting in an improved cost per unit of $30.13/bbl compared with $31.56/bbl in the prior year.

For the years ended December 31,			2015			2014
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Production expenditures	$ 9,557	$ 6,196	$ 15,753	$ 9,223	$ 6,706	$ 15,929
Production expenditures	(per Mcf)	(per bbl)	(per boe)	(per Mcf)	(per bbl)	(per boe)
per unit	$ 2.25	$ 30.13	$ 17.22	$ 2.39	$ 31.56	$ 18.59

Field Level Cash Flows and Field Netbacks

During 2015, the Corporation earned field level cash flows, before the effect of any derivative financial instruments, of $9.3 million or $10.20/boe, compared with field level cash flows, before derivative financial instruments of $23.4 million or $27.24/boe earned during the prior year.

Field level cash flows from natural gas operations decreased to $5.0 million or $1.19/Mcf, compared with field level cash flows of $12.3 million or $3.18/Mcf in the prior year. Field level cash flows from oil and liquids, before the effect of derivative financial instruments, decreased to $4.3 million or $20.69/bbl during 2015, compared with field level cash flows of $11.0 million or $51.85/bbl in the prior year. Consistent with the Corporation's operating performance generally, decreases in field level cash flows and a corresponding decrease in field netbacks resulted from decreases in realized prices for its underlying commodities.

For the years ended December 31,			2015			2014
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Total sales	$ 17,233	$ 12,348	$ 29,581	$ 25,298	$ 20,932	$ 46,230
Royalties	(2,598)	(1,897)	(4,495)	(3,743)	(3,207)	(6,950)
Production expenditures	(9,557)	(6,196)	(15,753)	(9,223)	(6,706)	(15,929)
	5,078	4,255	9,333	12,332	11,019	23,351
Gain (loss) on derivative financial instruments	-	341	341	-	(45)	(45)
Field level cash flows	$ 5,078	$ 4,596	$ 9,674	$ 12,332	$ 10,974	$ 23,306

For the years ended December 31,			2015			2014
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
	$/Mcf	$/bbl	$/boe	$/Mcf	$/bbl	$/boe
Total sales	$ 4.05	$ 60.04	$ 32.33	$ 6.54	$ 98.50	$ 53.94
Royalties	(0.61)	(9.22)	(4.91)	(0.97)	(15.09)	(8.11)
Production expenditures	(2.25)	(30.13)	(17.22)	(2.39)	(31.56)	(18.59)
	1.19	20.69	10.20	3.18	51.85	27.24
Gain (loss) on derivative financial instruments	-	1.66	0.37	-	(0.21)	(0.05)
Field netbacks	$ 1.19	$ 22.35	$ 10.57	$ 3.18	$ 51.64	$ 27.19

Derivative Financial Instruments – Price Risk Management

In order to mitigate its exposure to price volatility, the Corporation may from time to time, enter into fixed price commodity contracts. These derivative financial instruments assist the Corporation in securing a stable amount of cash flow to protect a desired level of capital spending and for debt management. The Corporation's revenues are primarily received in US dollars and pricing for commodities, including oil and natural gas, are closely referenced to the US dollar. The Corporation partially mitigates its exposure to changes in commodity prices resulting from foreign exchange variability by entering into commodity derivative financial instruments on a Canadian dollar basis.

The following table summarizes the realized and unrealized gains or losses from the Corporation's derivative financial instruments during 2015, compared with the prior year. For accounting purposes, the Corporation has not designated its derivative financial instruments as hedges. Accordingly, the gains or losses from these contracts are not reflected in the Corporation's reported amounts of oil and natural gas sales, but rather they are separately reported as gains or losses from derivative financial instruments in the Corporation's net earnings or loss.

For the years ended December 31,			2015			2014
	Realized Gain	Unrealized Loss	Total	Realized Loss	Unrealized Gain	Total
Oil swaps	$ 341	$ (341)	$ -	$ (45)	$ 433	$ 388
Gas swaps	-	(21)	(21)	-	-	-
	$ 341	$ (362)	$ (21)	$ (45)	$ 433	$ 388

The Corporation entered into a natural gas derivative financial instrument on December 31, 2015 for 2,000 million British thermal units ("mmbtu") per day at $3.41/mmbtu for the period of January 1, 2016 to December 31, 2016, which had a negative value of $21,000 at December 31, 2015. Subsequent to December 31, 2015, the Corporation entered into additional derivative financial instruments for a further 1,000 mmbtu per day at $3.48/mmbtu and 1,000 mmbtu per day at $3.64/mmbtu, covering the period from February 1, 2016 to December 31, 2016.

Contract Fixed Price Swap	Volume	Pricing Point	Strike Price (CAD$/unit)	Remaining Term
Natural Gas	2000 mmbtu/day	NYMEX	$3.41	Jan 01/16 to Dec 31/16
Natural Gas	1000 mmbtu/day	NYMEX	$3.48	Feb 01/16 to Dec 31/16
Natural Gas	1000 mmbtu/day	NYMEX	$3.64	Feb 01/16 to Dec 31/16

Capital Expenditures

For the years ended December 31,	2015	2014
Offshore		
Pipeline	$ -	$ 903
Facilities	11	75
Total offshore	11	978
Onshore		
Drilling and completion	8	1,377
Workovers	-	90
Facilities	105	323
Land and buildings	7	222
Total onshore	120	2,012
Exploration and Evaluation		
Undeveloped properties	584	2,562
Onshore seismic	178	752
Total exploration and evaluation	762	3,314
Spare parts, office equipment, computer hardware and software	(132)	145
	761	6,449
Disposition of property, plant and equipment	(883)	(128)
	$ (122)	$ 6,321

In response to declining commodity prices for both crude oil and natural gas, the Corporation reduced its planned 2015 capital expenditure program significantly. Accordingly, the Corporation's work plan for 2015 was $0.9 million and consisted of costs to maintain the existing and essential land portfolio, as well as certain costs to complete projects that had been started in late 2014. Costs related to these initiatives focused on cost reduction and efficiency. During 2015, the Corporation incurred $0.6 million related to its land portfolio, $0.2 million related to the completion of prior year projects, and $0.1 million on an automation system monitoring program in selected Ontario gas booster sites and to commence a project undertaken through the "*saveONenergy*" program in the province of Ontario. This "*saveONenergy*" program provides a portion of the funding to refit oil well pumping equipment, resulting in reduced operating costs in the future at certain southern Ontario locations.

During 2015, the Corporation disposed of certain land and buildings associated with its assets in southern Ontario. The assets had a cost base of $191,000 and were sold for proceeds of $368,000, including cash of $13,000 and the assumption of a vendor-take-back mortgage arrangement of $355,000. Amounts receivable pursuant to the vendor-take-back mortgage arrangement generated interest for the Corporation at a rate of 5.5%, and are secured against the underlying assets sold. In addition, during 2015, the Corporation disposed of certain dock lands at Port Stanley in southern Ontario. These lands had a cost base of $111,000 and were sold for cash consideration of $175,000. The sale was part of a planned strategy to utilize alternative dock facilities to provide improved operating efficiencies and quicker access to certain Lake Erie producing fields.

2016 Work Program

In response to the considerable decline in the price for oil and natural gas, the Corporation intends to spend approximately $0.8 million on the 2016 work program to maintain the Corporation's oil and natural gas land portfolio.

Reserves

The Corporation retained Deloitte LLP ("Deloitte"), an independent qualified reserves evaluator to prepare a report on the Corporation's working interest in its oil and natural gas reserves in southern Ontario. The Corporation has a Corporate Governance and Reserves Committee that oversees the selection, qualifications and reporting procedures of the independent engineering consultants. Reserves at December 31, 2015 were determined using the guidelines and definitions set out under National Instrument 51-101. At December 31, 2015, the proved and probable reserves in southern Ontario decreased by 2% to 20,047 million boe ("Mboe") from 20,516 Mboe at December 31, 2014. Oil and gas production accounted for a drop in the Corporation's total proved plus probable reserves of 4.4%, but this was offset partially by an increase in proved reserve additions that were attributed to improved production performance at several of the Corporation's offshore natural gas wells and onshore oil wells. The following table outlines the change in the Corporation's reserves since December 31, 2014.

	Natural Gas *(MMcf)*	Oil *(Mbbl)*	Natural Gas Liquids *(Mbbl)*	Total *(Mboe)*	NPV @ 10% Before Tax *(M$)*	NPV per boe
Proved Reserves						
Opening balance, January 1, 2015	88,905	1,535	65	16,417	$ 174,605	$ 10.64
Net acquisitions		-		-		
Revisions	9,086	244	(56)	1,702		
Production	(4,200)	(199)	(1)	(900)		
Closing balance, December 31, 2015	93,791	1,580	8	17,219	$ 117,519	$ 6.82
Probable Reserves						
Opening balance, January 1, 2015	19,989	720	48	4,099	$ 38,004	$ 9.27
Net acquisitions				-		
Revisions	(7,106)	(42)	(45)	(1,271)		
Closing balance, December 31, 2015	12,883	678	3	2,828	$ 24,064	$ 8.51
Total proved and probable	106,674	2,258	11	20,047	$ 141,583	$ 7.06
Percentage decrease in reserves	(2%)	0%	(90%)	(2%)		

At December 31, 2014, the Corporation estimated the reserve life index for natural gas and oil at 25.7 years and 11.8 years, respectively. As at December 31, 2015, the reserve life index for natural gas increased to 25.9 years, while the reserve life index for oil increased to 14.0 years.

The following table outlines Deloitte's forecasted future prices for each of oil and natural gas. These forecasts form the basis for Deloitte's evaluation of the Corporation's reserves at December 31, 2015, as outlined above.

	Natural Gas	Oil
Reserve Prices	Union Parkway CAD$ / Mcf	Edmonton Par (delivered to Sarnia, ON) CAD$ / bbl
2016	3.55	56.35
2017	4.00	62.75
2018	4.25	71.55
2019	4.60	82.95
2020	4.95	94.70
Average five year forecast	4.27	73.66

Impairment of Oil Properties

During the year ended December 31, 2015, and in response to a sharp decline in oil prices, the Corporation recognized an impairment loss of $0.9 million on certain oil properties in southern Ontario, reducing their carried value to their recoverable amount of $7.1 million. The recoverable amount of these oil properties was measured based on their value-in-use, determined by the application of a discounted cash flow model, using reserves volumes and forecasted oil prices as provided by independent, third party oil and gas reserves evaluators. In computing the recoverable amount, expected future cash flows were adjusted for risks specific to the oil properties and discounted using a discount rate of 8% and based on the average forecasted prices for oil and natural gas that formed the basis for the Corporation's report on its reserves pursuant to National Instrument 51-101.

The Corporation also completed an assessment of potential impairment assuming an increased discount rate of 10%, with all other assessment criteria kept constant. The increase in the discount rate would have increased the Corporation's impairment loss by a further $7.2 million.

Decommissioning Liabilities

The Corporation 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, 2015, the Corporation's estimate of these future costs on an undiscounted basis was approximately $94.9 million. These obligations are forecasted to be incurred over a 47-year period. During 2015, the Corporation incurred $0.3 million in reclamation costs related to the carrying value of its decommissioning liabilities and it anticipates that it will incur another $3.0 million in reclamation costs over the next 12 months.

In accordance with accounting requirements, the estimated decommissioning liability is recorded in the Corporation's consolidated financial statements on a discounted basis using discount rates that are specific to the underlying obligations. At December 31, 2015, the discounted amount of the Corporation's decommissioning liabilities was $58.4 million. The discount used in calculating the Corporation's decommissioning liabilities is accreted over time. During 2015, the Corporation incurred accretion expense of $1.0 million (2014 – $1.1 million) related to the carrying value of its decommissioning liabilities.

Accounting for Escal on an Equity Basis

The Corporation accounts for its investment in Escal using the equity method. At December 31, 2015 and 2014, Escal's net equity available to shareholders was negative, reflecting operating losses and the settlement of unfavourable hedging transactions previously incurred. Accordingly, the Corporation has reduced the carrying value of its investment in Escal to $nil at December 31, 2015 (2014 – $nil). The Corporation has not reduced its carrying value in Escal to below $nil as the Corporation does not have any legal or constructive obligations in respect of its investment in Escal, nor is it currently obligated to make any payments on behalf of Escal.

During the year ended December 31, 2014, and following the relinquishment by Escal of the Castor Project in October 2014, the Corporation determined that there were significant uncertainties in its ability to collect certain amounts owing from Escal to the Corporation, and accordingly, the Corporation recognized an impairment of $1.0 million in respect of these amounts receivable, reducing the amounts to $nil. The impairment in amounts receivable from Escal had been included as *"Impairment of financial instruments"* in the Corporation's consolidated statement of operations for the year ended December 31, 2014.

During the year ended December 31, 2014, and following the relinquishment of the Castor Project, the Corporation reassessed the likelihood of the recoverability of its net deferred income tax asset of $0.3 million in respect of its investment in Escal and determined that derecognition of the net deferred tax asset was appropriate. Accordingly, the Corporation recognized an income tax amount of $0.4 million through other comprehensive income, net of an income tax recovery amount of $0.1 million in net earnings.

Investment in Series A Preference Shares of Eurogas International Inc.

Because of the Corporation's entitlement to demand redemption of the Series A Preference Shares at any time from Eurogas International, the Corporation has classified its investment in the Series A Preference Shares as a loan receivable and the associated dividends as interest income. The Corporation has completed an assessment of the fair value of the Series A Preference Shares. In its assessment, the Corporation considered factors such as the delinquency of dividend payments and the financial resources available to Eurogas International to meet current commitments and pursue growth opportunities. The Corporation concluded that there was significant impairment in the par value of the Series A Preference Shares and the related accrued dividends thereon and accordingly, the Corporation has fully provided against the carrying values of these assets. During 2015, the Corporation provided for an impairment loss relating to its investment in Eurogas International of $1.3 million (2014 – $1.3 million).

Eurogas International has entered into a farm in arrangement with DNO Tunisia AS ("DNO") that essentially provides DNO with an 87.5% participating interest in the Sfax exploration permit. Eurogas International retains a 5.625% interest. Under the terms of the farm in arrangement, DNO assumed the obligation for 100% of all future costs associated with the permit, as well as the assumption of all related drilling obligations. In August 2015, DNO received regulatory approval from the Tunisian authorities for a two-year extension of the first renewal period related to the permit, extending the first renewal period and the associated exploration well drilling obligation to December 8, 2017.

Other Items in Consolidated Net Earnings

General and Administrative Expenses

General and administrative expenses incurred during 2015 were $5.1 million, a decrease of $1.4 million over general and administrative expenses of $6.5 million incurred in the prior year. The decrease in general and administrative expenses included savings associated with the transfer of the Corporation's geological engineering office from Calgary, Alberta to London, Ontario, in December 2014 and the closing and transfer of the administrative support office from Port Colborne, Ontario to London, Ontario in June 2014. Partially offsetting the effect of these cost savings initiatives are legal and arbitration costs of $1.3 million incurred during 2015, all of which are in respect of the Castor Project.

Interest Expense

The Corporation incurred interest expense of $4.4 million in 2015, compared with interest expense of $4.6 million incurred in the prior year. Included in interest expense is $1.0 million (2014 – $1.1 million) of accretion expense associated with the Corporation's decommissioning liabilities, with the balance of interest expense incurred predominantly on borrowings pursuant to the Corporation's credit facility.

Income Tax Expense

The Corporation recognized an income tax recovery of $3.0 million in 2015 (2014 – $0.7 million income tax expense), generating an effective income tax rate of 26% (2014 – 43%). As at December 31, 2015, the Corporation's net deferred income tax assets were $11.1 million (2014 – $8.1 million).

SELECTED QUARTERLY FINANCIAL INFORMATION

	2015				2014			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenues	$ 4,974	$ 6,400	$ 6,886	$ 6,826	$ 8,564	$ 8,574	$ 9,398	$ 12,744
Net (loss) earnings attributable to owners of the parent	**(3,633)**	**(1,902)**	**(1,540)**	**(1,206)**	**(1,431)**	**(297)**	**(112)**	**3,188**
Basic and fully diluted (loss) earnings per share	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ -	$ -	$ 0.02
Capital expenditures	$ (333)	$ (54)	$ 4	$ 261	$ 771	$ 2,513	$ 1,578	$ 1,459

- During the fourth quarter of 2015, the Corporation recorded an impairment loss of $0.9 million on certain oil properties in response to a sharp decline in oil prices.
- During the fourth quarter of 2014, the Corporation recorded an impairment loss of $1.0 million on financial instruments related to certain amounts owing from Escal.
- During the third quarter of 2014, the Corporation completed the acquisition of an additional 15% working interest in certain natural gas properties.
- Changes in the fair value of the Corporation's derivative financial instruments are included in the Corporation's net earnings. These fair value changes may cause significant volatility in the Corporation's earnings. The following table illustrates the impact of changes in the fair value of the Corporation's derivative financial instruments to its net earnings (loss) on a quarterly basis:

	2015				2014			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Changes in the fair value of derivative financial instruments	$ (21)	$ -	$ -	$ -	$ 504	$ 376	$ (213)	$ (279)

QUARTERLY CONSOLIDATED RESULTS OF OPERATIONS

Three months ended December 31, 2015 compared with the three months ended December 31, 2014

During the quarter ended December 31, 2015, the Corporation's net loss attributable to the owners of the parent was $3.6 million, compared with a net loss attributable to the owners of the parent of $1.4 million in the fourth quarter of the prior year. The net loss during the fourth quarter of 2015 included a $0.9 million impairment loss on certain oil properties as mentioned previously. In the fourth quarter of 2014, the Corporation recognized a $1.2 million loss ($0.9 million loss after non-controlling interest) which was associated with the Corporation's investment in Escal, including an impairment of $1.1 million in amounts receivable from Escal. Otherwise and consistent with annual results, fourth quarter results in 2015 were adversely affected by lower realized prices on sales of oil and natural gas.

For the three months ended December 31,			2015			2014
	Net Earnings (Loss)	Attributable to Owners of the Parent	Non-Controlling Interest	Net Earnings (Loss)	Attributable to Owners of the Parent	Non-Controlling Interest
Southern Ontario Assets	$ (4,358)	$ (4,358)	$ -	$ (568)	$ (568)	$ -
Castor Project	(584)	(431)	(153)	(1,226)	(929)	(297)
Loss from investment in preferred shares of Eurogas International	(324)	(324)	-	(324)	(324)	-
Corporate activities*	1,480	1,480	-	390	390	-
Net loss for the period	$ (3,786)	$ (3,633)	$ (153)	$ (1,728)	$ (1,431)	$ (297)

* Corporate activities include income tax recovery (expense) amounts associated with the underlying operations of the Corporation's subsidiaries.

Southern Ontario Assets

During the fourth quarter of 2015, sales of oil and natural gas, net of royalty interests were $5.0 million, a decrease of $3.6 million from the $8.6 million earned in the same period of the prior year. The decrease in net sales resulted both from substantially lower realized commodity prices, as well as reduced production volumes.

		Natural Gas		Oil and Liquids		Total
Net Sales						
Three months ended December 31, 2015	$	2,893	$	2,081	$	4,974
Three months ended December 31, 2014		4,946		3,618		8,564
Net decrease in net sales	$	(2,053)	$	(1,537)	$	(3,590)
Effect of changes in production volumes	$	(651)	$	(386)	$	(1,037)
Effect of changes in commodity prices		(1,402)		(1,151)		(2,553)
	$	(2,053)	$	(1,537)	$	(3,590)

During the fourth quarter of 2015, the Corporation realized an average sales price of $3.28/Mcf for natural gas, representing a 9% premium over the average benchmark price at the Dawn Hub of $3.01/Mcf. Despite the premium however, the average realized price on sales of natural gas in the fourth quarter of the current year declined 33% from the average price of $4.86/Mcf realized by the Corporation in the same period of the prior year. The average realized sales price for crude oil was $51.88/bbl in the fourth quarter of 2015, a 35% decrease from the average price of $80.27/bbl realized in the same period of the prior year. On a comparative basis, the Edmonton Par average price for crude oil during the fourth quarter of 2015 fell 30% below the average price for crude oil in the same period of the prior year, while the US dollar-denominated West Texas Intermediate price for this commodity fell 43%. The effect of decreases in realized prices reduced net sales by $2.6 million.

For the three months ended December 31,			2015			2014
		Sales	Realized Prices ($ / unit)		Sales	Realized Prices ($ / unit)
Natural gas	$	3,403	3.28	$	5,816	4.86
Oil		2,457	51.88		4,261	80.27
Liquids		4	13.86		11	38.44
		5,864			10,088	
Less: Royalties at 15% (2014 – 15%)		(890)			(1,524)	
Net sales	$	4,974		$	8,564	

For the three months ended December 31,			2015			2014
	US$	CAD$	Realized Prices ($)	US$	CAD$	Realized Prices ($)
Natural Gas						
Dawn Hub	2.27	3.01	3.28	4.04	4.56	4.86
NYMEX Henry Hub	2.12	2.81		3.78	4.27	
Oil						
Edmonton Par	n/a	52.47	51.88	n/a	75.22	80.27
West Texas Intermediate	41.94	55.65		73.21	82.75	

Production volumes decreased during the fourth quarter of 2015, to an average of 2,400 boe/d, compared with an average of 2,747 boe/d produced in the same period of 2014. Production of natural gas declined from 12,999/Mcf to 11,289/Mcf due to scheduled maintenance at two of the Corporation's compressor stations, resulting in lost production of 900 Mcf/d during the scheduled downtime. The balance of the production decline for both oil and natural gas reflects the natural decline in the underlying assets.

Average daily volume during the three months ended December 31,	2015	2014
Natural gas (Mcf/d)	11,289	12,999
Oil (bbls/d)	515	577
Liquids (bbls/d)	3	3
Total (boe/d)	2,400	2,747

The Corporation incurred production expenditures of $3.4 million or $15.43/boe during the fourth quarter of 2015, compared with $5.0 million or $19.63/boe during the same quarter of the prior year. In response to the current volatility in commodity

prices, some workover initiatives were deferred in the fourth quarter of the current year, resulting in lower production expenditures.

For the three months ended December 31,				2015			2014
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Production expenditures	$ 2,272	$ 1,135	$ 3,407	$ 3,011	$ 1,949	$ 4,960
Production expenditures	(per Mcf)	(per bbl)	(per boe)	(per Mcf)	(per bbl)	(per boe)
per unit	$ 2.19	$ 23.81	$ 15.43	$ 2.52	$ 36.52	$ 19.63

Field level cash flows in the fourth quarter of 2015 were $1.6 million, a 56% decrease from field level cash flows of $3.6 million generated in the fourth quarter of the prior year, before adjustments in the prior year related to derivative financial instruments. The substantial decrease resulted primarily from lower revenue levels stemming from lower prices for the underlying commodities. As a result, field netbacks in the fourth quarter of 2015 decreased to $7.10/boe, compared with $14.26/boe in the fourth quarter of the prior year.

For the three months ended December 31,			2015			2014
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Total sales	$ 3,403	$ 2,461	$ 5,864	$ 5,816	$ 4,272	$ 10,088
Royalties	(510)	(380)	(890)	(870)	(654)	(1,524)
Production expenditures	(2,272)	(1,135)	(3,407)	(3,011)	(1,949)	(4,960)
	621	946	1,567	1,935	1,669	3,604
Gain on derivative financial instruments	-	-	-	-	292	292
Field level cash flows	$ 621	$ 946	$ 1,567	$ 1,935	$ 1,961	$ 3,896

For the three months ended December 31,			2015			2014
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
	$/Mcf	$/bbl	$/boe	$/Mcf	$/bbl	$/boe
Total sales	$ 3.28	$ 51.62	$ 26.56	$ 4.86	$ 80.04	$ 39.92
Royalties	(0.49)	(7.98)	(4.03)	(0.73)	(12.25)	(6.03)
Production expenditures	(2.19)	(23.81)	(15.43)	(2.52)	(36.52)	(19.63)
	0.60	19.83	7.10	1.61	31.27	14.26
Gain on derivative financial instruments	-	-	-	-	5.47	1.16
Field netbacks	$ 0.60	$ 19.83	$ 7.10	$ 1.61	$ 36.74	$ 15.42

Other Items in Consolidated Quarterly Earnings

General and administrative expenses incurred during the quarter ended December 31, 2015 were $1.9 million, compared with $1.3 million incurred in the same period of the prior year. General and administrative expenses increased in the fourth quarter of 2015 as result of increased legal costs associated with the arbitration process related to the Castor Project.

LIQUIDITY AND CAPITAL RESOURCES

Southern Ontario Assets

The Corporation's southern Ontario operations are conducted through DELP, the Corporation's wholly-owned subsidiary. DELP had established a credit facility with a Canadian chartered bank that was 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. Based on DELP's current ratios, draws on the credit facility bore interest, at DELP's option, at either the bank's prime lending rate plus 3.5% or, at the bank's then prevailing bankers' acceptance rate plus 4.5%. DELP was subject to a standby fee of 0.55% on unused amounts under the credit facility. At December 31, 2015, DELP had drawn $59.2 million against the credit facility.

The Corporation assigned a limited recourse guarantee of its units in DELP as security pursuant to the credit facility. The credit facility was subject to certain covenants, including maintenance of minimum levels of working capital. At December 31, 2015, the Corporation was in compliance with all such covenants.

On February 18, 2016, and in response to concerns over the volatility in the price of oil and natural gas, the lenders to the Corporation proposed certain amended terms to the Corporation's credit facility to reduce the amounts available pursuant to the credit facility from $70.0 million to $60.0 million effective immediately, and with a requirement to further reduce the facility to $55.0 million before December 31, 2016. The amendment also requires that the Corporation maintain a hedging strategy in respect of the sale of commodities as outlined in the amendment, and it requires prepayment of the principal amount in the event of the sale of assets and/or the settlement of the arbitration process in respect of the Castor Project.

Spain

Pursuant to the terms of a shareholders' agreement amongst the shareholders of Escal, ACS was responsible for providing equity and arranging project financing for the Castor Project, including providing all guarantees that may have been required, from the day it became a majority shareholder in Escal, through development and construction and inclusion of the underground storage facility into the Spanish gas system. Other than the pledging of its shares in Escal as security under lending arrangements previously provided to Escal, the Corporation and its subsidiaries were not required to provide any additional equity or debt funds.

Notwithstanding any form by which ACS may have previously funded Escal, the Corporation retains full entitlement to its existing proportionate interest in Escal and in any distribution made by Escal. However, in accordance with the terms of the Royal Decree-Law issued by the Spanish authorities in October 2014, Escal and its shareholders became jointly and severally liable 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.

Cash Resources Availability

At December 31, 2015, the Corporation had cash of $0.1 million on deposit with a Canadian Schedule I Chartered Bank and it had drawn $59.2 million against its current credit facility. The Corporation believes that its cash and the current borrowing availability under the credit facility is sufficient to meets its obligations in the foreseeable future.

Outstanding Share Data and Dilutive Securities

During 2015, the Corporation issued 64,810 common shares in settlement of deferred share units issued to certain former directors of the Corporation. As a result, at December 31, 2015 and February 18, 2016, the Corporation had 188,268,994 common shares outstanding. In addition, at December 31, 2015, the Corporation had granted 2,480,000 stock options to purchase common shares of the Corporation to directors and key management at a weighted average exercise price of $0.50 per share, and it had issued 1,203,507 deferred share units.

OFF BALANCE SHEET ARRANGEMENTS

In the normal course of business, the Corporation and its subsidiaries have entered into arrangements with several third-party goods and services providers. In certain instances, the Corporation, directly and through its subsidiaries, has provided indemnities and/or guarantees to these third parties for the payment of goods or services provided, or otherwise. Generally, there are no pre-determined amounts or limits included in these arrangements, and the occurrence of an event that would trigger the Corporation's obligations pursuant to these arrangements is difficult to predict. Therefore, the Corporation's potential future liability cannot be reasonably estimated.

COMMITMENTS AND CONTINGENCIES

In accordance with the terms of the Royal Decree-Law issued by the Spanish authorities in October 2014 in respect of the Castor Project, 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.

The Corporation has certain lease arrangements that were entered into in the normal course of operations. All leases are treated as operating leases and accordingly, lease payments are included in net operations as incurred. No asset or liability value has been assigned to these leases on the consolidated statement of financial position at December 31, 2015.

	Expected Payments Schedule				
	2016	2017 to 2018	2019 to 2020	Thereafter	TOTAL
Bank loan	$ 59,200	$ -	$ -	$ -	$ 59,200
Decommissioning liabilities	3,013	4,254	3,121	84,485	94,873
Office, vehicle and equipment leases	443	550	137	-	1,130
	$ 62,656	$ 4,804	$ 3,258	$ 84,485	$ 155,203

RELATED PARTY TRANSACTIONS

Other than as described in Note 18 to the 2015 Consolidated Financial Statements, there are no other material related party transactions.

BUSINESS RISKS

There are a number of inherent risks associated with the Corporation's activities. These risks are described in the Corporation's 2015 Annual Information Form dated February 18, 2016, under *"Risk Factors"*, which may be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website www.sedar.com. These business risks should be considered by interested parties when evaluating the Corporation's performance and outlook.

ACCOUNTING POLICIES, CRITICAL JUDGMENTS AND ESTIMATES

The preparation of the Corporation's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and other items in net earnings or loss, and the related disclosure of contingent assets and liabilities, if any. Critical judgments and estimates represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and other items in net earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Summaries of the significant accounting policies applied and significant judgments, estimates and assumptions made by management in the preparation of its financial statements are provided in Notes 3 and 4 to the 2015 Consolidated Financial Statements.

CONTROLS AND PROCEDURES

In accordance with the Canadian Securities Administrators' National Instrument 52-109, the Corporation has filed certificates signed by its Chief Executive Officer and the Chief Financial Officer certifying that, among other things, the design of disclosure controls and procedures and the design of internal control over financial reporting are adequate as at December 31, 2015.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the Corporation's Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow required disclosures to be made in a timely fashion. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as at December 31, 2015, the Corporation's disclosure controls and procedures were effective.

The Chief Executive Officer and the Chief Financial Officer of the Corporation have also evaluated whether there were changes to the Corporation's internal control over financial reporting during 2015 that have materially affected, or are reasonably likely to materially affect the Corporation's internal control over financial reporting. There were no changes identified during their evaluation.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect management's expectations regarding the Corporation's future growth, results of operations, performance, business prospects and opportunities. Forward-looking statements include future-oriented financial information, within the meaning of the "safe harbour" provisions of the *U.S. Private Securities Litigation Reform Act of 1995* and the securities legislation of certain of the provinces of Canada, including the *Securities Act* (Ontario).

Certain information set forth in this MD&A, including management's assessment of the Corporation'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: volatility of commodity prices, expectations regarding the Corporation's ability to raise capital; effectiveness of hedging strategies; exploration, development and production; quantity of oil and natural gas reserve and recovery estimates; pending legal actions; treatment under government regulatory regimes and tax laws; financial and business prospects and financial outlook; performance characteristics of the Corporation's oil and natural gas properties; the Corporation's capital expenditure programs; supply and demand for oil and natural gas; drilling plans and strategy; availability of rigs, equipment and other goods and services; continually adding to reserves through acquisitions, exploration and development; anticipated work programs and land tenure; the granting of formal permits, licenses or authorities to prospect; the timing of acquisitions; and the realization of the anticipated benefits of the Corporation'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, some of which are beyond the Corporation's control, including risks related to the exploration, development and production of oil and gas, uncertainty of reserve estimates, project development risks, reliance on operators, management and key personnel, the cyclical nature of the oil and gas business, dependence on a small number of customers, the need for additional funding to execute on further exploration and development work, the granting of operating permits and licenses, the mitigation of environmental risks and other risk factors discussed or referred to in the section entitled *"Risk Factors"* in the Corporation'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 Corporation's general expectations concerning this industry are 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 Corporation believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market share and performance characteristics. While the Corporation 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.

In addition, a number of assumptions were made by the Corporation in connection with certain forward-looking information and forward-looking statements for 2016 and beyond. These assumptions include: the impact of increasing competition; the general stability of the economic and political environment in which the Corporation operates; the timely receipt of any required regulatory approvals; the ability of the Corporation 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 Corporation has an interest to operate such projects in a safe, efficient and effective manner; the ability of the Corporation to obtain financing on acceptable terms; 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 Corporation 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 Corporation operates; the ability of the Corporation 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 Corporation will not have any labour, equipment or other disruptions at any of its operations of any significance in 2016 other than any planned maintenance or similar shutdowns and that any third parties on which the Corporation 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 in the Corporation's Annual Information Form do not materialize.

The Corporation'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 Corporation 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 Corporation and may not be appropriate for other purposes. The Corporation 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.

INFORMATION CONCERNING DUNDEE ENERGY LIMITED

Additional information relating to Dundee Energy Limited, including a copy of the Corporation's Annual Information Form, may be accessed through the SEDAR website at *www.sedar.com* and the Corporation's website at *www.dundee-energy.com*.

Toronto, Ontario
February 18, 2016