



DUNDEE ENERGY LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

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. Dundee Energy holds interests, both directly and indirectly, in a large accumulation of producing oil and natural gas assets in southern Ontario, and it 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, and it holds an equity interest in Windiga Energy Inc. ("Windiga"), a Canadian-based independent power producer that is focused on developing, owning and operating renewable energy facilities on the African continent.

On September 11, 2017, following a delisting review conducted by the Toronto Stock Exchange ("TSX"), the common shares of the Corporation were delisted from the TSX. Prior to September 11, 2017, the Corporation's common shares traded on the TSX under the symbol "DEN". The Corporation is not currently seeking a listing for its common shares.

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of March 5, 2018 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, 2017 (the "2017 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.

2017 DEVELOPMENTS AND GOING CONCERN ASSUMPTION

On July 31, 2012, the Corporation's principal subsidiary, Dundee Energy Limited Partnership ("DELP") established a credit facility for up to \$70 million with a Canadian Schedule I Chartered Bank. The terms of the credit arrangement were detailed in a credit agreement of the same date. The credit facility was structured as a demand loan, whereby the lender to DELP retained full right, at its sole discretion, to demand repayment of all amounts borrowed under the credit arrangement, whether in whole or in part, at any time. Borrowings under the facility were subject to certain financial covenants, including maintenance of minimum levels of working capital as defined in the credit agreement, and the maintenance of certain net debt to cash flow ratios. At December 31, 2017, DELP was in compliance with all such financial covenants.

On February 18, 2016, the terms of DELP's credit facility were amended to reduce the amounts available pursuant to the credit facility from \$70 million to \$60 million, with a further requirement to reduce the facility to \$55 million before December 31, 2016. The February 2016 amendment to the credit facility required that DELP maintain a hedging strategy in respect of the sale of commodities, and it required collaboration of the Corporation for the prepayment from any net proceeds received by the Corporation in the event of the sale of certain assets and/or the favourable settlement of the arbitration process in respect of the Castor Project (see "*Significant Projects – Castor UGS Limited Partnership and the Castor Project*" below).

DELP continues to generate positive cash flows from its assets in southern Ontario, and it continues to remain in compliance with the financial covenant requirements of the credit agreement. However, the low commodity price environment has, in the view of DELP's lender, eroded the value of DELP's assets in southern Ontario, and it has therefore also eroded the lender's underlying secured interest in such assets. In late 2016 and early 2017, the lender requested that DELP further reduce its borrowings under the credit facility by early 2017. DELP was not able to meet these requirements and in January 2017, it requested and it obtained a waiver from its lender in respect of these requirements, conditional on DELP agreeing to the terms of a forbearance agreement (the "Original Forbearance Agreement"). On January 31, 2017, DELP entered into the Original Forbearance Agreement with its lender, pursuant to which, and provided that certain conditions were met, DELP's lender had agreed to forbear from exercising its enforcement rights and remedies under the terms of the credit facility until the earlier of May 15, 2017; the occurrence of an event of default under the terms of the credit facility; the occurrence of a default or breach of representation under the Original Forbearance Agreement; or on a demand by the lender.

In connection with these events, and with the approval of its board of directors, the Corporation initiated a strategic review process for DELP, the purpose of which was to identify, examine and consider a range of strategic alternatives available to the Corporation with respect to enhancing the value of its investment in DELP. Strategic alternatives may have included, but were not limited to, a debt restructuring, a sale of all or a material portion of the assets of DELP, either in one transaction or a series of transactions, the outright sale of DELP, a business combination or other transaction involving DELP and a third party, and/or alternative financing initiatives.

The Original Forbearance Agreement provided a definitive timeline to complete this process. The Corporation and DELP engaged independent financial advisors to advise them in connection with this comprehensive review and analysis. Under the terms of the Original Forbearance Agreement, DELP had committed to enter into a binding agreement under an arrangement, which binding agreement was to be satisfactory to its lender, by April 7, 2017.

The lender did not provide its consent to any of the proposals made by DELP and the Corporation, and the Original Forbearance Agreement expired on May 15, 2017, without resolution. On July 21, 2017, DELP and the Corporation received notice from DELP's lender, demanding repayment of amounts borrowed pursuant to the credit facility by July 31, 2017. DELP was unable to comply with the demand request and consequently, on August 16, 2017, DELP commenced insolvency proceedings by filing a Notice of Intention to Make a Proposal ("NOI") pursuant to the provisions of the *Bankruptcy and Insolvency Act (Canada)* in order for it to run a court-supervised sale solicitation process ("SSP"), with the goal of identifying proposals to purchase some or all of the business, properties or assets of DELP. DELP and the lender have entered into a revised forbearance agreement (the "Forbearance Agreement") and the lender is supporting DELP in the reorganization proceedings. DELP has obtained an order from the Ontario Superior Court of Justice (the "Court") approving the terms of the SSP. Subsequent to December 31, 2017, and pursuant to the recommendation of the proposal trustee, the SSP was continued under the terms of the *Companies' Creditors Arrangement Act* in order to extend the timeline within which the SSP is to be completed. Accordingly, the assets and liabilities of DELP have been classified in the 2017 Consolidated Financial Statements as assets and liabilities of discontinued operations held for sale.

The Corporation's 2017 Consolidated Financial Statements have been prepared using accounting principles applicable to a going concern. The going concern basis assumes that the Corporation will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In the absence of a successful SSP, the Corporation will be challenged to deploy the capital that it requires to maintain its existing reserves and production volumes, fund repair and maintenance costs, meet its current financial obligations, including the servicing of its debt and its ability to meet decommissioning obligations, and otherwise develop its ongoing business strategy. There can be no assurance that DELP will be successful in its efforts under the SSP, or that the Court will approve the SSP or any competing bid that may emerge from such process.

The material uncertainty caused by the events described above casts significant doubt upon the Corporation's ability to continue as a going concern and the ultimate appropriateness of using accounting principles applicable to a going concern. Other than an assessment of the Corporation's ability to continue to develop its exploration properties and of the appropriateness of recognizing the benefit of its deferred income tax assets, the 2017 Consolidated Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern. If the Corporation is not able to continue as a going concern, the Corporation may be required to reassess the carrying value of its assets in light of circumstances that could result in the realization of its assets and the discharge of its liabilities in other than the normal course of business and at amounts different from those reflected in the 2017 Consolidated Financial Statements. These differences could be material.

SIGNIFICANT PROJECTS

Assets of Discontinued Operations Held for Sale – Southern Ontario, Dundee Energy Limited Partnership

DELP, a wholly-owned limited partnership structure of the Corporation, holds an approximate 93% working interest in 35,000 gross acres of onshore oil and gas properties and an approximate 98% working interest in 268,000 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 a 100% interest in six onshore oil processing facilities, an onshore rotary drilling rig, an offshore fleet of drilling and completion barges, three natural gas manufacturing facilities and two gas compressor booster stations.

The majority of DELP'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. DELP then gathers this raw natural gas through a pipeline grid on the bottom of Lake Erie to one of its onshore gas manufacturing facilities. The manufacturing facilities then transform the raw natural gas into dry natural gas to meet utility specifications. The Corporation has transportation agreements in place with utility pipeline companies, and delivers the majority of its natural gas to the Dawn Hub, which is conveniently located near the greater Toronto area, at which point the gas is sold to third parties.

Sweet, light oil is produced 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 facilities and several single well locations. The majority of DELP's processed oil production is sold to a third party purchaser in Pennsylvania, USA, which provides DELP with a consistent basis for pricing its crude oil production. DELP may also transport oil to Sarnia, Ontario for refining.

Castor UGS Limited Partnership and the Castor Project

The Corporation is the original developer of an infrastructure undertaking in Spain that converted an abandoned offshore 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 Comunicaciones 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 €10 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 mandated that the Castor Project remain mothballed until the Spanish government was 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, was tasked with completing these studies and it was entrusted with the ongoing care and maintenance of the facilities.

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.

On December 18, 2015, a further €4.56 million was authorized and subsequently received, 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. During the year ended December 31, 2016, Escal received a further €12 million under these arrangements, permitting Escal to further reduce debt outstanding in Escal, as detailed below. The balance of the remuneration was to be received over a 15-year period.

In May 2017, the Spanish authorities received reports from the Massachusetts Institute of Technology and from Harvard University, which concluded that the original seismicity experienced in September 2013 coincided with the region of the Amposta fault line, and that this fault line was put under stress as a result of gas injections. Therefore, the report concluded that there could be no certainty that further seismic activity would not occur should the facility recommence operations. The Spanish authorities have since indicated that they will not pursue further operations of the facility. In December 2017, and following receipt of the technical reports as outlined above, Spain's constitutional court nullified any further remuneration due to the Castor Project.

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 was of the view that the new financing arranged by ACS was not in the best interest of Escal and consequently, CLP 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 contravened 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. On March 27, 2017, the arbitral tribunal of the International Chamber of Commerce rendered its decision related to the Castor Project, denying the claim made by CLP. The decision was rendered by a majority of the three-person tribunal, with the third member issuing a dissenting opinion. CLP has determined that it will not seek any remedies in respect of the decision rendered by the tribunal. Furthermore, CLP withdrew legal action challenging the approval of the new financing arranged by ACS.

Notwithstanding the above, 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 accounts for its investment in Escal using the equity method. At December 31, 2017 and 2016, Escal's net equity available to shareholders was negative, reflecting operating losses and the settlement of unfavourable hedging transactions. Accordingly, the Corporation has reduced the carrying value of its investment in Escal to \$nil at December 31, 2017 (2016 – \$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.

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, 2017, 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 holds a 45% equity interest in Windiga that it originally acquired in 2013 and 2014 for \$2.15 million. Windiga has been actively engaged in securing an equity raise for its Zina project, a 20-megawatt photovoltaic plant to be located in Zina, in the Mouhoun province of Burkina Faso. In light of the Corporation's ongoing liquidity concerns, the Corporation declined to participate in Windiga's equity raise and instead, the Corporation negotiated an agreement for Windiga to repurchase the Corporation's 45% equity interest for subsequent cancellation at a price of \$1.425 million, which Windiga intended to pay from the proceeds of its equity raise. During 2016, the Corporation impaired its original cost in Windiga by \$0.725 million, reducing the fair value to the amount of the expected proceeds of \$1.425 million.

Subsequent to December 31, 2017, Windiga advised the Corporation that it was seeking a purchaser for its Zina project after its intended engineering, procurement and construction contractor withdrew its services, citing geo-political security concerns. In assessing the potential outcome of the sale of the project, the Corporation has determined that it is unlikely that Windiga will have the cash resources necessary to complete the repurchase of the Corporation's equity interest and accordingly, the Corporation impaired its investment in Windiga by a further \$1.425 million, reducing its fair value to \$nil.

PERFORMANCE MEASURES AND BASIS OF PRESENTATION

The Corporation's 2017 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 may also provide a source of cash 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.

CONSOLIDATED RESULTS OF OPERATIONS

Year ended December 31, 2017 compared with the year ended December 31, 2016

SELECTED CONSOLIDATED FINANCIAL INFORMATION

For the years ended December 31,	2017			2016			2015		
	Net Loss	Attributable to Owners of the Parent	Non-Controlling Interest	Net (Loss) Earnings	Attributable to Owners of the Parent	Non-Controlling Interest	Net (Loss) Earnings	Attributable to Owners of the Parent	Non-Controlling Interest
Corporate activities	\$ (3,788)	\$ (3,788)	\$ -	\$ 2,452	\$ 2,452	\$ -	\$ 967	\$ 967	\$ -
Loss from investment in preferred shares of Eurogas International	(1,286)	(1,286)	-	(1,286)	(1,286)	-	(1,286)	(1,286)	-
Castor Project	(221)	(164)	(57)	(2,269)	(1,676)	(593)	(1,546)	(1,141)	(405)
Net loss from continuing operations	(5,295)	(5,238)	(57)	(1,103)	(510)	(593)	(1,865)	(1,460)	(405)
Discontinued operations:									
Southern Ontario	(38,412)	(38,412)	-	(18,611)	(18,611)	-	(6,821)	(6,821)	-
Net loss for the year	\$ (43,707)	\$ (43,650)	\$ (57)	\$ (19,714)	\$ (19,121)	\$ (593)	\$ (8,686)	\$ (8,281)	\$ (405)
Basic and diluted net loss per share									
Continuing operations		\$ (0.03)			\$ -			\$ (0.01)	
Discontinued operations		(0.20)			(0.10)			(0.03)	
		\$ (0.23)			\$ (0.10)			\$ (0.04)	

Consolidated Net Loss

During 2017, the Corporation incurred a net loss attributable to owners of the parent of \$43.7 million, or a net loss of \$0.23 per share. This compares with a net loss attributable to owners of the parent of \$19.1 million, or a net loss of \$0.10 per share incurred in the prior year.

The \$43.7 million net loss attributable to owners of the parent incurred during 2017 includes a net loss of \$5.2 million associated with the Corporation’s continuing operations (2016 – \$0.5 million), and a net loss of \$38.5 million (2016 – \$18.6 million) associated with the Corporation’s southern Ontario operations which are currently subject to a sales solicitation process and are therefore considered discontinued operations.

Certain of the Corporation’s oil and gas properties were designated as exploration and evaluation properties, the exploitation of which would require financial resources substantially in excess of those currently available to the Corporation. Accordingly, in 2017, and following recent negotiations with its lender (see “*Going Concern Assumption*”), the Corporation determined that it was appropriate to provide a \$19.0 million provision against the carried value of these assets, reducing their carried value to \$nil. In addition, the Corporation assessed the appropriateness of continuing to recognize the benefit of its deferred income tax assets, and it identified that the probability of the Corporation utilizing its deferred income tax assets no longer met the criteria of “more-likely-than-not”. As a result, during 2017, the Corporation further recognized an income tax expense amount of \$18.0 million, drawing its deferred income tax asset balance to \$nil.

In comparison, during the prior year, the Corporation recorded an impairment of \$11.9 million against certain natural gas properties and certain other exploration and evaluation properties, reducing their carried value to their net recoverable amounts determined using expected future cash flows as adjusted for risks specific to these properties and discounted using a discount rate of 8%. In addition, during the prior year, the Corporation realized a loss of \$1.4 million on the disposal of an offshore jack-up drilling platform.

During 2017, the Corporation's consolidated net loss attributable to owners of the parent was also impacted by a \$1.425 million impairment against the fair value of its 45% interest in Windiga (see "*Significant Projects – Investment in Windiga Energy Inc.*") (2016 – \$0.725 million).

The net loss incurred during 2017, adjusted for the items discussed above, was reduced to \$5.3 million, compared with a net loss of \$5.7 million in the same period of the prior year.

For the years ended December 31,	2017	2016
Net loss and comprehensive loss for the year	\$ (43,707)	\$ (19,714)
Adjustments:		
Impairment of oil and gas properties	18,973	11,934
Derecognition of deferred income tax assets	18,010	-
Loss on disposal of redundant equipment	-	1,384
Impairment of investment in Windiga Energy Inc.	1,425	725
	\$ (5,299)	\$ (5,671)
Attributable to:		
Continuing operations	\$ (668)	\$ (378)
Discontinued operations	(4,631)	(5,293)
	\$ (5,299)	\$ (5,671)

Southern Ontario Assets

Operating Performance

The operating performance of the Corporation's discontinued operations is dependent on both production volumes of oil, natural gas and natural gas liquids, as well as the prices received for these commodities. During 2017, sales of oil and natural gas, net of royalty interests, were \$22.4 million, an increase of \$2.1 million when compared with net sales of \$20.3 million earned during the prior year.

	Natural Gas	Oil and Liquids	Total
Net Sales			
Year ended December 31, 2017	\$ 13,635	\$ 8,795	\$ 22,430
Year ended December 31, 2016	12,196	8,114	20,310
Net increase in net sales	\$ 1,439	\$ 681	\$ 2,120
Effect of changes in production volumes	\$ (929)	\$ (790)	\$ (1,719)
Effect of changes in commodity prices	2,368	1,471	3,839
	\$ 1,439	\$ 681	\$ 2,120

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

Higher realized prices for underlying commodities increased aggregate net sales by \$3.8 million. The benefit of higher commodity prices was partially offset by lower production volumes, the effect of which was to reduce net sales by \$1.7 million.

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 2017 and 2016, and provide a comparison of relative changes in benchmark price indicators for such commodities during the respective periods.

For the years ended December 31,		2017		2016	
	Sales	Realized Unit Price		Sales	Realized Unit Price
Natural gas	\$ 16,026	\$ 4.31 Mcf		\$ 14,349	\$ 3.56 Mcf
Oil	10,337	64.42 bbl		9,521	53.69 bbl
Liquids	18	35.05 bbl		21	21.90 bbl
	26,381			23,891	
Less: Royalties at 15% (2016 – 15%)	(3,951)			(3,581)	
Net sales	\$ 22,430			\$ 20,310	

For the years ended December 31,		2017		2016		
	US\$	CAD\$	Realized Prices (\$)	US\$	CAD\$	Realized Prices (\$)
Natural Gas (per Mcf)						
Dawn Hub	3.04	3.96	4.31	2.56	3.39	3.56
NYMEX Henry Hub	2.99	3.90		2.52	3.34	
Oil (per bbl)						
Canadian Light Sweet	n/a	61.85	64.42	n/a	52.80	53.69
West Texas Intermediate	50.80	66.23		43.28	57.41	

During 2017, the Corporation realized an average price on sales of natural gas of \$4.31/Mcf, approximately 21% higher than the realized average sales price of \$3.56/Mcf earned during the prior year. While the increase corresponds to increases in commodity markets, the Corporation's realized prices for natural gas continue to benefit from its proximity to the Dawn Hub, as it is a provider of natural gas supply to the greater Toronto market area. During 2017, the Corporation realized an average price of \$64.42/bbl on sales of crude oil, a 20% increase from the average price of \$53.69/bbl realized during the prior year and modestly higher than a 17% increase in both the US dollar-denominated West Texas Intermediate price for this commodity and the Canadian dollar-denominated price of Canadian light sweet crude oil.

Derivative Financial Instruments – Price Risk Management

In order to mitigate its exposure to price volatility, DELP may enter into fixed price commodity contracts. These derivative financial instruments assist DELP in securing a stable amount of cash flow to fund its operations, to provide for any discretionary capital expenditures, and to reduce borrowings under its debt arrangements. DELP receives the majority of its revenues in US dollars and the pricing for commodities, including oil and natural gas, are closely referenced to the US dollar. DELP has, from time to time, mitigated its exposure to changes in commodity prices resulting from foreign exchange variability by entering into some of its commodity derivative financial instruments on a Canadian dollar basis.

The following table summarizes the realized and unrealized gains or losses from DELP's derivative financial instruments during 2017, compared with the prior year. For accounting purposes, DELP has not designated its derivative financial instruments as hedges. Accordingly, the gains or losses from these contracts are not reflected in DELP's reported amounts of oil and natural gas sales, but rather they are separately reported as gains or losses from derivative financial instruments in its net earnings or loss.

For the years ended December 31,		2017			2016		
	Realized Loss	Unrealized Gain	Total	Realized Gain	Unrealized Loss	Total	
Gas swaps	\$ (976)	\$ 2,275	\$ 1,299	\$ 289	\$ (2,254)	\$ (1,965)	

There were no outstanding commodity swap derivative contracts outstanding at December 31, 2017, as investments in derivative financial instruments are no longer permitted under the terms of DELP's lending arrangements. DELP previously determined that the fair value of outstanding commodity swap derivative contracts at December 31, 2016 resulted in a liability balance of \$2.3 million.

Production Volumes

During 2017, production volumes decreased to an average of 2,140 boe/d, compared with an average of 2,322 boe/d produced in 2016. Approximately 79% of DELP's production volumes are from natural gas, while the remaining 21% of production volumes are from oil and liquids.

Average daily volume during the years ended December 31,	2017	2016
Natural gas (Mcf/d)	10,191	11,001
Oil (bbls/d)	440	485
Liquids (bbls/d)	1	3
Total (boe/d)	2,140	2,322

Reductions in production volume reflect the expected natural depletion of DELP's resources. Due primarily to financial constraints, DELP has limited its capital works and development initiatives, which has temporarily curtailed the potential for further exploitation of its producing properties.

Production Expenditures

Production expenditures include costs associated with producing raw oil and natural gas from the reservoir through a gathering system to a central manufacturing facility. The manufacturing process includes separating oil, natural gas, water and other impurities to meet buyer and utility specifications. Also included in production expenditures is an allocation of general and administrative costs, including labour that is directly attributable to these activities.

During 2017, DELP incurred production expenditures of \$10.9 million or \$14.00/boe, a decrease of \$1.5 million from production expenditures of \$12.4 million or \$14.58/boe incurred in the prior year. Decreases in production expenditures reflect a higher allocation of labour and materials to reclamation activities, as well as a deferral of discretionary expenditures in order to accommodate DELP's limited financial resources.

For the years ended December 31,	2017			2016		
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Production expenditures	\$ 7,168	\$ 3,761	\$ 10,929	\$ 8,130	\$ 4,255	\$ 12,385
Production expenditures per unit	(per Mcf) \$ 1.93	(per bbl) \$ 23.37	(per boe) \$ 14.00	(per Mcf) \$ 2.02	(per bbl) \$ 23.86	(per boe) \$ 14.58

Field Level Cash Flows and Field Netbacks

For the years ended December 31,		2017			2016		
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total	
Total sales	\$ 16,026	\$ 10,355	\$ 26,381	\$ 14,349	\$ 9,542	\$ 23,891	
Royalties	(2,391)	(1,560)	(3,951)	(2,153)	(1,428)	(3,581)	
Production expenditures	(7,168)	(3,761)	(10,929)	(8,130)	(4,255)	(12,385)	
	6,467	5,034	11,501	4,066	3,859	7,925	
Realized (loss) gain on derivative financial instruments	(976)	-	(976)	289	-	289	
Field level cash flows	\$ 5,491	\$ 5,034	\$ 10,525	\$ 4,355	\$ 3,859	\$ 8,214	

For the years ended December 31,		2017			2016		
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total	
	\$/Mcf	\$/bbl	\$/boe	\$/Mcf	\$/bbl	\$/boe	
Total sales	\$ 4.31	\$ 64.33	\$ 33.78	\$ 3.56	\$ 53.52	\$ 28.13	
Royalties	(0.64)	(9.69)	(5.06)	(0.53)	(8.01)	(4.22)	
Production expenditures	(1.93)	(23.37)	(14.00)	(2.02)	(23.86)	(14.58)	
	1.74	31.27	14.72	1.01	21.65	9.33	
Realized (loss) gain on derivative financial instruments	(0.26)	-	(1.25)	0.07	-	0.34	
Field netbacks	\$ 1.48	\$ 31.27	\$ 13.47	\$ 1.08	\$ 21.65	\$ 9.67	

Improved prices for commodities, before the effect of any of the Corporation's derivative financial instruments, increased field level cash flows to \$11.5 million or \$14.72/boe, a 45% increase from field level cash flows of \$7.9 million or \$9.33/boe generated during the prior year.

Field level cash flows from natural gas operations, before the effect of derivative financial instruments, increased to \$6.5 million or \$1.74/Mcf, compared with field level cash flows of \$4.1 million or \$1.01/Mcf in the prior year.

Field level cash flows from oil and liquids increased to \$5.0 million during 2017, compared with field level cash flows of \$3.9 million in the prior year. On a per unit basis, field netbacks from oil and liquids production were \$31.27/bbl during 2017, an increase from field netbacks from oil and liquids production of \$21.65/bbl during the prior year.

During 2017, the Corporation recognized a \$1.3 million net gain from its derivative financial instruments, including an unrealized gain of \$2.3 million, offset by a realized loss of \$1.0 million. The realized loss reduced field netbacks from natural gas by \$0.26/Mcf.

Capital Expenditures

As a result of the impact of lower commodity prices on the Corporation's ability to borrow pursuant to its existing lending arrangements, the Corporation limited its 2017 capital work plan. During 2017, the Corporation incurred capital expenditures of \$0.5 million, all of which related to maintaining its existing and essential land portfolio.

DELP has not advanced its 2018 work plan, as it is dependent on the results of the SSP. In the interim, and with the consent of its lenders, DELP will continue to maintain its existing and essential land portfolio for further exploitation work in expectation of a successful SSP.

Reserves

DELP has retained Deloitte LLP (“Deloitte”), an independent qualified reserves evaluator to prepare a report on DELP’s working interest in its oil and natural gas reserves. Reserves at December 31, 2017 were determined using the guidelines and definitions set out under National Instrument 51-101. At December 31, 2017, the proved and probable reserves decreased by 12% to 19,620 million boe (“Mboe”) from 22,360 Mboe at December 31, 2016. The following table outlines the change in DELP’s reserves since December 31, 2016.

	Natural Gas (MMcf)	Oil (Mbbbl)	Natural Gas Liquids (Mbbbl)	Total (Mboe)	NPV @ 10% Before Tax (M\$)		NPV per boe
Proved Reserves							
Opening balance, January 1, 2017	96,359	2,179	11	18,249	\$	142,568	\$ 7.81
Revisions	(10,196)	(67)	(2)	(1,768)			
Production	(3,691)	(130)	(1)	(746)			
Closing balance, December 31, 2017	82,472	1,982	8	15,735	\$	104,914	\$ 6.67
Probable Reserves							
Opening balance, January 1, 2017	19,546	850	3	4,111	\$	31,113	\$ 7.57
Revisions	(1,017)	(56)	-	(226)			
Production	-	-	-	-			
Closing balance, December 31, 2017	18,529	794	3	3,885	\$	26,324	\$ 6.78
Total proved and probable	101,001	2,776	11	19,620	\$	131,238	\$ 6.69
Percentage decrease in proved and probable reserves	(13%)	(8%)	(21%)	(12%)			

At December 31, 2016, the Corporation estimated the reserve life index for its proved natural gas and oil reserves at 23.5 years and 13.4 years, respectively. As at December 31, 2017, the reserve life index for natural gas was 22.8 years, while the reserve life index for oil was 14.1 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, 2017, as outlined above.

Reserve Prices	Natural Gas	Oil
	Ontario Dawn Reference Point CAD\$ / mmbtu*	WTI at Cushing Oklahoma US\$ / bbl
2018	3.85	55.00
2019	4.00	58.65
2020	4.15	62.40
2021	4.40	69.00
2022	4.60	75.75
Average five year forecast	4.20	64.16

* The Corporation’s gas quality is 1.042 mmbtu for one Mcf.

Decommissioning Liabilities

DELP is subject to the provisions of the *Oil, Gas and Salt Resources Act (Ontario)* which requires, among other things, the plugging and/or decommissioning of inactive wells within 12 months of becoming inactive so that they do not become a hazard to the environment and/or public safety. DELP maintains an up-to-date emergency response program that is designed and monitored by highly qualified individuals that ensure adherence to environmental and safety policies and standards. As well, DELP maintains property and liability insurance coverage, which provides a reasonable amount of protection from risk of loss. However, not all risks are foreseeable or insurable and there can be no guarantee that DELP will be able to recover any financial losses suffered as a result of environmental factors directly from its insurance arrangements.

In August 2015, the Ministry of Natural Resources and Forestry (“MNRF”) issued an order to DELP and to its general partner, outlining its requirements for the abandonment of approximately 73 wells over a period beginning in 2015. Due to the low price environment in commodity markets, and its effect on DELP’s borrowing capabilities, DELP was not able to comply with the immediate requirements of the order from the MNRF and consequently, it entered into discussions with the MNRF in order to obtain a deferral of these obligations. In January 2017, DELP obtained the approval of the MNRF to defer its plugging and abandonment program, subject to DELP complying with a revised timeline for the abandonment of inactive wells, including the abandonment of nine onshore and 44 offshore wells in 2017. At December 31, 2017, DELP had completed the abandonment and site reclamation of eight onshore wells. In addition, DELP completed the abandonment of 51 offshore wells pursuant to these requirements.

DELP 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, 2017, DELP’s estimate of these future costs on an undiscounted basis is approximately \$92.2 million. DELP expects to incur these forecasted obligations over the life of the underlying assets, which is currently in excess of 40 years.

In accordance with accounting requirements, DELP records its estimated decommissioning liability on a discounted basis using discount rates that are specific to the underlying obligations. At December 31, 2017, the discounted amount of DELP’s decommissioning liabilities was \$51.7 million. The discount used in calculating DELP’s decommissioning liabilities is accreted over time. During 2017, DELP incurred accretion expense of \$1.4 million (2016 – \$0.9 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, 2017 and 2016, 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, 2017 (2016 – \$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.

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 2017, the Corporation provided for an impairment loss relating to its investment in Eurogas International of \$1.3 million (2016 – \$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, located offshore Tunisia. 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. On July 21, 2017, the Tunisian authorities approved a further one-year extension to December 8, 2018. The extension is subject to certain conditions, including the replacement of a seismic commitment with the deepening of the well drilling obligation to the Reineche formation. DNO has advised Eurogas International that it intends to drill a well on the Sfax exploration permit during the first part of 2018.

Other Items in Consolidated Net Earnings

General and Administrative Expenses

General and administrative expenses from continuing operations incurred during 2017 were \$0.6 million, a substantial decrease from general and administrative expenses of \$2.8 million incurred during the prior year. During 2016, the Corporation incurred costs of \$2.1 million related to the arbitration process associated with the Castor Project.

General and administrative expenses from discontinued operations incurred during 2017 were \$3.7 million, compared with \$2.5 million incurred during the prior year. General and administrative expenses during 2017 include approximately \$1.7 million of costs associated with DELP's lending arrangements.

Interest Expense

DELP incurred interest expense of \$5.3 million during 2017, compared with interest expense of \$4.4 million incurred during the prior year. Included in interest expense is \$1.4 million (2016 – \$0.9 million) of accretion expense associated with its decommissioning liabilities, with the balance of interest expense incurred predominantly on borrowings pursuant to its credit facility. Interest expense has increased as a result of increases in the prime lending rate.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2017				2016			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenues								
Discontinued operations	\$ 5,255	\$ 5,370	\$ 5,859	\$ 5,946	\$ 5,933	\$ 5,449	\$ 4,698	\$ 4,230
Net (loss) earnings attributable to owners of the parent								
Continuing operations	(1,489)	(3,492)	5	(262)	(174)	(1,012)	1,191	(515)
Discontinued operations	(2,384)	(35,713)	(544)	229	(6,592)	(1,099)	(8,494)	(2,426)
	\$ (3,873)	\$ (39,205)	\$ (539)	\$ (33)	\$ (6,766)	\$ (2,111)	\$ (7,303)	\$ (2,941)
Basic and fully diluted (loss) earnings per share								
Continuing operations	\$ (0.01)	\$ (0.02)	\$ -	\$ -	\$ -	\$ (0.01)	\$ 0.01	\$ -
Discontinued operations	(0.01)	(0.19)	-	-	(0.04)	-	(0.05)	(0.02)
	\$ (0.02)	\$ (0.21)	\$ -	\$ -	\$ (0.04)	\$ (0.01)	\$ (0.04)	\$ (0.02)
Capital expenditures before disposals								
Discontinued operations	\$ 42	\$ 53	\$ 31	\$ 408	\$ 36	\$ 38	\$ 189	\$ 434

- During the fourth quarter of 2017 and the third quarter of 2016, the Corporation recognized a marked-to-market loss of \$1.4 million and \$0.7 million, respectively, related to the Corporation's 45% interest in Windiga, which is included in the Corporation's statement of financial position as "Investments". Additional information regarding the Corporation's investment in Windiga is included in Note 7 to the 2017 Consolidated Financial Statements.
- In connection with DELP's initial filing of a NOI pursuant to the provisions of the *Bankruptcy and Insolvency Act (Canada)*, during the third quarter of 2017, the Corporation recorded an impairment loss of \$18.9 million related to certain exploration and evaluation properties and the Corporation further impaired the carrying value of its deferred income tax assets by \$18.0 million.
- During the fourth quarter of 2016, the Corporation recorded an impairment loss of \$6.9 million related to certain exploration and evaluation properties.
- During the second quarter of 2016, the Corporation recorded an impairment loss of \$5.0 million on certain natural gas properties in response to a continued decline in long-term natural gas prices.
- During the first quarter of 2016, the Corporation recorded a loss on the disposal of redundant offshore oil and gas assets of \$1.4 million.

- Changes in the fair value of the Corporation's derivative financial instruments are included in the Corporation's net earnings or loss. These fair value changes may cause significant volatility in the Corporation's operating results. The following table illustrates the impact of changes in the fair value of the Corporation's derivative financial instruments to its net operating results on a quarterly basis:

	2017				2016			
	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	\$ 66	\$ 93	\$ 341	\$ 799	\$ (1,360)	\$ 269	\$ (1,580)	\$ 706

QUARTERLY CONSOLIDATED RESULTS OF OPERATIONS

Three months ended December 31, 2017 compared with the three months ended December 31, 2016

During the quarter ended December 31, 2017, the Corporation incurred a net loss attributable to owners of the parent of \$3.9 million, or a net loss of \$0.02 per share. This compares with a net loss attributable to owners of the parent of \$6.8 million, or a net loss of \$0.04 per share incurred in the fourth quarter of the prior year.

The \$3.9 million net loss attributable to owners of the parent incurred during the fourth quarter of 2017 includes a net loss of \$1.5 million associated with the Corporation's continuing operations (2016 – \$0.2 million), and a net loss of \$2.4 million (2016 – \$6.6 million) associated with the Corporation's southern Ontario operations.

For the three months ended December 31,	2017			2016		
	Net Loss	Attributable to Owners of the Parent	Non-Controlling Interest	Net (Loss) Earnings	Attributable to Owners of the Parent	Non-Controlling Interest
	Corporate activities	\$ (1,152)	\$ (1,152)	\$ -	\$ 286	\$ 286
Loss from investment in preferred shares of Eurogas International	(324)	(324)	-	(324)	(324)	-
Castor Project	(17)	(13)	(4)	(185)	(136)	(49)
Net loss from continuing operations	(1,493)	(1,489)	(4)	(223)	(174)	(49)
Discontinued operations:						
Southern Ontario	(2,384)	(2,384)	-	(6,592)	(6,592)	-
Net loss for the period	\$ (3,877)	\$ (3,873)	\$ (4)	\$ (6,815)	\$ (6,766)	\$ (49)

Operating performance from continuing operations in the fourth quarter of 2017 was impacted by a \$1.425 million impairment against the fair value of the Corporation's 45% interest in Windiga (see "Significant Projects – Investment in Windiga Energy Inc.").

Fourth quarter operating performance from discontinued operations includes a \$44,000 impairment against oil and gas properties in the current year. In comparison, during the fourth quarter of the prior year, DELP impaired certain exploration and evaluation properties in an amount of \$6.9 million.

The net loss incurred during the fourth quarter of 2017, adjusted for the items discussed above, was reduced to \$2.4 million, compared with net earnings of \$119,000 in the same period of the prior year.

For the three months ended December 31,	2017	2016
Net loss and comprehensive loss for the period	\$ (3,877)	\$ (6,815)
Adjustments:		
Impairment of oil and gas properties	44	6,934
Derecognition of deferred income tax assets	-	-
Loss on disposal of redundant equipment	-	-
Impairment of investment in Windiga Energy Inc.	1,425	-
	\$ (2,408)	\$ 119
Attributable to:		
Continuing operations	\$ (68)	\$ (223)
Discontinued operations	(2,340)	342
	\$ (2,408)	\$ 119

Southern Ontario Assets

During the fourth quarter of 2017, sales of oil and natural gas, net of royalty interests were \$5.2 million, a decrease of \$0.7 million when compared with net sales of oil and natural gas of \$5.9 million earned in the fourth quarter of the prior year. The decrease in net sales resulted both from lower commodity prices for natural gas, which decreased net sales by \$0.4 million, as well as a drop in production volumes for both oil and natural gas, which further reduced net sales by \$0.3 million.

	Natural Gas	Oil and Liquids	Total
Net Sales			
Three months ended December 31, 2017	\$ 3,084	\$ 2,171	\$ 5,255
Three months ended December 31, 2016	3,679	2,254	5,933
Net decrease in net sales	\$ (595)	\$ (83)	\$ (678)
Effect of changes in production volumes	\$ (213)	\$ (96)	\$ (309)
Effect of changes in commodity prices	(382)	13	(369)
	\$ (595)	\$ (83)	\$ (678)

During the fourth quarter of 2017, DELP realized an average price on sales of natural gas of \$3.98/Mcf, an 8% decrease from the realized average sales price on sales of natural gas of \$4.32/Mcf earned in the fourth quarter of the prior year. The decrease is consistent with a 7% decrease in the US dollar-denominated price of natural gas at the Dawn Hub.

DELP realized an average price of \$69.22/bbl on sales of crude oil during the fourth quarter of 2017, a 10% increase from the average price of \$62.65/bbl realized in the fourth quarter of the prior year. The increase is consistent with increases seen in comparable industry benchmarks, including a 12% increase in the US dollar-denominated West Texas Intermediate price for this commodity, and an 8% increase in the Canadian Light Sweet price.

For the three months ended December 31,	2017		2016	
	Sales	Realized Unit Price	Sales	Realized Unit Price
Natural gas	\$ 3,633	\$ 3.98 Mcf	\$ 4,342	\$ 4.32 Mcf
Oil	2,545	69.22 bbl	2,652	62.65 bbl
Liquids	13	45.83 bbl	9	30.18 bbl
	6,191		7,003	
Less: Royalties at 15% (2016 – 15%)	(936)		(1,070)	
Net sales	\$ 5,255		\$ 5,933	

For the three months ended December 31,	2017			2016		
	US\$	CAD\$	Realized Prices (\$)	US\$	CAD\$	Realized Prices (\$)
Natural Gas (per Mcf)						
Dawn Hub	2.93	3.74	3.98	3.16	4.21	4.32
NYMEX Henry Hub	2.91	3.71		3.04	4.05	
Oil (per bbl)						
Canadian Light Sweet	n/a	65.68	69.22	n/a	60.76	62.65
West Texas Intermediate	55.27	70.48		49.14	65.43	

During the fourth quarter of 2017, production volumes decreased to an average of 2,057 boe/d, compared with an average of 2,284 boe/d produced in the same quarter of the prior year. Approximately 80% of DELP's production volumes are from natural gas, while the remaining 20% of production volumes are from oil and liquids.

Average daily volume during the three months ended December 31,	2017	2016
Natural gas (Mcf/d)	9,924	10,925
Oil (bbls/d)	400	460
Liquids (bbls/d)	3	3
Total (boe/d)	2,057	2,284

During the fourth quarter of 2017, DELP incurred production expenditures of \$2.6 million, a decrease of \$0.2 million or 8% compared with production expenditures of \$2.4 million incurred in the same period of the prior year. Consistent with year-to-date results, decreases in production expenditures reflect a deferral of discretionary expenditures in order to accommodate DELP's limited financial resources.

For the three months ended December 31,	2017			2016		
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Production expenditures	\$ 1,720	\$ 929	\$ 2,649	\$ 1,589	\$ 859	\$ 2,448
Production expenditures per unit	(per Mcf) \$ 1.88	(per bbl) \$ 25.09	(per boe) \$ 14.00	(per Mcf) \$ 1.58	(per bbl) \$ 20.14	(per boe) \$ 11.65

Field Level Cash Flows and Field Netbacks

During the fourth quarter of 2017, DELP generated field level cash flows, before the effect of any derivative financial instruments, of \$2.6 million, substantially lower than field level cash flows of \$3.5 million generated in the fourth quarter of the prior year. The decrease in field level cash flows is predominantly a result of lower natural gas prices in the current quarter compared with the same quarter of the prior year, as well as the impact of lower production volumes resulting from the natural decline in DELP's oil and gas assets. As a result, DELP generated field netbacks of \$13.77/boe in the fourth quarter of 2017 compared with field netbacks of \$16.58/boe in the fourth quarter of the prior year.

For the three months ended December 31,	2017			2016		
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Total sales	\$ 3,633	\$ 2,558	\$ 6,191	\$ 4,342	\$ 2,661	\$ 7,003
Royalties	(549)	(387)	(936)	(663)	(407)	(1,070)
Production expenditures	(1,720)	(929)	(2,649)	(1,589)	(859)	(2,448)
	1,364	1,242	2,606	2,090	1,395	3,485
Realized loss on derivative financial instruments	(137)	-	(137)	(184)	-	(184)
Field level cash flows	\$ 1,227	\$ 1,242	\$ 2,469	\$ 1,906	\$ 1,395	\$ 3,301

For the three months ended December 31,	2017			2016		
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
	\$/Mcf	\$/bbl	\$/boe	\$/Mcf	\$/bbl	\$/boe
Total sales	\$ 3.98	\$ 69.05	\$ 32.72	\$ 4.32	\$ 62.41	\$ 33.32
Royalties	(0.60)	(10.46)	(4.95)	(0.66)	(9.54)	(5.09)
Production expenditures	(1.88)	(25.09)	(14.00)	(1.58)	(20.14)	(11.65)
	1.50	33.50	13.77	2.08	32.73	16.58
Realized loss on derivative financial instruments	(0.15)	-	(0.72)	(0.18)	-	(0.88)
Field netbacks	\$ 1.35	\$ 33.50	\$ 13.05	\$ 1.90	\$ 32.73	\$ 15.70

During the fourth quarter of 2017, the Corporation recognized a \$0.1 million gain from its derivative financial instruments, including an unrealized gain of \$0.2 million, offset by a realized loss of \$0.1 million. In comparison, during the fourth quarter of 2016, DELP incurred a loss of \$1.4 million from its derivative financial instruments, of which \$0.2 million was realized. Realized losses from derivative financial instruments further reduced field netbacks by \$0.72/boe in the fourth quarter of 2017 (\$0.88/boe in the fourth quarter of 2016).

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 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. Based on DELP's current ratios, draws on the credit facility bear interest at the bank's prime lending rate plus 3.5%. In addition, DELP is subject to a standby fee of 0.55% on unused amounts under the credit facility. At December 31, 2017, DELP had drawn \$57.4 million against the credit facility. The credit facility is subject to certain covenants, including maintenance of minimum levels of working capital. At December 31, 2017, DELP was in compliance with all such covenants.

DELP continues to generate positive cash flows from its assets in southern Ontario, and it continues to remain in compliance with the financial covenant requirements of the credit agreement. However, low commodity prices have, in the view of DELP's lender, eroded the value of DELP's assets in southern Ontario, and therefore eroded the lender's underlying secured interest in such assets.

As a consequence, on January 31, 2017, DELP and the Corporation entered into the Original Forbearance Agreement with the lender to DELP pursuant to which, and provided that certain conditions were met, DELP's lender had agreed to forbear from exercising its enforcement rights and remedies under the terms of the credit facility until the earlier of May 15, 2017; the occurrence of an event of default under the terms of the credit facility; or the occurrence of a default or breach of representation under the Original Forbearance Agreement (see "Going Concern Assumption").

The Original Forbearance Agreement provided a definitive timeline within which the Corporation was required to complete a strategic review process for DELP, the purpose of which was to identify, examine and consider a range of strategic alternatives available to the Corporation with respect to enhancing the value of its investment in DELP. Under the terms of the Original Forbearance Agreement, DELP had committed to enter into a binding agreement under an arrangement, which binding agreement was to be satisfactory to its lender, by April 7, 2017.

The lender did not provide its consent to any of the proposals made by the Corporation, and the Original Forbearance Agreement expired on May 15, 2017, without resolution. On July 21, 2017, the Corporation received notice from its lender, demanding repayment of amounts borrowed pursuant to the credit facility by July 31, 2017. DELP was unable to meet the demand made by its lender and accordingly, on August 16, 2017, DELP commenced insolvency proceedings by filing a NOI pursuant to the provisions of the *Bankruptcy and Insolvency Act (Canada)* in order for it to run a court-supervised SSP, with the goal of identifying proposals to purchase some or all of the business, properties or assets of DELP. DELP and the lender have entered into a Forbearance Agreement and the lender is supporting DELP in the reorganization proceedings. DELP has obtained an order

from the Court approving the terms of the SSP. Subsequent to December 31, 2017, and pursuant to the recommendation of the proposal trustee, the SSP was continued under the terms of the *Companies' Creditors Arrangement Act* in order to extend the timeline within which the SSP is to be completed.

The Corporation has assigned a limited recourse guarantee of its units in DELP as security pursuant to the credit facility.

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. 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, 2017, the Corporation had cash of \$32,000 on deposit with a Canadian Schedule I Chartered Bank, excluding cash on hand available to DELP. The Corporation's current cash resources are insufficient to meet its current obligations. The Corporation is considering its future business strategies and assessing the possibility of alternative financing options, including possible debt or equity issuances or the monetization of certain assets. There can be no assurance that the Corporation will be successful in any of these alternatives.

Outstanding Share Data and Dilutive Securities

On April 1, 2017, the Corporation cancelled 185,158 common shares pursuant to a sunset clause provision related to a 2004 corporate reorganization. At December 31, 2017 and March 5, 2018, the Corporation had 188,083,836 common shares outstanding. In addition, at December 31, 2017, the Corporation had granted 980,000 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. The terms of the Corporation's stock options and deferred share units are described in Note 13 to the 2017 Consolidated Financial Statements.

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 it established 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, 2017.

	Expected Payments Schedule				TOTAL
	2018	2019 to 2020	2021 to 2022	Thereafter	
Continuing Operations					
Office leases	\$ 162	\$ 108	\$ -	\$ -	\$ 270
Discontinued Operations					
Bank loan	57,400	-	-	-	57,400
Decommissioning liabilities	1,202	5,252	2,790	83,000	92,244
Vehicle and equipment leases	180	186	7	-	373
	\$ 58,944	\$ 5,546	\$ 2,797	\$ 83,000	\$ 150,287

RELATED PARTY TRANSACTIONS

Other than as described in Note 18 to the 2017 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. The following outlines some of the Corporation's principal risks and their potential impact to the Corporation. If any of the following risks actually occur, the Corporation's business may be harmed and the Corporation's financial condition and results of operations may suffer significantly.

General

The Corporation is engaged in oil and gas exploration, and development. The business is inherently risky and there is no assurance that oil and gas reserves will be discovered and economically produced and sold. Operational risks include reservoir performance, uncertainties, environmental factors, competition and regulatory and safety concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates, and the cost of goods and services.

The Corporation's financial and operating performance is potentially affected by a number of factors including, but not limited to, risks associated with the production of oil and gas, commodity prices and exchange rates, environmental legislation, changes to royalty and income tax legislation, credit and capital market conditions, credit risk for failure of performance of third parties, unforeseen title defects and other risks and uncertainties.

Through its subsidiary, the Corporation employs highly qualified people and uses sound operating and business practices. The Corporation complies with government regulations and has in place an up-to-date emergency response program. It adheres to environmental and safety policies and standards, and it maintains property and liability insurance coverage. The coverage provides a reasonable amount of protection from risk of loss; however, not all risks are foreseeable or insurable.

Going Concern

The material uncertainty caused by events pertaining to the outstanding credit facility and related insolvency proceedings casts significant doubt upon the Corporation's ability to continue as a going concern.

The Corporation continues to move forward with the court-supervised SSP, with the goal of identifying proposals to purchase some or all of the business, properties or assets of DELP. DELP and the lender have entered into a revised forbearance agreement and the lender is supporting DELP in the reorganization proceedings. DELP has obtained an order from the Court approving the terms of the court-supervised SSP.

Future operations are dependent on the Corporation's ability to restructure its balance sheet to provide the potential to generate positive cash flows from operations; maintain existing operations; and discharge obligations as they come due. The risks and uncertainties associated with a potential asset sale, corporate sale, and/or implementation of a balance sheet restructuring casts significant doubt upon the Corporation's ability to continue as a going concern.

The annual audited financial statements have been prepared on a basis which asserts that the Corporation will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate, adjustments to the carrying amounts of the Corporation's assets, liabilities, revenues, expenses and balance sheet classifications may be necessary and such adjustments could be material.

Liquidity of Common Shares

On September 11, 2017, following a delisting review conducted by the TSX, the common shares of the Corporation were delisted from the TSX. Prior to September 11, 2017, the Corporation's common shares traded on the TSX under the symbol "DEN".

Until the reorganization proceedings as described above are concluded, the Corporation does not intend to apply to list the common shares of the Corporation on a stock exchange. There can be no assurance that the Corporation will be successful in relisting its common shares on any marketplace or that such shares will hold realizable value.

Substantial Capital Requirements

The business and operations of the Corporation, including the business and operations of DELP, may require substantial additional capital in order to fund its operations, debt obligations, to execute on further exploration and development work, and to satisfy decommissioning liabilities. There can be no assurance that debt or equity financing or cash generated by future operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. An inability to raise additional funds, if necessary, would have a material effect upon the Corporation'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. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition and/or its results of operations.

Castor Project Liability

Escal and its shareholders, including the Corporation, 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 in October 2014. If any possible flaws or defects in the facilities associated with the Castor Project materialize, the Corporation may be responsible for associated costs.

Litigation Risk

The legal risks facing the Corporation, 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 Corporation 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 Corporation 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 general partner of CLP and Escal, entities involved in the Castor Project.

Foreign Operations

The Corporation'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 Corporation'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 Corporation 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 Corporation operates in such a manner as to minimize and mitigate its exposure to these risks; however, there can be no assurance that the Corporation will be successful in protecting itself from the impact of all of these risks.

Accounting Impairments as a Result of IFRS

The Corporation uses the "modified full cost method" of accounting for oil and natural gas properties. Under this accounting method, the Corporation 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 Corporation 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 the Corporation's 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 perceived value of the common shares of the Corporation.

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 Corporation'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 Corporation be unable to fully remedy the cost of a breach of environmental laws, the Corporation or its operators may be required to suspend operations or enter into compliance measures pending completion of the required remedy. In certain circumstances, the Corporation 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 Corporation to incur costs to remedy such discharge. Although the Corporation 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 affect the Corporation's financial condition or results of operations.

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 Corporation may be subject to in connection with the Corporation's operations. Some of the Corporation's directors, the senior management and Dundee Corporation 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 Corporation and its subsidiaries, and situations may arise where the directors or senior management may be in competition with the Corporation. Further, no assurances can be given that opportunities identified by such board members or officers will be provided to the Corporation. Conflicts, if any, will be subject to the procedures and remedies set out under applicable corporate and securities laws.

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 2017 Consolidated Financial Statements.

CONTROLS AND PROCEDURES

In connection with exemption orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer and the Chief Financial Officer of the Corporation will file a Venture Issuer Basic Certificate with respect to the financial information contained in the 2017 Audited Financial Statements and in the accompanying MD&A.

In contrast to the certificate that would be issued in accordance with the Canadian Securities Administrators' National Instrument 52-109, the Venture Issuer Basic Certification includes a "Note to Reader" stating that the Chief Executive Officer and Chief Financial Officer do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109.

Notwithstanding the filing of a Venture Issuer Basic Certificate, the Corporation makes significant efforts to maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In addition, the Chief Executive Officer and Chief Financial Officer have designed controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in compliance with IFRS. The Chief Executive Officer and Chief Financial Officer have evaluated whether there were any changes to the Corporation's control over financial reporting during 2017 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.

It should be noted that while the Corporation's Chief Executive Officer and the Chief Financial Officer believe that the Corporation's disclosure controls and procedures provide a reasonable level of assurance that they are effective, there are inherent limitations in all internal control systems and no disclosure controls and procedures or internal control over financial reporting will provide complete assurance that no future errors or fraud will occur. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met.

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: expectations regarding the Corporation's ability to raise capital or to successfully complete a SSP; volatility of commodity prices; 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 "resources" or "reserves" 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 the Corporation's ability to continue as a going concern; exploration, development and production; pending legal actions; financial and business prospects and financial outlook; performance characteristics of the Corporation's oil and natural gas properties; the Corporation's capital expenditure programs and other risk factors discussed or referred to in the section entitled "*Business Risks*" in this MD&A 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 2018 and beyond. These assumptions include: the ability of the Corporation to obtain financing on acceptable terms; 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; 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 2018 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 this MD&A 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 may be accessed through the SEDAR website at www.sedar.com and the Corporation's website at www.dundee-energy.com.

Toronto, Ontario

March 5, 2018