DUNDEE ENERGY LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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 April 25, 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") and the unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2018 (the "March 2018 Interim Consolidated Financial Statements"), which have been prepared using International Financial Reporting Standards ("IFRS"). All amounts in this MD&A 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.

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 March 31, 2018, 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.

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 volatile 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. During the three months ended March 31, 2018, 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 March 2018 Interim Consolidated Financial Statements as assets and liabilities of discontinued operations held for sale.

On April 20, 2018, the Corporation announced that a purchaser for substantially all of the assets of DELP had been identified. The transaction remains subject to approval by the Court.

The Corporation's March 2018 Interim 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. 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 these unaudited condensed interim consolidated financial statements. These differences could be material.

PERFORMANCE MEASURES AND BASIS OF PRESENTATION

The Corporation's March 2018 Interim 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

Three months ended March 31, 2018 compared with the three months ended March 31, 2017

Consolidated Net Loss

During the three months ended March 31, 2018, the Corporation incurred a net loss attributable to owners of the parent of $1.1 million, or a net loss of $0.01 per share. This compares with a net loss attributable to owners of the parent of $33,000 incurred in the same period of the prior year.

The $1.1 million net loss attributable to owners of the parent incurred during the three months ended March 31, 2018 includes net earnings of $0.5 million associated with the Corporation's continuing operations (three months ended March 31, 2017 – loss of $0.2 million), offset by a net loss of $1.6 million (three months ended March 31, 2017 – earnings of $0.2 million) associated with the Corporation's southern Ontario operations which are currently subject to a sales solicitation process and are therefore considered discontinued operations.

For the three months ended March 31,		2018				2017
	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	$ 224	$ 224	$ -	$ 85	$ 85	$ -
Loss from investment in preferred shares of Eurogas International	(317)	(317)	-	(317)	(317)	-
Castor Project	799	591	208	(40)	(30)	(10)
Net earnings (loss) from continuing operations	**706**	**498**	**208**	**(272)**	**(262)**	**(10)**
Discontinued operations:						
Southern Ontario	(1,614)	(1,614)	-	229	229	-
Net loss for the period	**$ (908)**	**$ (1,116)**	**$ 208**	**$ (43)**	**$ (33)**	**$ (10)**
Basic and diluted net loss per share						
Continuing operations		$ -			$ -	
Discontinued operations		(0.01)			-	
		$ (0.01)			$ -	

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 the three months ended March 31, 2018, sales of oil and natural gas, net of royalty interests, were $5.6 million, a decrease of $0.3 million when compared with net sales of $5.9 million earned during the same period of the prior year. The decrease is due to the combined effect of lower realized prices for underlying commodities and lower production volumes

	Natural Gas	Oil and Liquids	Total
Net Sales			
Three months ended March 31, 2018	$ 3,081	$ 2,497	$ 5,578
Three months ended March 31, 2017	3,764	2,182	5,946
Net (decrease) increase in net sales	**$ (683)**	**$ 315**	**$ (368)**
Effect of changes in production volumes	$ (235)	$ (78)	$ (313)
Effect of changes in commodity prices	(448)	393	(55)
	$ (683)	$ 315	$ (368)

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

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 the three months ended March 31, 2018 and 2017, and provide a comparison of relative changes in benchmark price indicators for such commodities during the respective periods.

For the three months ended March 31,		2018			2017	
	Sales	Realized Unit Price		Sales	Realized Unit Price	
Natural gas	$ 3,620	$ 4.19	Mcf	$ 4,408	$ 4.78	Mcf
Oil	2,934	78.05	bbl	2,569	65.47	bbl
Liquids	10	41.46	bbl	-	-	bbl
	6,564			6,977		
Less: Royalties at 15% (2017 – 15%)	(986)			(1,031)		
Net sales	**$ 5,578**			**$ 5,946**		

For the three months ended March 31,			2018			2017
	US$	CAD$	Realized Prices ($)	US$	CAD$	Realized Prices ($)
Natural Gas (per Mcf)						
Dawn Hub	3.03	3.80	4.19	3.21	4.25	4.78
NYMEX Henry Hub	3.08	3.87		3.02	3.99	
Oil (per bbl)						
Canadian Light Sweet	n/a	70.09	78.05	n/a	64.74	65.47
West Texas Intermediate	62.91	78.94		51.62	68.32	

During the three months ended March 31, 2018, the Corporation realized an average price on sales of natural gas of $4.19/Mcf, approximately 12% lower than the realized average sales price of $4.78/Mcf earned during the same period of the prior year. The decrease is consistent with an 11% decrease in the Canadian dollar-denominated price for natural gas at the Dawn Hub, although the Corporation's actual realized price continues to benefit from its proximity to these facilities.

During the first three months of 2018, the Corporation realized an average price of $78.05/bbl on sales of crude oil, a 19% increase from the average price of $65.47/bbl realized during the same period of the prior year. In comparison, the price of Canadian light sweet crude oil increased by 8%, while the US dollar-denominated West Texas Intermediate price for this commodity increased by 22%.

Derivative Financial Instruments – Price Risk Management

There were no outstanding commodity swap derivative contracts outstanding at March 31, 2018 and December 31, 2017, as investments in derivative financial instruments are no longer permitted under the terms of DELP's lending arrangements. During the first quarter of the prior year, DELP realized a gain of $0.8 million from outstanding derivative contracts.

Production Volumes

During the first three months of 2018, production volumes decreased to an average of 2,021 boe/d, compared with an average of 2,142 boe/d produced in the same period of 2017. 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 three months ended March 31,	2018	2017
Natural gas (Mcf/d)	9,598	10,238
Oil (bbls/d)	418	436
Liquids (bbls/d)	3	-
Total (boe/d)	2,021	2,142

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 the first quarter of 2018, DELP incurred production expenditures of $2.3 million or $12.63/boe, a decrease of $0.2 million from production expenditures of $2.5 million or $12.97/boe incurred in the same period of the prior year. Decreases in production expenditures reflect a deferral of discretionary expenditures in order to accommodate DELP's limited financial resources.

For the three months ended March 31,						2018						2017
		Natural Gas		Oil and Liquids		Total		Natural Gas		Oil and Liquids		Total
Production expenditures	$	1,304	$	992	$	2,296	$	1,485	$	1,015	$	2,500
Production expenditures		(per Mcf)		(per bbl)		(per boe)		(per Mcf)		(per bbl)		(per boe)
per unit	$	1.51	$	26.21	$	12.63	$	1.61	$	25.86	$	12.97

Field Level Cash Flows and Field Netbacks

For the three months ended March 31,						2018						2017
		Natural Gas		Oil and Liquids		Total		Natural Gas		Oil and Liquids		Total
Total sales	$	3,620	$	2,944	$	6,564	$	4,408	$	2,569	$	6,977
Royalties		(539)		(447)		(986)		(644)		(387)		(1,031)
Production expenditures		(1,304)		(992)		(2,296)		(1,485)		(1,015)		(2,500)
		1,777		1,505		3,282		2,279		1,167		3,446
Realized loss on derivative financial instruments		-		-		-		(366)		-		(366)
Field level cash flows	**$**	**1,777**	**$**	**1,505**	**$**	**3,282**	**$**	**1,913**	**$**	**1,167**	**$**	**3,080**

For the three months ended March 31,						2018						2017
		Natural Gas		Oil and Liquids		Total		Natural Gas		Oil and Liquids		Total
		$/Mcf		$/bbl		$/boe		$/Mcf		$/bbl		$/boe
Total sales	$	4.19	$	77.80	$	36.11	$	4.78	$	65.47	$	36.19
Royalties		(0.62)		(11.82)		(5.43)		(0.70)		(9.88)		(5.35)
Production expenditures		(1.51)		(26.21)		(12.63)		(1.61)		(25.86)		(12.97)
		2.06		39.77		18.05		2.47		29.73		17.87
Realized loss on derivative financial instruments		-		-		-		(0.40)		-		(1.90)
Field netbacks	**$**	**2.06**	**$**	**39.77**	**$**	**18.05**	**$**	**2.07**	**$**	**29.73**	**$**	**15.97**

Field level cash flows from natural gas operations, before the effect of derivative financial instruments, decreased to $1.8 million or $2.06/Mcf, compared with field level cash flows of $2.3 million or $2.47/Mcf in the same period of the prior year, reflecting both lower production volumes, as well as lower realized prices.

Field level cash flows from oil and liquids increased to $1.5 million during the first three months of 2018, compared with field level cash flows of $1.2 million in the same period of the prior year. On a per unit basis, field netbacks from oil and liquids production were $39.77/bbl during the first three months of 2018, an increase from field netbacks from oil and liquids production of $29.73/bbl during the same period of the prior year. These increases were primarily driven by improved prices for oil, offset by lower production volumes.

During the first quarter of the prior year, field level cash flows were impacted by $0.4 million of realized losses from derivative financial instruments, reducing field netbacks by $0.40/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 volatile 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. At March 31, 2018, 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 March 31, 2018, DELP's estimate of these future costs on an undiscounted basis is approximately $91.4 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 March 31, 2018, the discounted amount of DELP's decommissioning liabilities was $51.0 million. The discount used in calculating DELP's decommissioning liabilities is accreted over time. During the three months ended of March 31, 2018, DELP incurred accretion expense of $0.3 million (three months ended March 31, 2017 – $0.3 million) related to the carrying value of its decommissioning liabilities.

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 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.

CLP had previously initiated binding arbitration proceedings against ACS as to the sharing of cash flows from the Castor Project. On March 27, 2017, the Corporation announced that the arbitral tribunal of the International Chamber of Commerce had 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. The Corporation has determined that it will not seek any remedies in respect of the decision rendered by the tribunal.

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.

The Corporation accounts for its investment in Escal using the equity method. At March 31, 2018 and December 31, 2017, 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 March 31, 2018 (December 31, 2017 – $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. A more detailed description of the Corporation's investment in Escal is provided in the MD&A

accompanying the 2017 Consolidated Financial Statements under *"Significant Projects – Castor UGS Limited Partnership and the Castor Project"*.

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 the three months ended March 31, 2018, the Corporation provided for an impairment loss relating to its investment in Eurogas International of $0.3 million (three months ended March 31, 2017 – $0.3 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. In April 2018, DNO advised the Corporation that it is considering options for its Tunisian assets.

Other Items in Consolidated Net Earnings

General and Administrative Expenses

During the first quarter of 2018, the Corporation reversed a previously accrued legal expense of $0.9 million related to its investment in the Castor Project. After adjusting for this amount, general and administrative expenses from continuing operations were $0.1 million in the first quarter of 2018, a decrease compared with expenses of $0.2 million in the same period of the prior year.

General and administrative expenses from discontinued operations during the first three months of 2018 were $1.7 million, compared with general and administrative expenses of $0.8 million in the first quarter of the prior year. The increase reflects costs related to the ongoing SSP.

Interest Expense

DELP incurred interest expense of $1.4 million during the three months ended March 31, 2018, compared with interest expense of $1.3 million incurred during the same period of the prior year. Included in interest expense is $0.3 million (three months ended March 31, 2017 – $0.3 million) of accretion expense associated with its decommissioning liabilities, with the balance of interest expense incurred predominantly on borrowings pursuant to its credit facility.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2018	2017				2016		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Revenues								
Discontinued operations	$ 5,578	$ 5,255	$ 5,370	$ 5,859	$ 5,946	$ 5,933	$ 5,449	$ 4,698
Net (loss) earnings attributable to owners of the parent								
Continuing operations	498	(1,489)	(3,492)	5	(262)	(174)	(1,012)	1,191
Discontinued operations	(1,614)	(2,384)	(35,713)	(544)	229	(6,592)	(1,099)	(8,494)
	$ (1,116)	$ (3,873)	$ (39,205)	$ (539)	$ (33)	$ (6,766)	$ (2,111)	$ (7,303)
Basic and fully diluted (loss) earnings per share								
Continuing operations	$ -	$ (0.01)	$ (0.02)	$ -	$ -	$ -	$ (0.01)	$ 0.01
Discontinued operations	(0.01)	(0.01)	(0.19)	-	-	(0.04)	-	(0.05)
	$ (0.01)	$ (0.02)	$ (0.21)	$ -	$ -	$ (0.04)	$ (0.01)	$ (0.04)
Capital expenditures before disposals								
Discontinued operations	$ 33	$ 42	$ 53	$ 31	$ 408	$ 36	$ 38	$ 189

- 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.
- 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:

	2018	2017				2016		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Changes in the fair value of derivative financial instruments	$ -	$ 66	$ 93	$ 341	$ 799	$ (1,360)	$ 269	$ (1,580)

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 March 31, 2018, 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 March 31, 2018, 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, volatile 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. During the three months ended March 31, 2018, 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.

On April 20, 2018, the Corporation announced that a purchaser for substantially all of the assets of DELP had been identified. The transaction remains subject to approval by the Court.

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 March 31, 2018, the Corporation had cash of $88,000 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

At March 31, 2018 and April 25, 2018, the Corporation had 188,083,836 common shares outstanding. In addition, at March 31, 2018, 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, COMMITMENTS AND CONTINGENCIES

Other than as may be disclosed elsewhere in this MD&A, there have been no significant changes in the nature of off balance sheet arrangements, commitments and contingencies from those described in Note 19 to the 2017 Consolidated Financial Statements and as described under "*Off Balance Sheet Arrangements*" and "*Commitments and Contingencies*" in the Corporation's MD&A as at and for the year ended December 31, 2017.

RELATED PARTY TRANSACTIONS

Other than as described in Note 16 to the March 2018 Interim Consolidated Financial Statements, there are no significant changes in the nature and scope of related party transactions to those described in Note 18 to the 2017 Consolidated Financial Statements and the accompanying MD&A.

BUSINESS RISKS

There are a number of inherent risks associated with the Corporation's activities. These risks are described in the Corporation's MD&A as at and for the year ended December 31, 2017. At March 31, 2018, the Corporation had not identified any material changes to the risk factors affecting its business, and its approach to managing those risks, from those discussed in the document referred to above. 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 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 March 2018 Interim Consolidated 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 the three months ended March 31, 2018 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 the Corporation's annual MD&A accompanying the 2017 Consolidated Financial Statements 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
April 25, 2018