



DUNDEE
ENERGY LIMITED

ANNUAL INFORMATION FORM

FEBRUARY 15, 2012

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS.....	1
GLOSSARY	3
ABBREVIATIONS	5
CONVERSIONS.....	6
REPORTING CURRENCY, FINANCIAL AND RESERVE INFORMATION	7
CORPORATE STRUCTURE	8
Name, Address and Incorporation	8
Intercorporate and Other Relationships	8
GENERAL DEVELOPMENT OF THE BUSINESS	9
Three Year History	9
DESCRIPTION OF THE BUSINESS	12
General	13
Production and Services	18
BUSINESS PLAN AND CORPORATE STRATEGY OF DUNDEE ENERGY	19
Employees	20
Social and Environmental Policies	20
INDUSTRY CONDITIONS, TRENDS AND ENVIRONMENTAL MATTERS	20
Industry Conditions	20
Trends	22
Environmental Regulation	22
DIVIDENDS.....	22
DESCRIPTION OF CAPITAL STRUCTURE	22
Common Shares	23
Preferred Shares	23
MARKET FOR SECURITIES	23
Trading Price and Volume	23
NORMAL COURSE ISSUER BID.....	24
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER.....	24
DIRECTORS AND OFFICERS	24
Description of Each Director's and Officer's Activities	26
Cease Trade Orders, Bankruptcies, Penalties or Sanctions	27
Conflicts of Interest	28
PROMOTERS	28
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	29
Legal Proceedings	29
Regulatory Actions	29
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	29
TRANSFER AGENT AND REGISTRAR.....	29
MATERIAL CONTRACTS.....	30
INTERESTS OF EXPERTS	30
Names of Experts.....	30
Interests of Experts	30
AUDIT COMMITTEE INFORMATION	31

Audit Committee Charter.....	31
Composition of the Audit Committee	31
Relevant Education and Experience.....	31
Reliance on Certain Exemptions.....	31
Audit Committee Oversight	32
Pre-Approval Policies and Procedures	32
External Auditor Service Fees	32
RISK FACTORS.....	32
ADDITIONAL INFORMATION	40

FORWARD-LOOKING STATEMENTS

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

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

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including: risks related to the exploration, development and production of oil and gas, uncertainty of reserve estimates, project development risks, reliance on operators, management and key personnel, the cyclical nature of the oil and gas business, dependence on a small number of customers, the need for additional funding to execute on further exploration and development work, the granting of operating permits and licenses, and other risk factors discussed or referred to in the section entitled "Risk Factors" in this AIF and other documents filed from time to time with the securities administrators, all of which may be accessed on SEDAR at www.sedar.com. These statements are only predictions, not guarantees, and actual events or results may differ materially. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Forward-looking statements and other information contained herein concerning the oil and gas industry and the Company's general expectations concerning this industry is based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

In addition, a number of assumptions were made by the Company in connection with certain forward-looking information and forward-looking statements for 2011 and beyond included in this AIF. These assumptions include: the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which the Company has an interest to operate such projects in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable

terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and/or exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; the ability of the Company to successfully market its oil and natural gas products; estimates on global industrial production in key geographic markets; global oil and natural gas demand and supply; that the Company will not have any labour, equipment or other disruptions at any of its operations of any significance in 2011 other than any planned maintenance or similar shutdowns and that any third parties on which the Company is relying will not experience any unplanned disruptions; that the reports it relies on for certain of its estimates are accurate; and that the above mentioned risks and the risk factors described elsewhere in this AIF do not materialize.

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

GLOSSARY

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

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

“**ACS Transaction**” means the agreements entered into by the Company with ACS and Enagas on December 20, 2007;

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

“**AJM**” means AJM Petroleum Consultants;

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

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

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

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

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

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

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

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

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

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

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

“**Credit Facility**” means the bank loan revolving credit facility and operating line dated June 29, 2010 of up to \$80 million which was provided directly to DELP by a banking syndicate led by the Bank in respect of the DELP Acquisition as amended June 6, 2011;

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

“**DELP Acquisition**” means the acquisition by DELP of the Southern Ontario Assets on June 29, 2010;

“**Delta**” means Delta Hydrocarbons B.V.;

“Development Concession” means the development concession granted on June 5, 2008, which replaced the exploration permit relating to the Castor Project and which allows Escal to construct and utilize the Castor Project;

“DSU Plan” means the deferred share unit plan of the Company;

“Dundee” means Dundee Corporation, an asset management company;

“Dundee Energy” means Dundee Energy Limited;

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

“Enagas” means Enagas, S.A.;

“EPC Contractor” means the engineering, procurement and construction contractor in respect to the Castor Project;

“Escal” means Escal UGS S.L.;

“Eurogas International” means Eurogas International Inc.;

“FEED Study” means the Front End Engineering and Design Study initiated in 2006 by ACS pursuant to a contract between Escal and ACS;

“GAAP” means Canadian generally accepted accounting principles;

“GHG” means greenhouse gas;

“Great Plains” means Great Plains Exploration Inc.;

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

“NEB” means the National Energy Board of Canada;

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

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

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

“NI 58-101” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators;

“NP 58-201” means National Policy 58-201 – *Corporate Governance Guidelines* of the Canadian Securities Administrators;

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

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

“**PWC**” means PricewaterhouseCoopers LLP;

“**REB-3 well**” means the well drilled on the Ras-El-Besh prospect within the Sfax Permit;

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

“**Salek**” means Salek Oil Limited;

“**Seawolf**” means, collectively, Seawolf Oilfield (Cyprus) Limited and Seawolf Oilfield Services Limited;

“**Sfax Permit**” means the Sfax offshore exploration permit covering 908,425 acres located in the shallow Mediterranean waters in the Gulf of Gabes, offshore Tunisia and southeast of the city of Sfax;

“**SIP Plan**” means the share incentive plan of the Company;

“**Southern Ontario Assets**” means the 95% working interest in onshore oil properties, a 65% working interest in offshore gas properties and certain other assets, as more particularly described in the section entitled “*Description of the Business – General – Southern Ontario Assets*”, all located in and around Lake Erie in Ontario, acquired by DELP, a wholly-owned limited partnership of the Company on June 29, 2010;

“**Storage Facility**” means the proposed underground gas storage facility being developed in connection with the Castor Project;

“**Torque**” means Torque Energy Inc.;

“**Torque Acquisition**” means the acquisition by the Company of all of the outstanding common shares of Torque;

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

“**TSX-V**” means the TSX Venture Exchange.

ABBREVIATIONS

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

Oil and Natural Gas Liquids		Natural Gas	
Bbl	barrel	Mcf	thousand cubic feet
Bbls	barrels	MMcf	million cubic feet
Mbbls	thousand barrels	Mcf/d	thousand cubic feet per day
MMbbls	million barrels	MMcf/d	million cubic feet per day
Mstb	1,000 stock tank barrels	MMbtu	million British Thermal Units
Bbls/d	barrels per day	Bcf	billion cubic feet
BOPD	barrels of oil per day	GJ	Gigajoule

Oil and Natural Gas Liquids		Natural Gas	
NGLs	natural gas liquids	MM	Million
STB	stock tank barrel		

Other	
API	an indication of the specific gravity of crude oil measured on the API gravity scale
BOE or boe	barrel of oil equivalent is a unit of energy based on the approximate energy released by burning one barrel of crude oil. Six thousand cubic feet of natural gas is the approximate energy equivalent of 1 barrel of oil. This conversion factor is an industry accepted norm and is not based on current prices.
BOE/d	barrel of oil equivalent per day
bpd	barrels per day
GCA	gas cost allowance
m3	cubic metres
MBOE	1,000 barrels of oil equivalent
\$000s	thousands of dollars
\$M	thousands of dollars
\$MM	millions of dollars
MBOE	1,000 barrels of oil equivalent
Mcfe	thousand cubic feet of gas equivalent

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

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

CONVERSIONS

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

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls oil	6.289
Feet	Metres	0.305

To Convert From	To	Multiply By
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

REPORTING CURRENCY, FINANCIAL AND RESERVE INFORMATION

The information in this AIF is presented as at December 31, 2011 unless otherwise indicated.

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

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

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

Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production and the date of resumption of production must be known with reasonable certainty.

Gross reserves represent the Company's working interest before deducting royalties and without including any royalty interests.

Net reserves represent the Company's working interest after deduction of royalty obligations, plus royalty interest in 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.

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.

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. The undeveloped reserves must

fully meet the requirements of the reserves classification (proven, probable, possible) to which they are assigned.

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

CORPORATE STRUCTURE

NAME, ADDRESS AND INCORPORATION

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

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

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

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

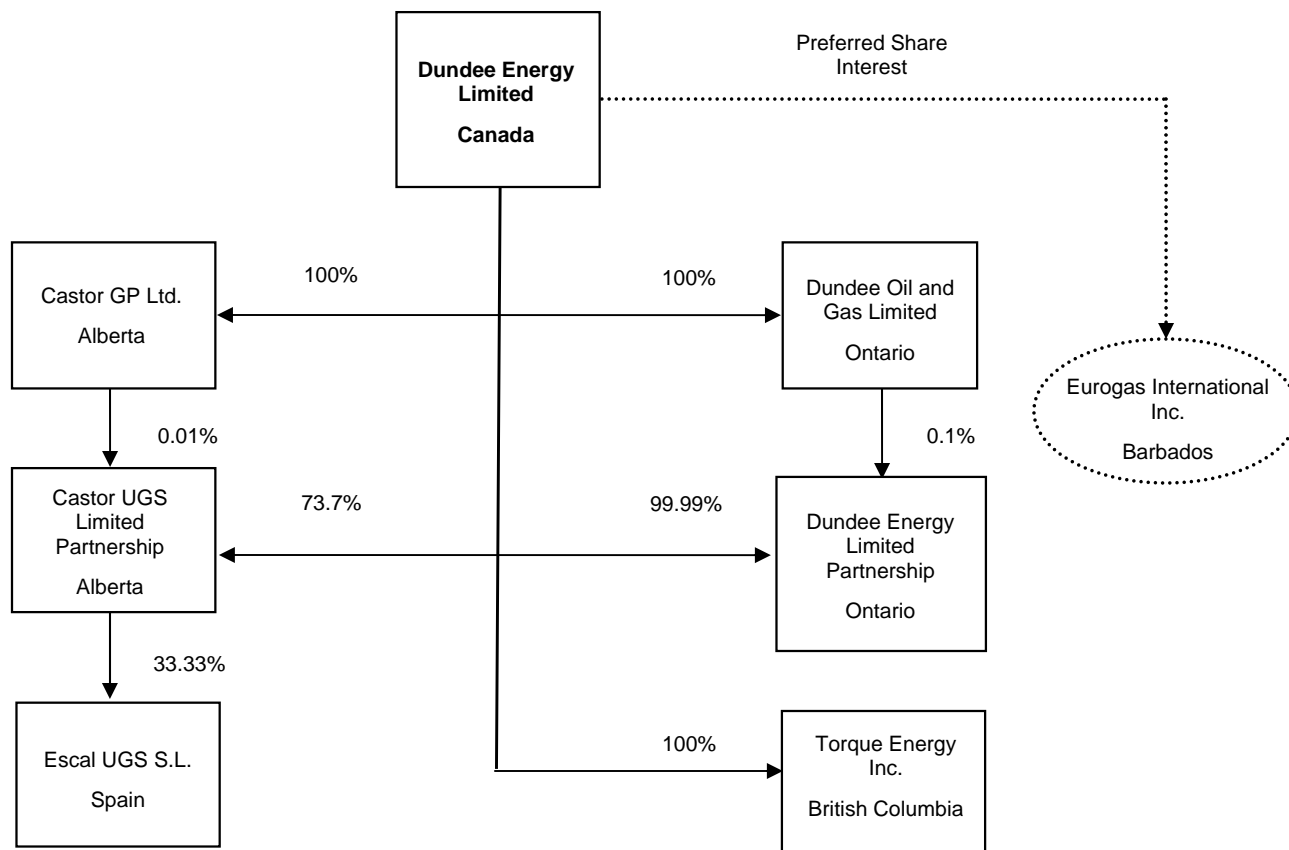
The Company's head office is located at Dundee Place, 1 Adelaide Street East, Suite 2100, Toronto, Ontario, Canada, M5C 2V9 and its registered office is located at Suite 250, 435 – 4th Avenue SW, Calgary, Alberta, Canada, T2P 3A8.

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

INTERCORPORATE AND OTHER RELATIONSHIPS

Intercorporate Relationships

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



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

Other Relationships

As at the date hereof, Dundee owned, directly and indirectly, an approximate 56.6% equity interest in Dundee Energy. Dundee Resources is a wholly-owned subsidiary of Dundee that provides technical support to, among others, Dundee Energy in evaluating potential investments in companies engaged in the mining and energy sectors, preparing due diligence and research reports in connection with such investments and monitoring the ongoing performance of various investments.

GENERAL DEVELOPMENT OF THE BUSINESS

THREE YEAR HISTORY

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

2009 Highlights

- During 2009, all secondary permits relating to the Castor Project were received, with the exception of the Administrative Authorization Permit.
- During 2009, ACS in its capacity as the EPC contractor, awarded most of the major sub-contracts, including the contract for the construction and the transportation of the two offshore platforms, the drilling of 12 offshore wells and the EPC contractor of the onshore facilities. The formal notice to proceed was issued by ACS to the contractors in March 2009.
- In July 2009, Escal and its shareholders engaged a group of banks including Banco Español de Crédito, S.A., Caja de Ahorros y Monte de Piedad de Madrid, Banco Santander, S.A. and Société Générale to lead a process to arrange for the financing of the construction and commissioning of the Castor Project offshore and onshore facilities. The process of procuring potential participants in the financing syndicate was initiated.
- In August 2009, the Company approved a request by Eurogas International to defer entitlement to payment of the cumulative 4% cash dividends payable on the Preferred Shares until December 31, 2011.

During 2009, Eurogas International made the following progress:

- In January 2009, the Tunisian Hydrocarbon Committee approved a two year extension to the Sfax Permit that extends the primary term to December 8, 2011.
- In May 2009, Eurogas International and APEX reached a settlement agreement with Delta following Delta's request to exit the farmout agreement in advance of having expended the required US\$125 million. The settlement agreement provides Delta with entitlement to certain payments, if and when received by the joint venture, of up to a maximum of US\$20 million.
- Upon completion of drilling and testing the REB-3 well in June 2009, a request was made and approval obtained from the Tunisian government to temporarily suspend the well and release the drilling rig.
- In 2009, parties to the Sfax Permit commenced arbitration proceedings against Seawolf seeking damages for misrepresentations and breach of a drilling contract in respect of the REB-3 well.

2010 Highlights

- On June 29, 2010, DELP acquired the Southern Ontario Assets from Talisman Energy Canada. The Company paid an aggregate of approximately \$131.7 million for the acquisition, net of closing adjustments. Approximately \$67.8 million of the purchase price was funded using the Company's working capital. The balance of the net purchase price, being approximately \$63.9 million, was provided through drawing on the Credit Facility, as further described below.
- In connection with the acquisition of the Southern Ontario Assets, on June 29, 2010, the Company arranged for the establishment of an \$80.0 million Credit Facility, including a \$20.0 million operating facility. See the section entitled "*Description of the Business – General – Southern Ontario Assets*" for further details.

- The routing of the subsea pipeline from the shore to the site of the onshore facilities of the Castor Project was established and the necessary rights of way were granted as part of the Administrative Authorization Permit received in June 2010. Earth works commenced in mid-February 2010. Enagas has been contracted and will pay for the construction of the pipeline needed to connect the onshore facilities to the national gas pipeline grid.
- Effective July 12, 2010, the Company's Tier 2 classification on the TSX-V was changed to "Tier 1 – Oil & Gas Issuer".
- On July 22, 2010, Escal announced that it had entered into a €1.3 billion project financing arrangement with a syndicate of 19 banks to support the cost of the Castor Project. The remaining €0.2 billion will be funded through equity financing from ACS in accordance with the shareholders' agreement between the shareholders of Escal.
- In September 2010, the offshore wellhead platform for the Castor Project was installed on location and drilling operations commenced.
- In May 2010, APEX, Eurogas International's joint venture partner in the Sfax Permit, settled the Seawolf arbitration proceedings on behalf of the joint venture for US\$12 million to be received over an 18 month period. During 2010, Eurogas International received cash of \$2.1 million (US\$2.1 million) relating to such settlement and recognized further amounts receivable of \$1.5 million (US\$1.5 million), as its share of the expected settlement proceeds. See the section entitled "*Legal Proceedings and Regulatory Actions – Legal Proceedings*" for further details.

2011 Highlights

- On February 2, 2011, the Company announced that the TSX had approved the listing of the common shares of the Company. The listing of the common shares on the TSX under the symbol "EUG" occurred at the opening of trading on February 4, 2011.
- The Company established a normal course issuer bid ("Bid") through the TSX effective from April 1, 2011 to March 31, 2012. Throughout 2011, the Company purchased 33,512 Common Shares under the Bid at an aggregate cost of \$28,385.32. All Common Shares purchased under the Bid were cancelled, in accordance with the policies and rules of the TSX.
- Effective June 15, 2011, the Company changed its name to Dundee Energy Limited to properly reflect all of the business operations of the Company in the energy sector, in both Canada and Europe.
- On June 22, 2011, the Common Shares commenced trading on the TSX under the name Dundee Energy Limited with the new trading symbol "DEN".
- On August 4, 2011, Dundee Energy completed the acquisition of all of the outstanding common shares of Torque Energy Inc., a Canadian based oil and natural gas company with exploration, development and production activities. The Torque Acquisition is expected to provide the Company with efficiencies of scale by combining Torque's oil and natural gas interests with those of DELP, including interests in some of the same wells and fields. The aggregate purchase consideration for the Torque Acquisition was \$7.1 million and included a cash payment of \$6.0 million and the issuance of 1,346,926 common shares of the Company with a value of \$1.1 million. In connection with the Torque Acquisition, Dundee acquired 7,243,280 common shares of the Company by private placement. Torque held working interests in 47 wells, including 43 wells located in southern Ontario, that are located in relative proximity to the Company's existing oil and

natural gas interests held through DELP (collectively, the “Southern Ontario Assets”). Torque also held interests in four wells located in Alberta. At the time of the Torque Acquisition, net production volumes from the Torque assets included 85 bbl per day of oil and condensate as well as 300 Mcf per day of natural gas. At the time of the acquisition, management estimated, with the assistance of independent qualified reserves evaluators and engineers, proved reserves of 0.5 million barrels of oil with a reserve life index of 16.3 years, as well as 1.1 billion cubic feet of natural gas with a reserve life index of 10.4 years. In June 2010, Torque had entered into an agreement with Union Gas, which provided Union Gas with the right to develop new gas storage capacity in the Trenton Reservoir located within the Dover East field, where Torque held a 50% non-operating working interest. In exchange, Torque will receive cash payments that are tied to the developmental work undertaken by Union Gas for gas storage. Notwithstanding the transaction with Union Gas, Torque retained the right to further explore, drill and produce oil from all new and certain existing wells within the Dover East field, subject to maintaining the integrity of the designated storage reservoir. The assets acquired pursuant to the Torque Acquisition were transferred to DELP on December 1, 2011.

- The Castor Project continues to progress on schedule and substantially within the approved engineering, procurement and construction budget, reaching an overall completion rate of approximately 95% at December 31, 2011. The offshore processing platform, which was constructed in the United States, was shipped and received at the project site in November 2011, and has been installed and connected to the offshore wellhead platform by way of an interconnecting bridge. Commissioning of systems and equipment tie-ins are progressing as anticipated.
- In January 2011, Eurogas International announced that it had declared a condition of Force Majeure with respect to the Sfax Permit and the related Ras-El-Besh concession, as it believes that the political uncertainty and civil unrest in Tunisia adversely affects its ability to continue exploration and evaluation activities in that region. Eurogas International has indicated that it believes that the declaration of Force Majeure will allow it and its partner to suspend their activities while the conditions resulting in the Force Majeure continue.
- On June 23, 2011, the Tunisian government extended the period of the Sfax Permit to December 8, 2012 without additional work commitments.

DESCRIPTION OF THE BUSINESS

Dundee Energy is a Canadian-based company whose common shares currently trade on the TSX under the symbol “DEN”. Dundee Energy is focused on creating long term value through the development and acquisition of high impact energy projects. Dundee Energy holds interests, both directly and indirectly, in: (i) the largest accumulation of producing oil and natural gas assets in Ontario, being the Southern Ontario Assets; (ii) the development of an offshore gas storage facility in Spain, being the Castor Project; and (iii) preferred shares of Eurogas International, an oil and gas exploration company that holds a 45% participating interest in the 908,425 acre Sfax permit located offshore Tunisia.

GENERAL

Southern Ontario Assets

On June 29, 2010, DELP, a wholly-owned limited partnership of the Company, acquired a 95% working interest in 65,000 acres of onshore oil properties and a 65% working interest in 902,000 acres of offshore gas properties, all located in and around Lake Erie in Ontario, referred to herein as the DELP Acquisition. As part of the DELP Acquisition and through the ownership of DELP, the Company also acquired a 65% interest in certain other assets, including an offshore fleet of drilling and completion barges, three gas plants and three compressor stations located onshore, and a 100% interest in onshore oil facilities. The DELP Acquisition also included the ownership or licensing of up to 14,680 km of 2-D seismic and 331 km² of 3-D seismic data.

Management, together with independent qualified reserves evaluators and engineers, estimated proved and probable reserves as at December 31, 2011 of 15,394 million boe ("Mboe") from an estimated opening reserve balance of 15,287 Mboe at the time of the acquisition of the Southern Ontario Assets. At the date of the DELP Acquisition, the Company estimated the reserve life index for natural gas and oil at 16.3 and 6.9 years, respectively. These reserves supply the Company with a stable foundation of high netback production with low risk development potential.

The DELP Acquisition further provides the Company with potential growth opportunities, including a significant number of development drilling locations, as well as opportunities for well re-completions and the optimization of the existing infrastructure system. Importantly, the DELP Acquisition has provided the Company with the potential for the development of gas storage reservoirs, the feasibility of which will require further evaluation.

The Company paid \$128.6 million for the acquisition of the Southern Ontario Assets. Approximately \$67.8 million of the purchase price was funded using the Company's working capital with the balance funded by drawing against the Company's Credit Facility.

The Credit Facility is structured as a revolving demand loan, subject to a tiered interest rate structure 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 DELP's option, at either the Bank's prime lending rate plus 3.0% for loans or letters of credit, or, for bankers' acceptances, at the Bank's then prevailing bankers' acceptance rate plus 4.0%. DELP is subject to a standby fee of 0.50% on unused amounts under the Credit Facility. The Credit Facility is secured against all of the oil and natural gas assets owned by DELP. In addition, the Company has assigned a limited recourse guarantee of its units in DELP as further security pursuant to the Credit Facility. The Credit Facility is subject to certain covenants, including maintenance of minimum levels of working capital. At December 31, 2011, the Company had drawn \$62.8 million against the Credit Facility and, as required by statute, it had further issued a letter of credit for approximately \$3.3 million in favour of the Ministry of Natural Resources in connection with future abandonment costs.

On December 1, 2011, the Company completed the integration of the assets acquired pursuant to the Torque transaction, including Torque's interest in the Union Gas transaction, with its existing operations in southern Ontario, providing the Company with efficiencies of scale.

A copy of each of the purchase and sale agreement relating to the DELP Acquisition and the Credit Facility are available under the Company's profile on SEDAR at www.sedar.com.

Reserves Information

In respect of the assets of DELP, Form 51-101F1 – *Statement of Reserves Data and Other Oil and Gas Information*, Form 51-101F2 – *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor* and Form 51-101F3 – *Report of Management and Directors on Oil and Gas Disclosure*, have been

filed under the Company's profile on SEDAR at www.sedar.com which are incorporated by reference herein.

The Company retained AJM, an independent qualified reserves evaluator to prepare a report on the Company's working interest of its oil and natural gas reserves in southern Ontario. The Company has a Corporate Governance and Reserves Committee which oversees the selection, qualifications and reporting procedures of the independent engineering consultants. Reserves at December 31, 2011 were determined using the guidelines and definitions set out under National Instrument 51-101. At December 31, 2011, the proved and probable reserves in southern Ontario, which includes the proved and probable reserves acquired from the Torque Acquisition, have increased 10% to 16,091 million boe ("Mboe") from an estimated opening reserve balance of 14,645 mboe at the end of 2010.

At December 31, 2010, the Company estimated the reserve life index for natural gas and oil at 15.5 years and 7.1 years, respectively. As at December 31, 2011, the reserve life index for oil remained unchanged at 7.1 years, while the reserve life index for natural gas increased to 17.1 years.

The Castor Project

The Castor Project involves the conversion of the abandoned Amposta oil field, located 22 kilometres off the eastern Mediterranean coast of Spain to the Storage Facility. The Company's 74% owned subsidiary, CLP, holds a 33% interest in the Castor Project through its investment in Escal, a Spanish corporation and the owner of the Development Concession (which authorizes the construction and utilization of the Castor Project), providing the Company with an effective 25% interest. The Company currently accounts for its investment in Escal on an equity basis.

The Castor Project will utilize the abandoned Cretaceous aged carbonate Amposta reservoir for gas storage, with gas injection scheduled to begin in May of 2012. The underground gas storage reservoir lies at a depth of 1,800 metres, approximately 22 kilometres off the east coast of Spain in the Mediterranean Sea. The Castor Project includes two offshore platforms; a wellhead platform for 13 wells and a processing platform for processing and other facilities, and an onshore gas treatment plant located in the municipality of Vinaroz. The onshore facilities and offshore processing platform will be linked by a 30-inch diameter pipeline that is 30 kilometres long, including 22 kilometres offshore. The Castor project was categorized as "A Urgent" in Spain's Energy Infrastructure Plan in 2006 and is one of the first underground gas storage projects being developed under Spain's current energy regulatory regime. Strategically located in a high demand region, it is expected to contribute approximately 25% to Spain's gas storage capacity.

In 2007, CLP entered into a series of agreements with ACS and Enagas. ACS is the largest construction group in Spain and one of the largest in the world and has a long tradition in building offshore infrastructure facilities. Enagas is Spain's top natural gas transportation company, the technical manager of the Spanish gas system and common carrier for the high pressure gas network in Spain.

Under the ACS Transaction, Escal issued shares to ACS in consideration of cash received of approximately \$5.1 million. The ACS Transaction increased ACS' ownership in Escal from 5% to 66.67%, reducing the interest of CLP to 33.33% from 95%. The ACS Transaction was conditional on the granting of the Development Concession which was received on June 5, 2008.

The ACS Transaction provided for the recovery by CLP of substantially all of the costs it had invested in the Castor Project, being approximately €29.7 million, subject to acceptance of the costs incurred into the Spanish remuneration system. CLP recovered €25.7 million (Cdn\$41.1 million) in 2008 and recovered an additional €1.4 million (Cdn\$2.3 million) in 2009.

The agreements relating to the ACS Transaction provide that no later than the acceptance of the Castor Project into the Spanish gas system, ACS will sell and Enagas will buy 50% of ACS' interest in Escal on a pre-established pricing formula at which point CLP, ACS and Enagas will each own 33.33% of the equity of Escal. In addition, and for a period of 180 days after that date, CLP may sell part or all of its shares in Escal.

to ACS and/or Enagas on essentially the same terms and conditions, including the pre-established pricing formula, as are offered to Enagas.

Upon commencing operations at the Storage Facility, Enagas will assume general responsibility for operations, including monitoring and analyzing the performance of ACS as the operations and maintenance contractor. In its capacity as technical manager of the Spanish gas system, Enagas will also issue instructions for the operation of the Storage Facility.

The agreement with ACS also provides that ACS will be responsible for all project financing through the construction phase and until commissioning of the Castor Project and its formal inclusion into the Spanish gas system. The development costs of the Castor Project are currently estimated at €1.6 billion, including construction, financing costs associated with the Castor Project and the procurement of cushion gas. These costs are subject to regulatory approval before they are included into the remuneration system. In July 2010, Escal completed a €1.3 billion project financing arrangement with a syndicate of banks to support the cost of the Castor Project. In accordance with the agreements between CLP and ACS, the balance of the funding required for the construction phase of the Castor Project will be borne by ACS. ACS is obligated to provide all equity or quasi-equity funding, as may be required pursuant to the financing arrangement. To provide security for the financing, CLP and ACS have pledged their respective shares in Escal to the banking syndicate. However, other than a pledge of its shares, CLP will not be required to provide any equity or debt funds or provide any warranties required by the project finance lenders. Notwithstanding the form by which ACS funds Escal, CLP's interest in Escal will at all times remain at 33.33% and CLP retains the right to 33.33% of all distributions from Escal.

During 2010 and 2011, Escal issued shares from treasury with a par value of €12,000. In order to maintain its 33.33% interest in Escal, CLP subscribed for one third of the newly issued par value shares at an aggregate cost of €4,000 (CDN\$6,000). ACS also contributed a share premium of €35.1 million and issued €48.8 million in subordinated loans. CLP has not recognized the benefit of its 33.33% interest in the share premium and the subordinated loans as the realization and measurement is subject to a number of risks and uncertainties, including but not limited to, execution risk associated with the construction of the project, the availability and terms of future financing arrangements and the 50 year life span of the project.

At December 31, 2011, the Castor Project continued to progress on schedule, reaching an overall completion rate of approximately 95% and substantially within the approved engineering, procurement and construction budget.

The offshore processing platform has been fully installed at location and has been connected to the offshore wellhead platform by way of an interconnecting bridge. Commissioning of systems and equipment tie-ins are progressing as anticipated.

The 13-well drilling program is essentially completed. The Castor 1 well, drilled 6 years ago, has been tied to the wellhead platform. The subsea pipeline, which connects the processing platform to the onshore pipeline, has been laid on the ocean floor. It has been tested and is in the process of being connected to the processing platform.

Construction of the onshore gas treatment plant is mostly complete, with many of the systems already transferred to the operations and maintenance contractors. The pipeline connecting Castor to the national high pressure grid has been completed by Enagas, as has the metering system within the Castor facility, also built by Enagas.

Regulatory Process

The Development Concession for the Castor Project received official approval from the Council of Ministers of the Spanish government on May 16, 2008 and was published in the official bulletin as Royal Decree 855/2008 on June 5, 2008. The Development Concession was the primary regulatory approval needed to develop the Castor Project. It establishes the Castor Project within the regulatory framework as entitled to receive remuneration.

The Development Concession was granted for an initial period of 30 years with two possible extensions of 10 years each, on the condition that the facilities must be completed within five years from the date of the grant of the Development Concession.

Remuneration for underground gas storage includes three components: (i) repayment of capital; (ii) return on investment; and (iii) payment for operating and maintenance expenses. The capital cost of the Castor Project is returned in equal payments over the useful life of the asset, which is set at 10 years for all facilities except for the cushion gas, which is set at 20 years. A provisional remuneration regime may be implemented for the period between the granting of the Development Concession and the start up of the facility, which would provide early cash flow. At the end of the useful life, the “cost of extension of useful life” payment commences at half the rate that was paid in the last year of the useful life and continues for the remaining period of the Development Concession, which has an initial term of 30 years with two extensions of 10 years each.

Return on investment is based on the net investment multiplied by the remuneration rate. The remuneration rate is equal to the Spanish government’s 10 year bond rate plus 3.5% and is set for the full useful life of the facility. As with repayment of capital, at the end of the useful life, the “cost of extension of useful life” payment will commence at half the rate that was paid in the last year of useful life and continues for the remaining period of the Development Concession. Payment for operating and maintenance includes both a fixed component and a variable component and is designed to cover actual operating and maintenance costs.

The Castor Project is to be a strategic facility within Spain’s gas infrastructure and as such it will be remunerated irrespective of the level of its utilization.

In addition to the Development Concession, the primary project permit, a number of secondary permits were filed on August 4, 2008, including the following:

- Environmental Impact Study, in order to secure the Environmental Impact Assessment, addressed to the Ministry of the Environment (Central Government).
- Integrated Environmental Authorization, related to the land on which the onshore plant will be located, addressed to the Department of the Environment, Government of the Region of Valencia.
- Concession for the Occupation of the Maritime-Terrestrial Public Domain, for the pipeline and offshore platforms, addressed to the Ministry of the Environment (Central Government).
- Public Utility Statement, to facilitate the acquisition of land required to build the facilities, addressed to the Ministry of Industry (Central Government).
- Administrative Authorization Permit, for all facilities, addressed to the Ministry of Industry (Central Government).

All of the secondary permits have now been received.

Preferred Share Interest in Eurogas International

Restructuring of Eurogas International

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

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

The Company has not advised Eurogas International of its intent with respect to exercising its right to the redemption of the Preferred Shares. The Company is entitled to demand payment of the associated cumulative dividends at anytime. As at December 31, 2011, Eurogas International had failed to pay the cumulative 4% dividend for eight quarters. Therefore, the Company is entitled to voting exclusively and separately as a series, to elect a majority of the members of the Board of Directors of Eurogas International. As at December 31, 2011, the cumulative dividends were \$4.4 million (2010 - \$3.1 million), representing outstanding dividends for more than eight quarters. As at December 31, 2011, the Company has not exercised its entitlement to elect a majority of the Board of Directors of Eurogas International.

Eurogas International's Tunisia Assets

Eurogas International is conducting exploration and evaluation programs for oil and natural gas in the shallow Mediterranean waters offshore Tunisia, where it holds a 45% working interest in the Sfax Permit. In 2003, Eurogas International entered into a joint operating agreement with APEX, a production sharing agreement with the Tunisian state oil company and a prospecting permit with the Tunisian government. Pursuant to these arrangements, Eurogas International and APEX agreed to undertake exploration, evaluation and extraction operations on the Sfax Permit. APEX is the operating partner in the joint venture arrangement.

In January 2011, Eurogas International announced that it had declared a condition of Force Majeure with respect to the Sfax permit and the related Ras El Besh concession, as Eurogas International believes that the political uncertainty and civil unrest in Tunisia adversely affects their ability to continue exploration and evaluation activities in that region. Eurogas International has indicated that it believes that the declaration of Force Majeure will allow Eurogas International and its partner to suspend their activities while the conditions resulting in the Force Majeure continue.

In June 2011, Eurogas International received approval from the Tunisian government for a one-year extension of the expiry date in respect of the Sfax permit to December 8, 2012 without any additional work commitments. Eurogas International and its joint venture partners are committed to drilling one exploration well prior to the maturity date, with depth to a specified geological zone. In the event such work commitment is not completed, a compensation payment of up to US\$12 million will be payable to the

Tunisian government by the joint venture partners, less certain amounts previously incurred by the joint venture partners associated with such obligation.

For a detailed description regarding Eurogas International's activities, please refer to Eurogas International's Management's Discussion & Analysis as at and for the audited financial year ended December 31, 2011, which disclosure is incorporated by reference herein.

PRODUCTION AND SERVICES

Following the DELP Acquisition, the Company began generating revenues and incurring expenses from production activities on the Southern Ontario Assets. As such, the nature of the Company's operations have changed significantly since 2009 at which time the Company's activities were limited to exploration and development of its Spanish interests.

Production Volumes

The Company's operating performance is dependent on production volumes of oil, natural gas and natural gas liquids, and the prices received for production volumes. Prices for these commodities may vary significantly from year to year and are determined by supply and demand factors, weather, general economic conditions and changes in foreign exchange rates. In 2011, the Company reported marginal increases to its average daily production volumes for natural gas, oil and natural gas liquids as tabled below. Natural gas production increased by 103 Mcf/d while oil and liquids production increased by 30 bbls/d. The increase is attributable to the Torque Acquisition and the addition of one new oil well adding 23 bbls/d and two new natural gas wells adding 450Mcf/d to production. However, these increases are partially offset by the natural decline in reserves.

Oil and Gas Sales

Revenues earned during the year ended December 31, 2011 were \$42.2 million compared with \$19.5 million earned in revenues in the prior year. During 2011, the Company incurred royalty payments of \$6.4 million (year ended December 31, 2010 - \$3.0 million). This resulted in a realized price of \$4.50/Mcf of natural gas and \$96.15/bbl of oil in 2011 in comparison to \$4.79/mcf and \$82.38/bbl in 2010. The change in realized prices year over year reflects increasing oil prices and decreasing natural gas prices, before factoring in the effect of risk management contracts. Revenues and expenses in the comparative period of the prior year represent only two full quarters of operations.

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

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

Dundee Energy does not have a reliance on raw materials, or any significant patents or licences, as it operates in an extractive industry. However, the extent of the Company's revenue may be affected by principal markets for hydrocarbon products, seasonality of products or marketing channels. Dundee Energy is also subject to government regulation of the oil and gas properties it holds and in the operations it conducts on those properties.

The Company's activities in respect of the Castor Project and Eurogas International's activities in Tunisia are in the development, exploration and evaluation stage and therefore, no operating revenues are currently generated from these activities.

For a detailed description regarding the Company's production and services activities and cash flows, please refer to the Company's Management Discussion and Analysis as at and for the year ended December 31, 2011.

BUSINESS PLAN AND CORPORATE STRATEGY OF DUNDEE ENERGY

Dundee Energy pursues a strategy of developing high quality long life energy assets with the goal of providing long term value for its shareholders. In its current stage of business development, the Company seeks to increase cash flow and shareholder value in a cost effective manner by focused exploration, exploitation and development drilling as well as operational efficiency. The Company's recent acquisitions of Torque and the Southern Ontario Assets is expected to further enhance shareholder value by adding production, reserves per share and efficiencies of scale.

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

- geological and geophysical analysis and interpretation to identify opportunities in its current asset base;
- operational efficiency to ensure maximization of values from its current proved reserves;
- ensuring adequate project financing to complete its strategic plan; and
- development of strategic alliances with partners and with governmental authorities in the jurisdictions in which it operates.

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

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

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

EMPLOYEES

Exploration, development and production of petroleum and natural gas resources requires specialized skills and knowledge in the areas of petroleum engineering, geophysics, geology and title. Dundee Energy has personnel with the required specialized skills and knowledge to carry out its current operations. While the current labour market in the industry is highly competitive, Dundee Energy expects to be able to attract and retain appropriately qualified employees for fiscal 2012.

Most of the Company's operations are carried out by employees of DELP. Employees of DELP carry out the Company's Ontario business. As of February 1, 2012, DELP had approximately 34 full time employees, plus various seasonal employees, including 26 unionized employees. The long term collective bargaining agreement in respect of the Company's unionized employees expires June 30, 2013. There can be no assurance that there will not be a labour conflict that could lead to an interruption or stoppage in operations in future periods.

The President and Chief Executive Officer of the Company, Mr. Jaffar Khan, has entered into a consulting contract with Eurogas International pursuant to which he also provides the Company with certain executive services. In addition, designated employees of Dundee Resources, an affiliate of the Company, provide services to the Company pursuant to a services arrangement.

SOCIAL AND ENVIRONMENTAL POLICIES

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

INDUSTRY CONDITIONS, TRENDS AND ENVIRONMENTAL MATTERS

INDUSTRY CONDITIONS

Competition

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

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

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

Pricing and Marketing

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

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

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

Industry Regulation

The oil and natural gas industry is subject to extensive controls and regulations imposed by various levels of government. In Canada, the various provincial governments have legislation and regulations that govern royalties, production rates, land tenure, environmental protection, climate controls and other matters. Although it is not expected that any of these controls and regulations will affect the operations of the Company in a manner materially different than they would affect other oil and natural gas companies of similar size, the controls and regulations should be considered carefully by investors in the oil and natural gas industry. Outlined below are some of the principal aspects of Canadian legislation and regulations governing the oil and natural gas industry. All current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted.

Provincial Royalties and Incentives

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

Land Tenure

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

annual rental payments. Where such interests are privately owned, rights to explore for and produce oil and natural gas are generally granted by lease on such terms and conditions as may be negotiated.

TRENDS

Over the past decade, Spain's energy industry has been restructured into a competitive market model, in accordance with policies of the European Union, and legislation and policies which have been developed by Spain's national government to implement this change. As a result of this change, as well as the growing use of natural gas to produce electricity, Spain's natural gas system has grown to be a dynamic industry experiencing rapid growth.

Strategically located natural gas storage of adequate capacity and daily deliverability is an important element of any modern natural gas industry. Storage meets daily and seasonal fluctuations, protects against supply disruption and reduces price volatility. Storage facilities are present at key supply and distribution hubs in North America and in the European Union, particularly in Germany and France. Spain's need for increased natural gas storage is particularly acute along the industrialized Mediterranean coast, Spain's largest and fastest growing natural gas consuming area.

ENVIRONMENTAL REGULATION

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

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

DIVIDENDS

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

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value, issuable in series.

As at the date of this AIF, there were 164,651,647 common shares of the Company issued and outstanding as fully paid and non-assessable and no preferred shares issued and outstanding.

COMMON SHARES

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

PREFERRED SHARES

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

MARKET FOR SECURITIES

TRADING PRICE AND VOLUME

Month	High (\$)	Low (\$)	Close (\$)	Volume (# of Shares)
December 2011	0.70	0.60	0.63	535,354
November 2011	0.75	0.64	0.68	270,502
October 2011	0.76	0.62	0.70	194,866
September 2011	0.71	0.61	0.70	85,514
August 2011	0.79	0.56	0.65	230,662
July 2011	0.83	0.76	0.77	257,448
June 2011	0.84	0.77	0.81	197,791
May 2011	0.94	0.75	0.84	249,944
April 2011	0.87	0.76	0.81	292,514
March 2011	0.96	0.76	0.88	357,368
February 2011	1.11	0.91	0.95	514,587
January 2011	1.18	0.89	1.01	495,934

NORMAL COURSE ISSUER BID

The Company established a normal course issuer bid ("Bid") through the TSX effective from April 1, 2011 to March 31, 2012. Throughout 2011, the Company purchased 33,512 Common Shares under the Bid at an aggregate cost of \$28,385.32. All Common Shares purchased under the Bid were cancelled, in accordance with the policies and rules of the TSX.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

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

DIRECTORS AND OFFICERS

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

Name & Residence ⁽¹⁾	Present Position(s) with the Company	Present Principal Occupation or Employment ⁽¹⁾	Director Since
Cameron G. Berry ⁽⁵⁾⁽⁶⁾ British Columbia, Canada	Director	Retired business person	July 26, 2010
David Bhungara Ontario, Canada	Chief Financial Officer	Chief Financial Officer of the Company	N/A
Derek H. L. Buntain ⁽³⁾⁽⁴⁾ Grand Cayman, Cayman Islands	Director	President, The Dundee Merchant Bank, a private bank	April 18, 1994
John Cowan Ontario, Canada	Director	President, Xtivity Inc.	September 20, 2011
Jonathan Goodman ⁽³⁾⁽⁵⁾ Ontario, Canada	Director	President and Chief Executive Officer, Dundee Precious Metals Inc., an operating mining company	May 1, 2002

Name & Residence⁽¹⁾	Present Position(s) with the Company	Present Principal Occupation or Employment⁽¹⁾	Director Since
Ned Goodman ⁽⁵⁾ Ontario, Canada	Chairman and Director	President, Chief Executive Officer and director of Dundee Corporation and President, Chairman, Chief Executive Officer, Chief Investment Strategist and director of Ned Goodman Investment Counsel Limited	February 26, 1996
Samuel W. Ingram ⁽²⁾⁽⁴⁾⁽⁶⁾ Ontario, Canada	Director	President of Durango Oils Ltd. and consultant	July 26, 2010
M. Jaffar Khan ⁽⁴⁾⁽⁵⁾ London, England	President and Chief Executive Officer and Director	President and Chief Executive Officer of the Company	May 1, 2002
Garth A. C. MacRae ⁽²⁾⁽³⁾⁽⁵⁾ Ontario, Canada	Director	Retired business person	April 18, 1994
Lucie Presot Ontario, Canada	Vice President	Chief Financial Officer of Dundee Corporation	N/A
Bruce Sherley Alberta, Canada	N/A ⁽⁷⁾	President of Dundee Oil and Gas Limited, an oil and gas company	N/A
Michael Smith ⁽²⁾⁽⁶⁾ Ontario, Canada	Director	Legal Counsel, Smith & Zoldhelyi	October 16, 2008

Notes:

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

⁽²⁾ Member of the Audit Committee.

⁽³⁾ Member of the Compensation Committee.

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

⁽⁵⁾ Member of the Executive Committee.

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

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

Each of the persons named above has been employed in his or her present capacity or other executive position with the same firm or company or affiliates thereof for at least the last five years, except for Mr. Bhungara who, from February to September 2009, held the position of Chief Financial Officer with Eplco Realty Group Inc. and who from August 2007 to January 2009 held the position of Controller with Strategic Resource Acquisition Corp. and who from June 2002 to August 2009 held the position of Vice President, Finance and Operations with Article Inc.

As of February 1, 2012, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, 3,066,403 common shares of the Company, representing 1.9% of the total number of common shares outstanding before giving effect to the exercise of options or other convertible securities held by such directors and officers. This information is based upon information provided by the directors and officers.

In addition, as of the date hereof, to the knowledge of management of the Company, Dundee owns, directly or indirectly, 93,221,492 common shares representing approximately 56.6% of the outstanding common shares of the Company. As of February 1, 2012, Mr. Ned Goodman owned in aggregate, directly and indirectly, class A subordinate voting shares and class B common shares of Dundee representing approximately an 85.6% voting interest in Dundee. Taking into account both his interest in Dundee and the

934,328 common shares of the Company held by him, Mr. Ned Goodman owns, or controls or directs, directly and indirectly, common shares representing approximately a 57.2% equity interest. As of February 1, 2012, the directors and senior officers of Dundee as a group beneficially owned, directly or indirectly, or exercised control over 96,287,895 common shares of the Company, representing approximately a 58.5% ownership interest in Dundee Energy.

DESCRIPTION OF EACH DIRECTOR'S AND OFFICER'S ACTIVITIES

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

David Bhumgara is the chief financial officer of the Company. Mr. Bhumgara is a senior financial executive with over 18 years experience in finance, accounting, corporate finance, operations and supply chain solutions within Canada and internationally. Mr. Bhumgara has a record of success in implementing ERP systems and controls within finance, and IT infrastructure and is an expert in ERP development, fiscal management, and financial reporting within private and public markets.

Derek H. L. Buntain has served as a director of the Company since 1994. Mr. Buntain has 30 years of experience in the investment industry in Canada and abroad and is a member of several public company boards and audit committees.

John Cowan has served as a director of the Company since September, 2011. Mr. Cowan graduated from the University of Western Ontario with a Bachelors Degree in Geology in 1977 and has over 30 years of experience in the oil and gas industry in Canada. Mr. Cowan has been a member of the American Association of Petroleum Geologists since 1979, a 25 year member and past President of the Ontario Petroleum Institute, and is the co-author of a research paper presented by the Geological Survey of Canada.

Jonathan Goodman has served as a director of the Company since 2002. Mr. Jonathan Goodman has over 20 years experience in the resource and investment industry, working as a geologist, senior analyst, portfolio manager and senior executive. Mr. Jonathan Goodman graduated from the Colorado School of Mines as a Professional Engineer and holds a Master of Business Administration from the University of Toronto. Mr. Jonathan Goodman is a director of several publicly traded resource companies.

Ned Goodman has served as a director of the Company since 1996. Mr. Goodman has over 40 years of experience in the investment industry and is currently President and Chief Executive Officer of Dundee Corporation, President and Chief Executive Officer of Ned Goodman Investment Counsel Limited and Chairman of the Board of Directors of DundeeWealth Inc. as well as Chairman of the Board of Trustees of Dundee REIT. Mr. Goodman is also a director of several public companies.

Samuel W. Ingram has served as a director of the Company since July 2010. Mr. Ingram has over 30 years experience in the resource industry, having been Chief Legal Officer for publicly listed oil and gas and mining companies. Mr. Ingram has also been a member of several public company boards and private joint venture boards and is currently a director of Partner Jet Inc.

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

Garth A. C. MacRae has served as a director of the Company since 1994. Mr. MacRae has over 18 years of public accounting experience and has held executive positions with Hudson Bay Mining, Brinco Limited

and Denison Mines Limited. Mr. MacRae is currently a director and member of several public company boards and audit committees.

Lucie Presot is the Vice President of the Company. Ms. Presot is a senior financial executive with over 25 years experience in the financial services industry. Ms. Presot is currently the Vice President and Chief Financial Officer of Dundee Corporation, and has spent the past 17 years working in senior and executive roles within Dundee Corporation and its subsidiaries.

Bruce Sherley is the President of Dundee Oil and Gas Limited, the general partner of DELP. Mr. Sherley has 40 years of experience in the petroleum sector in Canada and several foreign jurisdictions. He has occupied executive positions with mid-sized and junior energy companies and is a director of a private energy company located in Utah. Since joining the Company in 1999, Mr. Sherley played a major role in maturing its underground natural gas storage project in Spain, evaluating the Company's exploration acreage in Tunisia and acquiring oil and gas assets in Ontario.

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

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

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

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

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

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

- (d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Jonathan Goodman was a director of Tahera Diamond Corporation (“Tahera”) from August 2003 to September 29, 2008, which company filed for protection under the *Companies’ Creditors’ Arrangement Act* (Canada) with the Ontario Superior Court of Justice on January 16, 2008. On February 6, 2009, Tahera announced that it had made an application for the voluntary suspension of trading of its common shares on the TSX and on February 9, 2009 the TSX announced the voluntary suspension to be effective immediately and indicated the voluntary suspension would remain in effect until further notice.

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

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

CONFLICTS OF INTEREST

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

In accordance with the *CBCA*, such directors and officers will be required to disclose all conflicts of interest as such conflicts arise. If a conflict of interest arises at a meeting of the board of directors of the Company, any director in a conflict will disclose his interest and abstain from voting on such matter. In the past, the Company has appointed committees of independent directors to evaluate opportunities where conflicts of interest exist or are perceived to exist, and the Company will continue to deal with conflicts in this fashion. Although the Company expects that such conflicts will be handled in accordance with the *CBCA* and its corporate governance policies, there is no assurance that all conflicts will be adequately addressed.

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

PROMOTERS

The Company may be considered to have been a promoter of Eurogas International based on its role in effecting the reorganization of Eurogas International. See the section entitled “*Description of the Business – General – Preferred Share Interest in Eurogas International*” for further details.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

LEGAL PROCEEDINGS

Other than as disclosed below, there are no legal proceedings that the Company is or was a party to, or that any of its property is or was the subject of, during the Company's last completed financial year that were or are material to the Company, nor are there any such legal proceedings known to the Company to be contemplated.

REGULATORY ACTIONS

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

The Company had previously arranged for a \$6 million revolving term credit facility with Dundee. The credit facility bore interest at the rate of Canadian dollar prime plus 2% per annum. During 2008, all amounts borrowed pursuant to the facility were repaid and the facility was cancelled. Interest expense on amounts drawn on the facility totalled \$52,418 during the year ended December 31, 2008.

In order to satisfy the Spanish authorities of Escal's financial ability to undertake the Castor Project, Dundee provided a commitment letter to Escal and to the Company to arrange for or provide financing of up to €45 million to the Castor Project until completion of actual project financing. Pursuant to the commitment letter, Dundee also committed to an equity investment of up to €25 million, if required. Dundee's commitment was subject to various conditions, including the granting of the Development Concession and other permits. This arrangement was terminated following the ACS Transaction and therefore Dundee's commitment has since been released.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Trust Company of Canada, located at 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1.

MATERIAL CONTRACTS

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

- Credit Agreement dated as of June 29, 2010 made among DELP (as borrower), Dundee Energy and Dundee Oil and Gas Limited and certain other guarantors from time to time (as guarantors), National Bank of Canada, The Toronto Dominion Bank and those other banks and financial institutions from time to time party hereto (as lenders) and National Bank of Canada (as agent for the lenders), as amended by the First Amending Agreement dated as of June 6, 2011. See the section entitled "*Description of the Business – General – Southern Ontario Assets*" for further details.
- Purchase and Sale Agreement dated April 6, 2010 between Talisman Energy Canada and DELP in respect of the acquisition by DELP of the Southern Ontario Assets. See the section entitled "*Description of the Business – General – Southern Ontario Assets*" for further details.

INTERESTS OF EXPERTS

NAMES OF EXPERTS

The only persons or companies who are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company during, or relating to, the Company's most recently completed financial year, and whose profession or business gives authority to the report, valuation statement or opinion made by such person or company, are PWC, the Company's independent auditor, who audited the consolidated financial statements of the Company for the financial year ended December 31, 2011 and AJM, the Company's independent reserve engineers, who prepared the reserves report for the Company's Ontario assets.

INTERESTS OF EXPERTS

To the Company's knowledge, as at the date hereof, none of AJM and any of its "designated professionals" (defined below) holds or held or has received or is to receive a registered or beneficial interest, whether direct or indirect, in any property of the Company or of any associate or affiliate of the Company. To the knowledge of the Company, as at the date hereof, the aforementioned persons, as a group, are the registered or beneficial owners, directly or indirectly, of less than 1% of the outstanding securities of the Company or of any associate or affiliate of the Company.

The term "designated professional" means, in relation to AJM, each partner, employee or consultant of such expert who participated in and who was in a position to directly influence the preparation of the report, valuation, statement or opinion referred to above or who was, at any time during the preparation of such document, in a position to directly influence the outcome of the preparation of such document.

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

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

AUDIT COMMITTEE INFORMATION

AUDIT COMMITTEE CHARTER

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

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is comprised of three directors, being Messrs. Samuel W. Ingram, Garth A. C. MacRae (Chair) and Michael Smith, all of whom are independent and all of whom are financially literate. Each member is considered independent because he does not have nor is he deemed to have any direct or indirect material relationships with the issuer. The Audit Committee is responsible for reviewing the Company's financial reporting procedures, internal controls and the performance of the Company's external auditor. The Audit Committee is also responsible for reviewing quarterly and annual financial statements prior to their approval by the full Board.

RELEVANT EDUCATION AND EXPERIENCE

Garth A. C. MacRae, Chartered Accountant, has served as a director of the Company since 1994. Mr. MacRae has over 18 years of public accounting experience and has held executive positions with Hudson Bay Mining, Brinco Limited and Denison Mines Limited. Mr. MacRae is currently a director and member of the audit committee of Dundee Corporation, Dundee Precious Metals Inc., GeneNews Limited and Uranium Participation Corporation.

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

Samuel W. Ingram, has served as a director of the Company since July, 2010. Mr. Ingram has over 30 years experience in senior legal, corporate and business matters. As Chief Legal Officer for publicly traded international oil and gas and mining companies, Mr. Ingram has been responsible for international and domestic legal aspects of company operations and affairs. Mr. Ingram has also been a member of several public company and joint venture boards and is currently a director and audit committee member of Partner Jet Inc.

RELIANCE ON CERTAIN EXEMPTIONS

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

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

AUDIT COMMITTEE OVERSIGHT

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

PRE-APPROVAL POLICIES AND PROCEDURES

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

EXTERNAL AUDITOR SERVICE FEES

The following table represents the fees paid by the Company to PWC, the Company's external auditor, during the fiscal years 2011 and 2010:

Nature of Services	2011 (\$)	2010 (\$)
Audit Fees ⁽¹⁾	168,500	135,805
Audit-Related Fees ⁽²⁾	60,000	55,000
Tax Fees ⁽³⁾	7,000	28,818
All Other Fees ⁽⁴⁾	25,000	65,209
TOTAL	260,500	284,832

Notes:

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

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

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

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

RISK FACTORS

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

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Long-term commercial success in the oil and gas

business depends upon the ability to find, acquire, develop and commercially produce oil and natural gas reserves. There is no certainty that the expenditures incurred on our exploration properties will result in discoveries of commercial quantities of oil or gas. Without the continual addition of new reserves, production from existing reserves will decline over time as existing reserves are exploited. Future additions to the Company's reserve base depends upon the successful exploration and development of the properties it may have from time to time, and on its ability to acquire suitable producing properties or prospects. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

There is no assurance that additional commercial quantities of oil or natural gas will be discovered or acquired by the Company or that, if discovered, will be accessible for extraction or economically viable for production.

Uncertainty of Reserve Estimates

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

Development Projects

Although the Castor Project is nearing mechanical completion, operational capability requires the injection of cushion gas and successful commissioning of all of the facilities and regulatory acceptance which is not anticipated until early 2013. Furthermore, the Company has not previously carried on business in the gas storage industry. The ultimate completion date and capital investment required to complete the Castor Project may differ from project forecasts and the total capital investment, which will form the basis for remuneration, is subject to acceptance by the regulatory authorities. In addition, the final rate of return that the Castor Project will earn cannot be determined until the project has achieved regulatory acceptance.

Reliance on Operators, Management and Key Personnel

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

Cyclical Nature of Business

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

Economic Dependence

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

Additional Funding Requirements

The business and operations of the Company, including the business and operations of DELP, may require substantial additional capital in order to execute on any further exploration and development work.

Any additional funding required by DELP would have to be accessed through debt or equity financings and/or bank borrowings, and there can be no assurance that such funding or borrowings would be available to DELP.

Permits and Licenses

In connection with its operations, the Company is required to obtain permits, and in some cases, renewals of permits from relevant authorities in the geographic segments in which it operates. In addition, the Company may be required to obtain licenses and permits from government agencies in other foreign jurisdictions. The ability of the Company to obtain, sustain or renew such permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Further, if permits and licenses, or renewals thereof, are not issued to the Company or unfavourable restrictions or conditions are imposed on the Company's drilling activities, there is a possibility it will not be able to conduct its operations as planned. Alternatively, failure by the Company to comply with the terms of permits or licenses might result in the suspension or termination of operations and subject the Company to monetary penalties or restrictions on operations. At December 31, 2011, the Company's permits were in good standing.

Foreign Operations

The Company's operations and investments are subject to special risks inherent in doing business in other countries, including Spain and, with respect to its investment in Eurogas International, Tunisia. These risks may involve matters arising out of the policies of foreign governments, imposition of special taxes 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. In particular, the temporary suspension of Eurogas International's activities in Tunisia and the declaration of a Force Majeure resulting from political unrest, may have a material adverse effect upon the Company's investment in Eurogas International. Foreign properties, operations and investments may also be adversely affected by local political and economic developments, including nationalization, laws affecting foreign ownership, government participation, royalties, duties, rates of exchange, exchange

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

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

Availability of Drilling Equipment and Access

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

Competition

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

Environmental Concerns

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

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

Volatility of Commodity Prices

Oil and natural gas prices fluctuate significantly in response to changes in the supply of and demand for crude oil and natural gas, market uncertainty, political and economic developments around the world and a variety of other factors that are beyond the Company's control.

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

Hedging Activities

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

Limited History of Earnings

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

Climate Change

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

Accounting Impairments as a Result of IFRS

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

IFRS requires that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in our consolidated financial statements. The accounting policies may result in non-cash charges to net income and impairments of net assets in the consolidated financial statements. Such non cash charges and impairments may be viewed unfavourably by the market

and may result in an inability to borrow funds and/or may result in a decline in the price of the common shares of the Company.

Title to Properties

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

Potential Conflicts of Interest

Certain of the officers and directors of the Company are also directors or officers of companies which operate in the same industry as the Company. No assurances can be given that opportunities identified by such board members or officers will be provided to the Company.

Taxation

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

Insurance, Health and Safety

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

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

Litigation Risk

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

its financial condition. The events resulting in a declaration of a Force Majeure may increase the legal risks facing Eurogas International.

Labour Costs and Labour Relations

Labour costs constitute a significant portion of the operating costs. There can be no assurance that the Company will be able to maintain such costs at levels which do not negatively affect its business, results from operations and financial condition. To the extent that labour costs are subject to a collective bargaining agreement, there can be no assurance that future agreements with the employees' unions or the outcome of arbitrations will be on terms consistent with expectations or comparable to agreements entered into by competitors. Any future agreements or outcome of negotiations, mediations or arbitrations including in relation to wages or other labour costs or work rules may result in increased labour costs or other charges, which could have a material adverse effect on the Company's business results from operations and financial condition. A portion of the Company's employees are unionized and their long-term collective bargaining agreement will expire on June 30, 2013. However, there can be no assurance that there will not be a labour conflict that could lead to an interruption or stoppage in the Company's operations during the term of the collective bargaining agreement.

Geo-Political Risks

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

Dilution

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

Management of Growth

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

Aboriginal Claims

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

Volatility of Share Price

As the common shares of the Company are listed on the TSX, factors such as announcements of quarterly variations in operating results, or new actions by competitors of the Company, as well as market conditions in the oil and gas industry and macro economic factors may have a significant impact on the market price of

the Company's common shares. The stock markets have from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular issuers. Share prices for several companies in the oil and gas industry in particular have experienced wide fluctuations that have been often unrelated to the operations of the companies themselves. In addition, there can be no assurance that an active public market will be sustained for the common shares of the Company.

Royalties and Incentives

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

Regulatory Matters

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

Global Financial Crises

Recent market events and conditions, including disruptions to international credit markets and other financial systems, the sovereign debt crisis and other financial news, have caused significant volatility in commodity, equity and bond prices. These conditions worsened in 2011, causing a loss of confidence in the broader U.S., European and global credit and financial markets. These factors have negatively impacted valuations and are expected to continue to impact the performance of the global economy.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Company is and will continue to be affected by numerous factors beyond its control. The Company's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets.

The Company may also be affected by operational problems affecting such pipelines and facilities as well as extensive government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. Any material decline in prices could result in a reduction of the Company's net production revenue. The Company might elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's expected net production revenue and a reduction in its oil and gas acquisition, development and exploration activities. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of factors beyond the control of the Company. These factors include economic conditions in the United States and Canada, the actions of the Organization of Petroleum Exporting Countries (OPEC), governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the Company's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

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

Information System Risk

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

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com and on its website at www.eurogascorp.com. In particular, additional information, including information regarding directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans (including the SIP and DSU), is contained in the Company's management information circular for the financial year ended December 31, 2011. Additional financial information is provided in the Company's financial statements and MD&A for its financial year ended December 31, 2011.

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

CHARTER OF THE AUDIT COMMITTEE

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

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

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

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

- (g) The Committee shall review Management's policies and processes relating to its effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditors' report on Management's assertion;
- (h) The Committee shall review and discuss earnings press releases, as well as information and earnings guidance provided to analysts and rating agencies;
- (i) The Committee shall review the interim and annual financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with Management and with the independent auditor prior to recommending them to the Board of Directors for approval for release or inclusion in any reports to shareholders and/or regulatory authorities;
- (j) The Committee shall monitor the effectiveness of and compliance with the Corporation's disclosure procedures;
- (k) The Committee shall receive reports, if any, from the Corporation's legal representatives of evidence of material violation of securities laws or breaches of fiduciary duty;
- (l) The Committee should review and ensure that procedures are in place for the receipt, retention and treatment of complaints received by the Corporation regarding accounting and auditing matters, as well as the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- (m) The Committee shall meet as often as it deems appropriate to discharge its responsibilities and, in any event, at least four times per year. Additional meetings may be held as deemed necessary by the Chairman of the Audit Committee or as requested by any member or the external auditor;
- (n) The Committee shall review all issues related to a change of auditor, including the information to be included in the notice of change of auditor and the planned steps for an orderly transition;
- (o) At all times, the membership of the Committee shall be such that:
 - (i) it shall be comprised of no fewer than three members of the Board;
 - (ii) all members shall be independent; and
 - (iii) Committee members shall not receive any compensation from the Corporation other than in the member's capacity as a member of the Board of Directors and any Board committee.
- (p) No business shall be transacted by the Committee except:
 - (i) at a meeting of the members thereof at which a majority of the members thereof are present; and
 - (ii) by a resolution in writing signed by all of the members of the Committee.