

Canada Dominion Resources Limited Partnership II

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Canada Dominion Resources Group

Canada Dominion Resources
Limited Partnership II
Third Quarter Interim Report

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Third Quarter Interim Report

For the nine months ended September 30

Oil prices continued to climb during the third quarter peaking at US\$25/bbl in late September. The reasons for the price increase continued to be supply driven as reported in our second quarter report to unitholders. Gas prices were strong in the quarter amidst concerns that there may be gas delivery problems later in the year.

During the same period gold prices surged from lows of US\$261 at the beginning of the quarter to US\$307 by the end of the quarter. Prices were highest at the end of August and retreated during the month of September. The increase in gold price was largely due to an announcement by the ECU that member countries would limit the amount of gold sales by their respective central banks. The market interpreted this action to mean a shortfall in gold supply was imminent and the gold price increased sharply as a result aided by a short covering rally.

In response to this improved price environment the market value of the Partnership's portfolio increased by \$5.5 million (20.0%) during the quarter. The portfolio's performance was led by significant gains in value in such companies as Compton Petroleum, Cypress Energy, Founders Energy, MAXX Petroleum, Vermillion Resources and Westminster Resources, to name a few.

As at September 30th, the value of the Partnership's portfolio was \$32.9 million and its NAV increased by 20.7% to \$27.48 at quarter end as compared to \$22.77 at the beginning of the year. Operations for the quarter resulted in a net realized investment loss of \$183,000, or \$0.15 per unit, and corresponding unrealized financial operations income of \$5,690,000, or \$4.71 per unit.

"signed by"

James A. Hutton

President and Chief Executive Officer

November 15, 1999

Statements of Assets

(Prepared without audit)

	September 30 1999	December 31 1998
Assets		
Cash and short-term investments	\$ 356,221	\$ 710,574
Interest receivable	694	16,549
Investments, at market value (see schedule)	32,949,725	23,966,193
	<u>33,306,640</u>	<u>24,693,316</u>
Liabilities		
Accounts payable and accrued liabilities	37,197	18,214
Due to General Partner	48,234	213,281
	<u>85,431</u>	<u>231,495</u>
Net assets	<u>\$ 33,221,209</u>	<u>\$ 24,461,821</u>
Partners' Capital		
Issued and fully paid partnership units	\$ 27,727,438	\$ 27,727,438
Unrealized appreciation (depreciation) of investments	6,129,196	(3,234,338)
Net investment loss	(635,425)	(31,279)
	<u>\$ 33,221,209</u>	<u>\$ 24,461,821</u>
Units outstanding	1,209,129	1,209,129
Net asset value per unit	<u>\$ 27.48</u>	<u>\$ 20.23</u>

Statements of Financial Operations

For the nine months ended September 30

(Prepared without audit)

	1999	1998 ⁽¹⁾
Investment income:		
Gain on sale of investment	\$ 79,998	\$ -
Interest income	\$ 6,858	\$ -
	<u>\$ 86,856</u>	<u>\$ -</u>
Expenses:		
Administration	272,842	-
Investment Advisor fee	240,442	-
General Partner fee	177,718	-
	<u>691,002</u>	<u>-</u>
Net investment loss	(604,146)	-
Unrealized appreciation of investments for the period	9,363,534	-
Financial operations income	\$ 8,759,388	\$ -
Net investment loss per unit	\$ (0.50)	\$ -
Financial operations income per unit	<u>7.24</u>	<u>-</u>

⁽¹⁾The Partnership did not complete its financing until December 18, 1998 and as such there were no financial operations for the nine-month period ended September 30, 1999.

Statements of Changes in Net Assets

For the nine months ended September 30

(Prepared without audit)

	1999	1998 ⁽¹⁾
Net assets, beginning of period	\$ 24,461,821	\$ -
Increase (decrease) in net assets from financial operations:		
Net investment loss	(604,146)	-
Unrealized appreciation of investments	9,363,534	-
Net assets, end of period	<u>\$ 33,221,209</u>	<u>\$ -</u>

⁽¹⁾The Partnership did not complete its financing until December 18, 1998 and as such there were no financial operations for the nine-month period ended September 30, 1999.

Schedule of Investments

As at September 30, 1999

(Prepared without audit)

Number of shares	Company	Cost	Market value
197,400	Bonavista Petroleum Ltd. ⁽¹⁾	\$ 1,756,885	\$ 3,405,150
606,061	Claude Resources Inc. ⁽¹⁾	1,000,001	878,788
1,957,900	Compton Petroleum Corp. ⁽²⁾	3,720,010	5,286,330
350,000	Courage Energy Inc. ⁽¹⁾	700,000	962,500
263,158	CrownJoule Exploration Ltd. ⁽¹⁾	500,025	302,632
441,176	Cumberland Resources Ltd.	750,024	882,352
136,995	Cypress Energy Inc. ⁽¹⁾	500,032	958,965
12,500	Diamondex Resources		7,000
3,482,180	Equatorial Energy Inc. ⁽¹⁾	1,915,214	1,610,508
906,250	Forte Energy ⁽¹⁾	1,450,025	1,450,000
1,400,000	Founders Energy Ltd. ⁽¹⁾	1,050,025	980,000
680,000	Kintail Energy Inc.	578,000	1,360,000
794,000	Magin Energy Inc. ⁽¹⁾	2,699,625	2,977,500
110,000	MAXX Petroleum Ltd. ⁽¹⁾	451,025	638,000
357,000	Petromet Resources Ltd. ⁽¹⁾	1,249,525	1,785,000
600,000	Probe Exploration Inc. ⁽¹⁾	1,500,025	282,000
1,250,000	Range Petroleum Corporation	1,000,000	1,175,000
200,000	Richland Petroleum Corporation ⁽¹⁾	500,025	810,000
1,500,000	Trigas Exploration Inc. ⁽¹⁾	2,025,025	2,715,000
400,000	Vermilion Resources Ltd.	1,500,015	2,140,000
260,000	Westminster Resources Ltd. ⁽¹⁾	1,755,000	2,093,000
100,000	Winspear Resources Ltd.	220,000	250,000
		<u>\$ 26,820,531</u>	<u>\$ 32,949,725</u>

⁽¹⁾Represents investment in common shares of public companies, except Forte Energy Ltd., a private company, issued by private placement with part or all of the share position subject to a hold period.

⁽²⁾During the quarter The Partnership sold 200,000 Compton Petroleum shares for \$2.30 per share. The proceeds were used for general working capital purposes.