DUNDEE
ENERGY LIMITED

2013 FIRST QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dundee Energy Limited ("Dundee Energy" or the "Corporation") is a Canadian-based company focused on creating long-term value through the development and acquisition of high-impact energy projects. The Corporation's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "DEN". Dundee Energy holds interests, both directly and indirectly, in the largest accumulation of producing oil and natural gas assets in southern Ontario (the "Southern Ontario Assets") and in the development of an offshore underground natural gas storage facility in Spain (the "Castor Project"). The Corporation also holds an investment in preferred shares of Eurogas International Inc. ("Eurogas International"), an oil and gas exploration company that holds a 45% participating interest in the Sfax permit located offshore Tunisia (the "Sfax Permit").

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of April 30, 2013 and provides an update on matters discussed in, and should be read in conjunction with the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2012 (the "2012 Audited Consolidated Financial Statements") and the unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2013 (the "March 2013 Interim Consolidated Financial Statements"), prepared using International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars unless otherwise specified. Tabular dollar amounts, unless otherwise specified, are in thousands of dollars, except for per unit or per share amounts.

PERFORMANCE MEASURES AND BASIS OF PRESENTATION

The Corporation's March 31, 2013 Interim Consolidated Financial Statements are prepared in accordance with IFRS and use the Canadian dollar as its presentation currency. However, the Corporation believes that important measures of its economic performance include certain measures that are not defined under IFRS and as such, may not be comparable to similar measures used by other companies. Throughout this MD&A, there will be references to the following performance measures which management believes are valuable in assessing the economic performance of the Corporation. While these measures are not defined by IFRS, they are common benchmarks in the energy industry, and are used by the Corporation in assessing its operating results, including net earnings and cash flow.

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

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

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

- "Proved Reserves" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

- "Probable Reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

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

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

BUSINESS DEVELOPMENTS

Rights Offering

On February 27, 2013, the Corporation announced the launch of a rights offering (the "Rights Offering") to existing shareholders, pursuant to which eligible shareholders of the Corporation's outstanding common shares received transferable rights to subscribe for common shares of the Corporation at $0.34 per share, or flow-through common shares of the Corporation at a price of $0.39 per share. The Rights Offering was completed on April 5, 2013. The Corporation raised gross proceeds of $8.9 million pursuant to the Rights Offering, and it issued 5.7 million common shares and 17.8 million flow-through common shares. Following the Rights Offering, the Corporation had 188.2 million common shares outstanding. The Corporation plans to use the proceeds from the Rights Offering to further expand the Corporation's 2013 drilling program (see "*2013 Work Program*").

Dundee Corporation, the Corporation's parent, subscribed for and received 15,771,991 flow-through common shares pursuant to the Rights Offering, increasing its interest in the Corporation to 58%.

CONSOLIDATED RESULTS OF OPERATIONS

Three months ended March 31, 2013 compared with the three months ended March 31, 2012

Consolidated Net Loss

During the three months ended March 31, 2013, the Corporation incurred a net loss attributable to the owners of the parent of $1.1 million or $0.01 per share. This compares with a net loss attributable to the owners of the parent of $0.4 million incurred in the three months ended March 31, 2012. First quarter results in 2013 were adversely affected by a mark-to-market loss of $0.4 million relating to the Corporation's risk management contracts, compared with a mark-to-market gain of $1.3 million realized in the first quarter of the prior year. The Corporation's net loss from its various projects is summarized below.

For the three months ended March 31,			2013			2012
	Net Earnings (Loss)	Attributable to Owners of the Parent	Non-Controlling Interest	Net Earnings (Loss)	Attributable to Owners of the Parent	Non-Controlling Interest
Southern Ontario Assets	$ (923)	$ (923)	$ -	$ 62	$ 62	$ -
Castor Project	(54)	(40)	(14)	(28)	(21)	(7)
Loss from investment in preferred shares of Eurogas International	(317)	(317)	-	(320)	(320)	-
Corporate activities	208	208	-	(141)	(141)	-
Net loss for the period	$ (1,086)	$ (1,072)	$ (14)	$ (427)	$ (420)	$ (7)

Southern Ontario Assets

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

Operating Performance

The Corporation's operating performance is dependent on both production volumes of oil, natural gas and natural gas liquids, as well as the prices received for these commodities. In the first quarter of 2013, sales of oil and natural gas, net of royalty interests, were $7.4 million, a decrease of $0.7 million from $8.1 million earned in the same period of the prior year. As illustrated in the table below, reduced production volumes decreased revenues by $1.2 million, partially offset by improved commodity prices, which increased revenues by $0.5 million during the current period.

	Natural Gas	Oil and Liquids	Total
Net Sales			
Three months ended March 31, 2013	$ 2,922	$ 4,437	$ 7,359
Three months ended March 31, 2012	2,442	5,632	8,074
Net increase (decrease) in net sales	$ 480	$ (1,195)	$ (715)
Effect of changes in production volumes	$ (272)	$ (960)	$ (1,232)
Effect of changes in commodity prices	752	(235)	517
	$ 480	$ (1,195)	$ (715)

Production Volumes

Average daily volume during the three months ended March 31,	2013	2012
Natural gas (Mcf/d)	9,093	10,123
Oil (bbls/d)	619	733
Liquids (bbls/d)	21	30
Total (boe/d)	2,156	2,450

During the first quarter of 2013, production volumes decreased to an average of 2,156 boe/d compared with an average of 2,450 boe/d produced in the same period of 2012. The decrease is consistent with the historical decline rate of the Corporation's assets. During the remainder of 2013, and in the absence of a marked improvement in the price for natural gas, the Corporation intends to focus its capital expenditure program on onshore oil projects, including workover initiatives to further optimize oil production from existing fields. In addition, the Corporation will recommence its drill program in an ongoing effort to replenish reserves.

Net Sales of Oil and Gas

For the three months ended March 31,	2013		2012	
	Sales	Realized Prices ($ / unit)	Sales	Realized Prices ($ / unit)
Natural gas	$ 3,431	4.19	$ 2,875	3.12
Oil	5,143	92.26	6,398	95.89
Liquids	98	52.71	173	63.37
	8,672		9,446	
Less: Royalties at 15% (2012 – 15%)	(1,313)		(1,372)	
Net sales	$ 7,359		$ 8,074	

Revenues from oil and gas sales were $8.7 million in the first quarter of 2013. This compares with revenues of $9.4 million earned in the same period of the prior year. During the three months ended March 31, 2013, the Corporation recorded royalty obligations of $1.3 million (three months ended March 31, 2012 – $1.4 million) against its oil and gas sales, representing an average royalty rate of approximately 15% (three months ended March 31, 2012 – 15%) of revenues.

Effect of Commodity Prices on Revenues from Oil and Gas Sales

Prices for oil and natural gas may vary significantly from quarter to quarter due to several factors including supply, demand, weather, general economic conditions and changes in foreign exchange rates. The following table illustrates several benchmark prices for these commodities, compared with the Corporation's realized prices prior to the effect of its risk management contracts.

For the three months ended March 31,			2013			2012
	US$	CAD$	Realized Prices ($)	US$	CAD$	Realized Prices ($)
Natural Gas						
Dawn Hub	3.77	3.80	4.19	2.88	2.89	3.12
NYMEX Henry Hub	3.49	3.51		2.45	2.46	
Oil						
Edmonton Par	n/a	88.61	92.26	n/a	92.71	95.89
West Texas Intermediate	94.33	95.04		102.98	103.29	

Realized Price for Natural Gas Sales

Prices for natural gas rebounded in the first quarter of 2013, reflecting both a decrease in North American inventories, as well as an increase in consumption from closer-to-average winter weather in the first quarter of 2013, compared with the unusually warmer winter weather experienced in the first quarter of the prior year. The Corporation realized an average price on sales of natural gas of $4.19/Mcf during the three months ended March 31, 2013, an increase of 34% from the average price of $3.12/Mcf realized in the same period of the prior year. Due to the proximity of the Corporation's operations to the Dawn Hub, a leading provider of natural gas supply to the greater Toronto market area, the Corporation's realized price from sales of natural gas continues to include a positive basis differential from the average industry benchmarks.

Realized Price for Sales of Oil

Amid uncertainties about the state of the world economy, the price for West Texas Intermediate ("WTI") crude averaged US$94.33/bbl in the first quarter of 2013, down approximately 8% from an average of US$102.98/bbl in the first quarter of the prior year. As the Corporation's production enters the western Canadian crude stream at Sarnia, the Corporation's realized oil price per barrel is more closely correlated to the Edmonton Par price. While the differential between the WTI price and the Edmonton Par price narrowed during the first quarter of 2013, the Edmonton Par price decreased over 4% to $88.61/bbl compared with $92.71/bbl in the first quarter of the prior year. During the first quarter of 2013, the Corporation realized an average price on sales of crude oil of $92.26/bbl (three months ended March 31, 2012 – $95.89/bbl), representing a premium of approximately 4% (three months ended March 31, 2012 – 3%) over the average price of the Edmonton Par. The Corporation is continuing to explore alternative marketing options to realign the price received for its Ontario oil production to the WTI benchmark for crude oil.

Risk Management Contracts – Price Risk Management

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

The following table summarizes the realized and unrealized gains or losses from the Corporation's risk management contracts during the first quarter of 2013, compared with the first quarter of the prior year. For accounting purposes, the Corporation has not designated its risk management contracts as hedges. Accordingly, the gains or losses from these contracts are not reflected in the Corporation's reported amounts of oil and natural gas sales, but rather they are separately reported as gains or losses from risk management contracts in the Corporation's net and comprehensive loss.

For the three months ended March 31,			2013			2012
	Realized gain	Unrealized loss	Total	Realized (loss) gain	Unrealized (loss) gain	Total
Oil swaps	$ 243	$ (237)	$ 6	$ (137)	$ (487)	$ (624)
Gas swaps	-	(372)	(372)	979	905	1,884
	$ 243	$ (609)	$ (366)	$ 842	$ 418	$ 1,260

The following is a summary of commodity contracts entered into by the Corporation as of March 31, 2013. The negative value of the Corporation's natural gas and oil based risk management contracts at March 31, 2013 resulted from third-party forecasted increases in underlying commodity prices during the periods covered, compared with the fixed price pursuant to the terms of the contract itself.

Contract Fixed Price Swap	Volume	Pricing Point	Strike Price (Cdn$/unit)	Remaining Term	Fair Value March 31, 2013
Crude oil	500 bbl/d	NYMEX	$98.22	Apr 01/13 to Dec 31/13	$ (22)
Natural gas	10,000 mbtu/d	NYMEX	$4.07	Apr 01/13 to Dec 31/13	(372)
					$ (394)

The fair values of risk management contracts outstanding at the end of a reporting period are determined using market conditions and third-party forecasts prevailing as at the reporting date. Changes in the fair values of risk management contracts are recognized as an unrealized risk management gain or loss. Unrealized risk management gains or losses may or may not be realized in subsequent periods and are dependent on changes in commodity prices and foreign exchange rates.

Subsequent to March 31, 2013, and in anticipation of an upswing in natural gas prices, the Corporation paid $0.3 million to cancel natural gas risk management contracts representing 3,750 mbtu/d.

Production Expenditures

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

For the three months ended March 31,			2013			2012
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Production expenditures	$ 1,412	$ 1,436	$ 2,848	$ 1,444	$ 1,601	$ 3,045
Production expenditures	(per Mcf)	(per bbl)	(per boe)	(per Mcf)	(per bbl)	(per boe)
per unit	$ 1.72	$ 24.93	$ 14.68	$ 1.57	$ 23.05	$ 13.65

During the first quarter of 2013, aggregate production expenditures decreased by approximately 6% to $2.8 million, compared with $3.0 million incurred in the same period of the prior year. Despite an overall decrease, production expenditures on a boe/d basis increased to $14.68/boe in the first quarter of 2013, compared with $13.65/boe in the first quarter of the prior year, reflecting lower production volumes.

Field Level Cash Flows and Field Netbacks

For the three months ended March 31,			2013			2012
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Total sales	$ 3,431	$ 5,241	$ 8,672	$ 2,875	$ 6,571	$ 9,446
Realized risk management gain (loss)	-	243	243	979	(137)	842
Royalties	(509)	(804)	(1,313)	(433)	(939)	(1,372)
Production expenditures	(1,412)	(1,436)	(2,848)	(1,444)	(1,601)	(3,045)
Field level cash flows	$ 1,510	$ 3,244	$ 4,754	$ 1,977	$ 3,894	$ 5,871

For the three months ended March 31,	Natural Gas $/Mcf	Oil and Liquids $/bbl	2013 Total $/boe	Natural Gas $/Mcf	Oil and Liquids $/bbl	2012 Total $/boe
Total sales	$ 4.19	$ 90.98	$ 44.70	$ 3.12	$ 94.61	$ 42.36
Realized risk management gain (loss)	-	4.22	1.25	1.06	(1.97)	3.78
Royalties	(0.62)	(13.95)	(6.77)	(0.47)	(13.52)	(6.15)
Production expenditures	(1.72)	(24.93)	(14.68)	(1.57)	(23.05)	(13.65)
Field netbacks	$ 1.85	$ 56.32	$ 24.50	$ 2.14	$ 56.07	$ 26.34

During the three months ended March 31, 2013, the Corporation earned field level cash flows of $4.8 million or $24.50/boe compared with field level cash flows of $5.9 million or $26.34/boe in the first quarter of the prior year.

Field netbacks from natural gas were $1.5 million or $1.85/Mcf in the three months ended March 31, 2013, a decline of 24% compared with $2.0 million or $2.14/Mcf in the first quarter of 2012, reflecting declining production volume. Prior year field netbacks included a realized gain of $1.06/Mcf from risk management contracts.

Field netbacks from oil and liquids were $3.2 million or $56.32/bbl during the three months ended March 31, 2013 compared with $3.9 million or $56.07/bbl in the first quarter of the prior year. The Corporation's price risk management strategies added $4.22/bbl to field netbacks in the current quarter, whereas these strategies resulted in a loss of $1.97/bbl in the first quarter of the prior year.

Capital Expenditures

For the three months ended March 31,	2013	2012
Offshore		
Pipeline	$ 1	$ -
Workovers	-	6
Offshore fleet	-	34
Total Offshore	1	40
Onshore		
Drilling and completion	1,060	303
Pipeline	-	135
Facilities	243	22
Total Onshore	1,303	460
Exploration and Evaluation		
Undeveloped properties	295	531
Onshore seismic	503	325
Total exploration and evaluation	798	856
Office equipment, computer hardware and software	(179)	11
	$ 1,923	$ 1,367

During the three months ended March 31, 2013, the Corporation incurred $1.9 million of capital expenditures on its oil and gas properties in southern Ontario. Included in this amount is $1.1 million expended on onshore drilling and completion activities relating to wells commenced in the fourth quarter of 2012. The Corporation's drill targets in late 2012 were in anticipation of extending the producing area of a select oilfield. Each of the vertical wells encountered dolomitic pay, but the reservoir rock was tight and therefore uneconomic. The Corporation plans to re-enter the second well and deviate the wellbore to a more prospective part of the reservoir.

The Corporation also expended $0.5 million on the acquisition and processing of 2-D and 3-D seismic data, which will be critical in identifying future drill candidates.

2013 Work Program

With the successful completion of the Rights Offering, the Corporation has updated its 2013 work program to $13.2 million. Subject to market-driven changes to natural gas prices, the Corporation's current intent is to focus its efforts on increasing oil production. Consequently, approximately $11.0 million of the 2013 work program will be directed to onshore oil projects, while offshore gas projects are forecasted at approximately $0.8 million. The remaining $1.4 million of the 2013 work program will be incurred on mineral rights required to maintain producing properties, as well as to acquire land for new onshore drilling and seismic programs.

Onshore, the Corporation anticipates drilling and completing eight wells at a cost of approximately $6.7 million. The Corporation will also continue to conduct seismic work, and plans to spend approximately $3.3 million on these activities in an effort to bolster the existing database of seismic information in support of planned future drilling programs. A further $1.0 million will be spent on facility enhancements.

With continued depressed natural gas prices, the 2013 offshore work program is focused on projects that will yield the greatest returns in the short term. The Corporation will be reactivating the company-owned dock located in Port Burwell in conjunction with the planned strategy to abandon a dock and a gas plant located at Port Stanley. This comprehensive project includes dredging of the Port Burwell harbour, and a pipeline exchange to larger diameter pipe, all of which will provide improved access to the central Lake Erie field, and improved production efficiencies throughout Lake Erie operations. Capital costs relating to this project are approximately $0.4 million. A further $0.4 million of the 2013 offshore work program will be incurred for non-discretionary dry dock inspection costs for two vessels.

Decommissioning Liabilities

The Corporation has recorded a decommissioning liability, representing its best estimate of the costs that it will incur to settle future site restoration, abandonment and reclamation obligations. At March 31, 2013, the Corporation's estimate of these future costs on an undiscounted basis was approximately $80.7 million, and is forecasted to be incurred over a 50-year period. The Corporation spent $0.1 million in reclamation costs during the first quarter of 2013, and it anticipates that it will incur approximately $1.7 million in additional reclamation costs during the remainder of 2013. During the three months ended March 31, 2013, the Corporation incurred accretion expense of $0.2 million (three months ended March 31, 2012 – $0.2 million). Accretion amounts have been included in the Corporation's March 2013 Interim Consolidated Financial Statements as *"interest expense"*.

Castor Underground Gas Storage Project

During the first quarter of 2013, Escal UGS S.L. ("Escal"), the owner of the Castor Project, reached an agreement with Enagas S.A., the leading gas transporter in Spain, to provide the 600 million cubic metres of cushion gas required for completion of the Castor Project. Injection is expected to commence in early June 2013 and will take approximately four months to complete. Following completion of the injection process, the Castor Project will be required to undergo a 48-hour performance test before becoming operational and eligible for inclusion into the Spanish gas system.

Share of Loss from Equity Accounted Investment in Escal

The Corporation accounts for its investment in Escal using the equity method. Escal has established a hedging strategy to mitigate its exposure to interest rate risk associated with the project financing for the Castor Project. At March 31, 2013, the fair value of Escal's obligations in respect of these hedging strategies was approximately €136.3 million (December 31, 2012 – €140.1 million), before associated taxes. Recording its share of Escal's obligations in respect of these hedging contracts would cause the Corporation's investment in Escal to fall below zero. The Corporation has not recognized its share of these losses, estimated at $37.2 million net of taxes, as it does not have the legal or constructive obligation in respect thereof.

From 2010 to December 31, 2012, Escal issued shares from treasury with a par value of €14,000. There were no new issuances of shares in Escal during the first quarter of 2013. In order to maintain its 33% interest, the Corporation indirectly subscribed for one third of the newly issued par value shares at an aggregate cost of $6,000 (€5,000). Furthermore, and in order to meet the equity ratios as required by lenders to the Castor Project, Escal's controlling shareholder contributed a share premium of €40.9 million and issued €64.2 million in subordinated loans. The Corporation has not recognized the benefit of its interest in the share premium as the realization and measurement is subject to a number of risks and uncertainties, including but not limited to, execution risk associated with completion of the project, the availability and terms of future financing arrangements and the 50-year life span of the project.

Investment in Series A Preference Shares of Eurogas International

The terms of the Corporation's investment in the Series A Preference Shares of Eurogas International are detailed in Note 7 to the 2012 Audited Consolidated Financial Statements.

Because of the Corporation's entitlement to demand redemption of the Series A Preference Shares at any time from Eurogas International, the Corporation has classified its investment in the Series A Preference Shares as a loan receivable and the associated dividends as interest income. The Corporation has completed an assessment of the fair value of the Series A Preference Shares. In its assessment, the Corporation considered factors such as the delinquency of dividend payments, and the financial resources available to Eurogas International to meet current commitments and pursue growth opportunities. The Corporation concluded that there was significant impairment in the par value of the Series A Preference Shares and the related accrued dividends thereon and accordingly, the Corporation has fully provided against the carrying values of these assets. During the three months ended March 31, 2013, the Corporation provided for an impairment loss relating to its investment in Eurogas International of $0.3 million (three months ended March 31, 2012 – $0.3 million).

During the first quarter of 2013, Eurogas International, together with its joint venture partner, continued to actively explore alternatives to raise the necessary funding for the drilling of two exploration wells, which it committed to as part of the Tunisian authorities' approval of a renewal of the Sfax Permit to December 8, 2015. The actual cost of drilling these wells will depend on the selection of the prospect and location within the Sfax Permit.

Other Items in Consolidated Net Earnings

General and Administrative Expenses

In the latter part of 2012, the Corporation implemented certain initiatives aimed at reducing costs associated with professional services paid to third parties, predominantly costs associated with maintaining its database of land rights, leases and other entitlements. These initiatives have contributed to a decrease in general and administrative expenses incurred to $1.6 million in the first quarter of 2013, compared with $2.0 million incurred during the three months ended March 31, 2012.

Interest Expense

The Corporation incurred interest expense of $1.1 million during the three months ended March 31, 2013 consistent with interest expense incurred in the first quarter of 2012. Included in interest expense is $0.2 million (three months ended March 31, 2012 – $0.2 million) of accretion expense associated with the Corporation's decommissioning liability, with the balance of interest expense incurred in respect of borrowings pursuant to the Corporation's credit facility.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2013	2012				2011		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Revenues	$ 7,359	$ 7,507	$ 7,359	$ 7,543	$ 8,074	$ 9,459	$ 8,757	$ 9,530
Net (loss) earnings attributable to owners of the parent	**(1,072)**	**(13,431)**	**(2,470)**	**(302)**	**(420)**	**985**	**(1,128)**	**937**
Basic and fully diluted (loss) earnings per share	$ (0.01)	$ (0.08)	$ (0.02)	$ -	$ -	$ 0.01	$ (0.01)	$ 0.01
Capital expenditures	$ 1,923	$ 3,009	$ 3,894	$ 4,532	$ 1,367	$ 4,763	$ 4,109	$ 1,319

- In the fourth quarter of 2012, the Corporation recognized an impairment on certain natural gas properties of $15.5 million, reflecting a reduction in forecasted natural gas prices.
- In the third quarter of 2011, the Corporation completed the acquisition of Torque Energy Inc. ("Torque"), increasing revenues in each of the third and fourth quarters of 2011 by approximately $0.5 million. Included in the third and fourth quarters of 2011 are $0.4 million and $0.1 million, respectively, of associated transaction costs associated with the Torque acquisition.
- Changes in the fair value of the Corporation's risk management contracts are included in the Corporation's net earnings. The key drivers affecting fair value changes may cause significant volatility in the Corporation's earnings, some of which are beyond the control of the Corporation. The following table illustrates the impact of changes in the fair value of the Corporation's risk management contracts to its net earnings (loss) on a quarterly basis:

	2013	2012				2011		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Changes in the fair value of risk management contracts	$ (366)	$ 114	$ (354)	$ 1,507	$ 1,260	$ 1,038	$ 1,486	$ 1,939

LIQUIDITY AND CAPITAL RESOURCES

Cash Resources Availability

At March 31, 2013, the Corporation had cash of $0.2 million on deposit with Canadian chartered banks. In addition, the Corporation had access to a further $3.4 million pursuant to its $70.0 million revolving demand credit facility.

Southern Ontario Assets

The Corporation's southern Ontario operations are conducted through Dundee Energy Limited Partnership ("DELP"), the Corporation's wholly-owned subsidiary. DELP has established a credit facility with a Canadian chartered bank that is structured as a revolving demand loan, with a tiered interest rate schedule that varies based on DELP's net debt to cash flow ratio, as defined in the credit facility. Based on DELP's current ratios, draws on the credit facility bear interest, at DELP's option, at either the bank's prime lending rate plus 3% or, at the bank's then prevailing bankers' acceptance rate plus 4%. At March 31, 2013, DELP had drawn $66.6 million against the credit facility, including a letter of credit for $3.3 million, issued in favour of the Ministry of Natural Resources in connection with future abandonment and site restoration obligations. The Corporation has assigned a limited recourse guarantee of its units in DELP as security pursuant to the credit facility. The credit facility is subject to certain covenants, including maintenance of minimum levels of working capital. At March 31, 2013, the Corporation was in compliance with all such covenants.

Cash flows generated from ongoing operating activities, combined with amounts available pursuant to its credit facility and funds raised as part of the Rights Offering, provide the Corporation with sufficient cash flow to support its working capital requirements in the foreseeable future.

Spain
Escal's controlling shareholder, ACS Servicios Communicacions y Energia S.L. ("ACS") is responsible for providing equity and arranging project financing for the Castor Project, including providing all guarantees that may be required, from the day it became a majority shareholder in Escal, through development and construction and inclusion of the underground storage facility into the Spanish gas system. After the Castor Project is operational, the Corporation will be responsible for its proportionate share of any new capital investments, unless otherwise funded through working capital generated directly by Escal.

Escal established a 10-year, €1.3 billion credit facility through a syndicate of 19 banks to complete the construction of the Castor Project. At March 31, 2013, approximately €1.0 billion had been borrowed pursuant to these arrangements. To provide security for the financing, the shareholders of Escal have pledged their respective shares in Escal to the banking syndicate. Other than the pledging of its shares, the Corporation and its subsidiaries will not be required to provide any additional equity or debt funds or provide any warranties required by the project finance lenders. Notwithstanding any form by which ACS has, or may in the future, fund Escal during the construction phase, the Corporation retains full entitlement to its existing proportionate interest in Escal and in any distribution made by Escal.

Outstanding Share Data and Dilutive Securities
At March 31, 2013, the Corporation had 164,651,647 common shares outstanding. In addition, it had granted 3,715,000 stock options to purchase common shares of the Corporation to directors and key management at a weighted average exercise price of $0.77 per share, and it had issued 945,310 deferred share units. At April 30, 2013, the Corporation had 164,651,647 common shares outstanding.

OFF BALANCE SHEET ARRANGEMENTS, COMMITMENTS AND CONTINGENCIES

Other than as may be disclosed elsewhere in this MD&A, there have been no significant changes in the nature of off balance sheet arrangements, commitments and contingencies from those described in Note 19 to the 2012 Audited Consolidated Financial Statements and under *"Off Balance Sheet Arrangements"* and *"Commitments and Contingencies"* in the Corporation's MD&A as at and for the year ended December 31, 2012.

RELATED PARTY TRANSACTIONS

Other than as described in Note 16 to the March 2013 Interim Consolidated Financial Statements, there are no significant changes in the nature and scope of related party transactions to those described in Note 18 to the 2012 Audited Consolidated Financial Statements and the accompanying MD&A.

BUSINESS RISKS

There are a number of inherent risks associated with the Corporation's activities. These risks are described in the Corporation's 2012 Annual Information Form dated February 15, 2013, under *"Risk Factors"*, which may be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website *www.sedar.com*. At March 31, 2013, the Corporation had not identified any material changes to the risk factors affecting its business, and its approach to managing those risks, from those discussed in the document referred to above. These business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Summaries of the significant accounting policies applied in the preparation and significant judgments, estimates and assumptions made by management in the preparation of its financial statements are provided in Notes 3 and 4 to the 2012 Audited Consolidated Financial Statements.

Other than as disclosed in Note 2 to the March 2013 Interim Consolidated Financial Statements, there have been no changes in the accounting policies applied in the preparation of the Corporation's March 2013 Interim Consolidated Financial Statements from those detailed in Note 3 to the Corporation's 2012 Audited Consolidated Financial Statements. The changes in accounting policies adopted during the first quarter of 2013 did not have a material impact to the March 2013 Interim Consolidated Financial Statements.

CONTROLS AND PROCEDURES

In accordance with the Canadian Securities Administrators' National Instrument 52-109, the Corporation has filed certificates signed by its Chief Executive Officer and the Chief Financial Officer certifying that, among other things, the design of disclosure controls and procedures and the design of internal control over financial reporting are adequate as at March 31, 2013.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the Corporation's Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow required disclosures to be made in a timely fashion. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that as of March 31, 2013, the Corporation's disclosure controls and procedures were effective.

The Chief Executive Officer and the Chief Financial Officer of the Corporation have also evaluated whether there were changes to the Corporation's internal control over financial reporting during the three months ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect the Corporation's internal control over financial reporting. There were no changes identified during their evaluation.

FORWARD-LOOKING STATEMENTS

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

Certain information set forth in this MD&A, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions and may include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In particular, forward-looking statements contained in this document include, but are not limited to, statements with respect to: financial and business prospects and financial outlook; performance characteristics of the Corporation'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 Corporation'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 Corporation'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 Corporation's acquisitions and dispositions. In addition, statements relating to "reserves" or "resources" are, by their nature, forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including risks related to the exploration, development and production of oil and gas, uncertainty of reserve estimates, project development risks, reliance on operators, management and key personnel, the cyclical nature of the oil and gas business, dependence on a small number of customers, the need for additional funding to execute on further exploration and development work, the granting of operating permits and licenses, and other risk factors discussed or referred to in the section entitled *"Risk Factors"* in the Corporation's Annual Information Form and other documents filed from time to time with the securities administrators, all of which may be accessed at *www.sedar.com*. These statements are only predictions, not guarantees, and actual events or results may differ materially. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

Forward-looking statements and other information contained herein concerning the oil and gas industry and the Corporation's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market share and performance characteristics. While the Corporation is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

In addition, a number of assumptions were made by the Corporation in connection with certain forward-looking information and forward-looking statements for 2013 and beyond. These assumptions include: the impact of increasing competition; the general stability of the economic and political environment in which the Corporation operates; the timely receipt of any required regulatory approvals; the ability of the Corporation to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which the Corporation has an interest to operate such projects in a safe, efficient and effective manner; the ability of the Corporation to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and/or exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Corporation to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Corporation operates; the ability of the Corporation to successfully market its oil and natural gas products; estimates on global industrial production in key geographic markets; global oil and natural gas demand and supply; that the Corporation will not have any labour, equipment or other disruptions at any of its operations of any significance in 2013 other than any planned maintenance or similar shutdowns and that any third parties on which the Corporation is relying will not experience any unplanned disruptions; that the reports it relies on for certain of its estimates are accurate; and that the above mentioned risks and the risk factors described in the Corporation's Annual Information Form do not materialize.

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

INFORMATION CONCERNING DUNDEE ENERGY LIMITED

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

Toronto, Ontario
April 30, 2013

DUNDEE ENERGY LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(expressed in thousands of Canadian dollars)

	Note		As at March 31, 2013		As at December 31, 2012
ASSETS					
Current					
Cash		$	170	$	125
Accounts receivable	4		4,003		3,775
Prepaids			1,102		1,198
Inventory			432		350
Investments	5		267		241
Derivative financial assets	9		-		215
			5,974		5,904
Non-current					
Oil and gas properties	6		152,407		154,450
Equity accounted investment in Escal	13		-		-
Deferred income taxes	15		9,638		9,277
		$	168,019	$	169,631
LIABILITIES					
Current					
Bank loan	7	$	62,834	$	62,633
Accounts payable and accrued liabilities	16		5,024		5,340
Taxes payable			6		25
Derivative financial liabilities	9		394		-
Decommissioning liabilities	8		1,684		1,796
			69,942		69,794
Non-current					
Decommissioning liabilities	8		42,185		42,909
			112,127		112,703
SHAREHOLDERS' EQUITY					
Equity Attributable to Owners of the Parent					
Share capital	10		104,838		104,838
Contributed surplus	10		7,136		7,086
Deficit			(53,233)		(52,161)
Accumulated other comprehensive loss			(3,082)		(3,082)
			55,659		56,681
Non-controlling interest			233		247
			55,892		56,928
		$	168,019	$	169,631

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Commitments (Note 17)

DUNDEE ENERGY LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)

	Note	For the three months ended March 31, 2013	March 31, 2012
REVENUES			
Oil and gas sales		$ 8,672	$ 9,446
Royalties		(1,313)	(1,372)
Net sales		7,359	8,074
Production expenditures	12	(2,848)	(3,045)
Depreciation and depletion	6	(3,029)	(3,756)
General and administrative	11, 12, 16	(1,591)	(1,992)
(Loss) gain on fair value changes of risk management contracts	9	(366)	1,260
Gain (loss) on fair value changes in financial instruments	5	26	(9)
Impairment loss on financial instruments	5	(317)	(320)
Interest income		360	366
Interest expense	7, 8	(1,082)	(1,073)
Foreign exchange gain (loss)		52	(28)
LOSS BEFORE INCOME TAXES		(1,436)	(523)
Income tax recovery (expense)	15		
Current		(11)	-
Deferred		361	96
		350	96
NET AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (1,086)	$ (427)
NET AND COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the parent		$ (1,072)	$ (420)
Non-controlling interest		(14)	(7)
		$ (1,086)	$ (427)
BASIC AND DILUTED NET LOSS PER SHARE	14	$ (0.01)	$ -

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

DUNDEE ENERGY LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

(expressed in thousands of Canadian dollars)

	Attributable to owners of the parent						
	Share Capital	Contributed Surplus for Option Reserve	Contributed Surplus for Deferred Share Unit Reserve	Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	TOTAL
Balance, December 31, 2011	$ 104,854	$ 6,051	$ 580	$ (35,538)	$ (3,114)	$ 304	$ 73,137
For the three months ended March 31, 2012							
Acquisition of common shares for cancellation							
pursuant to normal course issuer bid (Note 10)	(16)	-	-	-	-	-	(16)
Net loss	-	-	-	(420)	-	(7)	(427)
Stock based compensation (Note 11)	-	69	37	-	-	-	106
Balance, March 31, 2012	104,838	6,120	617	(35,958)	(3,114)	297	72,800
From April 1, 2012 to December 31, 2012							
Net loss	-	-	-	(16,203)	-	(50)	(16,253)
Stock based compensation (Note 11)	-	247	102	-	-	-	349
Other comprehensive income	-	-	-	-	32	-	32
Balance, December 31, 2012	104,838	6,367	719	(52,161)	(3,082)	247	56,928
For the three months ended March 31, 2013							
Net loss	-	-	-	(1,072)	-	(14)	(1,086)
Stock based compensation (Note 11)	-	15	35	-	-	-	50
Balance, March 31, 2013	$ 104,838	$ 6,382	$ 754	$ (53,233)	$ (3,082)	$ 233	$ 55,892

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

DUNDEE ENERGY LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

(expressed in thousands of Canadian dollars)

		For the three months ended	
	Note	March 31, 2013	March 31, 2012
OPERATING ACTIVITIES			
Net loss for the period		$ (1,086)	$ (427)
Adjustments for:			
Depreciation and depletion	6	3,029	3,756
(Gain) loss on fair value changes in financial instruments	5	(26)	9
Impairment loss on financial instruments	5	317	320
Loss (gain) on fair value changes of risk management contracts	9	609	(418)
Deferred income taxes	15	(361)	(96)
Stock based compensation	11	50	106
Reclamation expenditures	8	(124)	-
Other		(86)	(84)
		2,322	3,166
Changes in:			
Accounts receivable		(375)	1,192
Accounts payable and accrued liabilities		209	(3,925)
Taxes payable		(19)	-
Prepaids		230	581
Inventory		(82)	263
CASH PROVIDED FROM OPERATING ACTIVITIES		2,285	1,277
FINANCING ACTIVITIES			
Advanced from bank loan arrangements	7	201	396
Deferred costs associated with rights offering	20	(134)	-
Acquisition of common shares for cancellation	10	-	(16)
CASH PROVIDED FROM FINANCING ACTIVITIES		67	380
INVESTING ACTIVITIES			
Investment in oil and gas properties	6	(2,307)	(2,953)
CASH USED IN INVESTING ACTIVITIES		(2,307)	(2,953)
INCREASE (DECREASE) IN CASH		45	(1,296)
CASH, BEGINNING OF PERIOD		125	2,556
CASH, END OF PERIOD		$ 170	$ 1,260
Interest paid		$ 857	$ 832
Income taxes paid		$ 30	$ -

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

DUNDEE ENERGY LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

For the three months ended March 31, 2013 and March 31, 2012
Tabular dollar amounts in thousands of Canadian dollars, except per share amounts

1. NATURE OF OPERATIONS

Dundee Energy Limited ("Dundee Energy" or the "Corporation") is an oil and natural gas company with a mandate to create long-term value through the exploration, development, production and marketing of oil and natural gas and through other high impact energy projects. Dundee Energy is incorporated under the Canada Business Corporations Act. The Corporation's head office is located at Dundee Place, Suite 2100, 1 Adelaide Street East, Toronto, Ontario, Canada, M5C 2V9, and its registered office is located at Suite 250, 435 – 4th Avenue SW, Calgary, Alberta, Canada, T2P 3A8. The Corporation's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "DEN". At March 31, 2013, Dundee Corporation was the principal shareholder of the Corporation.

Dundee Energy's operating interests include its 100% ownership interest in Dundee Energy Limited Partnership ("DELP"), a limited partnership involved in the exploration, development and production of oil and gas properties in southern Ontario, Canada, and a 74% interest in Castor UGS Limited Partnership ("CLP"), its principal asset being a 33% interest in Escal UGS S.L. ("Escal"), the owner of the Castor underground gas storage project located in Spain. The Corporation also holds preferred shares of Eurogas International Inc. ("Eurogas International" or "EII"), an oil and gas exploration company that holds a 45% working interest in the Sfax permit offshore Tunisia.

2. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements of the Corporation as at and for the three months ended March 31, 2013 ("March 2013 Interim Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Handbook of Canadian Institute of Chartered Accountants, as applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "*Interim Financial Reporting*". The March 2013 Interim Consolidated Financial Statements should be read in conjunction with the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2012 ("2012 Audited Consolidated Financial Statements") which were prepared in accordance with IFRS as applicable for annual financial statements. The March 2013 Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors on April 30, 2013.

The March 2013 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 3 to the 2012 Audited Consolidated Financial Statements, except as described below.

Certain items on the consolidated statement of financial position as at December 31, 2012 have been reclassified to conform to the March 31, 2013 presentation. The Corporation does not believe that these reclassifications had a material effect on the March 2013 Interim Consolidated Financial Statements, from either a quantitative or a qualitative perspective.

Changes in Accounting Policies Implemented During the Three Months Ended March 31, 2013

The Corporation has adopted the following new and revised accounting standards, including any consequential amendments thereto, effective January 1, 2013. Changes in accounting policies adopted by the Corporation were made in accordance with the applicable transitional provisions as provided in those standards and amendments.

IFRS 7, "Financial Instruments: Disclosure" ("IFRS 7")

Amendments to IFRS 7 require the disclosure of information that enables users of an entity's financial statements to evaluate the effect, or potential effect, of offsetting financial assets and financial liabilities, to the entity's financial position. The Corporation adopted IFRS 7 on January 1, 2013 and, accordingly, the Corporation has included disclosures relating to the offsetting of derivative financial assets against derivative financial liabilities, if any, in Note 9 to the March 2013 Interim Consolidated Financial Statements.

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, equity accounted investments, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosure and also introduces significant additional disclosure requirements that address the nature of, and risks associated with an entity's interests in other entities. The Corporation adopted IFRS 12 on January 1, 2013. The adoption of this disclosure standard did not have an impact on the Corporation's March 2013 Interim Consolidated Financial Statements, but is expected to result in additional disclosure in the Corporation's annual financial statements as at and for the year ending December 31, 2013.

IFRS 13, "Fair Value Measurement" ("IFRS 13")

IFRS 13 provides a single framework for measuring fair value within IFRS. The new standard requires that the measurement of the fair value of an asset or liability be based on assumptions that market participants would use when pricing the asset or liability under market conditions existing as of the date of the statement of financial position, including assumptions relating to risk. The Corporation adopted IFRS 13 on January 1, 2013, on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective

Other accounting standards, interpretations and amendments to existing standards that are not yet effective are outlined in Note 3 to the 2012 Audited Consolidated Financial Statements. The Corporation has not completed its assessment of the impact that the new and amended standards will have on its financial statements, or whether to early adopt any of the new requirements.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the March 2013 Interim Consolidated Financial Statements requires management to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Corporation's reported amounts of assets, liabilities, revenues and other items in net earnings (loss), and the related disclosure of contingent assets and liabilities, if any. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and other items in net earnings (loss) that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of the March 2013 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in Note 4 to the 2012 Audited Consolidated Financial Statements.

4. ACCOUNTS RECEIVABLE

	March 31, 2013	December 31, 2012
Customers for oil and natural gas production	$ 2,976	$ 2,635
Working interest partners	67	174
Amounts receivable from Escal	960	966
	$ 4,003	$ 3,775

5. INVESTMENTS

	March 31, 2013	December 31, 2012
Publicly listed equity securities	$ 267	$ 241
Preferred shares of Eurogas International	32,150	32,150
Less: Impairment	(32,150)	(32,150)
	-	-
Accrued dividends on preferred share investment in Eurogas International	5,984	5,667
Less: Impairment	(5,984)	(5,667)
	-	-
	$ 267	$ 241

At March 31, 2013 and December 31, 2012, the Corporation held 32,150,000 Series A Preference Shares of Eurogas International with an aggregate par value of $32,150,000. The terms of the Corporation's investment in the Series A Preference shares are detailed in Note 7 to the 2012 Audited Consolidated Financial Statements. Notwithstanding the Corporation not receiving any dividends on its investment at March 31, 2013, the Corporation had not exercised its entitlement to elect the majority of the members of the Board of Directors of Eurogas International.

During the three months ended March 31, 2013, the Corporation recognized an unrealized gain from changes in fair value relating to publicly listed equity securities of $26,000 (three months ended March 31, 2012 – loss of $9,000) and it recognized an impairment loss of $317,000 (three months ended March 31, 2012 – $320,000) relating to dividends receivable on the Series A Preference Shares of Eurogas International.

6. OIL AND GAS PROPERTIES

	Oil and Gas Development Costs	Pipeline Infrastructure	Machinery and Equipment	Land and Buildings	Other	Exploration and Evaluation: Undeveloped Properties	TOTAL
	Property, Plant and Equipment						
At December 31, 2011							
Cost	$ 130,470	$ 25,317	$ 23,429	$ 4,580	$ 2,754	$ 7,928	$ 194,478
Accumulated depreciation and depletion	(17,139)	(2,959)	(1,842)	(37)	(817)	-	(22,794)
Net carrying value, December 31, 2011	113,331	22,358	21,587	4,543	1,937	7,928	171,684
Three months ended March 31, 2012							
Carrying value December 31, 2011	113,331	22,358	21,587	4,543	1,937	7,928	171,684
Net additions	219	135	22	-	46	945	1,367
Remeasure decommissioning liability (Note 8)	(1,335)	-	-	-	-	-	(1,335)
Depreciation and depletion	(2,949)	(437)	(334)	(6)	(30)	-	(3,756)
Net carrying value, March 31, 2012	109,266	22,056	21,275	4,537	1,953	8,873	167,960
At March 31, 2012							
Cost	129,354	25,452	23,451	4,580	2,800	8,873	194,510
Accumulated depreciation and depletion	(20,088)	(3,396)	(2,176)	(43)	(847)	-	(26,550)
Net carrying value, March 31, 2012	109,266	22,056	21,275	4,537	1,953	8,873	167,960
Transactions from April 1, 2012 to December 31, 2012							
Carrying value March 31, 2012	109,266	22,056	21,275	4,537	1,953	8,873	167,960
Net additions	3,411	151	3,570	-	509	3,794	11,435
Remeasure decommissioning liability (Note 8)	1,802	-	-	-	-	-	1,802
Depreciation and depletion	(8,826)	(1,300)	(1,010)	(20)	(91)	-	(11,247)
Impairment	(15,500)	-	-	-	-	-	(15,500)
Net carrying value, December 31, 2012	90,153	20,907	23,835	4,517	2,371	12,667	154,450
At December 31, 2012							
Cost	134,567	25,603	27,021	4,580	3,309	12,667	207,747
Accumulated depreciation, depletion and impairment	(44,414)	(4,696)	(3,186)	(63)	(938)	-	(53,297)
Net carrying value, December 31, 2012	90,153	20,907	23,835	4,517	2,371	12,667	154,450
Three months ended March 31, 2013							
Carrying value December 31, 2012	90,153	20,907	23,835	4,517	2,371	12,667	154,450
Net additions	1,060	1	202	41	(179)	798	1,923
Remeasure decommissioning liability (Note 8)	(937)	-	-	-	-	-	(937)
Depreciation and depletion	(2,293)	(346)	(356)	(6)	(28)	-	(3,029)
Net carrying value, March 31, 2013	87,983	20,562	23,681	4,552	2,164	13,465	152,407
At March 31, 2013							
Cost	134,690	25,604	27,223	4,621	3,130	13,465	208,733
Accumulated depreciation and depletion	(46,707)	(5,042)	(3,542)	(69)	(966)	-	(56,326)
Net carrying value, March 31, 2013	$ 87,983	$ 20,562	$ 23,681	$ 4,552	$ 2,164	$ 13,465	$ 152,407

7. BANK LOAN

DELP has established a credit facility for $70,000,000 (December 31, 2012 – $70,000,000) with a Canadian chartered bank. The credit facility provides DELP with 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 properties owned by DELP. In addition, the Corporation 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 March 31, 2013, the Corporation was in compliance with all such covenants.

		March 31, 2013		December 31, 2012
Prime rate loans	$	3,300	$	3,100
Bankers' acceptances		60,000		60,000
Less: Unamortized discount		(466)		(467)
	$	62,834	$	62,633
Letter of credit (Note 8)	$	3,270	$	3,270

At March 31, 2013, DELP had drawn $66,570,000 (December 31, 2012 – $66,370,000) pursuant to the credit facility, including $3,270,000 (December 31, 2012 – $3,270,000) issued in the form of a letter of credit (Note 8). Available credit under the credit facility at March 31, 2013 was $3,430,000. During the three months ended March 31, 2013, the Corporation incurred interest expense relating to the credit facility, including bank charges, arrangement fees and standby fees, of $856,000 (three months ended March 31, 2012 – $831,000).

8. DECOMMISSIONING LIABILITIES

The carrying amount of the Corporation's decommissioning liabilities is comprised of the expected future abandonment and site restoration costs associated with its oil and gas properties. Abandonment and site restoration costs are based on the Corporation's net ownership in the underlying wells and facilities, the estimated cost to abandon these wells and facilities and the estimated timing of the costs to be incurred in future periods.

		March 31, 2013		December 31, 2012
Undiscounted future obligations, beginning of period	$	81,278	$	83,739
Effect of changes in estimates		(431)		(1,468)
Liabilities settled (reclamation expenditures)		(124)		(993)
Undiscounted future obligations, end of period	$	80,723	$	81,278

Changes in the Corporation's estimate of its decommissioning liabilities on an undiscounted basis reflect the impact of inflation to the timing of abandonment and site restoration costs.

The following reconciles the Corporation's decommissioning liabilities on a discounted basis:

		March 31, 2013		December 31, 2012
Discount rates applied to future obligations		*1.01% - 2.34%*		*1.13% - 2.27%*
Inflation rate		*2.00%*		*2.00%*
Discounted future obligations, beginning of period	$	44,705	$	44,288
Effect of changes in estimates and				
remeasurement of discount rates		(937)		467
Liabilities settled (reclamation expenditures)		(124)		(993)
Accretion (interest expense)		225		943
Discounted future obligations, end of period	$	43,869	$	44,705
Current	$	1,684	$	1,796
Non-current		42,185		42,909
	$	43,869	$	44,705

As required by statute, the Corporation has provided the Ontario Ministry of Natural Resources with a letter of credit in respect of future abandonment costs. At March 31, 2013 and December 31, 2012, the amount of the letter of credit was $3,270,000 (Note 7).

9. RISK MANAGEMENT CONTRACTS

At March 31, 2013, the Corporation had entered into certain risk management contracts as identified in the table below.

Contract Fixed Price Swap	Volume	Pricing Point	Strike Price (Cdn$/unit)	Remaining Term	Fair Value March 31, 2013
Crude oil	500 bbl/d	NYMEX	$98.22	Apr 01/13 to Dec 31/13	$ (22)
Natural gas	10,000 mbtu/d	NYMEX	$4.07	Apr 01/13 to Dec 31/13	(372)
					$ (394)

The Corporation has determined that the fair value of risk management contracts at March 31, 2013 resulted in a liability balance of $394,000 (December 31, 2012 – asset balance of $215,000).

During the three months ended March 31, 2013, the Corporation recognized a loss of $366,000 (three months ended March 31, 2012 – gain of $1,260,000) from changes in the fair value of risk management contracts.

Subsequent to March 31, 2013, the Corporation cancelled natural gas fixed price contracts representing 3,750 mbtu/day at a cost of $313,000.

10. SHARE CAPITAL

Issued and Outstanding

			Contributed Surplus	
	Number of Common Shares Outstanding	Share Capital	Option Reserve (Note 11)	DSUP Reserve (Note 11)
Outstanding, December 31, 2011	164,675,147	$ 104,854	$ 6,051	$ 580
Transactions during the three months ended March 31, 2012				
Stock based compensation	-	-	69	37
Redeemed pursuant to issuer bid	(23,500)	(16)	-	-
Outstanding, March 31, 2012	164,651,647	104,838	6,120	617
Transactions from April 1, 2012 to December 31, 2012				
Stock based compensation	-	-	247	102
Outstanding, December 31, 2012	164,651,647	104,838	6,367	719
Transactions during the three months ended March 31, 2013				
Stock based compensation	-	-	15	35
Outstanding, March 31, 2013	164,651,647	$ 104,838	$ 6,382	$ 754

11. STOCK BASED COMPENSATION

A detailed description of the Corporation’s share incentive plan (the “SIP”) is provided in Note 13 to the Corporation’s 2012 Audited Consolidated Financial Statements.

Stock Option Plan

A summary of the status of the stock option component of the Corporation’s SIP as at and for the three months ended March 31, 2013 and as at and for the year ended December 31, 2012, is as follows:

	March 31, 2013		December 31, 2012	
	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Options outstanding, beginning of period	3,815,000	$ 0.77	5,665,000	$ 0.92
Granted	-	-	400,000	0.60
Forfeited	(100,000)	0.81	(2,250,000)	1.12
Options outstanding, end of period	3,715,000	$ 0.77	3,815,000	$ 0.77
Exercisable options	3,448,332	$ 0.79	3,548,332	$ 0.79

Option Price	Options Outstanding	Options Exercisable	Contractual Life Remaining (Years)
At $0.54	200,000	200,000	0.55
At $0.60	400,000	133,332	4.09
At $0.81	3,115,000	3,115,000	2.58

During the three months ended March 31, 2013, the Corporation recognized stock based compensation expense of $15,000 (three months ended March 31, 2012 – $69,000) in respect of outstanding stock options.

Deferred Share Unit Plan

During the three months ended March 31, 2013, the Corporation incurred stock based compensation expense of $35,000 (three months ended March 31, 2012 – $37,000) pursuant to its deferred share unit plan ("DSUP"). At March 31, 2013, there were 945,310 (December 31, 2012 – 945,310) deferred share units outstanding.

12. GENERAL AND ADMINISTRATIVE EXPENSES AND PRODUCTION EXPENDITURES BY NATURE

General and Administrative Expenses

	For the three months ended	
	March 31, 2013	March 31, 2012
Salary and salary-related	$ 912	$ 913
Stock based compensation	50	106
Corporate and professional fees	501	793
General office	354	379
Exploration and development costs	264	263
Capitalization of general and administrative costs	(490)	(462)
	$ 1,591	$ 1,992

Production Expenditures

	For the three months ended	
	March 31, 2013	March 31, 2012
Labour	$ 740	$ 685
Materials, equipment and supplies used	597	903
Transportation	280	315
Utilities	556	493
Rental and lease payments	247	195
Other	428	454
	$ 2,848	$ 3,045

13. EQUITY ACCOUNTED INVESTMENT IN ESCAL

During the year ended December 31, 2012, Escal issued 39 par value shares for €2,000 of which CLP acquired 13 par value shares for a nominal amount in order to maintain its proportionate interest in Escal. In addition and in order to comply with minimum equity to debt ratio requirements, during the year ended December 31, 2012, the majority shareholder in Escal also contributed an issuance premium on the newly issued shares of €5,774,000 and Escal issued €15,400,000 in subordinated loans. There were no additional shares or subordinated loans issued by Escal during the three months ended March 31, 2013. CLP has not recognized the benefit of its 33% interest in the issuance premium and subordinated loans as the ultimate realization and measurement of the benefit is subject to a significant 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.

Escal has established a hedging strategy to mitigate its exposure to interest rate risk associated with its project financing agreement. At March 31, 2013, the fair value of Escal's obligations in respect of these hedging strategies was approximately €136,277,000 (December 31, 2012 – €140,104,000). Recognition of these losses draws the Corporation's carrying value in Escal to zero. At March 31, 2013, the Corporation had not recorded a liability of $37,163,000 (December 31, 2012 – $38,552,000) related to additional losses incurred by Escal, as it does not have the legal or constructive obligation in respect thereof.

14. NET LOSS PER SHARE

		For the three months ended		
		March 31, 2013		March 31, 2012
Net loss for the period attributable to owners of the parent	$	(1,072)	$	(420)
Weighted average number of common shares outstanding		164,651,647		164,658,543
Basic and diluted net loss per common share	$	(0.01)	$	-

Per share amounts are computed by dividing the loss for the three months ended March 31, 2013 by the weighted average number of common shares outstanding of 164,651,647 (March 31, 2012 – 164,658,543). The effect of common share purchase options and of deferred share units on the net loss per share is not reflected, as it is considered anti-dilutive.

15. INCOME TAXES

During the three months ended March 31, 2013, the Corporation recognized an income tax recovery amount of $350,000 (three months ended March 31, 2012 – $96,000).

The income tax recovery amount on the Corporation's loss before income taxes differs from the income tax recovery amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26% (three months ended March 31, 2012 – 26%), as a result of the following items:

		For the three months ended		
		March 31, 2013		March 31, 2012
Loss before tax at statutory rate of 26% (March 31, 2012 – 26%)	$	(380)	$	(137)
Effect on taxes of:				
Non-deductible expenses		18		30
Other differences		12		11
Income tax recovery	$	(350)	$	(96)

16. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these March 2013 Interim Consolidated Financial Statements, related party transactions and balances as at and for the three months ended March 31, 2013 are as described below.

Services Arrangement with Dundee Resources Limited

Dundee Resources Limited, a wholly owned subsidiary of Dundee Corporation, provides the Corporation with administrative support services as well as geophysical, geological and engineering consultation with regard to the Corporation's activities. During the three months ended March 31, 2013, the Corporation incurred costs of $428,000 (three months ended March 31, 2012 – $467,000) in respect of these arrangements.

Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities at March 31, 2013 are amounts owing to the Corporation's parent, Dundee Corporation, and to Dundee Corporation's subsidiaries of $993,000 (December 31, 2012 – $762,000).

Financial Services

Officers, directors and employees of the Corporation and other related parties may make use of the facilities of Dundee Securities Limited ("DSL"), a full-service investment dealer, and a subsidiary of Dundee Corporation. In addition, certain of the Corporation's incentive compensation arrangements and the purchase of its common shares for cancellation pursuant to its normal course issuer bid may be administered by DSL. Transactions with DSL are conducted on normal market terms and are recorded at their exchange value.

Key Management Compensation

Compensation and other fees paid to directors of the Corporation and to the President and Chief Executive Officer of the Corporation during the three months ended March 31, 2013 and 2012 are shown below:

	For the three months ended	
	March 31, 2013	March 31, 2012
Directors' fees and executive consulting	$ 145	$ 136
Stock based compensation	15	32
Benefits	8	3
	$ 168	$ 171

17. COMMITMENTS

There have been no substantive changes to the description and nature of the Corporation's commitments from those described in Note 19 to the Corporation's 2012 Audited Consolidated Financial Statements.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table provides information about financial assets and liabilities measured at fair value in the Corporation's statement of financial position and categorized by level according to the significance of the inputs used in making the measurements:

	March 31, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets				
Investments in publicly listed securities	267	267	-	-
Financial Liabilities				
Risk management contracts	(394)	-	(394)	-

The fair value of risk management contracts was determined using forward commodity prices at the measurement date.

A detailed description of the Corporation's financial assets and financial liabilities and its associated risk management in respect thereof are provided in Note 20 to the 2012 Audited Consolidated Financial Statements. There have been no significant changes in the business and economic circumstances and the related financial risks that affect the fair value of the Corporation's financial assets and financial liabilities since December 31, 2012.

19. GEOGRAPHIC SEGMENTED INFORMATION

Segmented information is provided based on geographic segments, consistent with how the Corporation manages its business and how it reviews business performance. Items that are not directly attributable to specific geographic locations have been allocated to the corporate segment.

Segmented Statements of Operations for the three months ended March 31, 2013 and March 31, 2012

	Southern Ontario		Spain		Corporate		TOTAL	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
REVENUES								
Oil and gas sales	$ 8,672	$ 9,446	$ -	$ -	$ -	$ -	$ 8,672	$ 9,446
Royalties	(1,313)	(1,372)	-	-	-	-	(1,313)	(1,372)
Net sales	7,359	8,074	-	-	-	-	7,359	8,074
Production expenditures	(2,848)	(3,045)	-	-	-	-	(2,848)	(3,045)
Depreciation and depletion	(3,027)	(3,754)	-	-	(2)	(2)	(3,029)	(3,756)
General and administrative	(1,060)	(1,411)	(48)	(37)	(483)	(544)	(1,591)	(1,992)
(Loss) gain on fair value changes of risk management contracts	(366)	1,260	-	-	-	-	(366)	1,260
Gain (loss) on fair value changes in financial instruments	-	-	-	-	26	(9)	26	(9)
Impairment loss on financial instruments	-	-	-	-	(317)	(320)	(317)	(320)
Interest income	43	45	-	-	317	321	360	366
Interest expense	(1,082)	(1,070)	-	-	-	(3)	(1,082)	(1,073)
Foreign exchange gain (loss)	58	(37)	(6)	9	-	-	52	(28)
(LOSS) EARNINGS BEFORE INCOME TAXES	(923)	62	(54)	(28)	(459)	(557)	(1,436)	(523)
Income tax recovery (expense)								
Current	-	-	-	-	(11)	-	(11)	-
Deferred	-	-	-	-	361	96	361	96
	-	-	-	-	350	96	350	96
NET (LOSS) EARNINGS FOR THE PERIOD	$ (923)	$ 62	$ (54)	$ (28)	$ (109)	$ (461)	$ (1,086)	$ (427)
NET (LOSS) EARNINGS ATTRIBUTABLE TO:								
Owners of the parent	$ (923)	$ 62	$ (40)	$ (21)	$ (109)	$ (461)	$ (1,072)	$ (420)
Non-controlling interest	-	-	(14)	(7)	-	-	(14)	(7)
	$ (923)	$ 62	$ (54)	$ (28)	$ (109)	$ (461)	$ (1,086)	$ (427)

Segmented Net Assets as at March 31, 2013 and December 31, 2012

	Southern Ontario		Spain		Corporate		TOTAL	
	31-Mar-13	31-Dec -12	31-Mar-13	31-Dec -12	31-Mar-13	31-Dec -12	31-Mar-13	31-Dec -12
ASSETS								
Current								
Cash	$ 110	$ 76	$ 5	$ 7	$ 55	$ 42	$ 170	$ 125
Accounts receivable	3,043	2,809	960	966	-	-	4,003	3,775
Prepaids	965	1,195	3	3	134	-	1,102	1,198
Inventory	432	350	-	-	-	-	432	350
Investments	-	-	-	-	267	241	267	241
Derivative financial assets	-	215	-	-	-	-	-	215
	4,550	4,645	968	976	456	283	5,974	5,904
Non-current								
Oil and gas properties	152,356	154,397	-	-	51	53	152,407	154,450
Equity accounted investment in Escal	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	9,638	9,277	9,638	9,277
	$ 156,906	$ 159,042	$ 968	$ 976	$ 10,145	$ 9,613	$ 168,019	$ 169,631
LIABILITIES								
Current								
Bank loan	$ 62,834	$ 62,633	$ -	$ -	$ -	$ -	$ 62,834	$ 62,633
Accounts payable and accrued liabilities	3,188	4,029	10	29	1,826	1,282	5,024	5,340
Taxes payable	-	-	-	-	6	25	6	25
Derivative financial liabilities	394	-	-	-	-	-	394	-
Decommissioning liabilities	1,684	1,796	-	-	-	-	1,684	1,796
	68,100	68,458	10	29	1,832	1,307	69,942	69,794
Non-current								
Decommissioning liabilities	42,185	42,909	-	-	-	-	42,185	42,909
	$ 110,285	$ 111,367	$ 10	$ 29	$ 1,832	$ 1,307	$ 112,127	$ 112,703
SEGMENTED NET ASSETS	$ 46,621	$ 47,675	$ 958	$ 947	$ 8,313	$ 8,306	$ 55,892	$ 56,928

20. SUBSEQUENT EVENT

Rights Offering

On April 5, 2013, the Corporation received gross proceeds of $8,887,000 and it issued 5,734,067 common shares and 17,787,596 flow-through common shares pursuant to the completion of a rights offering, including 15,771,991 flow-through common shares acquired by Dundee Corporation. Following the rights offering, the Corporation had 188,173,310 common shares issued and outstanding. Proceeds raised pursuant to the rights offering will be used for exploration on the Corporation's properties in southern Ontario and for general corporate purposes.

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