



DUNDEE
ENERGY LIMITED

2015 THIRD 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 a large accumulation of producing oil and natural gas assets in southern Ontario (the "Southern Ontario Assets") and is the original developer 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 targeting oil and natural gas reserves.

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of October 30, 2015 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, 2014 (the "2014 Consolidated Financial Statements") and the unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2015 (the "September 2015 Interim Consolidated Financial Statements"), which have been prepared using International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars unless otherwise specified. Tabular dollar amounts, unless otherwise specified, are in thousands of dollars, except for per unit or per share amounts.

PERFORMANCE MEASURES AND BASIS OF PRESENTATION

The Corporation's September 2015 Interim Consolidated Financial Statements have been prepared in accordance with IFRS and use the Canadian dollar as its presentation currency. However, the Corporation believes that important measures of its economic performance include certain measures that are not defined under IFRS and as such, may not be comparable to similar measures used by other companies. Throughout this MD&A, there are references to the following performance measures which management believes are valuable in assessing the economic performance of the Corporation. While these measures are not defined by IFRS, they are common benchmarks in the energy industry, and are used by the Corporation in assessing its operating results, including net earnings and cash flow.

- * "Barrel of Oil Equivalent" or "boe" is calculated at a barrel of oil conversion ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of oil (6 Mcf to 1 bbl), based on an energy equivalency conversion method which is primarily applicable at the burner tip and does not always represent a value equivalency at the wellhead.
- * "Field Level Cash Flows" is calculated as revenues from oil and natural gas sales, less royalties and production expenditures, adjusted for the effect of the Corporation's derivative financial instruments, if any. Field level cash flows contribute to the funding of the Corporation's working capital and to capital expenditure requirements. 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.

CONSOLIDATED RESULTS OF OPERATIONS

Nine months ended September 30, 2015 compared with the nine months ended September 30, 2014

Consolidated Net Earnings or Loss

During the nine months ended September 30, 2015, the Corporation incurred a net loss attributable to owners of the parent of \$4.6 million, representing a loss of \$0.02 per share. This compares with net earnings attributable to owners of the parent of \$2.8 million, or net earnings of \$0.01 per share, generated in the same period of the prior year. While average production volumes increased on a period-over-period basis, the Corporation realized substantially lower prices for its sales of commodities in the first nine months of 2015, compared with realized prices generated in the first nine months of the prior year, as further described below.

For the nine months ended September 30,	2015			2014		
	Net (Loss) Earnings	Attributable to Owners of the Parent	Non-Controlling Interest	Net Earnings (Loss)	Attributable to Owners of the Parent	Non-Controlling Interest
	Southern Ontario Assets	\$ (4,953)	\$ (4,953)	\$ -	\$ 5,327	\$ 5,327
Castor Project	(962)	(710)	(252)	(278)	(208)	(70)
Loss from investment in preferred shares of Eurogas International	(962)	(962)	-	(962)	(962)	-
Corporate activities*	1,977	1,977	-	(1,378)	(1,378)	-
Net (loss) earnings for the period	\$ (4,900)	\$ (4,648)	\$ (252)	\$ 2,709	\$ 2,779	\$ (70)

* Corporate activities include income tax recovery (expense) amounts associated with the underlying operations of the Corporation's subsidiaries.

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.

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. During the first nine months of 2015, sales of oil and natural gas, net of royalty interests, generated revenues of \$20.1 million, a decrease of \$10.6 million from revenues of \$30.7 million earned during the same period of the prior year.

	Natural Gas	Oil and Liquids	Total
Net Sales			
Nine months ended September 30, 2015	\$ 11,742	\$ 8,370	\$ 20,112
Nine months ended September 30, 2014	16,609	14,107	30,716
Net decrease in net sales	\$ (4,867)	\$ (5,737)	\$ (10,604)
Effect of changes in production volumes	\$ 3,397	\$ (100)	\$ 3,297
Effect of changes in commodity prices	(8,264)	(5,637)	(13,901)
	\$ (4,867)	\$ (5,737)	\$ (10,604)

As illustrated in the table above, substantially lower commodity prices during the first nine months of 2015 decreased revenues by \$13.9 million compared to the first nine months of 2014, although this decrease was partially offset by improved production volumes, which resulted in an increase of \$3.3 million in revenue.

Net Sales of Oil and Gas

For the nine months ended September 30,			2015	2014		
			Realized			Realized
		Sales	Prices (\$ / unit)		Sales	Prices (\$ / unit)
Natural gas	\$	13,830	4.30	\$	19,482	7.29
Oil		9,867	62.78		16,498	105.90
Liquids		20	23.68		162	48.51
		23,717			36,142	
Less: Royalties at 15% (2014 – 15%)		(3,605)			(5,426)	
Net sales	\$	20,112		\$	30,716	

Revenues from oil and gas sales were \$23.7 million during the first nine months of 2015. This compares with revenues of \$36.1 million earned in the same period of the prior year. The Corporation's revenues are subject to royalty payments to provincial governments, freehold landowners and overriding royalty owners. During the first nine months of 2015, the Corporation recorded royalty obligations of \$3.6 million (nine months ended September 30, 2014 – \$5.4 million) against its oil and gas sales, representing an average royalty rate of approximately 15% (nine months ended September 30, 2014 – 15%) of oil and gas revenues.

Effect of Commodity Prices on Revenues from Oil and Gas Sales

Prices for oil and natural gas vary from period to period due to several factors including supply, demand, weather, general economic conditions and changes in foreign exchange rates. The following table illustrates several benchmark prices for these commodities, compared with the prices realized by the Corporation.

For the nine months ended September 30,			2015	2014		
	US\$	CAD\$	Realized Prices (\$)	US\$	CAD\$	Realized Prices (\$)
Natural Gas						
Dawn Hub	3.17	3.98	4.30	6.94	7.57	7.29
NYMEX Henry Hub	2.80	3.51		4.56	4.97	
Oil						
Edmonton Par	n/a	58.80	62.78	n/a	100.08	105.90
West Texas Intermediate	50.94	63.87		100.01	109.04	

During the first nine months of 2015, the Corporation realized an average price on sales of natural gas of \$4.30/Mcf, representing an 8% premium over the average benchmark price at the Dawn Hub. The Corporation continues to benefit from its proximity to the Dawn Hub, as it is a provider of natural gas supply to the greater Toronto market area. Despite this premium however, the average realized price on sales of natural gas in the current period declined 41% from the average price of \$7.29/Mcf realized by the Corporation in the first nine months of the prior year. The realized price for natural gas in the first nine months of the prior year reflected an increase in demand for natural gas in the January to April period, caused by unanticipated severe winter weather conditions.

Volatility in the trading price for crude oil remains highly elevated, driven by uncertainty over future global economic growth and supply/demand fundamentals. Consistent with this volatility, during the first nine months of 2015, the Corporation realized an average price of \$62.78/bbl on sales of crude oil, a 41% decrease from the average price of \$105.90/bbl realized during the same period of the prior year. On a comparative basis, the Edmonton Par average price for crude oil during the first nine months of 2015 fell 41% below the average price for crude oil in the same period of 2014, while the US dollar-denominated West Texas Intermediate price for this commodity fell 49% on a period-over-period basis.

Derivative Financial Instruments – Price Risk Management

In order to mitigate its exposure to price volatility, the Corporation may from time to time, enter into fixed price commodity 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 in debt management. The following table summarizes the realized and unrealized gains or losses from the Corporation's derivative financial instruments during the first nine months of 2015, compared with the same period of the prior year. For accounting purposes, the Corporation has not designated its derivative financial instruments 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 derivative financial instruments in the Corporation's net earnings or loss.

For the nine months ended September 30,	2015			2014		
	Realized Gain	Unrealized Loss	Total	Realized Loss	Unrealized Gain	Total
Oil swaps	\$ 341	\$ (341)	\$ -	\$ (337)	\$ 221	\$ (116)

The Corporation did not have any derivative financial instruments outstanding at September 30, 2015.

Production Volumes

During the first nine months of 2015, production volumes increased to an average of 2,543 boe/d, compared with an average of 2,214 boe/d produced in the same period of the prior year.

Average daily volume during the nine months ended September 30,	2015	2014
Natural gas (Mcf/d)	11,785	9,784
Oil (bbls/d)	576	571
Liquids (bbls/d)	3	12
Total (boe/d)	2,543	2,214

Average daily natural gas production volumes increased to 11,785 Mcf/d during the first nine months of 2015, compared with production volumes of 9,784 Mcf/d achieved in the same period of the prior year, representing an increase of approximately 20%. The increase was due primarily to the purchase of additional working interest in the offshore gas properties, which the Corporation completed in the third quarter of 2014, and which added approximately 1,700 Mcf/d to average production volumes. In addition, during the first nine months of the prior year, natural gas production volumes were negatively impacted by a temporary suspension of production in parts of central Lake Erie, Ontario, while production pipelines underwent significant repairs following damage caused by ice scouring in February 2014. These repairs resulted in lost production volumes of approximately 1,300 Mcf/d.

Oil production volumes increased marginally to an average of 576 bbl/d during the first nine months of 2015, compared with an average of 571 bbl/d produced in the same period of the prior year. The increase reflects the positive results of workover initiatives undertaken during the first nine months of 2015, partially offset by the natural decline in the underlying assets.

Production Expenditures

Production expenditures include processing costs associated with bringing raw 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. Also included in production expenditures is an allocation of general and administrative costs, including labour, which is directly attributable to these activities. During the first nine months of 2015, the Corporation incurred production expenditures of \$12.3 million, an increase of \$1.3 million from production expenditures of \$11.0 million incurred in the same period of the prior year. Production costs incurred during the first nine months of 2015 include costs associated with the acquisition of an increased working interest in certain natural gas properties completed during the third quarter of the prior year. However, production expenditures on a per unit basis decreased to \$17.78/boe in the first nine months of 2015, from \$18.15/boe incurred during the same period of the prior year.

For the nine months ended September 30,			2015	2014		
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Production expenditures	\$ 7,285	\$ 5,061	\$ 12,346	\$ 6,212	\$ 4,757	\$ 10,969
Production expenditures per unit	(per Mcf) \$ 2.26	(per bbl) \$ 32.03	(per boe) \$ 17.78	(per Mcf) \$ 2.33	(per bbl) \$ 29.89	(per boe) \$ 18.15

Field Level Cash Flows and Field Netbacks

For the nine months ended September 30,			2015	2014		
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Total sales	\$ 13,830	\$ 9,887	\$ 23,717	\$ 19,482	\$ 16,660	\$ 36,142
Royalties	(2,088)	(1,517)	(3,605)	(2,873)	(2,553)	(5,426)
Production expenditures	(7,285)	(5,061)	(12,346)	(6,212)	(4,757)	(10,969)
	4,457	3,309	7,766	10,397	9,350	19,747
Gain (loss) on derivative financial instruments	-	341	341	-	(337)	(337)
Field level cash flows	\$ 4,457	\$ 3,650	\$ 8,107	\$ 10,397	\$ 9,013	\$ 19,410

For the nine months ended September 30,			2015	2014		
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
	\$/Mcf	\$/bbl	\$/boe	\$/Mcf	\$/bbl	\$/boe
Total sales	\$ 4.30	\$ 62.57	\$ 34.16	\$ 7.29	\$ 104.69	\$ 59.81
Royalties	(0.65)	(9.60)	(5.19)	(1.08)	(16.04)	(8.98)
Production expenditures	(2.26)	(32.03)	(17.78)	(2.33)	(29.89)	(18.15)
	1.39	20.94	11.19	3.88	58.76	32.68
Gain (loss) on derivative financial instruments	-	2.16	0.49	-	(2.12)	(0.56)
Field netbacks	\$ 1.39	\$ 23.10	\$ 11.68	\$ 3.88	\$ 56.64	\$ 32.12

During the nine months ended September 30, 2015, the Corporation earned field level cash flows, before the effect of any price risk management arrangements, of \$7.8 million or \$11.19/boe, compared with field level cash flows, before price management arrangements of \$19.7 million or \$32.68/boe earned during the same period of the prior year.

Field level cash flows from natural gas operations decreased to \$4.5 million or \$1.39/Mcf, compared with field level cash flows of \$10.4 million or \$3.88/Mcf in the same period of the prior year, reflecting substantially lower realized sales prices on a period-over-period basis. As previously discussed, the effect of lower realized sales prices on a period-over-period basis was partially offset by increased production volumes.

Field level cash flows from oil and liquids, before the effect of price risk management strategies, decreased to \$3.3 million or \$20.94/bbl in the first nine months of 2015, compared with field level cash flows of \$9.4 million or \$58.76/bbl in the same period of the prior year. Consistent with field level cash flows from natural gas, the decrease reflects decreases in the price for the underlying commodity.

The Corporation's price risk management arrangements increased field netbacks from oil and liquids by \$2.16/bbl during the first nine months of 2015, compared with a decrease of \$2.12/bbl incurred during the same period of the prior year.

Capital Expenditures

For the nine months ended September 30,	2015	2014
<i>Offshore</i>		
Pipeline	\$ -	\$ 744
Facilities	-	71
Total offshore	-	815
<i>Onshore</i>		
Drilling and completion	5	1,179
Workovers	-	89
Facilities	58	251
Land and buildings	9	82
Total onshore	72	1,601
<i>Exploration and Evaluation</i>		
Undeveloped properties	556	2,104
Onshore seismic	-	700
Total exploration and evaluation	556	2,804
Spare parts, office equipment, computer hardware and software	(116)	330
	512	5,550
Disposition of property, plant and equipment	(301)	-
	\$ 211	\$ 5,550

In response to declining commodity prices for both crude oil and natural gas, the Corporation determined that it was appropriate to significantly reduce its planned 2015 capital expenditure program. Accordingly, the Corporation's work plan for 2015 was budgeted at \$0.9 million and was anticipated to consist primarily of costs associated with maintaining the existing and essential land portfolio, as well as certain costs to complete projects that had been started in late 2014. To date, the Corporation has incurred approximately \$0.6 million of these budgeted capital expenditures, including \$0.4 million related to the Corporation's land portfolio, \$0.1 million related to the completion of prior year projects and \$0.1 million to commence a project undertaken through the "saveONenergy" program in the province of Ontario which is assisting with funding to allow the Corporation to right-size oil well pumping equipment which will yield more efficient and reduced operating costs at certain southern Ontario locations.

During the first half of 2015, the Corporation disposed of certain land and buildings associated with its assets in southern Ontario. The assets had a cost of \$191,000 and were sold for proceeds of \$368,000, including cash of \$13,000 and the assumption of a vendor-take-back mortgage arrangement of \$355,000. Amounts receivable pursuant to the vendor-take-back mortgage arrangements generated interest for the Corporation at a rate of 5.5%, and are secured against the underlying assets sold. In addition, during the third quarter of 2015, the Corporation disposed of certain dock lands in southern Ontario. These lands had a cost of \$110,534 and were sold for cash consideration of \$175,000. The sale was in conjunction with a planned strategy to utilize alternative dock facilities, which provide greater operating efficiencies and access to certain Lake Erie producing fields.

Any residual cash flows that result from reduced capital spending or from the disposition of non-core assets will be applied towards the repayment of outstanding debt.

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 September 30, 2015, the Corporation's estimate of these future costs on an undiscounted basis was approximately \$97.1 million.

In accordance with accounting requirements, the estimated decommissioning liability is recorded in the Corporation's consolidated financial statements on a discounted basis using discount rates that are specific to the underlying obligations. At September 30, 2015, the discounted amount of the Corporation's decommissioning liabilities was \$57.5 million. The discount used in calculating the Corporation's decommissioning liabilities is accreted over time. During the first nine months of 2015, the Corporation incurred accretion expense of \$0.8 million (nine months ended September 30, 2014 – \$0.8 million) related to the carrying value of its decommissioning liabilities.

During the nine months ended September 30, 2015, the Corporation incurred \$0.3 million in reclamation costs related to these obligations, and it anticipates that it will incur another \$2.4 million in reclamation costs over the next 12 months.

Castor UGS Limited Partnership and the Castor Project

The Castor Project is a Spanish infrastructure undertaking that converted an abandoned oilfield to a natural gas storage facility. The Castor Project, and the related exploitation concession, were owned and developed by Escal UGS S.L. ("Escal"), a company incorporated under Spanish jurisdiction. ACS Servicios Comunicacions y Energia S.L. ("ACS"), a construction group in Spain, is a 67% shareholder of Escal, while Castor UGS Limited Partnership ("CLP"), the Corporation's 74% owned subsidiary, holds the remaining 33% interest in Escal.

In September 2013, the Spanish authorities mandated suspension of activities, following micro-seismic activity detected in the area surrounding the Castor Project. Escal subsequently considered options available in respect of the Castor Project and, in July 2014, Escal determined that it was appropriate to exercise its right under the underground gas storage concession to relinquish the concession to the Spanish authorities. On October 3, 2014, the Spanish government approved Royal Decree-Law 13/2014, which became effective on October 4, 2014, the date of its publication in the Spanish Official State Gazette. The Royal Decree-Law formally accepted the relinquishment of the Castor Project, it acknowledged the termination of the concession, and it reverted ownership of the associated facilities back to the public domain.

In November 2014, and under the terms of the relinquishment, Escal received €1.35 billion, being the net value of its investment in the Castor Project, after deducting €110 million previously received by Escal during the pre-commissioning stage of development. These proceeds were applied towards the partial repayment of the €1.41 billion of outstanding bonds issued by Watercraft Capital S.A., Escal's financing vehicle.

Also in November 2014, ACS arranged a €300 million bank financing for Escal, of which €60 million was applied to repay the balance of amounts owing pursuant to the outstanding bond arrangements. CLP is of the view that the new financing arranged by ACS was not in the best interest of Escal and consequently, CLP has lodged a legal action challenging the approval of the new financing. The balance of the funds were used to repay Escal's shareholder loans solely to ACS, which in the opinion of CLP contravenes the terms of the 2007 memorandum of understanding in respect of CLP's ownership rights in the equity and shareholder loans of Escal.

Early in the second quarter of 2015, CLP commenced binding arbitration proceedings to resolve this contractual dispute with ACS. As required pursuant to the terms of the memorandum of understanding referred to above, the arbitration will be in accordance with the rules of the International Chamber of Commerce ("ICC") in Paris, and will be heard by an arbitral tribunal consisting of three arbitrators. CLP has initiated the assembly of the necessary documents in support of its claim for eventual transmission to the court. Evidentiary hearings are expected to commence in mid-2016.

In order to fund the costs associated with the arbitration process, CLP raised funds through a voluntary cash call to its limited partners. CLP raised cash of \$2.2 million from the cash call, including \$1.7 million raised from the Corporation itself.

The Royal Decree-Law outlined above also provides Escal with certain other remuneration rights, including financial remuneration for the period from the provisional commissioning date of the Castor Project on July 5, 2012 through to October 4, 2014, as well as the reimbursement of operating and maintenance costs incurred during this period. The final quantification of any additional remuneration amounts, if any, and the expected timing of receipt, have not yet been formally announced.

The Royal Decree-Law mandates that the Castor Project remain mothballed until the Spanish government is satisfied with technical studies and reports on any future commissioning of such facilities. Enagás Transporte, S.A.U., the technical manager of the Spanish gas system, has been tasked with completing these studies and it is entrusted with the ongoing care and maintenance of the facilities. However, and in accordance with the terms of the Royal Decree-Law, Escal and its shareholders remain responsible for any possible flaws or defects in the facilities associated with the Castor Project that become apparent during the 10 years following the issuance of the Royal Decree-Law.

The Corporation accounts for its investment in Escal using the equity method. At September 30, 2015 and December 31, 2014, Escal's net equity available to shareholders was negative, reflecting operating losses and the settlement of unfavourable hedging transactions previously incurred. Accordingly, the Corporation has reduced the carrying value of its investment in Escal to \$nil at September 30, 2015 (December 31, 2014 – \$nil). The Corporation has not reduced its carrying value in Escal to below \$nil as the Corporation does not have any legal or constructive obligations in respect of its investment in Escal, nor is it currently obligated to make any payments on behalf of Escal.

Investment in Series A Preference Shares of Eurogas International Inc.

Because of the Corporation's entitlement to demand redemption of the Series A Preference Shares at any time from Eurogas International, the Corporation has classified its investment in the Series A Preference Shares as a loan receivable and the associated dividends as interest income. The Corporation has completed an assessment of the fair value of the Series A Preference Shares. In its assessment, the Corporation considered factors such as the delinquency of dividend payments and the financial resources available to Eurogas International to meet current commitments and pursue growth opportunities. The Corporation concluded that there was significant impairment in the par value of the Series A Preference Shares and the related accrued dividends thereon and accordingly, the Corporation has fully provided against the carrying values of these assets. During the first nine months of 2015, the Corporation provided for an impairment loss relating to its investment in Eurogas International of \$1.0 million (nine months ended September 30, 2014 – \$1.0 million).

Eurogas International has entered into a farm in arrangement with DNO Tunisia AS ("DNO") that essentially provides DNO with an 87.5% participating interest in the Sfax exploration permit. Eurogas International retains a 5.625% interest. Under the terms of the farm in arrangement, DNO assumed the obligations for 100% of all future costs associated with the permit, as well as the assumption of all related drilling obligations. In August 2015, DNO received regulatory approval from the Tunisian authorities for a two-year extension of the first renewal period related to the permit, extending the first renewal period and the associated exploration well drilling obligation to December 8, 2017. The extension carries a requirement for DNO to acquire 700 km of 2-dimensional seismic.

Earlier in 2015, DNO had completed the drilling of the Jawhara-3 well. The Douleb and Bireno fractured carbonate formations targeted proved to be water bearing and therefore, DNO plugged and abandoned the well. In view of these results, and following receipt of the approval for extension of the first renewal period, DNO is reassessing its work plan in respect of the Sfax exploration permit.

Other Items in Consolidated Net Earnings

General and Administrative Expenses

General and administrative expenses incurred during the nine months ended September 30, 2015 were \$3.2 million, a decrease of \$2.0 million when compared with general and administrative expenses of \$5.2 million incurred in the same period of the prior year. The decrease in general and administrative expenses included savings associated with the transfer of the Corporation's geological engineering office from Calgary, Alberta to London, Ontario, in December 2014 and the closing and transfer of the administrative support office from Port Colborne to London, Ontario in June 2014.

Partially offsetting the effect of these costs savings initiatives are legal and arbitration costs of \$0.8 million incurred during the nine months ended September 30, 2015, all of which are in respect of the Castor Project.

Interest Expense

The Corporation incurred interest expense of \$3.4 million in the first nine months of 2015, compared with interest expense of \$3.3 million incurred in the same period of the prior year. Included in interest expense was \$0.8 million (nine months ended September 30, 2014 – \$0.8 million) of accretion expense associated with the Corporation's decommissioning liabilities, with the balance of interest expense incurred predominantly on borrowings pursuant to the Corporation's credit facility.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2015			2014				2013
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Revenues	\$ 6,400	\$ 6,886	\$ 6,826	\$ 8,564	\$ 8,574	\$ 9,398	\$ 12,744	\$ 8,264
Net (loss) earnings attributable to owners of the parent	(1,902)	(1,540)	(1,206)	(1,431)	(297)	(112)	3,188	(3,183)
Basic and fully diluted (loss) earnings per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ -	\$ -	\$ 0.02	\$ (0.01)
Capital expenditures	\$ 56	\$ 195	\$ 261	\$ 771	\$ 2,513	\$ 1,578	\$ 1,459	\$ 3,300

- During the fourth quarter of 2014, the Corporation recorded an impairment on financial instruments related to certain amounts owing from Escal of \$1.0 million.
- During the third quarter of 2014, the Corporation completed the acquisition of an additional 15% working interest in certain natural gas properties.
- During the fourth quarter of 2013, the Corporation recognized an impairment of \$3.5 million against certain oil properties, reflecting decreased production from certain oil wells.
- Changes in the fair value of the Corporation's derivative financial instruments are included in the Corporation's net earnings. These fair value changes may cause significant volatility in the Corporation's earnings. The following table illustrates the impact of changes in the fair value of the Corporation's derivative financial instruments to its net earnings (loss) on a quarterly basis:

	2015			2014				2013
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Changes in the fair value of derivative financial instruments	\$ -	\$ -	\$ -	\$ 504	\$ 376	\$ (213)	\$ (279)	\$ 80

QUARTERLY CONSOLIDATED RESULTS OF OPERATIONS

Three months ended September 30, 2015 compared with the three months ended September 30, 2014

During the quarter ended September 30, 2015, the Corporation's net loss attributable to the owners of the parent was \$1.9 million, compared with a net loss attributable to the owners of the parent of \$0.3 million in the third quarter of the prior year.

For the three months ended September 30,	2015			2014		
	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	\$ (2,074)	\$ (2,074)	\$ -	\$ 118	\$ 118	\$ -
Castor Project	(430)	(318)	(112)	(119)	(89)	(30)
Loss from investment in preferred shares of Eurogas International	(324)	(324)	-	(324)	(324)	-
Corporate activities*	814	814	-	(2)	(2)	-
Net loss for the period	\$ (2,014)	\$ (1,902)	\$ (112)	\$ (327)	\$ (297)	\$ (30)

* Corporate activities include income tax recovery (expense) amounts associated with the underlying operations of the Corporation's subsidiaries.

Southern Ontario Assets

During the third quarter of 2015, sales of oil and natural gas, net of royalty interests were \$6.4 million, a decrease of \$2.2 million from the \$8.6 million earned in the same period of the prior year. As illustrated in the following table, the decrease was mainly due to lower commodity prices.

	Natural Gas	Oil and Liquids	Total
Net Sales			
Three months ended September 30, 2015	\$ 3,809	\$ 2,591	\$ 6,400
Three months ended September 30, 2014	4,329	4,245	8,574
Net decrease in net sales	\$ (520)	\$ (1,654)	\$ (2,174)
Effect of changes in production volumes	\$ (24)	\$ 107	\$ 83
Effect of changes in commodity prices	(496)	(1,761)	(2,257)
	\$ (520)	\$ (1,654)	\$ (2,174)

During the third quarter of 2015, the Corporation realized an average sales price of \$4.17/Mcf for natural gas, a decrease from a realized price of \$4.72/Mcf in the third quarter of the prior year. The realized price for the sale of crude oil also fell to \$60.90/bbl during the third quarter of 2015, compared with \$102.68/bbl realized during the third quarter of the prior year.

For the three months ended September 30,	2015		2014	
	Sales	Realized Prices (\$ / unit)	Sales	Realized Prices (\$ / unit)
Natural gas	\$ 4,481	4.17	\$ 5,102	4.72
Oil	3,052	60.90	4,976	102.68
Liquids	9	25.03	36	47.91
	7,542		10,114	
Less: Royalties at 15% (2014 – 15%)	(1,142)		(1,540)	
Net sales	\$ 6,400		\$ 8,574	

Comparable benchmark prices for oil and natural gas are illustrated in the following table.

For the three months ended September 30,	2015			2014		
	US\$	CAD\$	Realized Prices (\$)	US\$	CAD\$	Realized Prices (\$)
Natural Gas						
Dawn Hub	2.97	3.84	4.17	4.08	4.41	4.72
NYMEX Henry Hub	2.76	3.56		3.96	4.28	
Oil						
Edmonton Par	n/a	54.78	60.90	n/a	97.79	102.68
West Texas Intermediate	46.49	60.04		97.95	105.87	

Production volumes increased marginally during the third quarter of 2015, to an average of 2,496 boe/d, compared with an average of 2,493 boe/d produced in the same period of 2014. As previously indicated, the increase includes the effect of the purchase of additional working interest in certain gas properties, which the Corporation completed in the third quarter of 2014, and which added approximately 1,700 Mcf/d to average production.

Average daily volume during the three months ended September 30,	2015	2014
Natural gas (Mcf/d)	11,681	11,746
Oil (bbls/d)	545	527
Liquids (bbls/d)	4	8
Total (boe/d)	2,496	2,493

Oil production increased in the third quarter of 2015, compared with production volumes in the third quarter of the prior year. Late in 2014, the Corporation introduced a change in well maintenance methods versus historical protocols to improve well performance and reduce operating costs. These methods were fully introduced in 2015.

The Corporation incurred production expenditures of \$4.4 million during the third quarter of 2015, consistent with production expenditures of \$4.4 million incurred during the third quarter of the prior year. However, production expenditures on a boe basis decreased from \$19.37/boe to \$19.08/boe on a quarter-over-quarter basis, reflecting increased production volumes.

For the three months ended September 30,				2015			2014		
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total			
Production expenditures	\$ 2,935	\$ 1,445	\$ 4,380	\$ 2,669	\$ 1,774	\$ 4,443			
Production expenditures per unit	(per Mcf)	(per bbl)	(per boe)	(per Mcf)	(per bbl)	(per boe)			
	\$ 2.73	\$ 28.63	\$ 19.08	\$ 2.47	\$ 36.03	\$ 19.37			

Field level cash flows in the third quarter of 2015 were \$2.0 million, a 51% decrease from field level cash flows of \$4.1 million generated in the third quarter of the prior year, prior to adjustments in the prior year related to risk management contracts. The substantial decrease resulted primarily from lower revenue levels stemming from lower prices for the underlying commodities. As a result, field netbacks in the third quarter of 2015 decreased to \$8.80/boe, compared with \$18.02/boe in the third quarter of the prior year.

For the three months ended September 30,				2015			2014		
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total			
Total sales	\$ 4,481	\$ 3,061	\$ 7,542	\$ 5,102	\$ 5,012	\$ 10,114			
Royalties	(672)	(470)	(1,142)	(773)	(767)	(1,540)			
Production expenditures	(2,935)	(1,445)	(4,380)	(2,669)	(1,774)	(4,443)			
	874	1,146	2,020	1,660	2,471	4,131			
Loss on derivative financial instruments	-	-	-	-	(126)	(126)			
Field level cash flows	\$ 874	\$ 1,146	\$ 2,020	\$ 1,660	\$ 2,345	\$ 4,005			

For the three months ended September 30,				2015			2014		
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total			
	\$/Mcf	\$/bbl	\$/boe	\$/Mcf	\$/bbl	\$/boe			
Total sales	\$ 4.17	\$ 60.66	\$ 32.85	\$ 4.72	\$ 101.83	\$ 44.10			
Royalties	(0.63)	(9.31)	(4.97)	(0.72)	(15.58)	(6.71)			
Production expenditures	(2.73)	(28.63)	(19.08)	(2.47)	(36.03)	(19.37)			
	0.81	22.72	8.80	1.53	50.22	18.02			
Loss on derivative financial instruments	-	-	-	-	(2.56)	(0.55)			
Field netbacks	\$ 0.81	\$ 22.72	\$ 8.80	\$ 1.53	\$ 47.66	\$ 17.47			

Other Items in Consolidated Quarterly Earnings

General and administrative expenses incurred during the three months ended September 30, 2015 were \$1.0 million, compared with \$1.5 million incurred in the same period of the prior year. Consistent with year-to-date results, the decrease reflects the Corporation's decision to consolidate certain of their offices located in southern Ontario in order to streamline operations and reduce future costs. These costs reduction initiatives were partially offset by increased legal costs associated with the arbitration process initiated by CLP.

LIQUIDITY AND CAPITAL RESOURCES

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 3.5% or, at the bank's then prevailing bankers' acceptance rate plus 4.5%. DELP is subject to a standby fee of 0.55% on unused amounts under the credit facility. At September 30, 2015, DELP had drawn \$60.0 million against the credit facility.

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 September 30, 2015, 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, currently provide the Corporation with sufficient cash flow to support its working capital requirements for the foreseeable future.

Given recent volatility in the prices of oil and natural gas, and more specifically, the substantial decrease in the price of crude oil in the latter part of 2014 and early 2015, the Corporation's lenders have requested that the Corporation make significant reductions in the amounts borrowed pursuant to its credit facility, such that amounts borrowed are reduced to approximately \$55 million by the middle of 2016. The Corporation has made adjustments to its work plan for 2015 and it has undertaken certain cost saving measures in its operations such that it expects to be in compliance with the lender's requests by the second quarter of 2016. However, given the demand nature of the Corporation's debt facility, there can be no assurance that the lenders to the Corporation will not request further reductions in available borrowings pursuant to the Corporation's credit facility to correspond to further decreases in market prices of commodities, or otherwise.

Spain

Pursuant to the terms of a shareholders' agreement amongst the shareholders of Escal, ACS was responsible for providing equity and arranging project financing for the Castor Project, including providing all guarantees that may have been required, from the day it became a majority shareholder in Escal, through development and construction and inclusion of the underground storage facility into the Spanish gas system. Other than the pledging of its shares in Escal as security under lending arrangements previously provided to Escal, the Corporation and its subsidiaries were not required to provide any additional equity or debt funds.

Notwithstanding any form by which ACS may have previously funded Escal, the Corporation retains full entitlement to its existing proportionate interest in Escal and in any distribution made by Escal. However, in accordance with the terms of the Royal Decree-Law issued by the Spanish authorities in October 2014, Escal and its shareholders became jointly and severally liable for any possible flaws or defects in the facilities associated with the Castor Project that become apparent during the 10 years following the issuance of the Royal Decree-Law.

Outstanding Share Data and Dilutive Securities

During the third quarter of 2015, the Corporation issued 64,810 common shares in settlement of deferred share units issued to certain former directors of the Corporation. As a result, at September 30, 2015 and October 30, 2015, the Corporation had 188,268,994 common shares outstanding. In addition, at September 30, 2015, it had granted 5,030,000 stock options to purchase common shares of the Corporation to directors and key management at a weighted average exercise price of \$0.66 per share, and it had issued 1,203,507 deferred share units.

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 18 to the 2014 Consolidated Financial Statements and as described under “*Off Balance Sheet Arrangements*” and “*Commitments and Contingencies*” in the Corporation’s MD&A as at and for the year ended December 31, 2014.

RELATED PARTY TRANSACTIONS

Other than as described in Note 17 to the September 2015 Interim Consolidated Financial Statements, there are no significant changes in the nature and scope of related party transactions to those described in Note 17 to the 2014 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 2014 Annual Information Form dated February 20, 2015, under “*Risk Factors*”, which may be accessed through the System for Electronic Document Analysis and Retrieval (“SEDAR”) website at www.sedar.com. At September 30, 2015, the Corporation had not identified any material changes to the risk factors affecting its business, and its approach to managing those risks, from those discussed in the document referred to above. These business risks should be considered by interested parties when evaluating the Corporation’s performance and outlook.

ACCOUNTING POLICIES, CRITICAL JUDGMENTS AND ESTIMATES

The preparation of the Corporation’s consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and other items in net earnings or loss, and the related disclosure of contingent assets and liabilities, if any. Critical judgments and estimates represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and other items in net earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Summaries of the significant accounting policies applied, and significant judgments, estimates and assumptions made by management in the preparation of its financial statements are provided in Notes 3 and 4 to the 2014 Consolidated Financial Statements.

There have been no significant changes to the Corporation’s significant accounting policies or to the judgments, estimates and assumptions made by the Corporation in the preparation of the September 2015 Interim Consolidated Financial Statements from those significant accounting policies and judgments, estimates and assumptions made by the Corporation in the preparation of its 2014 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 September 30, 2015.

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 at September 30, 2015, 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 nine months ended September 30, 2015 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 harbour" provisions of the *U.S. Private Securities Litigation Reform Act of 1995* and the securities legislation of certain of the provinces of Canada, including the *Securities Act* (Ontario).

Certain information set forth in this MD&A, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions and may include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In particular, forward-looking statements contained in this document include, but are not limited to, statements with respect to: 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, licenses or authorities to prospect; the timing of acquisitions; and the realization of the anticipated benefits of the Corporation's acquisitions and dispositions. In addition, statements relating to "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, the mitigation of environmental risks 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 2015 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 2015 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
October 30, 2015

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

(expressed in thousands of Canadian dollars)

	Note	As at	
		September 30, 2015	December 31, 2014
ASSETS			
Current			
Cash		\$ 2,146	\$ 829
Accounts receivable	4	2,386	3,162
Prepays and security deposits		1,140	1,468
Loan receivable	5	9	-
Inventory		389	454
Investments	6	2,150	2,345
Derivative financial assets	10	-	341
Taxes recoverable		53	72
		8,273	8,671
Non-current			
Loan receivable	5	345	-
Oil and gas properties	7	159,885	167,820
Equity accounted investment in Escal	14	-	-
Deferred income taxes		9,806	8,108
		\$ 178,309	\$ 184,599
LIABILITIES			
Current			
Bank loan	8	\$ 59,422	\$ 61,617
Accounts payable and accrued liabilities	17	6,030	7,081
Decommissioning liabilities	9	2,369	1,358
		67,821	70,056
Non-current			
Decommissioning liabilities	9	55,180	54,903
		123,001	124,959
SHAREHOLDERS' EQUITY			
Equity Attributable to Owners of the Parent			
Share capital	11	112,682	112,626
Contributed surplus	11, 14	7,616	7,691
Deficit		(61,645)	(56,997)
Accumulated other comprehensive loss		(3,392)	(3,392)
		55,261	59,928
Non-controlling interest			
		47	(288)
		55,308	59,640
		\$ 178,309	\$ 184,599

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

Commitments (Note 18)

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

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

	Note	For the three months ended		For the nine months ended	
		September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
REVENUES					
Oil and gas sales		\$ 7,542	\$ 10,114	\$ 23,717	\$ 36,142
Royalties		(1,142)	(1,540)	(3,605)	(5,426)
Net sales		6,400	8,574	20,112	30,716
Production expenditures	13	(4,380)	(4,443)	(12,346)	(10,969)
Depreciation and depletion	7	(2,893)	(2,716)	(8,958)	(7,698)
General and administrative expenses	13	(952)	(1,460)	(3,185)	(5,238)
(Loss) gain on fair value changes of derivative financial instruments	10	-	376	-	(116)
Gain (loss) on fair value changes in investments	6	-	(34)	10	(57)
Impairment of financial instruments	6	(324)	(324)	(962)	(962)
Interest and other income	5	419	506	1,980	1,286
Interest expense	8, 9	(1,096)	(889)	(3,358)	(3,309)
Foreign exchange gain		117	51	128	111
(LOSS) EARNINGS BEFORE INCOME TAXES		(2,709)	(359)	(6,579)	3,764
Income tax recovery (expense)	16				
Current		-	-	(19)	-
Deferred		695	32	1,698	(1,055)
		695	32	1,679	(1,055)
NET (LOSS) EARNINGS AND					
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		\$ (2,014)	\$ (327)	\$ (4,900)	\$ 2,709
NET (LOSS) EARNINGS ATTRIBUTABLE TO:					
Owners of the parent		\$ (1,902)	\$ (297)	\$ (4,648)	\$ 2,779
Non-controlling interest		(112)	(30)	(252)	(70)
		\$ (2,014)	\$ (327)	\$ (4,900)	\$ 2,709
BASIC AND DILUTED					
NET (LOSS) EARNINGS PER SHARE	15	\$ (0.01)	\$ -	\$ (0.02)	\$ 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			Ownership Interest in Subsidiaries	Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	TOTAL
		Option Reserve	Deferred Share Unit Reserve						
Balance, December 31, 2013	\$ 112,626	\$ 6,620	\$ 855	\$ -	\$ (58,345)	\$ (3,082)	\$ 190	\$ 58,864	
For the nine months ended September 30, 2014									
Net earnings	-	-	-	-	2,779	-	(70)	2,709	
Stock based compensation (Note 12)	-	168	25	-	-	-	-	193	
Balance, September 30, 2014	112,626	6,788	880	-	(55,566)	(3,082)	120	61,766	
From October 1, 2014 to December 31, 2014									
Net loss	-	-	-	-	(1,431)	-	(297)	(1,728)	
Other comprehensive loss	-	-	-	-	-	(310)	(111)	(421)	
Stock based compensation	-	20	3	-	-	-	-	23	
Balance, December 31, 2014	112,626	6,808	883	-	(56,997)	(3,392)	(288)	59,640	
For the nine months ended September 30, 2015									
Net loss	-	-	-	-	(4,648)	-	(252)	(4,900)	
Stock based compensation (Note 12)	-	37	-	-	-	-	-	37	
Share incentive arrangement (Note 12)	56	-	(66)	-	-	-	-	(10)	
Changes of ownership interest in subsidiaries (Note 14)	-	-	-	(46)	-	-	587	541	
Balance, September 30, 2015	\$ 112,682	\$ 6,845	\$ 817	\$ (46)	\$ (61,645)	\$ (3,392)	\$ 47	\$ 55,308	

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)

	Note	For the nine months ended	
		September 30, 2015	September 30, 2014
OPERATING ACTIVITIES			
Net (loss) earnings for the period		\$ (4,900)	\$ 2,709
Adjustments for:			
Depreciation and depletion	7	8,958	7,698
Loss (gain) on fair value changes of derivative financial instruments	10	341	(221)
(Gain) loss on fair value changes in financial instruments	6	(10)	57
Impairment of financial instruments	6	962	962
Deferred income taxes		(1,698)	1,055
Stock based compensation	12	37	193
Reclamation expenditures	9	(308)	(1,053)
Other		(441)	(84)
		2,941	11,316
Changes in:			
Accounts receivable		753	188
Accounts payable and accrued liabilities		(959)	1,747
Current income taxes		19	-
Prepays and security deposits		328	565
Inventory		65	(109)
CASH PROVIDED FROM OPERATING ACTIVITIES		3,147	13,707
FINANCING ACTIVITIES			
Repayment of bank loan arrangements	8	(2,195)	(2,025)
Issuance of shares in subsidiaries to non-controlling interest		541	-
CASH USED IN FINANCING ACTIVITIES		(1,654)	(2,025)
INVESTING ACTIVITIES			
Proceeds from the sale of (acquisition of) investment	6	205	(1,075)
Receipts pursuant to loan receivable	5	9	-
Acquisition of working interest in oil and gas properties	7	-	(3,314)
Investment in oil and gas properties	7	(390)	(6,728)
CASH USED IN INVESTING ACTIVITIES		(176)	(11,117)
INCREASE IN CASH		1,317	565
CASH, BEGINNING OF PERIOD		829	111
CASH, END OF PERIOD		\$ 2,146	\$ 676
Interest paid		\$ 2,574	\$ 2,468
Income taxes paid		\$ -	\$ -

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 and nine months ended September 30, 2015 and September 30, 2014 Tabular dollar amounts in thousands of Canadian dollars, except per share amounts
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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 Suite 2100, 1 Adelaide Street East, Toronto, Ontario, Canada, M5C 2V9. The Corporation’s common shares trade on the Toronto Stock Exchange (“TSX”) under the symbol “DEN”. At September 30, 2015, Dundee Corporation was the principal shareholder of the Corporation.

Dundee Energy’s operating interests include its 100% ownership of 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 original developer 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 working interest in the Sfax permit, located offshore Tunisia.

2. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements of the Corporation as at and for the three and nine months ended September 30, 2015 (“September 2015 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 CPA Canada Handbook – Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*”. The September 2015 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, 2014 (“2014 Audited Consolidated Financial Statements”) which were prepared in accordance with IFRS. The September 2015 Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors on October 30, 2015.

The September 2015 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 3 to the 2014 Audited Consolidated Financial Statements. IFRS accounting standards, interpretations and amendments to existing IFRS accounting standards that were not yet effective as at December 31, 2014, are described in Note 3 to the 2014 Audited Consolidated Financial Statements. There have been no other changes to existing IFRS accounting standards and interpretations since December 31, 2014 that are expected to have a material effect on the Corporation’s consolidated financial statements.

3. CRITICAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the September 2015 Interim Consolidated Financial Statements in accordance with IFRS requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, revenues and other items in net operating earnings or loss, and the related disclosure of contingent assets and liabilities included in the Corporation's consolidated financial statements. 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 operating earnings or 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 judgments, estimates and assumptions made by the Corporation in the preparation of the September 2015 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in Note 4 to the 2014 Audited Consolidated Financial Statements.

4. ACCOUNTS RECEIVABLE

As at	September 30, 2015	December 31, 2014
Customers for oil and natural gas production	\$ 2,230	\$ 2,755
Third-party drilling receivable	114	331
Working interest partners	42	76
	\$ 2,386	\$ 3,162

5. LOAN RECEIVABLE

During the nine months ended September 30, 2015, the Corporation disposed of certain land and buildings in southern Ontario, and certain related machinery and equipment. Proceeds from the sale of the assets were \$368,000, of which \$13,000 were applied towards transaction costs associated with the sale, including land transfer taxes.

The balance of the proceeds, aggregating \$355,000, will be paid to the Corporation pursuant to a vendor-take-back mortgage arrangement bearing interest at 5.5%, and with an initial term to maturity of three years, expiring May 4, 2018. Amounts receivable by the Corporation pursuant to the vendor-take-back mortgage arrangement, which have been included in the September 2015 Interim Consolidated Financial Statements as "*Loan receivable*", are secured by the underlying property. During the nine months ended September 30, 2015, the Corporation accrued interest income of \$8,000 in respect of these arrangements and it has received payments of \$9,000 against amounts outstanding.

The Corporation recognized a gain of \$177,000 in respect of the sale. The gain has been included in the September 2015 Interim Consolidated Financial Statements as "*Interest and other income*".

6. INVESTMENTS

As at	September 30, 2015	December 31, 2014
Investment in publicly listed equity securities	\$ -	\$ 195
Investment in private enterprises	2,150	2,150
Preferred shares of Eurogas International	32,150	32,150
Less: Impairment	(32,150)	(32,150)
	-	-
Accrued dividends on preferred share investment in Eurogas International	9,201	8,239
Less: Impairment	(9,201)	(8,239)
	-	-
	\$ 2,150	\$ 2,345

The Corporation previously held investments in publicly listed securities that it had designated as financial assets at fair value through profit or loss and as such, changes in the fair value of these financial assets were recorded in net earnings or loss. During the second quarter of 2015, the Corporation disposed of its interest in these publicly listed securities for aggregate proceeds of \$205,000, realizing a gain of \$10,000. During the three and nine months ended September 30, 2014, the Corporation recognized a loss of \$34,000 and \$57,000 respectively, in respect of these investments.

The Corporation has acquired a 45% equity interest in Windiga Energy Inc. (“Windiga”), a Canadian-based independent power producer focused on developing, owning and operating renewable energy facilities on the African continent. In addition to its 45% equity interest, the controlling shareholder of the Corporation’s parent represents 20% of the Board of Directors of Windiga. The Corporation has completed an assessment of whether it is able to exert significant influence over the operating and financial policies of Windiga. In completing its assessment, the Corporation considered various factors, including the anticipated dilution in its ownership that may be required in order for Windiga to access the necessary capital to advance its current initiatives. Accordingly, the Corporation has classified its investment in Windiga as a financial asset at fair value through profit or loss. As Windiga is a private enterprise in the initial stages of development, its fair value cannot be reliably measured and therefore, the Corporation’s investment in Windiga is carried at cost.

At September 30, 2015 and December 31, 2014, the Corporation held 32,150,000 Series A Preference Shares of Eurogas International (“Series A Preference Shares”) 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 6 to the 2014 Audited Consolidated Financial Statements. Notwithstanding the Corporation not receiving any dividends on its investment at September 30, 2015, 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 and nine months ended September 30, 2015, the Corporation recognized an impairment loss of \$324,000 and \$962,000 respectively (three and nine months ended September 30, 2014 – \$324,000 and \$962,000 respectively) relating to dividends receivable on the Series A Preference Shares.

7. OIL AND GAS PROPERTIES

	<i>Property, Plant and Equipment</i>					<i>Exploration and Evaluation</i>		TOTAL
	Oil and Gas Development Costs	Pipeline Infrastructure	Machinery and Equipment	Land and Buildings	Other	Undeveloped Properties		
At December 31, 2013								
Cost	\$ 140,767	\$ 27,253	\$ 27,236	\$ 4,721	\$ 3,041	\$ 20,697	\$ 223,715	
Accumulated depreciation, depletion and impairment	(56,343)	(6,117)	(4,615)	(90)	(1,090)	-	(68,255)	
Net carrying value, December 31, 2013	84,424	21,136	22,621	4,631	1,951	20,697	155,460	
Nine months ended September 30, 2014								
Carrying value December 31, 2013	84,424	21,136	22,621	4,631	1,951	20,697	155,460	
Acquisitions	7,246	498	362	70	-	8	8,184	
Net additions	2,012	-	322	82	330	2,804	5,550	
Remeasure decommissioning liability (Note 9)	4,144	-	-	-	-	-	4,144	
Depreciation and depletion	(5,842)	(818)	(918)	(20)	(100)	-	(7,698)	
Net carrying value, September 30, 2014	91,984	20,816	22,387	4,763	2,181	23,509	165,640	
At September 30, 2014								
Cost	154,169	27,751	27,920	4,873	3,371	23,509	241,593	
Accumulated depreciation, depletion and impairment	(62,185)	(6,935)	(5,533)	(110)	(1,190)	-	(75,953)	
Net carrying value, September 30, 2014	91,984	20,816	22,387	4,763	2,181	23,509	165,640	
Transactions from October 1, 2014 to December 31, 2014								
Carrying value September 30, 2014	91,984	20,816	22,387	4,763	2,181	23,509	165,640	
Net additions	358	-	(52)	140	(185)	510	771	
Remeasure decommissioning liability (Note 9)	4,612	-	-	-	-	-	4,612	
Depreciation and depletion	(2,486)	(341)	(349)	(8)	(19)	-	(3,203)	
Net carrying value, December 31, 2014	94,468	20,475	21,986	4,895	1,977	24,019	167,820	
At December 31, 2014								
Cost	159,139	27,751	27,809	5,013	3,186	24,019	246,917	
Accumulated depreciation, depletion and impairment	(64,671)	(7,276)	(5,823)	(118)	(1,209)	-	(79,097)	
Net carrying value, December 31, 2014	94,468	20,475	21,986	4,895	1,977	24,019	167,820	
Nine months ended September 30, 2015								
Carrying value December 31, 2014	94,468	20,475	21,986	4,895	1,977	24,019	167,820	
Net additions (disposals)	5	-	58	(287)	(121)	556	211	
Remeasure decommissioning liability (Note 9)	812	-	-	-	-	-	812	
Depreciation and depletion	(6,876)	(982)	(1,053)	(24)	(23)	-	(8,958)	
Net carrying value, September 30, 2015	88,409	19,493	20,991	4,584	1,833	24,575	159,885	
At September 30, 2015								
Cost	159,956	27,751	27,867	4,715	3,057	24,575	247,921	
Accumulated depreciation, depletion and impairment	(71,547)	(8,258)	(6,876)	(131)	(1,224)	-	(88,036)	
Net carrying value, September 30, 2015	\$ 88,409	\$ 19,493	\$ 20,991	\$ 4,584	\$ 1,833	\$ 24,575	\$ 159,885	

Acquisition of Working Interest in Oil and Gas Properties During the Nine Months Ended September 30, 2014

On August 6, 2014, the Corporation completed a transaction pursuant to which it acquired an additional 15% working interest in certain offshore gas properties in southern Ontario. The transaction increased the Corporation's working interest in these properties to approximately 100% at September 30, 2014.

A summary of the allocation of the aggregate consideration transferred to the fair value of the net assets acquired in the above transaction is summarized below.

Net assets acquired		
Oil and gas development costs	\$	7,246
Pipeline infrastructure		498
Machinery and equipment		362
Land and buildings		70
Undeveloped properties		8
		8,184
Decommissioning liability		(4,870)
	\$	3,314
Aggregate consideration transferred:		
Cash	\$	3,314

8. BANK LOAN

DELP has established a credit facility for \$70,000,000 (December 31, 2014 – \$70,000,000) with a Canadian Schedule I 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 current ratios, draws on the credit facility bear interest, at DELP's option, at either the bank's prime lending rate plus 3.5% for loans or letters of credit, or, for bankers' acceptances, at the bank's then prevailing bankers' acceptance rate plus 4.5%. DELP is subject to a standby fee of 0.55% 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 September 30, 2015, the Corporation was in compliance with all such covenants.

As at	September 30, 2015	December 31, 2014
Prime rate loans	\$ 1,000	\$ -
Bankers' acceptances	59,000	62,000
Less: Unamortized discount	(578)	(383)
	\$ 59,422	\$ 61,617

At September 30, 2015, DELP had drawn \$60,000,000 (December 31, 2014 – \$62,000,000) pursuant to the credit facility. Available credit under the credit facility at September 30, 2015 was \$10,000,000 (December 31, 2014 – \$8,000,000). During the three and nine months ended September 30, 2015, the Corporation incurred interest expense relating to the credit facility, including bank charges, arrangement fees and standby fees, of \$826,000 and \$2,574,000 respectively (three and nine months ended September 30, 2014 – \$613,000 and \$2,468,000 respectively).

9. 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.

As at	September 30, 2015	December 31, 2014
Undiscounted future obligations, beginning of period	\$ 99,757	\$ 91,753
Effect of acquisitions	-	9,978
Effect of changes in estimates	(2,326)	(764)
Liabilities settled (reclamation expenditures)	(308)	(1,210)
Undiscounted future obligations, end of period	\$ 97,123	\$ 99,757

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:

As at	September 30, 2015	December 31, 2014
<i>Discount rates applied to future obligations</i>	0.52% - 2.09%	1.00% - 2.22%
<i>Inflation rate</i>	2.00%	2.00%
Discounted future obligations, beginning of period	\$ 56,261	\$ 42,700
Effect of acquisitions	-	4,870
Effect of changes in estimates and remeasurement of discount rates	812	8,756
Liabilities settled (reclamation expenditures)	(308)	(1,210)
Accretion (interest expense)	784	1,145
Discounted future obligations, end of period	\$ 57,549	\$ 56,261
Current	\$ 2,369	\$ 1,358
Non-current	55,180	54,903
	\$ 57,549	\$ 56,261

As required by statute, the Corporation has provided a security deposit to the Ontario Ministry of Natural Resources in the amount of \$270,000 in respect of future abandonment costs.

10. DERIVATIVE FINANCIAL INSTRUMENTS

At December 31, 2014, the Corporation had entered into commodity swap derivative contracts to manage its exposure to volatility in the prices received for the sale of the underlying commodities. These derivative instruments were not designated as hedging instruments and accordingly, they were classified as financial instruments at fair value through profit or loss. At December 31, 2014, the Corporation had determined that the fair value of commodity swap derivative contracts resulted in an asset balance of \$341,000. During the nine months ended September 30, 2015, the Corporation received cash of \$341,000 in final settlement of these derivative contracts. There were no outstanding commodity swap derivative contracts at September 30, 2015.

During the three and nine months ended September 30, 2014, the Corporation recognized a gain of \$376,000 and a loss of \$116,000 respectively, from changes in the fair value of commodity swap derivative contracts.

11. SHARE CAPITAL

Issued and Outstanding Common Shares

	Number of Common Shares Outstanding	Contributed Surplus			
		Share Capital	Option Reserve	DSUP Reserve	Ownership Interest in Subsidiaries
Outstanding, December 31, 2013	188,204,184	\$ 112,626	\$ 6,620	\$ 855	\$ -
Transactions during the nine months ended September 30, 2014					
Stock based compensation	-	-	168	25	-
Outstanding, September 30, 2014	188,204,184	112,626	6,788	880	-
Transactions from October 1, 2014 to December 31, 2014					
Stock based compensation	-	-	20	3	-
Outstanding, December 31, 2014	188,204,184	112,626	6,808	883	-
Transactions during the nine months ended September 30, 2015					
Stock based compensation	-	-	37	-	-
Share incentive arrangement	64,810	56	-	(66)	-
Issuance of shares in subsidiaries to non-controlling interest (Note 14)	-	-	-	-	(46)
Outstanding, September 30, 2015	188,268,994	\$ 112,682	\$ 6,845	\$ 817	\$ (46)

12. STOCK BASED COMPENSATION

A detailed description of the Corporation's share incentive plan ("SIP") is provided in Note 12 to the Corporation's 2014 Audited Consolidated Financial Statements.

Stock Option Plan

There were no stock option awards granted during the nine months ended September 30, 2015. A summary of the status of the stock option component of the Corporation's SIP as at and for the nine months ended September 30, 2015 and for the year ended December 31, 2014, is as follows:

For the period ended	September 30, 2015		December 31, 2014	
	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Options outstanding, beginning of period	5,705,000	\$ 0.66	5,605,000	\$ 0.68
Granted	-	-	200,000	0.26
Forfeited	(675,000)	0.71	(100,000)	0.81
Options outstanding, end of period	5,030,000	\$ 0.66	5,705,000	\$ 0.66
Exercisable options	4,963,333	\$ 0.66	4,874,991	\$ 0.70

Option Price	Options Outstanding	Options Exercisable	Contractual Life Remaining (Years)
At \$0.26	200,000	133,333	3.49
At \$0.50	1,880,000	1,880,000	2.96
At \$0.60	400,000	400,000	1.59
At \$0.81	2,550,000	2,550,000	0.08

During the three and nine months ended September 30, 2015, the Corporation recognized stock based compensation expense of \$3,000 and \$37,000 respectively (three and nine months ended September 30, 2014 – \$44,000 and \$168,000 respectively) in respect of outstanding stock options.

Deferred Share Unit Plan

During the nine months ended September 30, 2015, the Corporation paid cash of \$13,000 and it issued 64,810 common shares to settle 253,919 deferred share units that had been issued to former directors of the Corporation. At September 30, 2015, there were 1,203,507 (December 31, 2014 – 1,457,426) deferred share units outstanding.

The Corporation did not recognize any stock based compensation expense related to its deferred share unit plan during the nine months ended September 30, 2015. During the three and nine months ended September 30, 2014, stock based compensation expense related to the Corporation's deferred share unit plan was \$3,000 and \$25,000 respectively.

13. GENERAL AND ADMINISTRATIVE EXPENSES AND PRODUCTION EXPENDITURES BY NATURE

General and Administrative Expenses

	For the three months ended		For the nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Salary and salary-related	\$ 467	\$ 1,000	\$ 1,591	\$ 3,192
Stock based compensation	3	47	37	193
Corporate and professional fees	878	593	2,167	1,620
General office	213	345	982	1,188
Exploration and development costs	34	357	99	1,041
Allocation of general and administrative costs	(643)	(882)	(1,691)	(1,996)
	\$ 952	\$ 1,460	\$ 3,185	\$ 5,238

Production Expenditures

	For the three months ended		For the nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Labour	\$ 1,580	\$ 1,213	\$ 4,141	\$ 3,096
Materials, equipment and supplies used	1,575	2,031	4,200	3,960
Transportation	241	364	988	1,071
Utilities	551	548	1,663	1,617
Rental and lease payments	177	139	434	427
Other	256	148	920	798
	\$ 4,380	\$ 4,443	\$ 12,346	\$ 10,969

14. EQUITY ACCOUNTED INVESTMENT IN ESCAL

The Corporation's 74% owned subsidiary, CLP, owns a 33% interest in Escal, the developer and former owner of the Castor underground gas storage project located in Spain (the "Castor Project"). The remaining interest in Escal is held by ACS Servicios Comunicaciones y Energia, S.L. ("ACS").

During the second quarter of 2015, CLP commenced binding arbitration proceedings against ACS to resolve a contractual dispute concerning the memorandum of understanding between CLP and ACS as it relates to the sharing of cash flows from the Castor Project. In order to fund the costs associated with the arbitration process, CLP raised funds through a voluntary cash call to its limited partners. CLP raised partners' capital of \$2,237,000 from the cash call, including \$1,695,000 raised directly from the Corporation. As not all limited partners participated in the voluntary cash call, the Corporation's interest in CLP increased marginally, resulting in a reduction in the Corporation's contributed surplus balance of \$46,000. A more detailed description of the nature and status of the Corporation's investment in Escal is provided in Note 14 to the 2014 Audited Consolidated Financial Statements.

The Corporation accounts for CLP's 33% interest in Escal using the equity method. Recognition of CLP's proportionate share of losses incurred by Escal draws CLP's carrying value in Escal to below zero. At September 30, 2015, CLP had not recorded a liability related to losses incurred by Escal, as it does not have the legal or constructive obligation in respect thereof. Consequently, at September 30, 2015, the carrying value of the Corporation's indirect equity interest in Escal was \$nil (December 31, 2014 – \$nil).

15. NET (LOSS) EARNINGS PER SHARE

	For the three months ended		For the nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net (loss) earnings for the period attributable to owners of the parent	\$ (1,902)	\$ (297)	\$ (4,648)	\$ 2,779
Weighted average number of common shares outstanding	188,262,654	188,204,184	188,223,888	188,204,184
Basic net (loss) earnings per common share	\$ (0.01)	\$ -	\$ (0.02)	\$ 0.01
Effect of dilutive securities to the weighted average number of common shares outstanding	n/a	n/a	n/a	1,368,852
Diluted net (loss) earnings per common share	\$ (0.01)	\$ -	\$ (0.02)	\$ 0.01

16. INCOME TAXES

During the nine months ended September 30, 2015, the Corporation recognized an income tax recovery amount of \$1,679,000 (nine months ended September 30, 2014 – income tax expense of \$1,055,000).

The income tax recovery (expense) amounts on the Corporation's loss (earnings) before income taxes differs from the income tax recovery (expense) amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26% (nine months ended September 30, 2014 – 26%) as a result of the following items:

	For the nine months ended	
	September 30, 2015	September 30, 2014
Loss (earnings) before tax at statutory rate of 26% (2014 – 26%)	\$ 1,744	\$ (997)
Effect on taxes of:		
Non-deductible expenses	(77)	(76)
Other differences	12	18
Income tax recovery (expense)	\$ 1,679	\$ (1,055)

17. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these September 2015 Interim Consolidated Financial Statements, related party transactions and balances as at and for the nine months ended September 30, 2015 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 and nine months ended September 30, 2015, the Corporation incurred costs of \$249,000 and \$764,000 respectively (three and nine months ended September 30, 2014 – \$226,000 and \$780,000 respectively) in respect of these arrangements.

Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities at September 30, 2015 are amounts owing to the Corporation's parent, Dundee Corporation, and to Dundee Corporation's subsidiaries of \$3,301,000 (December 31, 2014 – \$3,213,000).

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 and nine months ended September 30, 2015 and 2014 are as follows:

	For the three months ended		For the nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Directors' fees and executive consulting	\$ 65	\$ 127	\$ 278	\$ 389
Stock based compensation	(1)	24	24	103
Benefits	4	3	12	24
	\$ 68	\$ 154	\$ 314	\$ 516

18. COMMITMENTS

There have been no substantive changes to the description and nature of the Corporation's commitments from those described in Note 18 to the Corporation's 2014 Audited Consolidated Financial Statements.

19. FINANCIAL INSTRUMENTS

The following table provides information about financial assets and financial liabilities measured at fair value in the Corporation's consolidated statement of financial position as at September 30, 2015. The financial assets and financial liabilities have been categorized by level, according to the significance of the inputs used in determining fair value measurements.

	Carrying Value as at September 30, 2015	Fair Value as at September 30, 2015		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring Measurements				
Financial Assets				
Investment in private enterprises	\$ 2,150	\$ -	\$ 2,150	\$ -

A detailed description of the Corporation's financial assets and financial liabilities and its associated risk management in respect thereof are provided in Note 19 to the 2014 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, 2014.

20. GEOGRAPHIC SEGMENTED INFORMATION

Segmented information provided in the following tables is 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 Nine Months Ended September 30, 2015 and September 30, 2014

	Southern Ontario		Spain		Corporate		TOTAL	
	30-Sept-15	30-Sept-14	30-Sept-15	30-Sept-14	30-Sept-15	30-Sept-14	30-Sept-15	30-Sept-14
REVENUES								
Oil and gas sales	\$ 23,717	\$ 36,142	\$ -	\$ -	\$ -	\$ -	\$ 23,717	\$ 36,142
Royalties	(3,605)	(5,426)	-	-	-	-	(3,605)	(5,426)
Net sales	20,112	30,716	-	-	-	-	20,112	30,716
Production expenditures	(12,346)	(10,969)	-	-	-	-	(12,346)	(10,969)
Depreciation and depletion	(8,955)	(7,694)	-	-	(3)	(4)	(8,958)	(7,698)
General and administrative expenses	(1,561)	(3,770)	(951)	(241)	(673)	(1,227)	(3,185)	(5,238)
Loss on fair value changes of derivative financial instruments	-	(116)	-	-	-	-	-	(116)
Gain (loss) on fair value changes in investments	-	-	-	-	10	(57)	10	(57)
Impairment of financial instruments	-	-	-	-	(962)	(962)	(962)	(962)
Interest and other income	1,016	321	-	-	964	965	1,980	1,286
Interest expense	(3,358)	(3,309)	-	-	-	-	(3,358)	(3,309)
Foreign exchange gain (loss)	139	148	(11)	(37)	-	-	128	111
(LOSS) EARNINGS BEFORE INCOME TAXES	(4,953)	5,327	(962)	(278)	(664)	(1,285)	(6,579)	3,764
Income tax recovery (expense)								
Current	-	-	-	-	(19)	-	(19)	-
Deferred	-	-	-	-	1,698	(1,055)	1,698	(1,055)
	-	-	-	-	1,679	(1,055)	1,679	(1,055)
NET (LOSS) EARNINGS FOR THE PERIOD	\$ (4,953)	\$ 5,327	\$ (962)	\$ (278)	\$ 1,015	\$ (2,340)	\$ (4,900)	\$ 2,709
NET (LOSS) EARNINGS ATTRIBUTABLE TO:								
Owners of the parent	\$ (4,953)	\$ 5,327	\$ (710)	\$ (208)	\$ 1,015	\$ (2,340)	\$ (4,648)	\$ 2,779
Non-controlling interest	-	-	(252)	(70)	-	-	(252)	(70)
	\$ (4,953)	\$ 5,327	\$ (962)	\$ (278)	\$ 1,015	\$ (2,340)	\$ (4,900)	\$ 2,709

Segmented Statements of Operations for the Three Months Ended September 30, 2015 and September 30, 2014

	Southern Ontario		Spain		Corporate		TOTAL	
	30-Sept-15	30-Sept-14	30-Sept-15	30-Sept-14	30-Sept-15	30-Sept-14	30-Sept-15	30-Sept-14
REVENUES								
Oil and gas sales	\$ 7,542	\$ 10,114	\$ -	\$ -	\$ -	\$ -	\$ 7,542	\$ 10,114
Royalties	(1,142)	(1,540)	-	-	-	-	(1,142)	(1,540)
Net sales	6,400	8,574	-	-	-	-	6,400	8,574
Production expenditures	(4,380)	(4,443)	-	-	-	-	(4,380)	(4,443)
Depreciation and depletion	(2,893)	(2,716)	-	-	-	-	(2,893)	(2,716)
General and administrative expenses	(324)	(1,052)	(423)	(85)	(205)	(323)	(952)	(1,460)
Gain on fair value changes of derivative financial instruments	-	376	-	-	-	-	-	376
Loss on fair value changes in investments	-	-	-	-	-	(34)	-	(34)
Impairment of financial instruments	-	-	-	-	(324)	(324)	(324)	(324)
Interest and other income	95	183	-	-	324	323	419	506
Interest expense	(1,096)	(889)	-	-	-	-	(1,096)	(889)
Foreign exchange gain (loss)	124	85	(7)	(34)	-	-	117	51
(LOSS) EARNINGS BEFORE INCOME TAXES	(2,074)	118	(430)	(119)	(205)	(358)	(2,709)	(359)
Income tax recovery								
Current	-	-	-	-	-	-	-	-
Deferred	-	-	-	-	695	32	695	32
	-	-	-	-	695	32	695	32
NET (LOSS) EARNINGS FOR THE PERIOD	\$ (2,074)	\$ 118	\$ (430)	\$ (119)	\$ 490	\$ (326)	\$ (2,014)	\$ (327)
NET (LOSS) EARNINGS ATTRIBUTABLE TO:								
Owners of the parent	\$ (2,074)	\$ 118	\$ (318)	\$ (89)	\$ 490	\$ (326)	\$ (1,902)	\$ (297)
Non-controlling interest	-	-	(112)	(30)	-	-	(112)	(30)
	\$ (2,074)	\$ 118	\$ (430)	\$ (119)	\$ 490	\$ (326)	\$ (2,014)	\$ (327)

Segmented Net Assets as at September 30, 2015 and December 31, 2014

	Southern Ontario		Spain		Corporate		TOTAL	
	30-Sept-15	31-Dec-14	30-Sept-15	31-Dec-14	30-Sept-15	31-Dec-14	30-Sept-15	31-Dec-14
ASSETS								
Current								
Cash	\$ 1,894	\$ 776	\$ 240	\$ -	\$ 12	\$ 53	\$ 2,146	\$ 829
Accounts receivable	2,386	3,162	-	-	-	-	2,386	3,162
Prepays and security deposits	1,136	1,468	-	-	4	-	1,140	1,468
Loan receivable	9	-	-	-	-	-	9	-
Inventory	389	454	-	-	-	-	389	454
Investments	-	-	-	-	2,150	2,345	2,150	2,345
Derivative financial assets	-	341	-	-	-	-	-	341
Taxes recoverable	-	-	-	-	53	72	53	72
	5,814	6,201	240	-	2,219	2,470	8,273	8,671
Non-current								
Loan receivable	345	-	-	-	-	-	345	-
Oil and gas properties	159,847	167,779	-	-	38	41	159,885	167,820
Equity accounted investment in Escal	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	9,806	8,108	9,806	8,108
	\$ 166,006	\$ 173,980	\$ 240	\$ -	\$ 12,063	\$ 10,619	\$ 178,309	\$ 184,599
LIABILITIES								
Current								
Bank loan	\$ 59,422	\$ 61,617	\$ -	\$ -	\$ -	\$ -	\$ 59,422	\$ 61,617
Accounts payable and accrued liabilities	2,112	3,316	228	122	3,690	3,643	6,030	7,081
Decommissioning liabilities	2,369	1,358	-	-	-	-	2,369	1,358
	63,903	66,291	228	122	3,690	3,643	67,821	70,056
Non-current								
Decommissioning liabilities	55,180	54,903	-	-	-	-	55,180	54,903
	\$ 119,083	\$ 121,194	\$ 228	\$ 122	\$ 3,690	\$ 3,643	\$ 123,001	\$ 124,959
SEGMENTED NET ASSETS								
	\$ 46,923	\$ 52,786	\$ 12	\$ (122)	\$ 8,373	\$ 6,976	\$ 55,308	\$ 59,640

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Stock Exchange
Toronto Stock Exchange

Stock Symbol
DEN