DUNDEE
ENERGY LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2017

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

(expressed in thousands of Canadian dollars)

	Note	As at March 31, 2017	As at December 31, 2016
ASSETS			
Current			
Cash		$ 253	$ 1,505
Accounts receivable	4	2,279	2,729
Prepaids and security deposits		1,233	649
Inventory		341	335
Investments	5	1,425	1,425
		5,531	6,643
Non-current			
Oil and gas properties	6	130,708	131,387
Equity accounted investment in Escal	13	-	-
Deferred income taxes		18,022	18,010
		$ 154,261	**$ 156,040**
LIABILITIES			
Current			
Bank loan	7	$ 55,100	$ 57,400
Accounts payable and accrued liabilities	16	9,236	9,042
Derivative financial liabilities	9	1,110	2,275
Decommissioning liabilities	8	3,946	3,965
		69,392	72,682
Non-current			
Decommissioning liabilities	8	52,785	51,555
		122,177	124,237
SHAREHOLDERS' EQUITY			
Equity Attributable to Owners of the Parent			
Share capital	10	112,682	112,682
Contributed surplus	10	7,599	7,611
Deficit		(84,432)	(84,399)
Accumulated other comprehensive loss		(3,392)	(3,392)
		32,457	32,502
Non-controlling interest		(373)	(699)
		32,084	31,803
		$ 154,261	**$ 156,040**

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

Commitments (Note 17)

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

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

	Note	For the three months ended March 31, 2017	For the three months ended March 31, 2016
REVENUES			
Oil and gas sales		$ 6,977	$ 4,975
Royalties		(1,031)	(745)
Net sales		5,946	4,230
Production expenditures	12	(2,500)	(2,707)
Depreciation and depletion	6	(2,075)	(2,271)
General and administrative expenses	12	(926)	(1,538)
Gain on fair value changes of derivative financial instruments	9	799	706
Impairment of financial instruments	5	(317)	(320)
Interest and other items in earnings		359	(1,140)
Interest expense	7, 8	(1,296)	(1,041)
Foreign exchange loss		(45)	(101)
NET LOSS BEFORE INCOME TAXES		(55)	(4,182)
Income tax recovery	15		
Deferred		12	1,059
		12	1,059
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		**$ (43)**	**$ (3,123)**
NET LOSS ATTRIBUTABLE TO:			
Owners of the parent		$ (33)	$ (2,941)
Non-controlling interest		(10)	(182)
		$ (43)	**$ (3,123)**
BASIC AND DILUTED NET LOSS PER SHARE	14	$ -	$ (0.02)

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							
		Contributed Surplus						
	Share Capital	Option Reserve	Deferred Share Unit Reserve	Ownership Interest in Subsidiaries	Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	TOTAL
Balance, December 31, 2015	$ 112,682	$ 6,846	$ 810	$ (46)	$ (65,278)	$ (3,392)	$ (106)	$ 51,516
For the three months ended March 31, 2016								
Net loss	-	-	-	-	(2,941)	-	(182)	(3,123)
Stock based compensation	-	1	-	-	-	-	-	1
Balance, March 31, 2016	112,682	6,847	810	(46)	(68,219)	(3,392)	(288)	48,394
From April 1, 2016 to December 31, 2016								
Net loss	-	-	-	-	(16,180)	-	(411)	(16,591)
Balance, December 31, 2016	112,682	6,847	810	(46)	(84,399)	(3,392)	(699)	31,803
For the three months ended March 31, 2017								
Net loss	-	-	-	-	(33)	-	(10)	(43)
Changes of ownership interest in subsidiaries (Note 13)	-	-	-	(12)	-	-	336	324
Balance, March 31, 2017	**$ 112,682**	**$ 6,847**	**$ 810**	**$ (58)**	**$ (84,432)**	**$ (3,392)**	**$ (373)**	**$ 32,084**

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 three months ended March 31, 2017	March 31, 2016
OPERATING ACTIVITIES			
Net loss for the period		$ (43)	$ (3,123)
Adjustments for:			
Depreciation and depletion	6	2,075	2,271
Gain on fair value changes of derivative financial instruments	9	(1,165)	(507)
Impairment of financial instruments	5	317	320
Deferred income taxes		(12)	(1,059)
Stock based compensation	11	-	1
Reclamation expenditures	8	(156)	(79)
Other		(54)	1,408
		962	(768)
Changes in:			
Accounts receivable		450	200
Accounts payable and accrued liabilities		277	1,667
Prepaids and security deposits		(584)	(619)
Inventory		(6)	(5)
CASH PROVIDED FROM OPERATING ACTIVITIES		1,099	475
FINANCING ACTIVITIES			
Repayment of bank loan arrangements	7	(2,300)	(40)
Issuance of shares in subsidiaries to non-controlling interest		324	-
CASH USED IN FINANCING ACTIVITIES		(1,976)	(40)
INVESTING ACTIVITIES			
Proceeds from the sale of properties		-	7
Investment in oil and gas properties	6	(375)	(314)
CASH USED IN INVESTING ACTIVITIES		(375)	(307)
(DECREASE) INCREASE IN CASH		(1,252)	128
CASH, BEGINNING OF PERIOD		1,505	86
CASH, END OF PERIOD		**$ 253**	**$ 214**
Interest paid		$ 954	$ 802

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

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

For the three months ended March 31, 2017 and 2016
Tabular dollar amounts in thousands of Canadian dollars, except per share amounts

1. NATURE OF OPERATIONS

Dundee Energy Limited ("Dundee Energy" or the "Corporation") is an oil and natural gas company with a mandate to create long-term value through the exploration, development, production and marketing of oil and natural gas and through other high impact energy projects. Dundee Energy is incorporated under the *Canada Business Corporations Act*. The Corporation's head office is located at 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 March 31, 2017, 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 AND GOING CONCERN ASSUMPTION

These unaudited condensed interim consolidated financial statements of the Corporation as at and for the three months ended March 31, 2017 ("March 2017 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 March 2017 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, 2016 ("2016 Audited Consolidated Financial Statements") which were prepared in accordance with IFRS. The March 2017 Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors on May 1, 2017.

On January 31, 2017, DELP, the Corporation's primary operating subsidiary, entered into a forbearance agreement (the "Forbearance Agreement") with its lender, in respect of loans made by the lenders under a credit agreement dated July 2, 2012, as amended (Note 7). Under the terms of the Forbearance Agreement, provided that certain ongoing conditions are met, the lender to DELP agreed to forbear from exercising its enforcement rights and remedies arising from DELP's failure to reduce the amounts borrowed pursuant to such credit facility, to amounts that correspond to, or fall below the borrowing base available to DELP, as determined by its lender with reference to the Corporation's reserves and the current and projected market prices for oil and natural gas, as determined by the Corporation's lender, until the earlier of May 15, 2017; the occurrence of an event of default under the terms of the credit facility; or the occurrence of a default or breach of representation by DELP under the Forbearance Agreement.

The Forbearance Agreement provides a definitive timeline within which the Corporation will be required to complete its intended process to identify strategic alternatives which may include debt restructuring, a sale of all or a material portion of the assets of DELP, the outright sale of DELP, or a business combination or other transaction involving DELP and a third party. Under the terms of the Forbearance Agreement, DELP had committed to enter into a binding agreement under these arrangements, which binding agreement was to be satisfactory to its lender, by April 7, 2017. The lender has not yet provided its consent to any of the proposals made by the Corporation, and these proposals remain under consideration by DELP and DELP's lender. The lender has not provided a waiver of the April 7, 2017 deadline. In any case, the lender at all times retains its right to demand repayment in full, including during the forbearance period. The Corporation and DELP continue to assess their options in this regard.

These unaudited condensed interim consolidated financial statements have been prepared using accounting principles applicable to a going concern. The going concern basis assumes that the Corporation will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The low commodity price environment has constrained the Corporation's access to capital under its existing credit facility and otherwise. Without access to financing, the Corporation will be challenged to deploy the capital that it requires to maintain its existing reserves and production volumes, fund repair and maintenance costs, meet its current financial obligations, including the servicing of its debt and its ability to meet decommissioning obligations, and otherwise develop its ongoing business strategy. As at March 31, 2017, the Corporation had negative working capital of $63,861,000 (December 31, 2016 – $66,039,000) and during the three months then ended, it incurred a net loss of $43,000 (three months ended March 31, 2016 – $3,123,000). Notwithstanding the Forbearance Agreement, there can be no assurance that the Corporation's lender will not exercise its right to demand under the terms of the credit facility, whether in whole or in part. This material uncertainty casts significant doubt upon the Corporation's ability to continue as a going concern and the ultimate appropriateness of using accounting principles applicable to a going concern.

These unaudited condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern. If the Corporation is not able to continue as a going concern, the Corporation may be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these unaudited condensed interim consolidated financial statements. These differences could be material.

Changes in Accounting Policies Implemented During the Three Months Ended March 31, 2017

The March 2017 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 3 to the 2016 Audited Consolidated Financial Statements, except as described below.

IAS 7, "Statement of Cash Flows" ("IAS 7")

On January 1, 2017, the Corporation implemented certain amendments to IAS 7, which require that entities provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. The implementation of amendments to IAS 7 had no impact to the Corporation's March 2017 Interim Consolidated Financial Statements.

IAS 12, "Income Taxes" ("IAS 12")

On January 1, 2017, the Corporation implemented certain amendments to IAS 12, which clarify guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at their fair value. The Corporation does not currently measure any of its debt instruments at fair value. Therefore, the implementation of IAS 12 had no impact to the Corporation's March 2017 Interim Consolidated Financial Statements.

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

IFRS accounting standards, interpretations and amendments to existing IFRS accounting standards that were not yet effective as at December 31, 2016, are described in Note 3 to the 2016 Audited Consolidated Financial Statements. There were no other changes to existing IFRS accounting standards and interpretations since December 31, 2016 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 March 2017 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 March 2017 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in Note 4 to the 2016 Audited Consolidated Financial Statements.

4. ACCOUNTS RECEIVABLE

As at	March 31, 2017	December 31, 2016
Customers for oil and natural gas production	$ 2,114	$ 2,596
Third-party drilling receivable	119	119
Working interest partners	18	14
Other	28	-
	$ 2,279	**$ 2,729**

5. INVESTMENTS

As at	March 31, 2017	December 31, 2016
Investment in private enterprises	$ 1,425	$ 1,425
Preferred shares of Eurogas International	32,150	32,150
Less: Impairment	(32,150)	(32,150)
	-	-
Accrued dividends on preferred share investment in Eurogas International	11,128	10,811
Less: Impairment	(11,128)	(10,811)
	-	-
	$ 1,425	**$ 1,425**

At March 31, 2017 and December 31, 2016, 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 7 to the 2016 Audited Consolidated Financial Statements. Notwithstanding the Corporation not receiving any dividends on its investment at March 31, 2017, the Corporation had not exercised its entitlement to elect the majority of the members of the Board of Directors of Eurogas International. During the three months ended March 31, 2017, the Corporation recognized an impairment loss of $317,000 (three months ended March 31, 2016 – $320,000) relating to dividends receivable on the Series A Preference Shares.

6. OIL AND GAS PROPERTIES

	Property, Plant and Equipment					Exploration and Evaluation	
	Oil and Gas Development Costs	Pipeline Infrastructure	Machinery and Equipment	Land and Buildings	Other	Undeveloped Properties	TOTAL
At December 31, 2015							
Cost	$ 160,565	$ 27,751	$ 27,925	$ 4,715	$ 2,458	$ 24,781	$ 248,195
Accumulated depreciation, depletion and impairment	(74,588)	(8,570)	(7,229)	(139)	(1,234)	-	(91,760)
Net carrying value, December 31, 2015	85,977	19,181	20,696	4,576	1,224	24,781	156,435
For the three months ended March 31, 2016							
Carrying value December 31, 2015	85,977	19,181	20,696	4,576	1,224	24,781	156,435
Net additions	-	-	(1,537)	-	(4)	393	(1,148)
Remeasure decommissioning liability (Note 8)	2,056	-	-	-	-	-	2,056
Depreciation and depletion	(1,686)	(234)	(338)	(7)	(6)	-	(2,271)
Net carrying value, March 31, 2016	86,347	18,947	18,821	4,569	1,214	25,174	155,072
At March 31, 2016							
Cost	162,621	27,751	26,029	4,715	2,454	25,174	248,744
Accumulated depreciation, depletion and impairment	(76,274)	(8,804)	(7,208)	(146)	(1,240)	-	(93,672)
Net carrying value, March 31, 2016	86,347	18,947	18,821	4,569	1,214	25,174	155,072
Transactions from April 1, 2016 to December 31, 2016							
Carrying value March 31, 2016	86,347	18,947	18,821	4,569	1,214	25,174	155,072
Net additions	-	-	93	-	(27)	197	263
Remeasure decommissioning liability (Note 8)	(5,250)	-	-	-	-	-	(5,250)
Depreciation and depletion	(5,000)	(723)	(1,005)	(24)	(12)	-	(6,764)
Impairment	(5,000)	-	-	-	-	(6,934)	(11,934)
Net carrying value, December 31, 2016	71,097	18,224	17,909	4,545	1,175	18,437	131,387
At December 31, 2016							
Cost	157,371	27,751	26,122	4,715	2,427	25,371	243,757
Accumulated depreciation, depletion and impairment	(86,274)	(9,527)	(8,213)	(170)	(1,252)	(6,934)	(112,370)
Net carrying value, December 31, 2016	71,097	18,224	17,909	4,545	1,175	18,437	131,387
For the three months ended March 31, 2017							
Carrying value December 31, 2016	71,097	18,224	17,909	4,545	1,175	18,437	131,387
Net additions	-	-	(34)	-	-	405	371
Remeasure decommissioning liability (Note 8)	1,025	-	-	-	-	-	1,025
Depreciation and depletion	(1,472)	(234)	(338)	(7)	(24)	-	(2,075)
Net carrying value, March 31, 2017	70,650	17,990	17,537	4,538	1,151	18,842	130,708
At March 31, 2017							
Cost	158,396	27,751	26,077	4,715	2,427	25,776	245,142
Accumulated depreciation, depletion and impairment	(87,746)	(9,761)	(8,540)	(177)	(1,276)	(6,934)	(114,434)
Net carrying value, March 31, 2017	**$ 70,650**	**$ 17,990**	**$ 17,537**	**$ 4,538**	**$ 1,151**	**$ 18,842**	**$ 130,708**

7. BANK LOAN

DELP has established a credit facility with a Canadian Schedule I Chartered Bank secured by the assets of DELP, and the Corporation has also assigned a limited recourse guarantee of its units in DELP as further security against the credit facility. At March 31, 2017, amounts available pursuant to the credit facility were $58,000,000 (December 31, 2016 – $60,000,000).

The credit facility is structured as a revolving demand loan, and is 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 ratios at March 31, 2017, draws on the credit facility bore interest at the bank's prime lending rate plus 3.5%. DELP is subject to a standby fee of 0.55% on undrawn amounts under the credit facility.

The credit facility is subject to certain covenants, including maintenance of minimum levels of working capital. At March 31, 2017, the Corporation was in compliance with all such covenants.

At March 31, 2017, DELP had drawn $55,100,000 (December 31, 2016 – $57,400,000) pursuant to the credit facility. During the three months ended March 31, 2017, the Corporation incurred interest expense relating to the credit facility, including bank charges, arrangement fees and standby fees, of $954,000 (three months ended March 31, 2016 – $802,000).

On January 31, 2017, DELP entered into a Forbearance Agreement with its lender, pursuant to which the lender had agreed, provided that certain ongoing conditions are met, to forbear from exercising its enforcement rights and remedies arising from DELP's failure to reduce the amounts borrowed pursuant to the credit facility, to amounts that correspond to, or fall below the borrowing base available to DELP, until the earlier of May 15, 2017; the occurrence of an event of default under the terms of the credit facility; or the occurrence of a default or breach of representation by DELP under the Forbearance Agreement. The lender at all times retains its right to demand repayment in full, including during the forbearance period.

The Forbearance Agreement provides a definitive timeline within which the Corporation will be required to complete its intended process to identify strategic alternatives which may include debt restructuring, a sale of all or a material portion of the assets of DELP, the outright sale of DELP, or a business combination or other transaction involving DELP and a third party. Under the terms of the Forbearance Agreement, DELP had committed to enter into a binding agreement under these arrangements, which binding agreement was to be satisfactory to its lender, by April 7, 2017. The lender has not yet provided its consent to any of the proposals made by the Corporation, and these proposals remain under consideration by DELP and DELP's lender. The lender has not provided a waiver of the April 7, 2017 deadline. The Corporation and DELP continue to assess their options in this regard.

8. DECOMMISSIONING LIABILITIES

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

	As at and for the three months ended March 31, 2017	As at and for the year ended December 31, 2016
Undiscounted future obligations, beginning of period	$ 98,556	$ 94,873
Effect of changes in estimates	(324)	4,253
Liabilities settled (reclamation expenditures)	(156)	(570)
Undiscounted future obligations, end of period	**$ 98,076**	**$ 98,556**

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 and for the three months ended March 31, 2017	As at and for the year ended December 31, 2016
Discount rates applied to future obligations	*0.73% - 2.14%*	*0.76% - 2.24%*
Inflation rate	*2.00%*	*2.00%*
Discounted future obligations, beginning of period	$ 55,520	$ 58,408
Effect of changes in estimates and remeasurement of discount rates	1,025	(3,194)
Liabilities settled (reclamation expenditures)	(156)	(570)
Accretion (interest expense)	342	876
Discounted future obligations, end of period	**$ 56,731**	**$ 55,520**
Current	$ 3,946	$ 3,965
Non-current	52,785	51,555
	$ 56,731	**$ 55,520**

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. In addition, on November 9, 2016, Dundee Corporation provided the Corporation with a support letter for up to $2,500,000 towards its decommissioning liabilities, should the Corporation require additional funding in order to complete its reclamation obligations.

9. DERIVATIVE FINANCIAL INSTRUMENTS

During the three months ended March 31, 2017, the Corporation entered into certain 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, were classified as financial instruments at fair value through profit or loss. Therefore, changes in the fair value of these derivative financial instruments are recorded in the consolidated statement of operations and comprehensive loss.

The Corporation has determined that the fair value of the commodity swap derivative contracts at March 31, 2017 resulted in a liability balance of $1,110,000 (December 31, 2016 – $2,275,000). During the three months ended March 31, 2017, the Corporation recognized a gain of $799,000 (three months ended March 31, 2016 – $706,000) from changes in the fair value of the commodity swap derivative contracts.

Contract Fixed Price Swap	Volume	Pricing Point	Strike Price ($/unit)	Currency	Remaining Term	Fair Value as at March 31, 2017
Natural gas	5,000 mmbtu/d	NYMEX	$2.70	USD	Apr 1/17 to Jan 1/18	$ (1,110)

10. SHARE CAPITAL

Issued and Outstanding Common Shares

	Number of Common Shares Outstanding	Share Capital	Contributed Surplus: Option Reserve	Contributed Surplus: DSUP Reserve	Contributed Surplus: Ownership Interest in Subsidiaries
Outstanding, December 31, 2015	188,268,994	$ 112,682	$ 6,846	$ 810	$ (46)
For the three months ended March 31, 2016					
Stock based compensation	-	-	1	-	-
Outstanding, March 31, 2016 and December 31, 2016	188,268,994	112,682	6,847	810	(46)
For the three months ended March 31, 2017					
Issuance of shares in subsidiaries to non-controlling interest (Note 13)	-	-	-	-	(12)
Outstanding, March 31, 2017	**188,268,994**	**$ 112,682**	**$ 6,847**	**$ 810**	**$ (58)**

Subsequent to March 31, 2017, the Corporation cancelled 185,158 common shares under the terms of a sunset provision related to a 2004 transaction.

11. STOCK BASED COMPENSATION

A detailed description of the Corporation's share incentive plan ("SIP") is provided in Note 13 to the Corporation's 2016 Audited Consolidated Financial Statements.

Stock Option Plan

There were no stock option awards granted during the three months ended March 31, 2017. A summary of the status of the stock option component of the Corporation's SIP as at and for the three months ended March 31, 2017 and the year ended December 31, 2016, is as follows:

For the period ended	March 31, 2017		December 31, 2016	
	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Options outstanding, beginning of period	2,380,000	$ 0.50	2,480,000	$ 0.50
Forfeited	(100,000)	0.50	(100,000)	0.50
Options outstanding, end of period	**2,280,000**	**$ 0.50**	**2,380,000**	**$ 0.50**
Exercisable options	2,280,000	$ 0.50	2,380,000	$ 0.50

Option Price	Options Outstanding	Options Exercisable	Contractual Life Remaining (Years)
At $0.26	200,000	200,000	1.99
At $0.50	1,680,000	1,680,000	1.45
At $0.60	400,000	400,000	0.09

During the three months ended March 31, 2016, the Corporation recognized stock based compensation expense of $1,000 in respect of outstanding stock options. The Corporation did not recognize any stock based compensation expense related to its stock option plan during the three months ended March 31, 2017.

Deferred Share Unit Plan

The Corporation did not recognize any stock based compensation expense related to its deferred share unit plan during the three months ended March 31, 2017 and March 31, 2016. At March 31, 2017, there were 1,203,507 (December 31, 2016 – 1,203,507) deferred share units outstanding.

12. GENERAL AND ADMINISTRATIVE EXPENSES AND PRODUCTION EXPENDITURES BY NATURE

General and Administrative Expenses

	For the three months ended	
	March 31, 2017	March 31, 2016
Salary and salary-related	$ 585	$ 683
Stock based compensation	-	1
Corporate and professional fees	467	1,024
General office	232	222
Exploration and development costs	28	27
Allocation of general and administrative costs	(386)	(419)
	$ 926	**$ 1,538**

Production Expenditures

	For the three months ended	
	March 31, 2017	March 31, 2016
Labour	$ 804	$ 1,000
Materials, equipment and supplies used	480	529
Transportation	151	144
Utilities	608	583
Rental and lease payments	90	45
Other	367	406
	$ 2,500	**$ 2,707**

13. 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”). A detailed description of the nature and status of the Corporation’s investment in Escal is provided in Note 15 to the 2016 Audited Consolidated Financial Statements.

CLP had previously initiated binding arbitration proceedings against ACS as to the sharing of cash flows from the Castor Project. On March 27, 2017, the Corporation announced that the arbitral tribunal of the International Chamber of Commerce had rendered its decision related to the Castor Project, denying the claim made by CLP. The decision was rendered by a majority of the three-person tribunal, with the third member issuing a dissenting opinion. The Corporation and counsel are currently assessing what steps, if any, may be taken based on the decision rendered.

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 March 31, 2017, 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 March 31, 2017, the carrying value of the Corporation’s indirect equity interest in Escal was $nil (December 31, 2016 – $nil).

Issuance of Limited Partnership Units in Castor UGS Limited Partnership

During the three months ended March 31, 2017, and in order to fund legal and other related costs of the Castor Project arbitration process, CLP raised funds through a voluntary cash call to its limited partners. CLP raised partners’ capital of $1,284,000 from the cash call, including $960,000 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 $12,000.

14. NET LOSS PER SHARE

		For the three months ended		
		March 31, 2017		March 31, 2016
Net loss for the period attributable to owners of the parent	$	(33)	$	(2,941)
Weighted average number of common shares outstanding		188,268,994		188,268,994
Basic and diluted net loss per common share	**$**	**-**	**$**	**(0.02)**

15. INCOME TAXES

During the three months ended March 31, 2017, the Corporation recognized an income tax recovery amount of $12,000 (three months ended March 31, 2016 – $1,059,000).

The income tax recovery amount on the Corporation's loss before income taxes differs from the income tax recovery amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26% (three months ended March 31, 2016 – 26%) as a result of the following items:

		For the three months ended		
		March 31, 2017		March 31, 2016
Loss before tax at statutory rate of 26% (2016 – 26%)	$	15	$	1,108
Effect on taxes of:				
Non-deductible expenses		(3)		(49)
Income tax recovery	**$**	**12**	**$**	**1,059**

16. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these March 2017 Interim Consolidated Financial Statements, related party transactions and balances as at and for the three months ended March 31, 2017 are as described below.

Services Arrangement with Dundee Resources Limited

Dundee Resources Limited, a wholly owned subsidiary of Dundee Corporation, provides the Corporation with administrative support services as well as geophysical, geological and engineering consultation with regard to the Corporation's activities. During the three months ended March 31, 2017, the Corporation incurred costs of $162,000 (three months ended March 31, 2016 – $108,000) in respect of these arrangements.

Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities at March 31, 2017 are amounts owing to the Corporation's parent, Dundee Corporation, and to Dundee Corporation's subsidiaries of $3,046,000 (December 31, 2016 – $2,830,000).

Key Management Compensation

Compensation and other fees paid to the directors, the President and Chief Executive Officer and to certain other senior executives of the Corporation are shown in the following table.

		For the three months ended		
		March 31, 2017		March 31, 2016
Directors' fees and executive compensation	$	144	$	188
Stock based compensation		-		1
Benefits		6		11
	$	**150**	**$**	**200**

17. COMMITMENTS

There have been no substantive changes to the description and nature of the Corporation's commitments from those described in Note 19 to the Corporation's 2016 Audited Consolidated Financial Statements.

18. 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 March 31, 2017. These 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 March 31, 2017	Fair Value as at March 31, 2017 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	$ 1,425	$ -	$ 1,425	$ -
Financial Liabilities				
Derivative financial instruments	(1,110)	-	(1,110)	-

A detailed description of the Corporation's financial assets and financial liabilities and its associated risk management in respect thereof are provided in Note 20 to the 2016 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, 2016.

19. CAPITAL MANAGEMENT

The Corporation defines the capital that it manages as its working capital. The Corporation's objectives when managing capital are to manage its business in an effective manner with the goal of increasing the value of its assets. The Corporation regularly monitors its available capital and as necessary, adjusts to changing economic circumstances and the risk characteristics of the underlying assets. In order to maintain or adjust capital requirements, the Corporation may consider the issuance of new shares, the entry into joint venture arrangements or farm out agreements, or engage in debt financing.

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 Three Months Ended March 31, 2017 and March 31, 2016

	Southern Ontario		Spain		Corporate		TOTAL	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
REVENUES								
Oil and gas sales	$ 6,977	$ 4,975	$ -	$ -	$ -	$ -	$ 6,977	$ 4,975
Royalties	(1,031)	(745)	-	-	-	-	(1,031)	(745)
Net sales	5,946	4,230	-	-	-	-	5,946	4,230
Production expenditures	(2,500)	(2,707)	-	-	-	-	(2,500)	(2,707)
Depreciation and depletion	(2,053)	(2,270)	-	-	(22)	(1)	(2,075)	(2,271)
General and administrative expenses	(750)	(646)	(32)	(709)	(144)	(183)	(926)	(1,538)
Gain on fair value changes of derivative financial instruments	799	706	-	-	-	-	799	706
Impairment of financial instruments	-	-	-	-	(317)	(320)	(317)	(320)
Interest and other items in earnings	42	(1,460)	-	-	317	320	359	(1,140)
Interest expense	(1,296)	(1,041)	-	-	-	-	(1,296)	(1,041)
Foreign exchange (loss) gain	(37)	(113)	(8)	12	-	-	(45)	(101)
NET (LOSS) EARNINGS BEFORE INCOME TAXES	151	(3,301)	(40)	(697)	(166)	(184)	(55)	(4,182)
Income tax recovery								
Deferred	-	-	-	-	12	1,059	12	1,059
	-	-	-	-	12	1,059	12	1,059
NET (LOSS) EARNINGS FOR THE PERIOD	**$ 151**	**$ (3,301)**	**$ (40)**	**$ (697)**	**$ (154)**	**$ 875**	**$ (43)**	**$ (3,123)**
NET (LOSS) EARNINGS ATTRIBUTABLE TO:								
Owners of the parent	$ 151	$ (3,301)	$ (30)	$ (515)	$ (154)	$ 875	$ (33)	$ (2,941)
Non-controlling interest	-	-	(10)	(182)	-	-	(10)	(182)
	$ 151	**$ (3,301)**	**$ (40)**	**$ (697)**	**$ (154)**	**$ 875**	**$ (43)**	**$ (3,123)**

Segmented Net Assets as at March 31, 2017 and December 31, 2016

	Southern Ontario		Spain		Corporate		TOTAL	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
ASSETS								
Current								
Cash	$ 214	$ 1,419	$ 2	$ 44	$ 37	$ 42	$ 253	$ 1,505
Accounts receivable	2,279	2,729	-	-	-	-	2,279	2,729
Prepaids and security deposits	1,222	690	-	(41)	11	-	1,233	649
Inventory	341	335	-	-	-	-	341	335
Investments	-	-	-	-	1,425	1,425	1,425	1,425
	4,056	5,173	2	3	1,473	1,467	5,531	6,643
Non-current								
Oil and gas properties	130,698	131,355	-	-	10	32	130,708	131,387
Equity accounted investment in Escal	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	18,022	18,010	18,022	18,010
	$ 134,754	$ 136,528	$ 2	$ 3	$ 19,505	$ 19,509	$ 154,261	$ 156,040
LIABILITIES								
Current								
Bank loan	$ 55,100	$ 57,400	$ -	$ -	$ -	$ -	$ 55,100	$ 57,400
Accounts payable and accrued liabilities	4,449	4,305	1,022	1,319	3,765	3,418	9,236	9,042
Derivative financial liabilities	1,110	2,275	-	-	-	-	1,110	2,275
Decommissioning liabilities	3,946	3,965	-	-	-	-	3,946	3,965
	64,605	67,945	1,022	1,319	3,765	3,418	69,392	72,682
Non-current								
Decommissioning liabilities	52,785	51,555	-	-	-	-	52,785	51,555
	$ 117,390	$ 119,500	$ 1,022	$ 1,319	$ 3,765	$ 3,418	$ 122,177	$ 124,237
SEGMENTED NET ASSETS	**$ 17,364**	**$ 17,028**	**$ (1,020)**	**$ (1,316)**	**$ 15,740**	**$ 16,091**	**$ 32,084**	**$ 31,803**