DUNDEE
ENERGY LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED CONDENSED INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of Dundee Energy Limited ("Dundee Energy" or the "Corporation") as at and for the three months ended March 31, 2018 (the "March 2018 Interim Consolidated Financial Statements") are the responsibility of the management and Board of Directors of the Corporation.

The March 2018 Interim Consolidated Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in Note 3 to the Corporation's audited annual consolidated financial statements as at and for the year ended December 31, 2017. In preparing the March 2018 Interim Consolidated Financial Statements, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the statement of financial position. In the opinion of management, the March 2018 Interim Consolidated Financial Statements of the Corporation have been prepared within acceptable limits of materiality and are in compliance with International Accounting Standard 34, "*Interim Financial Reporting*".

Management has established processes which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the March 2018 Interim Consolidated Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated, or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as at the date of, and for the periods presented by, the March 2018 Interim Consolidated Financial Statements; and (ii) the March 2018 Interim Consolidated Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as at the date of and for the periods presented by the March 2018 Interim Consolidated Financial Statements.

The Board of Directors is responsible for reviewing and approving the March 2018 Interim Consolidated Financial Statements, together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibility. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee has met with management to review the financial reporting process and other financial information of the Corporation, including the March 2018 Interim Consolidated Financial Statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial disclosure of the Corporation, including the March 2018 Interim Consolidated Financial Statements, for issuance to the Corporation's shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) Bruce Sherley
President and
Chief Executive Officer

(signed) Lucie Presot
Vice President and
Interim Chief Financial Officer

Toronto, Canada
April 25, 2018

NOTICE TO READER

The March 2018 Interim Consolidated Financial Statements have been prepared by and are the responsibility of management. These financial statements have not been reviewed by the Corporation's independent external auditor.

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

(expressed in thousands of Canadian dollars)

		As at	
	Note	March 31, 2018	December 31, 2017
ASSETS			
Current			
Cash		$ 88	$ 32
Accounts receivable		-	25
Assets of discontinued operations held for sale	4	110,702	112,182
		110,790	112,239
Non-current			
Equity accounted investment in Escal	13	-	-
		$ 110,790	**$ 112,239**
LIABILITIES			
Current			
Accounts payable and accrued liabilities	16	$ 7,457	$ 8,132
Liabilities of discontinued operations held for sale	4	115,809	115,675
		123,266	123,807
SHAREHOLDERS' EQUITY			
Equity Attributable to Owners of the Parent			
Share capital	10	112,682	112,682
Contributed surplus	10	7,596	7,596
Deficit		(129,165)	(128,049)
Accumulated other comprehensive loss		(3,392)	(3,392)
		(12,279)	(11,163)
Non-controlling interest		(197)	(405)
		(12,476)	(11,568)
		$ 110,790	**$ 112,239**

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, 2018	March 31, 2017
ITEMS IN NET EARNINGS (LOSS)			
Depreciation		$ -	$ (22)
General and administrative expenses	12	753	(176)
Impairment of financial instruments	6	(317)	(317)
Interest and other items in earnings (loss)		317	317
Foreign exchange loss		(47)	(8)
NET EARNINGS (LOSS) BEFORE INCOME TAXES		706	(206)
Income tax expense	15	-	(66)
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS		**$ 706**	**$ (272)**
DISCONTINUED OPERATIONS			
(Loss) gain, net of tax expense of $nil (2017 – tax recovery of $78)	4	(1,614)	229
		(1,614)	229
NET AND COMPREHENSIVE LOSS FOR THE PERIOD		**$ (908)**	**$ (43)**
NET EARNINGS (LOSS) ATTRIBUTABLE TO:			
Owners of the parent			
Continuing operations		$ 498	$ (262)
Discontinued operations		(1,614)	229
		(1,116)	(33)
Non-controlling interest			
Continuing operations		$ 208	$ (10)
Discontinued operations		-	-
		208	(10)
		$ (908)	**$ (43)**
BASIC EARNINGS (LOSS) PER SHARE	14		
Continuing operations		$ -	$ -
Discontinued operations		(0.01)	-
		$ (0.01)	$ -
DILUTED EARNINGS (LOSS) PER SHARE			
Continuing operations		$ -	$ -
Discontinued operations		(0.01)	-
		$ (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							
		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, 2016	$ 112,682	$ 6,847	$ 810	$ (46)	$ (84,399)	$ (3,392)	$ (699)	$ 31,803
For the three months ended March 31, 2017								
Net loss, continuing operations	-	-	-	-	(262)	-	(10)	(272)
Net loss, discontinued operations (Note 4)	-	-	-	-	229	-	-	229
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
From April 1, 2017 to December 31, 2017								
Net loss, continuing operations	-	-	-	-	(4,976)	-	(47)	(5,023)
Net loss, discontinued operations	-	-	-	-	(38,641)	-	-	(38,641)
Changes of ownership interest in subsidiaries	-	-	-	(3)	-	-	15	12
Balance, December 31, 2017	112,682	6,847	810	(61)	(128,049)	(3,392)	(405)	(11,568)
For the three months ended March 31, 2018								
Net loss, continuing operations	-	-	-	-	498	-	208	706
Net loss, discontinued operations (Note 4)	-	-	-	-	(1,614)	-	-	(1,614)
Balance, March 31, 2018	**$ 112,682**	**$ 6,847**	**$ 810**	**$ (61)**	**$ (129,165)**	**$ (3,392)**	**$ (197)**	**$ (12,476)**

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, 2018	March 31, 2017
OPERATING ACTIVITIES			
Net loss for the period		$ (908)	$ (43)
Adjustments for:			
Net loss (gain) from discontinued operations	4	1,614	(229)
Depreciation and depletion		-	22
Impairment of financial instruments	6	317	317
Deferred income taxes		-	66
Other		(317)	(317)
		706	(184)
Changes in:			
Accounts receivable		25	-
Accounts payable and accrued liabilities		(675)	(135)
Prepaids and security deposits		-	(52)
Cash provided from (used in) operating activities – continuing operations		56	(371)
Cash provided from operating activities – discontinued operations		938	1,285
CASH PROVIDED FROM OPERATING ACTIVITIES		994	914
FINANCING ACTIVITIES			
Issuance of shares in subsidiaries to non-controlling interest	13	-	324
Cash provided from financing activities – continuing operations		-	324
Cash provided from (used in) financing activities – discontinued operations		157	(2,115)
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		157	(1,791)
INVESTING ACTIVITIES			
Cash used in investing activities – continuing operations		-	-
Cash used in investing activities – discontinued operations		(33)	(375)
CASH USED IN INVESTING ACTIVITIES		(33)	(375)
INCREASE (DECREASE) IN CASH		1,118	(1,252)
Cash, continuing operations, beginning of period		32	86
Cash, discontinued operations, beginning of period	4	3,736	1,419
		4,886	253
Less cash, discontinued operations, end of period	4	(4,798)	(214)
CASH, CONTINUING OPERATIONS, END OF PERIOD		**$ 88**	**$ 39**

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

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. Dundee Corporation is the principal shareholder of the Corporation.

At March 31, 2018, Dundee Energy's operating interests included its 100% ownership of Dundee Energy Limited Partnership ("DELP"), a limited partnership structure involved in the exploration, development and production of oil and gas properties in southern Ontario, Canada (Note 4). Dundee Energy also held 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, and 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.

On September 11, 2017, and following a delisting review conducted by the Toronto Stock Exchange ("TSX"), the common shares of the Corporation were delisted from the TSX. Prior to September 11, 2017, the Corporation's common shares traded on the TSX under the symbol "DEN".

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, 2018 ("March 2018 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 2018 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, 2017 ("2017 Audited Consolidated Financial Statements") which were prepared in accordance with IFRS. The March 2018 Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors on April 25, 2018.

A volatile commodity price environment has constrained the Corporation's access to capital. On July 21, 2017, DELP and the Corporation received notice from DELP's lender, demanding repayment of amounts borrowed pursuant to its outstanding credit facility dated July 2, 2012, as amended (Note 8). DELP was unable to comply with the demand request and consequently, DELP commenced insolvency proceedings by filing a Notice of Intention to Make a Proposal ("NOI") pursuant to the provisions of the *Bankruptcy and Insolvency Act (Canada)* in order for it to run a court-supervised sale solicitation process ("SSP"). During the three months ended March 31, 2018, and pursuant to the recommendation of the proposal trustee, the SSP was continued under the terms of the *Companies' Creditors Arrangement Act* in order to extend the timeline within which the SSP is to be completed. Accordingly, the assets and liabilities of DELP have been classified as assets and liabilities of discontinued operations held for sale (Note 4).

On April 20, 2018, the Corporation announced that a purchaser for substantially all of the assets of DELP had been identified. The transaction remains subject to approval by the Ontario Superior Court of Justice.

In the absence of a successful SSP, 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. There can be no assurance that DELP will be successful in its efforts under the SSP, or that the court will approve the SSP or any competing bid that may emerge from such process. These material uncertainties may cast 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, 2018

The March 2018 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 3 to the 2017 Audited Consolidated Financial Statements, except as described below.

IFRS 9, "Financial Instruments" ("IFRS 9")

On January 1, 2018, the Corporation implemented final amendments to IFRS 9 which introduce new requirements for the classification, measurement and impairment of financial assets, and new requirements related to hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value that focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. New hedge accounting requirements incorporated into IFRS 9 increase the scope of items that may qualify as a hedged item and changes the requirements of hedge effectiveness testing that must be met in order to apply hedge accounting. The implementation of amendments to IFRS 9 had no impact to the Corporation's March 2018 Interim Consolidated Financial Statements.

IFRS 15, "Revenues from Contracts with Customers" ("IFRS 15")

On January 1, 2018, the Corporation implemented amendments to IFRS 15 which clarify the application of certain of its underlying principles, including the identification of a performance obligation, and the determination of whether a company is a principal or is acting as an agent in the provision of a good or service. The Corporation determined that there were no significant differences in the measurement and timing of revenue recognition between the requirements of IFRS 15 and the Corporation's previous revenue recognition policies. Accordingly, the implementation of amendments to IFRS 15 had no impact to the Corporation's March 2018 Interim Consolidated Financial Statements.

IFRS 2, "Share-based Payment" ("IFRS 2")

On January 1, 2018, the Corporation implemented amendments to IFRS 2 which clarify how to account for certain types of share-based payment transactions. The Corporation does not have any stock based compensation arrangements currently outstanding that remain subject to vesting requirements. Consequently, the implementation of amendments to IFRS 2 had no impact to the Corporation's 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, 2017, are described in Note 3 to the 2017 Audited Consolidated Financial Statements. There were no other changes to existing IFRS accounting standards and interpretations since December 31, 2017 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 2018 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, including items designated as part of discontinued operations, 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 amounts 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 2018 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in Note 4 to the 2017 Audited Consolidated Financial Statements.

4. DISCONTINUED OPERATIONS, DUNDEE ENERGY LIMITED PARTNERSHIP

On January 31, 2017, DELP and the Corporation entered into a forbearance agreement with DELP's lender (the "Original Forbearance Agreement"), in respect of loans made by the lender under a credit agreement dated July 2, 2012, as amended (Note 8). Under the terms of the Original Forbearance Agreement, provided that certain ongoing conditions were 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 DELP's reserves and the current and projected market prices for oil and natural gas, as determined by DELP'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 Original Forbearance Agreement.

The Original Forbearance Agreement provided a definitive timeline within which DELP and the Corporation were required to complete their intended process to identify strategic alternatives, which may have included 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 Original Forbearance Agreement, DELP and the Corporation had committed to enter into a binding agreement under an arrangement, which binding agreement was to be satisfactory to its lender, by April 7, 2017.

The lender did not provide its consent to any of the proposals made by DELP or the Corporation, and the Original Forbearance Agreement expired on May 15, 2017, without resolution. On July 21, 2017, DELP and the Corporation received notice from DELP's lender, demanding repayment of amounts borrowed pursuant to the credit facility by July 31, 2017. DELP was not able to comply with the demand request. Accordingly, on August 16, 2017, DELP commenced insolvency proceedings by filing a NOI pursuant to the provisions of the *Bankruptcy and Insolvency Act (Canada)* in order for it to run a court-supervised SSP, with the goal of identifying proposals to purchase some or all of the business, properties or assets of DELP. DELP, the Corporation and the lender have entered into a revised forbearance agreement (the "Forbearance Agreement") and the lender is supporting DELP and the Corporation in the reorganization proceedings. DELP has obtained an order from the Ontario Superior Court of Justice approving the terms of the SSP. During the three months ended March 31, 2018, and pursuant to the recommendation of the proposal trustee, the SSP was continued under the terms of the *Companies' Creditors Arrangement Act* in order to extend the timeline within which the SSP is to be completed.

The Corporation has determined that completion of the SSP and the sale of the assets and liabilities of DELP is highly probable and is expected to be completed within one year. Accordingly, the assets and liabilities related to the DELP business have been reclassified as assets or liabilities of discontinued operations in the consolidated financial statement as at March 31, 2018 and December 31, 2017. Operating results and cash flow related to these assets and liabilities have been included as a net loss from discontinued operations in the consolidated statements of operations and comprehensive loss, and as cash flow from discontinued operations respectively, for each of the three months ended March 31, 2018 and 2017.

Net Assets of Discontinued Operations Held for Sale

		As at	
	Note	March 31, 2018	December 31, 2017
ASSETS			
Cash		$ 4,798	$ 3,736
Accounts receivable	5	2,105	2,095
Amounts due from Dundee Energy Limited		2,268	2,425
Prepaids and security deposits		1,353	797
Inventory		281	310
Oil and gas properties	7	99,897	102,819
		$ 110,702	**$ 112,182**
LIABILITIES			
Bank loan	8	$ 57,400	$ 57,400
Accounts payable and accrued liabilities		7,391	6,569
Decommissioning liabilities	9	51,018	51,706
		$ 115,809	**$ 115,675**
NET ASSETS OF DISCONTINUED OPERATIONS HELD FOR SALE		**$ (5,107)**	**$ (3,493)**

Net (Loss) Income and Comprehensive (Loss) Income from Discontinued Operations

		For the three months ended	
	Note	March 31, 2018	March 31, 2017
REVENUES			
Oil and gas sales		$ 6,564	$ 6,977
Royalties		(986)	(1,031)
Net sales		5,578	5,946
Production expenditures	12	(2,296)	(2,500)
Depreciation	7	(2,081)	(2,053)
General and administrative expenses	12	(1,655)	(750)
Gain on fair value changes of derivative financial instruments		-	799
Interest and other items in (loss) earnings		27	42
Interest expense	8, 9	(1,368)	(1,296)
Foreign exchange gain (loss)		181	(37)
NET (LOSS) EARNINGS BEFORE INCOME TAXES		(1,614)	151
Income tax recovery		-	78
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD, ATTRIBUTABLE TO OWNERS OF THE PARENT		**$ (1,614)**	**$ 229**

Cash Flow from Discontinued Operations

	Note	For the three months ended March 31, 2018	March 31, 2017
OPERATING ACTIVITIES, discontinued operations			
Net (loss) earnings for the period, discontinued operations		$ (1,614)	$ 229
Adjustments for:			
Depreciation and depletion	7	2,081	2,053
Gain on fair value changes of derivative financial instruments		-	(1,165)
Deferred income taxes	15	-	(78)
Reclamation expenditures	9	(159)	(156)
Other		547	263
		855	1,146
Changes in:			
Accounts receivable		(10)	450
Accounts payable and accrued liabilities		620	227
Prepaids and security deposits		(556)	(532)
Inventory		29	(6)
CASH PROVIDED FROM OPERATING ACTIVITIES		938	1,285
FINANCING ACTIVITIES, discontinued operations			
Repayment of bank loan arrangements	8	-	(2,300)
Repayment from Dundee Energy Limited	16	157	185
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		157	(2,115)
INVESTING ACTIVITIES, discontinued operations			
Investment in oil and gas properties	7	(33)	(375)
CASH USED IN INVESTING ACTIVITIES		(33)	(375)
INCREASE (DECREASE) IN CASH FROM DISCONTINUED OPERATIONS		1,062	(1,205)
CASH, BEGINNING OF PERIOD, DISCONTINUED OPERATIONS		3,736	1,419
CASH, END OF PERIOD, DISCONTINUED OPERATIONS		**$ 4,798**	**$ 214**
Interest paid		$ 1,023	$ 954

5. ACCOUNTS RECEIVABLE

Accounts Receivable from Discontinued Operations

As at	March 31, 2018	December 31, 2017
Customers for oil and natural gas production	$ 1,974	$ 1,962
Third-party drilling receivable	119	119
Working interest partners	12	14
	$ 2,105	**$ 2,095**

6. INVESTMENTS

As at	March 31, 2018	December 31, 2017
Investment in private enterprises	$ 2,150	$ 2,150
Less: Impairment	(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	12,414	12,097
Less: Impairment	(12,414)	(12,097)
	-	-
	$ -	**$ -**

A detailed description of the nature of the Corporation's investments is provided in Note 7 to the 2017 Audited Consolidated Financial Statements. During the three months ended March 31, 2018, the Corporation recognized an impairment loss of $317,000 (three months ended March 31, 2017 – $317,000) relating to dividends receivable on the Series A Preference Shares of Eurogas International.

7. OIL AND GAS PROPERTIES

Oil and Gas Properties from Discontinued Operations

	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, 2016							
Cost	$ 157,371	$ 27,751	$ 26,122	$ 4,715	$ 1,709	$ 25,371	$ 243,039
Accumulated depreciation, depletion and impairment	(86,274)	(9,527)	(8,213)	(170)	(566)	(6,934)	(111,684)
Net carrying value, December 31, 2016	71,097	18,224	17,909	4,545	1,143	18,437	131,355
For the three months ended March 31, 2017							
Carrying value December 31, 2016	71,097	18,224	17,909	4,545	1,143	18,437	131,355
Net additions	-	-	(34)	-	-	405	371
Remeasure decommissioning liability (Note 9)	1,025	-	-	-	-	-	1,025
Depreciation and depletion	(1,472)	(234)	(338)	(7)	(2)	-	(2,053)
Net carrying value, March 31, 2017	70,650	17,990	17,537	4,538	1,141	18,842	130,698
At March 31, 2017							
Cost	158,396	27,751	26,077	4,715	1,709	25,776	244,424
Accumulated depreciation, depletion and impairment	(87,746)	(9,761)	(8,540)	(177)	(568)	(6,934)	(113,726)
Net carrying value, March 31, 2017	70,650	17,990	17,537	4,538	1,141	18,842	130,698
Transactions from April 1, 2017 to December 31, 2017							
Carrying value March 31, 2017	70,650	17,990	17,537	4,538	1,141	18,842	130,698
Net additions	-	-	-	-	(2)	131	129
Remeasure decommissioning liability (Note 9)	(2,762)	-	-	-	-	-	(2,762)
Depreciation and depletion	(4,543)	(696)	(1,005)	(24)	(5)	-	(6,273)
Impairment	-	-	-	-	-	(18,973)	(18,973)
Net carrying value, December 31, 2017	63,345	17,294	16,532	4,514	1,134	-	102,819
At December 31, 2017							
Cost	155,634	27,751	26,077	4,715	1,707	25,907	241,791
Accumulated depreciation, depletion and impairment	(92,289)	(10,457)	(9,545)	(201)	(573)	(25,907)	(138,972)
Net carrying value, December 31, 2017	63,345	17,294	16,532	4,514	1,134	-	102,819
For the three months ended March 31, 2018							
Carrying value December 31, 2017	63,345	17,294	16,532	4,514	1,134	-	102,819
Net additions	-	-	33	-	-	-	33
Remeasure decommissioning liability (Note 9)	(874)	-	-	-	-	-	(874)
Depreciation and depletion	(1,492)	(243)	(337)	(7)	(2)	-	(2,081)
Net carrying value, March 31, 2018	60,979	17,051	16,228	4,507	1,132	-	99,897
At March 31, 2018							
Cost	154,760	27,751	26,110	4,715	1,707	-	215,043
Accumulated depreciation, depletion and impairment	(93,781)	(10,700)	(9,882)	(208)	(575)	-	(115,146)
Net carrying value, March 31, 2018	**$ 60,979**	**$ 17,051**	**$ 16,228**	**$ 4,507**	**$ 1,132**	**$ -**	**$ 99,897**

8. BANK LOAN

DELP has established a credit facility with a Canadian Schedule I Chartered Bank. The credit facility is secured against all of the oil and natural gas properties owned by DELP. In addition to the security provided by DELP, the Corporation assigned a limited recourse guarantee of its units in DELP as further security pursuant to the credit facility. The credit facility is subject to certain covenants, including maintenance of minimum levels of working capital. At March 31, 2018, DELP was in compliance with all such covenants.

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, 2018, 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.

At March 31, 2018, DELP had drawn $57,400,000 (December 31, 2017 – $57,400,000) pursuant to the credit facility. During the three months ended March 31, 2018, DELP incurred interest expense relating to the credit facility, including bank charges, arrangement fees and standby fees, if applicable, of $1,023,000 (three months ended March 31, 2017 – $954,000).

On January 31, 2017, DELP entered into the Original Forbearance Agreement (Note 4) with its lender, pursuant to which the lender had agreed, provided that certain ongoing conditions were 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 Original Forbearance Agreement.

The Original Forbearance Agreement provided a definitive timeline within which DELP and the Corporation were required to complete their intended process to identify strategic alternatives which may have included 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 Original Forbearance Agreement, DELP and the Corporation had committed to enter into a binding agreement under an arrangement, which binding agreement was to be satisfactory to DELP's lender, by April 7, 2017.

The lender did not provide its consent to any of the proposals made by DELP or the Corporation, and the Original Forbearance Agreement expired on May 15, 2017 without resolution. On July 21, 2017, DELP and the Corporation received notice from DELP's lender, demanding repayment of amounts borrowed pursuant to the credit facility by July 31, 2017. DELP was unable to meet the demand made by its lender and accordingly, on August 16, 2017, DELP commenced insolvency proceedings by filing a NOI pursuant to the provisions of the *Bankruptcy and Insolvency Act (Canada)* in order for it to run a court-supervised SSP, with the goal of identifying proposals to purchase some or all of the business, properties or assets of DELP. During the three months ended March 31, 2018, and pursuant to the recommendation of the proposal trustee, the SSP was continued under the terms of the *Companies' Creditors Arrangement Act* in order to extend the timeline within which the SSP is to be completed. DELP, the Corporation and the lender have entered into a Forbearance Agreement and the lender is supporting DELP and the Corporation in the reorganization proceedings.

On April 20, 2018, the Corporation announced that a purchaser for substantially all of the assets of DELP had been identified. The transaction remains subject to approval by the Ontario Superior Court of Justice.

9. DECOMMISSIONING LIABILITIES

The carrying amount of DELP'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 DELP'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, 2018	As at and for the year ended December 31, 2017
Undiscounted future obligations, beginning of period	$ 92,244	$ 98,556
Effect of changes in estimates	(712)	(2,863)
Liabilities settled (reclamation expenditures)	(159)	(3,449)
Undiscounted future obligations, end of period	**$ 91,373**	**$ 92,244**

Changes in DELP'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 DELP's decommissioning liabilities on a discounted basis:

	As at and for the three months ended March 31, 2018	As at and for the year ended December 31, 2017
Discount rates applied to future obligations	*1.79% - 2.22%*	*1.64% - 2.15%*
Inflation rate	*2.00%*	*2.00%*
Discounted future obligations, beginning of period	$ 51,706	$ 55,520
Effect of changes in estimates and remeasurement of discount rates	(874)	(1,737)
Liabilities settled (reclamation expenditures)	(159)	(3,449)
Accretion (interest expense)	345	1,372
Discounted future obligations, end of period	**$ 51,018**	**$ 51,706**
Current	$ 2,902	$ 1,202
Non-current	48,116	50,504
	$ 51,018	**$ 51,706**

As required by statute, DELP 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. 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, 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)
Transactions from April 1, 2017 to December 31, 2017					
Cancellation of shares pursuant to sunset clause provision	(185,158)	-	-	-	-
Issuance of shares in subsidiaries to non-controlling interest	-	-	-	-	(3)
Outstanding, March 31, 2018 and December 31, 2017	**188,083,836**	**$ 112,682**	**$ 6,847**	**$ 810**	**$ (61)**

On April 1, 2017, the Corporation cancelled 185,158 common shares pursuant to a sunset clause provision related to a 2004 corporate reorganization.

Prior to September 11, 2017, the common shares of the Corporation traded on the TSX. Following a delisting review conducted by the TSX, the common shares of the Corporation were delisted. Until the reorganization proceedings relating to the Corporation's discontinued operations are concluded (Notes 4 and 8), the Corporation does not intend to apply to list the common shares of the Corporation on a stock exchange.

11. STOCK BASED COMPENSATION

A detailed description of the Corporation's share incentive plan ("SIP") is provided in Note 13 to the Corporation's 2017 Audited Consolidated Financial Statements.

Stock Option Plan

There were no stock option awards granted during the three months ended March 31, 2018. 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, 2018 and the year ended December 31, 2017, is as follows:

For the period ended		March 31, 2018		December 31, 2017
	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Options outstanding, beginning of period	980,000	$ 0.50	2,380,000	$ 0.50
Forfeited	-	-	(1,400,000)	0.49
Options outstanding, end of period	**980,000**	**$ 0.50**	**980,000**	**$ 0.50**
Exercisable options	980,000	$ 0.50	980,000	$ 0.50

Option Price	Options Outstanding	Options Exercisable	Contractual Life Remaining (Years)
At $0.50	980,000	980,000	0.45

The Corporation did not recognize any stock based compensation expense related to its stock option plan during the three months ended March 31, 2018 and 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, 2018 and 2017. At March 31, 2018, there were 1,203,507 (December 31, 2017 – 1,203,507) deferred share units outstanding.

12. GENERAL AND ADMINISTRATIVE EXPENSES AND PRODUCTION EXPENDITURES BY NATURE

General and Administrative Expenses from Continuing Operations

For the three months ended	March 31, 2018	March 31, 2017
Salary and salary-related	$ 19	$ 43
Corporate and professional fees	(785) *	130
General office	13	3
	$ (753)	**$ 176**

* Includes a reversal of previously accrued legal costs of $852,000.

General and Administrative Expenses from Discontinued Operations

For the three months ended	March 31, 2018	March 31, 2017
Salary and salary-related	$ 533	$ 542
Corporate and professional fees	855	337
General office	607	229
Exploration and development costs	31	28
Allocation of general and administrative costs	(371)	(386)
	$ 1,655	**$ 750**

Production Expenditures from Discontinued Operations

For the three months ended	March 31, 2018	March 31, 2017
Labour	$ 778	$ 804
Materials, equipment and supplies used	431	480
Transportation	134	151
Utilities	544	608
Rental and lease payments	79	90
Other	330	367
	$ 2,296	**$ 2,500**

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 2017 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 March 31, 2018, 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, 2018, the carrying value of the Corporation's indirect equity interest in Escal was $nil (December 31, 2017 – $nil).

Issuance of Limited Partnership Units in Castor UGS Limited Partnership

During the three months ended March 31, 2017, and in order to fund certain legal 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, 2018	March 31, 2017
Net earnings (loss) for the period attributable to owners of the parent from:		
Continuing operations	$ 498	$ (262)
Discontinued operations	(1,614)	229
	$ (1,116)	$ (33)
Weighted average number of common shares outstanding	188,083,836	188,268,994
Basic earnings (loss) per common share		
Continuing operations	$ -	$ -
Discontinued operations	(0.01)	-
	$ (0.01)	$ -
Effect of dilutive securities to the weighted average number of common shares outstanding	n/a	n/a
Diluted earnings (loss) per common share		
Continuing operations	$ -	$ -
Discontinued operations	(0.01)	-
	$ (0.01)	$ -

15. INCOME TAXES

The income tax expense amount on the Corporation's earnings before income taxes differs from the income tax expense amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26% (three months ended March 31, 2017 – 26%), as a result of the following items:

	For the three months ended	
	March 31, 2018	March 31, 2017
(Earnings) loss before tax at statutory rate of 26% (2017 – 26%)	$ (187)	$ 55
Effect on taxes of:		
Non-deductible expenses	-	(3)
Unrecognized temporary differences	132	-
Other differences	55	(118)
Income tax expense	**$ -**	**$ (66)**

16. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these March 2018 Interim Consolidated Financial Statements, related party transactions and balances as at and for the three months ended March 31, 2018 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, 2018, the Corporation incurred costs of $91,000 (three months ended March 31, 2017 – $162,000) in respect of these arrangements.

Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities at March 31, 2018 are amounts owing to the Corporation's parent, Dundee Corporation, and to Dundee Corporation's subsidiaries of $4,384,000 (December 31, 2017 – $3,890,000).

Also included in accounts payable and accrued liabilities at March 31, 2018 are amounts owing by the Corporation to DELP of $2,268,000 (December 31, 2017 – $2,425,000). Prior to the re-categorization of DELP's net assets to discontinued operations, these amounts were eliminated in the Corporation's consolidated financial statements.

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, 2018	March 31, 2017
Directors' fees and executive compensation	$ 94	$ 144
Benefits	6	6
	$ 100	**$ 150**

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 2017 Audited Consolidated Financial Statements.

18. FINANCIAL INSTRUMENTS

The Corporation's financial assets measured at fair value in the Corporation's consolidated financial statements at March 31, 2018 have been fully impaired and are carried at $nil (Note 6).

The carrying value of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair value.

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 2017 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, 2017.

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 (Note 2).

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, 2018 and March 31, 2017

	Corporate		Spain		Southern Ontario		Discontinued Operations		TOTAL	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
REVENUES										
Oil and gas sales	$ -	$ -	$ -	$ -	$ 6,564	$ 6,977	$ (6,564)	$ (6,977)	$ -	$ -
Royalties	-	-	-	-	(986)	(1,031)	986	1,031	-	-
Net sales	-	-	-	-	5,578	5,946	(5,578)	(5,946)	-	-
Production expenditures	-	-	-	-	(2,296)	(2,500)	2,296	2,500	-	-
Depreciation and depletion		(22)	-	-	(2,081)	(2,053)	2,081	2,053	-	(22)
General and administrative expenses	(93)	(144)	846	(32)	(1,655)	(750)	1,655	750	753	(176)
Gain on fair value changes of derivative financial instruments		-	-	-	-	799	-	(799)	-	-
Impairment of financial instruments	(317)	(317)	-	-	-	-	-	-	(317)	(317)
Interest and other items in earnings (loss)	317	317	-	-	27	42	(27)	(42)	317	317
Interest expense		-	-	-	(1,368)	(1,296)	1,368	1,296	-	-
Foreign exchange (loss) gain		-	(47)	(8)	181	(37)	(181)	37	(47)	(8)
NET EARNINGS (LOSS) BEFORE INCOME TAXES	(93)	(166)	799	(40)	(1,614)	151	1,614	(151)	706	(206)
Income tax (expense) recovery	-	(66)	-	-	-	78	-	(78)	-	(66)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	$ (93)	$ (232)	$ 799	$ (40)	$ (1,614)	$ 229	$ 1,614	$ (229)	$ 706	$ (272)
DISCONTINUED OPERATIONS	-	-	-	-	-	-	(1,614)	229	(1,614)	229
NET (LOSS) EARNINGS FOR THE PERIOD	**$ (93)**	**$ (232)**	**$ 799**	**$ (40)**	**$ (1,614)**	**$ 229**	**$ -**	**$ -**	**$ (908)**	**$ (43)**
NET (LOSS) EARNINGS ATTRIBUTABLE TO:										
Owners of the parent										
Continuing operations	$ (93)	$ (232)	$ 591	$ (30)	$ (1,614)	$ 229	$ 1,614	$ (229)	$ 498	$ (262)
Discontinued operations	-	-	-	-	-	-	(1,614)	229	(1,614)	229
	(93)	(232)	591	(30)	(1,614)	229	-	-	(1,116)	(33)
Non-controlling interest										
Continuing operations	-	-	208	(10)	-	-	-	-	208	(10)
Discontinued operations	-	-	-	-	-	-	-	-	-	-
	-	-	208	(10)	-	-	-	-	208	(10)
	$ (93)	**$ (232)**	**$ 799**	**$ (40)**	**$ (1,614)**	**$ 229**	**$ -**	**$ -**	**$ (908)**	**$ (43)**

Segmented Net Assets as at March 31, 2018 and December 31, 2017

	Corporate		Spain		Southern Ontario		Discontinued Operations		TOTAL	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
ASSETS										
Current										
Cash	$ 77	$ 21	$ 11	$ 11	$ 4,798	$ 3,736	$ (4,798)	$ (3,736)	$ 88	$ 32
Accounts receivable	-	25	-	-	4,373	4,520	(4,373)	(4,520)	-	25
Prepaids and security deposits	-	-	-	-	1,353	797	(1,353)	(797)	-	-
Inventory	-	-	-	-	281	310	(281)	(310)	-	-
Assets of discontinued operations held for sale	-	-	-	-	-	-	110,702	112,182	110,702	112,182
	77	46	11	11	10,805	9,363	99,897	102,819	110,790	112,239
Non-current										
Oil and gas properties	-	-	-	-	99,897	102,819	(99,897)	(102,819)	-	-
Equity accounted investment in Escal	-	-	-	-	-	-	-	-	-	-
	$ 77	$ 46	$ 11	$ 11	$ 110,702	$ 112,182	$ -	$ -	$ 110,790	$ 112,239
LIABILITIES										
Current										
Bank loan	$ -	$ -	$ -	$ -	$ 57,400	$ 57,400	$ (57,400)	$ (57,400)	$ -	$ -
Accounts payable and accrued liabilities	7,350	7,005	107	1,127	7,391	6,569	(7,391)	(6,569)	7,457	8,132
Decommissioning liabilities	-	-	-	-	2,902	1,202	(2,902)	(1,202)	-	-
Liabilities of discontinued operations held for sale	-	-	-	-	-	-	115,809	115,675	115,809	115,675
	7,350	7,005	107	1,127	67,693	65,171	48,116	50,504	123,266	123,807
Non-current										
Decommissioning liabilities	-	-	-	-	48,116	50,504	(48,116)	(50,504)	-	-
	$ 7,350	$ 7,005	$ 107	$ 1,127	$ 115,809	$ 115,675	$ -	$ -	$ 123,266	$ 123,807
SEGMENTED NET ASSETS	**$ (7,273)**	**$ (6,959)**	**$ (96)**	**$ (1,116)**	**$ (5,107)**	**$ (3,493)**	**$ -**	**$ -**	**$ (12,476)**	**$ (11,568)**