DUNDEE
ENERGY LIMITED

2014 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 a participant in the development of an offshore underground natural gas storage facility in Spain (the "Castor Project"). The Corporation also holds an investment in preferred shares of Eurogas International Inc. ("Eurogas International"), an oil and gas exploration company targeting oil and natural gas reserves.

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of October 30, 2014 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, 2013 (the "2013 Consolidated Financial Statements") and the unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2014 (the "September 2014 Interim Consolidated Financial Statements"), which have been prepared using International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars unless otherwise specified. Tabular dollar amounts, unless otherwise specified, are in thousands of dollars, except for per unit or per share amounts.

PERFORMANCE MEASURES AND BASIS OF PRESENTATION

The Corporation's September 2014 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 and the Corporation's MD&A as at and for the year ended December 31, 2013, 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 risk management contracts. 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, 2014 compared with the nine months ended September 30, 2013

Consolidated Net Earnings

During the nine months ended September 30, 2014, the Corporation generated net earnings attributable to owners of the parent of $2.8 million or $0.01 per share. This compares with a net loss attributable to owners of the parent of $3.0 million or $0.02 per share incurred during the nine months ended September 30, 2013. Earnings in the current period reflect improved commodity prices, partially offset by lower production volumes.

For the nine months ended September 30,			2014			2013
	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	$ 5,327	$ 5,327	$ -	$ (1,157)	$ (1,157)	$ -
Castor Project	(278)	(208)	(70)	(228)	(170)	(58)
Loss from investment in preferred shares of Eurogas International	(962)	(962)	-	(962)	(962)	-
Corporate activities	(1,378)	(1,378)	-	(712)	(712)	-
Net earnings (loss) for the period	$ 2,709	$ 2,779	$ (70)	$ (3,059)	$ (3,001)	$ (58)

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.

Changes in Working Interest in Southern Ontario Properties

On August 6, 2014, the Corporation acquired the remaining 15% working interest in certain offshore gas properties in southern Ontario that it did not already own, increasing its working interest to approximately 100%. The acquisition is expected to add an average of 1,700 Mcf/d to the Corporation’s existing natural gas production and an estimated 17.2 million Mcf in proved and probable reserves. The increase in working interest was acquired for aggregate cash consideration of $3.4 million, representing an average cost of $0.20/Mcf or $1.19/boe of proved and probable reserves.

Operating Performance

The Corporation’s operating performance is dependent on both production volumes of oil, natural gas and natural gas liquids, as well as the prices received for these commodities. During the nine months ended September 30, 2014, sales of oil and natural gas, net of royalty interests, generated revenues of $30.7 million, an increase of $5.8 million over revenues earned during the same period of the prior year. As illustrated in the following table, the effect of improvements in commodity prices increased revenues by $7.4 million, although these results were offset by reduced production volumes, which decreased revenues by $1.6 million.

	Natural Gas	Oil and Liquids	Total
Net Sales			
Nine months ended September 30, 2014	$ 16,609	$ 14,107	$ 30,716
Nine months ended September 30, 2013	10,294	14,650	24,944
Net increase (decrease) in net sales	$ 6,315	$ (543)	$ 5,772
Effect of changes in production volumes	$ (195)	$ (1,434)	$ (1,629)
Effect of changes in commodity prices	6,510	891	7,401
	$ 6,315	$ (543)	$ 5,772

Production Volumes

During the nine months ended September 30, 2014, production volumes decreased to an average of 2,214 boe/d, compared with an average of 2,308 boe/d produced in the same period of 2013.

Average daily volume during the nine months ended September 30,	2014	2013
Natural gas (Mcf/d)	9,784	9,972
Oil (bbls/d)	571	626
Liquids (bbls/d)	12	20
Total (boe/d)	2,214	2,308

Average daily natural gas production dropped by approximately 2% on a period-over-period basis. The decrease is partially a result of the natural decline rate of the Corporation's assets. However, natural gas production was also adversely affected by damage to an offshore gas pipeline following ice scouring on Lake Erie during the month of February 2014. The pipeline was subsequently repaired and production was restored in April. Production declines were partially offset by increased volumes from the acquisition of an additional 15% working interest in certain natural gas properties completed in early August 2014 (see *"Changes in Working Interest in Southern Ontario Properties"*).

Average oil and liquids daily production declined by 10% during the nine months ended September 30, 2014, compared with the same period of the prior year. The decrease reflects natural declines in the underlying assets.

Net Sales of Oil and Gas

For the nine months ended September 30,			2014			2013
		Sales	Realized Prices ($ / unit)		Sales	Realized Prices ($ / unit)
Natural gas	$	19,482	7.29	$	12,114	4.45
Oil		16,498	105.90		17,041	99.70
Liquids		162	48.51		254	46.53
		36,142			29,409	
Less: Royalties at 15% (2013 – 15%)		(5,426)			(4,465)	
Net sales	$	30,716		$	24,944	

Revenues from oil and gas sales were $36.1 million during the nine months ended September 30, 2014. This compares with revenues of $29.4 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 nine months ended September 30, 2014, the Corporation recorded royalty obligations of $5.4 million (nine months ended September 30, 2013 – $4.5 million) against its oil and gas sales, representing an average royalty rate of approximately 15% (nine months ended September 30, 2013 – 15%) of 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 Corporation's realized prices, prior to the effect of its risk management contracts.

For the nine months ended September 30,			2014			2013
	US$	CAD$	Realized Prices ($)	US$	CAD$	Realized Prices ($)
Natural Gas						
Dawn Hub	6.94	7.57	7.29	4.06	4.15	4.45
NYMEX Henry Hub	4.56	4.97		3.68	3.77	
Oil						
Edmonton Par	n/a	100.08	105.90	n/a	95.66	99.70
West Texas Intermediate	100.01	109.04		98.15	100.49	

The Corporation realized an average price on sales of natural gas of $7.29/Mcf during the nine months ended September 30, 2014, 64% higher than the average price of $4.45/Mcf realized in the same period of the prior year. The increase is reflective of severe weather conditions experienced in Ontario from January to April 2014 and the high volatility in natural gas commodity prices during the winter months at the Dawn Hub, a leading provider of natural gas supply to the greater Toronto market area.

During the nine months ended September 30, 2014, the Corporation realized an average price of $105.90/bbl on sales of crude oil, an increase of 6% over an average price of $99.70/bbl realized during the same period of the prior year. The increase is consistent with period-over-period increases of 5% in the Edmonton Par average price for crude oil, and higher than the 2% increase in the US dollar-denominated average West Texas Intermediate price.

Risk Management Contracts – Price Risk Management

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

The following table summarizes the realized and unrealized gains or losses from the Corporation's risk management contracts in the first nine months of 2014, compared with the same period of the prior year. For accounting purposes, the Corporation has not designated its risk management contracts as hedges. Accordingly, the gains or losses from these contracts are not reflected in the Corporation's reported amounts of oil and natural gas sales, but rather they are separately reported as gains or losses from risk management contracts in the Corporation's net earnings or loss.

For the nine months ended September 30,			2014			2013
	Realized Loss	Unrealized Gain	Total	Realized (Loss) Gain	Unrealized (Loss) Gain	Total
Oil swaps	$ (337)	$ 221	$ (116)	$ 9	$ (689)	$ (680)
Gas swaps	-	-	-	(185)	204	19
	$ (337)	$ 221	$ (116)	$ (176)	$ (485)	$ (661)

The Corporation's risk management contracts at September 30, 2014 had a positive value of $129,000 and consisted of the following arrangement:

Contract Fixed Price Swap	Volume	Pricing Point	Strike Price (CAD$/unit)	Remaining Term	Fair Value September 30, 2014
Crude oil	300 bbl/d	NYMEX	$105.00	Oct 01/14 to Dec 31/14	$ 129

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

Production Expenditures

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

For the nine months ended September 30,			2014			2013
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Production expenditures	$ 6,212	$ 4,757	$ 10,969	$ 6,006	$ 5,025	$ 11,031
Production expenditures	(per Mcf)	(per bbl)	(per boe)	(per Mcf)	(per bbl)	(per boe)
per unit	$ 2.33	$ 29.89	$ 18.15	$ 2.21	$ 28.49	$ 17.51

During the first nine months of 2014, the Corporation incurred production expenditures of $11.0 million, consistent with $11.0 million incurred in the same period of the prior year. Production costs on a per unit basis increased to $18.15/boe in the nine months ended September 30, 2014, compared with $17.51/boe incurred during the same period of the prior year, reflecting lower production volumes.

Field Level Cash Flows and Field Netbacks

For the nine months ended September 30,			2014			2013
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Total sales	$ 19,482	$ 16,660	$ 36,142	$ 12,114	$ 17,295	$ 29,409
Royalties	(2,873)	(2,553)	(5,426)	(1,820)	(2,645)	(4,465)
Production expenditures	(6,212)	(4,757)	(10,969)	(6,006)	(5,025)	(11,031)
	10,397	9,350	19,747	4,288	9,625	13,913
Realized risk management (loss) gain	-	(337)	(337)	(185)	9	(176)
Field level cash flows	$ 10,397	$ 9,013	$ 19,410	$ 4,103	$ 9,634	$ 13,737

For the nine months ended September 30,			2014			2013
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
	$/Mcf	$/bbl	$/boe	$/Mcf	$/bbl	$/boe
Total sales	$ 7.29	$ 104.69	$ 59.81	$ 4.45	$ 98.05	$ 46.67
Royalties	(1.08)	(16.04)	(8.98)	(0.67)	(15.00)	(7.09)
Production expenditures	(2.33)	(29.89)	(18.15)	(2.21)	(28.49)	(17.51)
	3.88	58.76	32.68	1.57	54.56	22.07
Realized risk management (loss) gain	-	(2.12)	(0.56)	(0.07)	0.05	(0.28)
Field netbacks	$ 3.88	$ 56.64	$ 32.12	$ 1.50	$ 54.61	$ 21.79

During the nine months ended September 30, 2014, the Corporation earned field level cash flows, before realized amounts related to risk management contracts, of $19.7 million or $32.68/boe, compared with field level cash flows, before risk management contracts, of $13.9 million or $22.07/boe earned during the same period of the prior year.

Field level cash flows from natural gas production and sales were $10.4 million or $3.88/Mcf during the nine months ended September 30, 2014, an increase of $6.1 million over field level cash flows of $4.3 million or $1.57/Mcf earned during the same period of the prior year. As previously indicated, the increase in field level cash flows from natural gas reflects higher commodity prices realized by the Corporation period-over-period.

Field level cash flows from production and sales of oil and liquids, before the effect of risk management contracts, decreased to $9.4 million, compared to $9.6 million during the same period of the prior year, reflecting lower production volumes partially offset by higher commodity prices. Risk management contracts reduced field level cash flows in the nine months ended September 30, 2014 by $0.3 million. As a result, field netbacks from oil production and sales were $56.64/bbl during the nine months ended September 30, 2014, compared with $54.61/bbl earned in the same period of the prior year.

Capital Expenditures

For the nine months ended September 30,	2014	2013
Offshore		
Pipeline	$ -	$ 706
Workovers	744	-
Facilities	71	-
Total offshore	815	706
Onshore		
Drilling and completion	1,179	2,122
Workovers	89	262
Facilities	251	344
Land and building	82	44
Total onshore	1,601	2,772
Exploration and Evaluation		
Undeveloped properties	2,104	3,054
Onshore seismic	700	3,741
Total exploration and evaluation	2,804	6,795
Office equipment, computer hardware and software	330	(99)
	5,550	10,174
Disposition of property, plant and equipment	-	(1,385)
	$ 5,550	$ 8,789

During the nine months ended September 30, 2014, the Corporation expended $5.6 million on capital expenditures. This compares with capital expenditures of $8.8 million incurred during the same period of the prior year.

Approximately $0.8 million of capital expenditures were incurred offshore, including $0.7 million on four exploratory new horizon tests and $0.1 million in upgrading offshore facilities. Initial results from two of the four exploratory tests were positive and may lead to additional testing and a subsequent horizontal drilling program.

Capital expenditures on onshore properties were $1.6 million during the nine months ended September 30, 2014, including $1.2 million in drilling costs. To date, the Corporation has drilled one vertical development well and one re-entry horizontal sidetrack well. While initial results are encouraging, the re-entry horizontal well came back into production late in the quarter at 42 bbl/d and has subsequently settled in at 18 bbl/d. The Corporation is still testing the vertical development well to evaluate its economic viability. In addition to these drilling activities, the Corporation expended $0.1 million in final costs associated with two workovers commenced in late 2013 and $0.3 million on efficiency and equipment upgrades to onshore facilities.

During the nine months ended September 30, 2014, the Corporation incurred costs of $0.7 million on completing 2-D and 3-D seismic work, which had been started in late 2013, and $2.1 million on two exploration wells on certain undeveloped land. The vertical exploration well requires further testing and analyses to determine flow rates and its economic viability. The second exploration well, in which the Corporation is a non-operating 50% working interest partner, has shown good test results to date. The Corporation and the operator of this well are currently working on a plan to tie-in this well, in order to bring it into production in the fourth quarter of 2014.

2014 Work Program

The Corporation anticipates spending $1.0 million on the remainder of its 2014 work program. Approximately $0.5 million will be directed towards drilling and completion costs, with the balance directed towards facility upgrades, the acquisition of drilling equipment and the acquisition of land in and around one of the Corporation's onshore oil facilities.

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, 2014, the Corporation's estimate of these future costs on an undiscounted basis was approximately $100.6 million. These obligations are forecasted to be incurred over a 50-year period. The Corporation incurred $1.1 million in reclamation costs during the nine months ended September 30, 2014 and it anticipates that it will incur another $1.5 million in reclamation costs over the next 12 months.

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, 2014, the discounted amount of the Corporation's decommissioning liabilities was $51.5 million. The discount used in calculating the Corporation's decommissioning liabilities is accreted over time. During the nine months ended September 30, 2014, the Corporation incurred accretion expense of $0.8 million (nine months ended September 30, 2013 – $0.7 million).

Castor UGS Limited Partnership and the Castor Project Developments

The Castor Project is a Spanish infrastructure undertaking that has 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 Communicacions y Energy S.L. ("ACS"), a construction group in Spain, is a 67% shareholder of Escal, while Castor UGS Limited Partnership, the Corporation's 74% subsidiary, holds the remaining 33% interest in Escal.

Technical and economic audits of the Castor Project, which were required for the inclusion of the project to the Spanish gas system, were initiated in July 2013 and were completed and delivered to the Spanish authorities in January 2014. These audits concluded that the Castor Project was technically fit to store and deliver gas, that it had an appropriate process design and configuration, and that it had sufficient safety engineering for operation. Injection of cushion gas to the reservoir was initiated in June 2013. However, in mid September 2013, micro-seismic activity was detected in the area surrounding the Castor Project, following which the Spanish authorities implemented a suspension until an independent assessment of the source of the seismic activity was completed. Independent assessments were subsequently completed, putting forth that the seismicity observed appeared to be related to a secondary fault present in the area. However, and notwithstanding the results of the technical and economic audits, as well as the results of the independent assessments as to the source of seismic activity, the Spanish authorities did not revoke their mandated suspension.

Escal subsequently considered various 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 (the "Relinquishment Option").

On October 3, 2014, the Spanish government approved Royal Decree-Law 13/2014, which formally accepts the relinquishment of the Castor Project. The Royal Decree-Law came into force on October 4, 2014, the date of its publication in the Spanish Official State Gazette, acknowledging the termination of the concession, and reverting ownership of the associated facilities back to the public domain. As provided in the terms for relinquishment, Escal is entitled to receive compensation equal to the net value of its investment in the Castor Project, which the Royal Decree-Law has determined to be €1.46 billion. Accordingly, within 35 days of the issue of the Royal Decree-Law, Escal anticipates receiving €1.35 billion, being the net value of its investment, after deducting amounts of €110 million previously received by Escal during the pre-commissioning stage of development. It is anticipated that the amount received will be applied towards the partial repayment of €1.38 billion of outstanding bonds issued by Watercraft Capital S.A., Escal's financing vehicle.

In addition to the net value of its investment as outlined above, the Royal Decree-Law 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 determination and timing of these additional amounts have not yet been finalized.

The Royal Decree-Law further confirms that the Castor Project is to remain mothballed until the Spanish government is satisfied with technical studies and reports on the 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 will be entrusted with ongoing care and maintenance of the facilities as soon as practicable.

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 ten years following the issuance of the Royal Decree-Law.

Share of Loss from Equity Accounted Investment in Escal UGS S.L.

The Corporation previously accounted for its investment in Escal using the equity method. At September 30, 2014, Escal's net equity available to shareholders was negative, reflecting operating losses and the settlement of unfavourable hedging transactions previously incurred. The Corporation has reduced the carrying value of its investment in Escal to $nil at September 30, 2014 (December 31, 2013 – $nil) as the Corporation has not incurred 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.

The terms of the Corporation's investment in the Series A Preference Shares of Eurogas International are detailed in Note 6 to the 2013 Consolidated Financial Statements.

Because of the Corporation's entitlement to demand redemption of the Series A Preference Shares at any time from Eurogas International, the Corporation has classified its investment in the Series A Preference Shares as a loan receivable and the associated dividends as interest income. The Corporation has completed an assessment of the fair value of the Series A Preference Shares. In its assessment, the Corporation considered factors such as the delinquency of dividend payments and the financial resources available to Eurogas International to meet current commitments and pursue growth opportunities. The Corporation concluded that there was significant impairment in the par value of the Series A Preference Shares and the related accrued dividends thereon and accordingly, the Corporation has fully provided against the carrying values of these assets. During the nine months ended September 30, 2014, the Corporation provided for an impairment loss relating to its investment in Eurogas International of $1.0 million (nine months ended September 30, 2013 – $1.0 million).

Operating Performance

In January 2014, Eurogas International completed a farmout arrangement with DNO Tunisia AS with respect to its working interest in the Sfax permit and the associated Ras El Besh development concession (the "DNO Agreement"). The DNO Agreement provides DNO Tunisia AS with an 87.5% participating interest in the Sfax permit in exchange for a US$6 million cash payment to the original joint venture partners, of which Eurogas International's share was US$2.7 million, and the carrying of 100% of all future costs associated with the Sfax permit, including all drilling obligations.

Subsequent to September 30, 2014, DNO Tunisia AS began the drilling of the Jawhara-3 well, the first of several exploration and appraisal wells planned by DNO Tunisia AS on the Sfax permit. The Jawhara-3 well will be drilled four kilometres north of the Jawhara-1 discovery well, which flowed 1,500 bbls/d, and will test the Douleb and Bireno reservoirs in the up dip Jawhara structure. A second exploration well is anticipated in the first half of 2015.

Other Items in Consolidated Net Earnings

General and Administrative Expenses

General and administrative expenses incurred during the nine months ended September 30, 2014 were $5.2 million, an increase of $0.8 million over general and administrative expenses of $4.4 million incurred in the same period of the prior year. In the first three quarters of the prior year, and subsequent to the raising of capital in a flow through share issue, approximately $0.5 million of additional general and administrative costs were allocated to the Corporation's deferred exploration and evaluation pools, compared to the same period of the current year. In addition, during the nine months ended September 30, 2014, the Corporation incurred additional geological and geophysical costs of approximately $0.3 million in an effort to enhance existing operations and optimize the natural decline rate of the Corporation's oil and natural gas assets.

Interest Expense

The Corporation incurred interest expense of $3.3 million in the nine months ended September 30, 2014, compared to interest expense of $3.4 million incurred during the same period of the prior year. Included in interest expense is $0.8 million (nine months ended September 30, 2013 – $0.7 million) of accretion expense associated with the Corporation's decommissioning liabilities, with the balance of interest expense incurred in respect of borrowings pursuant to the Corporation's credit facility.

Income Tax Expense

During the nine months ended September 30, 2014, the Corporation recognized income tax expense of $1.0 million, compared with $31,000 in the same period of the prior year. This significant change in income tax expense is directly attributable to increased operating income generated by the Corporation's oil and gas operations in southern Ontario. As these operations are carried out through a wholly owned limited partnership, these earnings are subject to tax directly in the Corporation and are therefore reflected in the Corporation's financial disclosure as part of the corporate segment.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2014			2013				2012
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Revenues	$ 8,574	$ 9,398	$ 12,744	$ 8,264	$ 9,340	$ 8,245	$ 7,359	$ 7,507
Net earnings (loss) attributable to owners of the parent	**(297)**	**(112)**	**3,188**	**(3,183)**	**(1,472)**	**(457)**	**(1,072)**	**(13,431)**
Basic and fully diluted earnings (loss) per share	$ -	$ -	$ 0.02	$ (0.01)	$ (0.01)	$ -	$ (0.01)	$ (0.08)
Capital expenditures	$ 2,513	$ 1,578	$ 1,459	$ 3,300	$ 3,419	$ 3,447	$ 1,923	$ 3,009

- During the third quarter of 2014 and the third quarter of 2013, the Corporation completed acquisitions of additional working interests of 15% and 20% respectively in certain natural gas properties, resulting in increased revenues.
- During the fourth quarter of 2013, the Corporation recognized an impairment on an oil property of $3.5 million, reflecting decreased production from certain oil wells.
- In the fourth quarter of 2012, the Corporation recognized an impairment on certain natural gas properties of $15.5 million, reflecting a reduction in forecasted natural gas prices.
- Changes in the fair value of the Corporation's risk management contracts are included in the Corporation's net earnings. The key drivers affecting fair value changes may cause significant volatility in the Corporation's earnings, some of which are beyond the control of the Corporation. The following table illustrates the impact of changes in the fair value of the Corporation's risk management contracts to its net earnings (loss) on a quarterly basis:

	2014			2013				2012
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Changes in the fair value of risk management contracts	$ 376	$ (213)	$ (279)	$ 80	$ (509)	$ 214	$ (366)	$ 114

QUARTERLY CONSOLIDATED RESULTS OF OPERATIONS

Three months ended September 30, 2014 compared with the three months ended September 30, 2013

During the quarter ended September 30, 2014, the Corporation's net loss attributable to the owners of the parent was $0.3 million, compared with a net loss attributable to the owners of the parent of $1.5 million in the third quarter of the prior year.

For the three months ended September 30,			2014			2013
	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	$ 118	$ 118	$ -	$ (538)	$ (538)	$ -
Castor Project	(119)	(89)	(30)	(146)	(108)	(38)
Loss from investment in preferred shares of Eurogas International	(324)	(324)	-	(324)	(324)	-
Corporate activities	(2)	(2)	-	(502)	(502)	-
Net loss for the period	$ (327)	$ (297)	$ (30)	$ (1,510)	$ (1,472)	$ (38)

Southern Ontario Assets

During the third quarter of 2014, sales of oil and natural gas, net of royalty interests were $8.6 million, a decrease of $0.8 million from the $9.3 million earned in the same period of the prior year. As illustrated in the table below, reduced production volumes and lower prices for oil and liquids decreased revenues by $1.0 million. This decrease was partially offset by a $0.2 million increase in natural gas revenues, which resulted primarily from increases in the underlying realized price for this commodity.

	Natural Gas	Oil and Liquids	Total
Net Sales			
Three months ended September 30, 2014	$ 4,329	$ 4,245	$ 8,574
Three months ended September 30, 2013	4,139	5,201	9,340
Net increase (decrease) in net sales	$ 190	$ (956)	$ (766)
Effect of changes in production volumes	$ (95)	$ (620)	$ (715)
Effect of changes in commodity prices	285	(336)	(51)
	$ 190	$ (956)	$ (766)

Average daily volume during the three months ended September 30,	2014	2013
Natural gas (Mcf/d)	11,746	12,022
Oil (bbls/d)	527	596
Liquids (bbls/d)	8	12
Total (boe/d)	2,493	2,612

Production volumes decreased during the third quarter of 2014, to an average of 2,493 boe/d, compared with an average of 2,612 boe/d produced in the same period of 2013. Consistent with year-to-date results, decreased production volumes reflect the natural decline in the Corporation's assets, partially offset by the natural gas production volumes acquired in August 2014 (see *"Changes in Working Interest in Southern Ontario Properties"*).

For the three months ended September 30,		2014		2013
	Sales	Realized Prices ($ / unit)	Sales	Realized Prices ($ / unit)
Natural gas	$ 5,102	4.72	$ 4,875	4.41
Oil	4,976	102.68	6,099	111.32
Liquids	36	47.91	41	38.27
	10,114		11,015	
Less: Royalties at 15% (2013 – 15%)	(1,540)		(1,675)	
Net sales	$ 8,574		$ 9,340	

During the third quarter of 2014, the Corporation realized an average sales price of $4.72/Mcf for natural gas, an increase over a realized price of $4.41/Mcf in the same quarter of the prior year.

During the same period, the realized sales price for crude oil declined to $102.68/bbl, compared with $111.32/bbl realized during the third quarter of the prior year.

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

For the three months ended September 30,			2014			2013
	US$	CAD$	Realized Prices ($)	US$	CAD$	Realized Prices ($)
Natural Gas						
Dawn Hub	4.08	4.41	4.72	4.01	4.19	4.41
NYMEX Henry Hub	3.96	4.28		3.55	3.71	
Oil						
Edmonton Par	n/a	97.79	102.68	n/a	105.15	111.32
West Texas Intermediate	97.95	105.87		105.83	110.60	

The Corporation incurred production expenditures of $4.4 million during the three months ended September 30, 2014, a marginal decrease compared with $4.6 million incurred during the same period of the prior year. Consistent with year-to-date results, production expenditures on a boe basis have increased marginally to $19.37/boe in the third quarter of 2014, compared with $19.30/boe in the same quarter of the prior year, reflecting reduced production volumes.

For the three months ended September 30,			2014			2013
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Production expenditures	$ 2,669	$ 1,774	$ 4,443	$ 2,672	$ 1,964	$ 4,636
Production expenditures	(per Mcf)	(per bbl)	(per boe)	(per Mcf)	(per bbl)	(per boe)
per unit	$ 2.47	$ 36.03	$ 19.37	$ 2.42	$ 35.15	$ 19.30

Field level cash flows in the third quarter of 2014, before realized risk management contract gains or losses, were $4.1 million or $18.02/boe, a 12% decrease over field level cash flows of $4.7 million or $19.59/boe generated in the third quarter of the prior year.

For the three months ended September 30,			2014			2013
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
Total sales	$ 5,102	$ 5,012	$ 10,114	$ 4,875	$ 6,140	$ 11,015
Royalties	(773)	(767)	(1,540)	(736)	(939)	(1,675)
Production expenditures	(2,669)	(1,774)	(4,443)	(2,672)	(1,964)	(4,636)
	1,660	2,471	4,131	1,467	3,237	4,704
Realized risk management (loss) gain	-	(126)	(126)	196	(371)	(175)
Field level cash flows	$ 1,660	$ 2,345	$ 4,005	$ 1,663	$ 2,866	$ 4,529

For the three months ended September 30,			2014			2013
	Natural Gas	Oil and Liquids	Total	Natural Gas	Oil and Liquids	Total
	$/Mcf	$/bbl	$/boe	$/Mcf	$/bbl	$/boe
Total sales	$ 4.72	$ 101.83	$ 44.10	$ 4.41	$ 109.90	$ 45.86
Royalties	(0.72)	(15.58)	(6.71)	(0.67)	(16.81)	(6.97)
Production expenditures	(2.47)	(36.03)	(19.37)	(2.42)	(35.15)	(19.30)
	1.53	50.22	18.02	1.32	57.94	19.59
Realized risk management (loss) gain	-	(2.56)	(0.55)	0.18	(6.64)	(0.73)
Field netbacks	$ 1.53	$ 47.66	$ 17.47	$ 1.50	$ 51.30	$ 18.86

LIQUIDITY AND CAPITAL RESOURCES

Cash Resources Availability

At September 30, 2014, the Corporation had cash of $0.7 million on deposit with a Canadian Schedule I Chartered Bank. In addition, the Corporation had access to a further $6.0 million pursuant to a $70.0 million revolving demand credit facility.

Southern Ontario Assets

The Corporation's southern Ontario operations are conducted through Dundee Energy Limited Partnership ("DELP"), the Corporation's wholly-owned subsidiary. DELP has established a credit facility with a Canadian chartered bank that is structured as a revolving demand loan, with a tiered interest rate schedule that varies based on DELP's net debt to cash flow ratio, as defined in the credit facility. Based on DELP's current ratios, draws on the credit facility bear interest, at DELP's option, at either the bank's prime lending rate plus 3.5% or, at the bank's then prevailing bankers' acceptance rate plus 4.5%. At September 30, 2014, DELP had drawn $64.0 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, 2014, 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, provide the Corporation with sufficient cash flow to support its working capital requirements for the foreseeable future.

Spain

Under the terms of a shareholders' agreement between 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 current lending arrangements established by 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 become 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. The Corporation has not completed an assessment of the impact of the terms of the Royal Decree-Law.

Outstanding Share Data and Dilutive Securities

At September 30, 2014 and October 30, 2014, the Corporation had 188,204,184 common shares outstanding. In addition, at September 30, 2014, it had granted 5,805,000 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 1,401,325 deferred share units.

OFF BALANCE SHEET ARRANGEMENTS, COMMITMENTS AND CONTINGENCIES

In accordance with the terms of the Royal Decree-Law issued by the Spanish authorities in October 2014 in respect of the Castor Project, 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.

Other than as may be disclosed elsewhere in this MD&A, there have been no other significant changes in the nature of off balance sheet arrangements, commitments and contingencies from those described in Note 18 to the 2013 Consolidated Financial Statements and under "*Off Balance Sheet Arrangements*" and "*Commitments and Contingencies*" in the Corporation's MD&A as at and for the year ended December 31, 2013.

RELATED PARTY TRANSACTIONS

Other than as described in Note 16 to the September 2014 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 2013 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 2013 Annual Information Form dated March 17, 2014, under *"Risk Factors"*, which may be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website *www.sedar.com*. At September 30, 2014, the Corporation had not identified any material changes to the risk factors affecting its business, and its approach to managing those risks, from those discussed in the document referred to above. These business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and other items in net earnings, and the related disclosure of contingent assets and liabilities, if any. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and other items in net earnings that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Summaries of the significant accounting policies applied in the preparation and significant judgments, estimates and assumptions made by management in the preparation of its financial statements are provided in Notes 3 and 4 to the 2013 Consolidated Financial Statements.

Other than as disclosed in Note 2 to the September 2014 Interim Consolidated Financial Statements, there have been no changes in the accounting policies applied in the preparation of the Corporation's September 2014 Interim Consolidated Financial Statements from those detailed in Note 3 to the Corporation's 2013 Consolidated Financial Statements. The changes in accounting policies adopted during the nine months ended September 30, 2014 did not have a material impact to the September 2014 Interim Consolidated Financial Statements.

CONTROLS AND PROCEDURES

In accordance with the Canadian Securities Administrators' National Instrument 52-109, the Corporation has filed certificates signed by its Chief Executive Officer and the Chief Financial Officer certifying that, among other things, the design of disclosure controls and procedures and the design of internal control over financial reporting are adequate as at September 30, 2014.

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, 2014, 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, 2014 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 including risks associated with induced or activated seismicity 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 2014 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 2014 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, 2014

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

(expressed in thousands of Canadian dollars)

	Note	As at September 30, 2014	As at December 31, 2013
ASSETS			
Current			
Cash		$ 676	$ 111
Accounts receivable	4	4,779	4,807
Prepaids and security deposits		652	1,217
Inventory		442	333
Investments	5	2,358	1,340
Derivative financial assets	9	129	-
Taxes recoverable		72	72
		9,108	7,880
Non-current			
Oil and gas properties	6	165,640	155,460
Equity accounted investment in Escal	13	-	-
Deferred income taxes	15	8,200	9,255
		$ 182,948	$ 172,595
LIABILITIES			
Current			
Bank loan	7	$ 63,684	$ 65,709
Accounts payable and accrued liabilities	16	5,996	5,230
Derivative financial liabilities	9	-	92
Decommissioning liabilities	8	1,525	1,284
		71,205	72,315
Non-current			
Decommissioning liabilities	8	49,977	41,416
		121,182	113,731
SHAREHOLDERS' EQUITY			
Equity Attributable to Owners of the Parent			
Share capital	10	112,626	112,626
Contributed surplus	10	7,668	7,475
Deficit		(55,566)	(58,345)
Accumulated other comprehensive loss		(3,082)	(3,082)
		61,646	58,674
Non-controlling interest		120	190
		61,766	58,864
		$ 182,948	$ 172,595

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 INCOME (LOSS)
(unaudited)

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

		For the three months ended		For the nine months ended	
	Note	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
REVENUES					
Oil and gas sales		$ 10,114	$ 11,015	$ 36,142	$ 29,409
Royalties		(1,540)	(1,675)	(5,426)	(4,465)
Net sales		8,574	9,340	30,716	24,944
Production expenditures	12	(4,443)	(4,636)	(10,969)	(11,031)
Depreciation and depletion	6	(2,716)	(3,522)	(7,698)	(9,523)
General and administrative	12	(1,460)	(1,500)	(5,238)	(4,405)
(Loss) gain on fair value changes of risk management contracts	9	376	(509)	(116)	(661)
(Loss) gain on fair value changes in financial instruments	5	(34)	(3)	(57)	13
Impairment of financial instruments	5	(324)	(324)	(962)	(962)
Interest and other income		506	1,066	1,286	1,799
Interest expense	7, 8	(889)	(1,257)	(3,309)	(3,358)
Foreign exchange gain (loss)		51	(29)	111	156
EARNINGS (LOSS) BEFORE INCOME TAXES		(359)	(1,374)	3,764	(3,028)
Income tax (expense) recovery	15				
Current		-	25	-	(27)
Deferred		32	(161)	(1,055)	(4)
		32	(136)	(1,055)	(31)
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		$ (327)	$ (1,510)	$ 2,709	$ (3,059)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:					
Owners of the parent		$ (297)	$ (1,472)	$ 2,779	$ (3,001)
Non-controlling interest		(30)	(38)	(70)	(58)
		$ (327)	$ (1,510)	$ 2,709	$ (3,059)
BASIC AND DILUTED NET EARNINGS (LOSS) PER SHARE	14	$ -	$ (0.01)	$ 0.01	$ (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						
	Share Capital	Contributed Surplus for Option Reserve	Contributed Surplus for Deferred Share Unit Reserve	Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	TOTAL
Balance, December 31, 2012	$ 104,838	$ 6,367	$ 719	$ (52,161)	$ (3,082)	$ 247	$ 56,928
For the nine months ended September 30, 2013							
Net loss	-	-	-	(3,001)	-	(58)	(3,059)
Share issuance pursuant to rights offering, net of issue costs (Note 10)	7,777	-	-	-	-	-	7,777
Stock based compensation (Note 11)	11	197	103	-	-	-	311
Balance, September 30, 2013	112,626	6,564	822	(55,162)	(3,082)	189	61,957
From October 1, 2013 to December 31, 2013							
Net loss	-	-	-	(3,183)	-	1	(3,182)
Stock based compensation	-	56	33	-	-	-	89
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 11)	-	168	25	-	-	-	193
Balance, September 30, 2014	$ 112,626	$ 6,788	$ 880	$ (55,566)	$ (3,082)	$ 120	$ 61,766

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, 2014	September 30, 2013
OPERATING ACTIVITIES			
Net earnings (loss) for the period		$ 2,709	$ (3,059)
Adjustments for:			
Depreciation and depletion	6	7,698	9,523
Loss (gain) on fair value changes in financial instruments	5	57	(13)
Impairment of financial instruments	5	962	962
(Gain) loss on fair value changes of risk management contracts	9	(221)	485
Deferred income taxes	15	1,055	4
Stock based compensation	11	193	300
Reclamation expenditures	8	(1,053)	(1,228)
Other		(84)	(646)
		11,316	6,328
Changes in:			
Accounts receivable		188	(858)
Accounts payable and accrued liabilities		1,747	(1,349)
Current income taxes		-	(57)
Prepaids and security deposits		565	512
Inventory		(109)	(88)
CASH PROVIDED FROM OPERATING ACTIVITIES		13,707	4,488
FINANCING ACTIVITIES			
(Repayment of) advance from bank loan arrangements	7	(2,025)	3,324
Proceeds from rights offering, net of issue costs	10	-	8,586
CASH (USED IN) PROVIDED FROM FINANCING ACTIVITIES		(2,025)	11,910
INVESTING ACTIVITIES			
Acquisition of investment	5	(1,075)	(1,075)
Acquisition of working interest in oil and gas properties	6	(3,314)	(4,893)
Investment in oil and gas properties	6	(6,728)	(10,320)
CASH USED IN INVESTING ACTIVITIES		(11,117)	(16,288)
INCREASE IN CASH		565	110
CASH, BEGINNING OF PERIOD		111	125
CASH, END OF PERIOD		$ 676	$ 235
Interest paid		$ 2,468	$ 2,656
Income taxes paid		$ -	$ 84

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, 2014 and September 30, 2013
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, and its registered office is located at Suite 250, 435 – 4th Avenue SW, Calgary, Alberta, Canada, T2P 3A8. The Corporation's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "DEN". At September 30, 2014, 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"), a participant in the development 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 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, 2014 ("September 2014 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 2014 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, 2013 ("2013 Audited Consolidated Financial Statements") which were prepared in accordance with IFRS as applicable for annual financial statements. The September 2014 Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors on October 30, 2014.

The September 2014 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 3 to the 2013 Audited Consolidated Financial Statements, except as described below.

Changes in Accounting Policies Implemented During the Nine Months Ended September 30, 2014
The Corporation has adopted the following new and revised accounting standards, including any consequential amendments thereto, effective January 1, 2014. Changes in accounting policies adopted by the Corporation were made in accordance with the applicable transitional provisions as provided in those standards and amendments.

IAS 32, "Financial Instruments: Presentation" ("IAS 32")
On January 1, 2014, the Corporation implemented certain amendments to IAS 32 which require the Corporation to provide clarification on the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The implementation of amendments to IAS 32 had no impact to the Corporation's September 2014 Interim Consolidated Financial Statements.

IAS 36, "Impairment of Assets" ("IAS 36")
On January 1, 2014, the Corporation implemented certain amendments to IAS 36 which require that the Corporation disclose, if appropriate, the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal or value-in-use of the asset, when an impairment loss is recognized or when an impairment loss is subsequently reversed. The implementation of amendments to IAS 36 had no impact to the Corporation's September 2014 Interim Consolidated Financial Statements.

IFRIC 21, "Levies" ("IFRIC 21")
On January 1, 2014, the Corporation implemented IFRIC 21 which provides an interpretation on IAS 37, *"Provisions, Contingent Liabilities and Contingent Assets"* ("IAS 37"), with respect to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligating event is the activity described in the relevant legislation that triggers the payment of the levy. The implementation of IFRIC 21 had no impact to the Corporation's September 2014 Interim Consolidated Financial Statements.

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

IFRS 9, "Financial Instruments" ("IFRS 9")
In November 2009, the IASB issued IFRS 9, replacing IAS 39, "*Financial Instruments: Recognition and Measurement*" ("IAS 39"). IFRS 9 will be issued in three phases. The first phase, which has already been issued, addresses the accounting for financial assets and financial liabilities. The second phase will address impairment of financial instruments, while the third phase will address hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple category and measurement models in IAS 39. The approach in IFRS 9 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39.

Requirements for financial liabilities were added to IFRS 9 in October 2010. Although the classification criteria for financial liabilities will not change under IFRS 9, the fair value option may require different accounting for changes to the fair value of a financial liability resulting from changes to an entity's own credit risk.

In December 2013, new hedge accounting requirements were incorporated into IFRS 9 that increase the scope of items that can qualify as a hedged item and change the requirements of hedge effectiveness testing that must be met to use hedge accounting.

In July 2014, the IASB issued final amendments to IFRS 9, replacing earlier versions of IFRS 9. These amendments to IFRS 9 introduce a single, forward-looking 'expected loss' impairment model for financial assets which will require more timely recognition of expected credit losses, and a fair value through other comprehensive income category for financial assets that are debt instruments.

The amendments to IFRS 9 that are not yet adopted by the Corporation are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. The Corporation is currently evaluating the impact of adopting this standard on its consolidated financial statements.

IFRS 11, "Joint Arrangements" ("IFRS 11")

In May 2014, the IASB issued amendments to IFRS 11 to address the accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions shall be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, "*Business Combinations*". The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Corporation is in the process of evaluating the impact of adopting this amendment to its consolidated financial statements.

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

In May 2014, the IASB issued IFRS 15, which supersedes IAS 18, "*Revenue*", IAS 11 "*Construction Contracts*" and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Corporation is in the process of evaluating the impact that IFRS 15 may have on the Corporation's consolidated financial statements.

IAS 16, "Property, Plant and Equipment" ("IAS 16") and *IAS 38, "Intangible Assets"* ("IAS 38")

In May 2014, the IASB issued amendments to IAS 16 and IAS 38 to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Corporation is in the process of evaluating the impact of adopting this amendment to its consolidated financial statements.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the September 2014 Interim Consolidated Financial Statements 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 Corporation's reported amounts of assets, liabilities, revenues and other items in net earnings, and the related disclosure of contingent assets and liabilities, if any. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and other items in net earnings that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of the September 2014 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in Note 4 to the 2013 Audited Consolidated Financial Statements.

4. ACCOUNTS RECEIVABLE

As at	September 30, 2014	December 31, 2013
Customers for oil and natural gas production	$ 3,298	$ 3,070
Third-party drilling receivable	115	542
Working interest partners	324	71
Amounts receivable from Escal	1,042	1,124
	$ 4,779	$ 4,807

5. INVESTMENTS

As at	September 30, 2014	December 31, 2013
Investment in publicly listed equity securities	$ 208	$ 265
Investment in private enterprises	2,150	1,075
Preferred shares of Eurogas International	32,150	32,150
Less: Impairment	(32,150)	(32,150)
	-	-
Accrued dividends on preferred share investment in Eurogas International	7,915	6,953
Less: Impairment	(7,915)	(6,953)
	-	-
	$ 2,358	$ 1,340

The Corporation's investments in publicly listed securities have been designated as financial assets at fair value through profit or loss and as such, changes in their fair values are recorded in net earnings. During the three and nine months ended September 30, 2014, the Corporation recognized an unrealized loss of $34,000 and $57,000 respectively (three and nine months ended September 30, 2013 – loss of $3,000 and gain of $13,000 respectively) from changes in fair value relating to publicly listed equity securities.

The Corporation entered into a subscription agreement dated May 22, 2013 with Windiga Energy Inc. ("Windiga"), a Canadian-based independent power producer focused on developing, owning and operating renewable energy facilities on the African continent, to provide certain seed financing amounting to $2,150,000. In April 2014, the Corporation invested the remaining tranche of $1,075,000 to acquire additional common shares of Windiga. The Corporation owns a 45% equity interest in Windiga, and senior officers of the Corporation's parent represent 20% of its board of directors. Windiga is currently seeking further equity financing which, if completed, will significantly dilute the Corporation's equity interest. Management is of the view that it is not directly able to exert significant influence over the operating and financial policies of Windiga and 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, 2014 and December 31, 2013, 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 2013 Audited Consolidated Financial Statements. Notwithstanding the Corporation not receiving any dividends on its investment at September 30, 2014, 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, 2014, the Corporation recognized an impairment loss of $324,000 and $962,000 respectively (three and nine months ended September 30, 2013 – $324,000 and $962,000 respectively) 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, 2012							
Cost	$ 134,567	$ 25,603	$ 27,021	$ 4,580	$ 3,309	$ 12,667	$ 207,747
Accumulated depreciation, depletion and impairment	(44,414)	(4,696)	(3,186)	(63)	(938)	-	(53,297)
Net carrying value, December 31, 2012	90,153	20,907	23,835	4,517	2,371	12,667	154,450
Nine months ended September 30, 2013							
Carrying value December 31, 2012	90,153	20,907	23,835	4,517	2,371	12,667	154,450
Acquisitions	10,379	734	535	103	-	654	12,405
Net additions	1,645	706	(273)	12	(96)	6,795	8,789
Remeasure decommissioning liability (Note 8)	(6,885)	-	-	-	-	-	(6,885)
Depreciation and depletion	(7,139)	(1,076)	(1,174)	(22)	(112)	-	(9,523)
Net carrying value, September 30, 2013	88,153	21,271	22,923	4,610	2,163	20,116	159,236
At September 30, 2013							
Cost	138,713	27,043	27,177	4,693	3,210	20,116	220,952
Accumulated depreciation and depletion	(50,560)	(5,772)	(4,254)	(83)	(1,047)	-	(61,716)
Net carrying value, September 30, 2013	88,153	21,271	22,923	4,610	2,163	20,116	159,236
Transactions from October 1, 2013 to December 31, 2013							
Carrying value September 30, 2013	88,153	21,271	22,923	4,610	2,163	20,116	159,236
Net additions	2,591	210	59	28	(169)	581	3,300
Remeasure decommissioning liability (Note 8)	(537)	-	-	-	-	-	(537)
Depreciation and depletion	(2,283)	(345)	(361)	(7)	(43)	-	(3,039)
Impairment	(3,500)	-	-	-	-	-	(3,500)
Net carrying value, December 31, 2013	84,424	21,136	22,621	4,631	1,951	20,697	155,460
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 8)	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

Given the recent uncertainty in forecasting both short and long-term prices for oil and natural gas, the Corporation has determined that it is appropriate to defer the recognition of an impairment or impairment reversal in respect of its oil and natural gas properties until the forecasted prices for these commodities have stabilized.

Transactions During the Nine Months Ended September 30, 2014 and September 30, 2013

On July 5, 2013 and August 6, 2014, the Corporation completed transactions pursuant to which it acquired an additional 20% and, 15% working interest respectively, in certain offshore gas properties in southern Ontario. The transactions increase the Corporation's working interest in these properties to approximately 100% at September 30, 2014.

On September 10, 2013, the Corporation entered into an asset exchange agreement pursuant to which it acquired certain seismic data and certain other oil producing assets in exchange for the transfer of its working interests in certain other oil producing assets and certain property, plant and equipment.

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

	Transaction on August 6, 2014	Transaction on July 5, 2013	Transaction on September 10, 2013
Net assets acquired			
Oil and gas development costs	$ 7,246	$ 10,035	$ 344
Pipeline infrastructure	498	734	-
Machinery and equipment	362	535	-
Land and buildings	70	103	-
Undeveloped properties	8	12	642
	8,184	11,419	986
Decommissioning liability	(4,870)	(6,526)	(68)
	$ 3,314	$ 4,893	$ 918
Aggregate consideration transferred:			
Cash	$ 3,314	$ 4,893	$ -
Transfer of interests in property, plant and equipment	-	-	918
	$ 3,314	$ 4,893	$ 918

Included in *"interest and other income"* on the consolidated statement of operations during the nine months ended September 30, 2013 is a net gain of $337,000 relating to the asset exchange agreement which was completed on September 10, 2013.

7. BANK LOAN

DELP has established a credit facility for $70,000,000 (December 31, 2013 – $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, 2014, the Corporation was in compliance with all such covenants.

As at	September 30, 2014	December 31, 2013
Prime rate loans	$ -	$ 1,200
Bankers' acceptances	64,000	65,000
Less: Unamortized discount	(316)	(491)
	$ 63,684	$ 65,709

At September 30, 2014, DELP had drawn $64,000,000 (December 31, 2013 – $66,200,000) pursuant to the credit facility. Available credit under the credit facility at September 30, 2014 was $6,000,000 (December 31, 2013 – $3,800,000). During the three and nine months ended September 30, 2014, the Corporation incurred interest expense relating to the credit facility, including bank charges, arrangement fees and standby fees, of $613,000 and $2,468,000 respectively (three and nine months ended September 30, 2013 – $1,007,000 and $2,655,000 respectively).

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.

	September 30, 2014	December 31, 2013
Undiscounted future obligations, beginning of period	$ 91,753	$ 81,278
Effect of acquisitions	9,978	12,544
Effect of changes in estimates	(78)	(749)
Liabilities settled (reclamation expenditures)	(1,053)	(1,320)
Undiscounted future obligations, end of period	$ 100,600	$ 91,753

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:

	September 30, 2014	December 31, 2013
Discount rates applied to future obligations	*1.13% - 2.61%*	*1.10% - 3.09%*
Inflation rate	*2.00%*	*2.00%*
Discounted future obligations, beginning of period	$ 42,700	$ 44,705
Effect of acquisitions (Note 7)	4,870	5,790
Effect of changes in estimates and		
remeasurement of discount rates	4,144	(7,422)
Liabilities settled (reclamation expenditures)	(1,053)	(1,320)
Accretion (interest expense)	841	947
Discounted future obligations, end of period	$ 51,502	$ 42,700
Current	$ 1,525	$ 1,284
Non-current	49,977	41,416
	$ 51,502	$ 42,700

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.

9. RISK MANAGEMENT CONTRACTS

At September 30, 2014, the Corporation had entered into a risk management contract in respect of its oil production, the terms of which are illustrated in the following table.

Contract Fixed Price Swap	Volume	Pricing Point	Strike Price (Cdn$/unit)	Remaining Term	Fair Value September 30, 2014
Crude oil	300 bbl/d	NYMEX	$105.00	Oct 01/14 to Dec 31/14	$ 129

The Corporation has determined that the fair value of the outstanding risk management contract at September 30, 2014 resulted in an asset balance of $129,000. The risk management contract outstanding on December 31, 2013 had a fair value liability balance of $92,000 and was settled in early 2014.

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 (three and nine months ended September 30, 2013 – loss of $509,000 and $661,000 respectively) from changes in the fair value of these risk management contracts.

10. SHARE CAPITAL

Issued and Outstanding

			Contributed Surplus	
	Number of Common Shares Outstanding	Share Capital	Option Reserve	DSUP Reserve
Outstanding, December 31, 2012	164,651,647	$ 104,838	$ 6,367	$ 719
Transactions during the nine months ended September 30, 2013				
Stock based compensation	30,874	11	197	103
Shares issued pursuant to rights offering	5,734,067	1,950	-	-
Flow-through shares issued pursuant to rights offering	17,787,596	6,937	-	-
Deferred tax recognized on flow-through shares	-	(889)	-	-
Issue costs associated with rights offering	-	(301)	-	-
Deferred tax recognized on issue costs	-	80	-	-
Outstanding, September 30, 2013	188,204,184	112,626	6,564	822
Transactions from October 1, 2013 to December 31, 2013				
Stock based compensation	-	-	56	33
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

11. STOCK BASED COMPENSATION

A detailed description of the Corporation's share incentive plan ("SIP") is provided in Note 12 to the Corporation's 2013 Audited Consolidated Financial Statements.

Stock Option Plan

On March 26, 2014, the Corporation granted 200,000 stock options at an exercise price of $0.26 per option. The fair value of the options granted was $0.15 per option and was estimated at the grant date using an option pricing model with the following assumptions:

Risk free interest rate	1.71%
Expected dividend yield	0.00%
Expected volatility	73.00%
Expected life of the options	3 to 5 years

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, 2014 and as at and for the year ended December 31, 2013, is as follows:

For the period ended		September 30, 2014		December 31, 2013
	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Options outstanding, beginning of period	5,605,000	$ 0.68	3,815,000	$ 0.77
Granted	200,000	0.26	2,090,000	0.50
Forfeited	-	-	(300,000)	0.63
Options outstanding, end of period	5,805,000	$ 0.66	5,605,000	$ 0.68
Exercisable options	4,974,991	$ 0.70	4,078,326	$ 0.74

Option Price	Options Outstanding	Options Exercisable	Contractual Life Remaining (Years)
At $0.26	200,000	66,666	4.49
At $0.50	2,090,000	1,393,325	3.96
At $0.60	400,000	400,000	2.59
At $0.81	3,115,000	3,115,000	1.08

During the three and nine months ended September 30, 2014, the Corporation recognized stock based compensation expense of $44,000 and $168,000 respectively (three and nine months ended September 30, 2013 – $174,000 and $197,000 respectively) in respect of outstanding stock options.

Deferred Share Unit Plan

During the three and nine months ended September 30, 2014, the Corporation incurred stock based compensation expense of $3,000 and $25,000 respectively (three and nine months ended September 30, 2013 – $34,000 and $103,000 respectively) pursuant to its deferred share unit plan. At September 30, 2014, there were 1,401,325 (December 31, 2013 – 1,325,817) deferred share units outstanding.

12. 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, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Salary and salary-related	$ 1,000	$ 1,171	$ 3,192	$ 3,093
Stock based compensation	47	208	193	300
Corporate and professional fees	593	700	1,620	1,761
General office	345	384	1,188	1,113
Exploration and development costs	357	245	1,041	788
Capitalization of general and administrative costs	(882)	(1,208)	(1,996)	(2,650)
	$ 1,460	$ 1,500	$ 5,238	$ 4,405

Production Expenditures

	For the three months ended		For the nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Labour	$ 1,213	$ 1,208	$ 3,096	$ 2,937
Materials, equipment and supplies used	2,031	2,077	3,960	4,030
Transportation	364	392	1,071	979
Utilities	548	600	1,617	1,547
Rental and lease payments	139	206	427	610
Other	148	153	798	928
	$ 4,443	$ 4,636	$ 10,969	$ 11,031

13. EQUITY ACCOUNTED INVESTMENT IN ESCAL

The Corporation's 74% owned subsidiary, CLP, owns a 33% interest in Escal, a participant in the development of the Castor underground gas storage project located in Spain (the "Castor Project"). At September 30, 2014, the carrying value of the Corporation's equity interest in Escal was $nil (December 31, 2013 - $nil), and it held a receivable from Escal in the amount of €736,349 (December 31, 2013 – €736,349). A detailed description of the nature and status of the Corporation's investment in Escal is provided in Note 14 to the 2013 Audited Consolidated Financial Statements.

In July 2014, Escal filed an application for the relinquishment of the exploitation concession related to the Castor Project, which was accepted by the Spanish authorities by royal decree subsequent to September 30, 2014. Under the terms of the royal decree: (i) Escal will receive €1.35 billion within 35 days of the date of the royal decree, and (ii) Escal will receive 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, being the date the royal decree went into force, as well as the reimbursement of operating and maintenance costs incurred during this period. The final determination and timing of these additional remuneration rights have not yet been finalized. It is anticipated that the amounts to be received by Escal will be applied towards the repayment of €1.38 billion of outstanding bonds issued by Watercraft Capital S.A., Escal's financing vehicle.

The royal decree further stipulates that the Castor Project will remain mothballed until the Spanish government is satisfied with technical studies and reports on the 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 will be entrusted with ongoing care and maintenance of the facilities as soon as practicable. However, in accordance with the terms of the decree, 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 ten years following the issuance of the royal decree.

14. NET EARNINGS (LOSS) PER SHARE

	For the three months ended		For the nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net earnings (loss) for the period attributable to owners of the parent	$ (297)	$ (1,472)	$ 2,779	$ (3,001)
Weighted average number of common shares outstanding	188,204,184	188,204,184	188,204,184	180,085,020
Basic net earnings (loss) per common share	$ -	$ (0.01)	$ 0.01	$ (0.02)
Effect of dilutive securities to the weighted average number of common shares outstanding	n/a	n/a	1,368,852	n/a
Diluted net earnings (loss) per common share	$ -	$ (0.01)	$ 0.01	$ (0.02)

15. INCOME TAXES

During the nine months ended September 30, 2014, the Corporation recognized income tax expense of $1,055,000 (nine months ended September 30, 2013 – $31,000).

The income tax rate on the Corporation's earnings (loss) before income taxes differs from the income tax rate that would arise using the combined Canadian federal and provincial statutory tax rate of 26% (nine months ended September 30, 2013 – 26%), as a result of the following items:

	For the nine months ended	
	September 30, 2014	September 30, 2013
Earnings (loss) before tax at statutory rate of 26% (September 30, 2013 – 26%)	$ 997	$ (803)
Effect on taxes of:		
Non-deductible expenses	76	100
Renounced exploration expenses	-	1,367
Flow-through share premium amortization	-	(661)
Other differences	(18)	28
Income tax expense	$ 1,055	$ 31

16. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these September 2014 Interim Consolidated Financial Statements, related party transactions and balances as at and for the three and nine months ended September 30, 2014 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, 2014, the Corporation incurred costs of $226,000 and $780,000 respectively (three and nine months ended September 30, 2013 – $465,000 and $1,065,000 respectively) in respect of these arrangements.

Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities at September 30, 2014 are amounts owing to the Corporation's parent, Dundee Corporation, and to Dundee Corporation's subsidiaries of $2,474,000 (December 31, 2013 – $973,000).

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, 2014 and 2013 are shown as follows:

	For the three months ended		For the nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Directors' fees and executive consulting	$ 127	$ 134	$ 389	$ 424
Stock based compensation	24	98	103	121
Benefits	3	4	24	22
	$ 154	$ 236	$ 516	$ 567

17. 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 2013 Audited Consolidated Financial Statements.

18. FINANCIAL INSTRUMENTS

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

	September 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Investment in publicly listed equity securities	$ 208	$ 208	$ -	$ -
Investment in private enterprises	2,150	-	2,150	-
Risk management contracts	129	-	129	-

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

A detailed description of the Corporation's financial assets and financial liabilities and its associated risk management in respect thereof are provided in Note 19 to the 2013 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, 2013.

19. GEOGRAPHIC SEGMENTED INFORMATION

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

Segmented Statements of Operations for the nine months ended September 30, 2014 and September 30, 2013

	Southern Ontario		Spain		Corporate		TOTAL	
	30-Sept-14	30-Sept-13	30-Sept-14	30-Sept-13	30-Sept-14	30-Sept-13	30-Sept-14	30-Sept-13
REVENUES								
Oil and gas sales	$ 36,142	$ 29,409	$ -	$ -	$ -	$ -	$ 36,142	$ 29,409
Royalties	(5,426)	(4,465)	-	-	-	-	(5,426)	(4,465)
Net sales	30,716	24,944	-	-	-	-	30,716	24,944
Production expenditures	(10,969)	(11,031)	-	-	-	-	(10,969)	(11,031)
Depreciation and depletion	(7,694)	(9,518)	-	-	(4)	(5)	(7,698)	(9,523)
General and administrative	(3,770)	(2,461)	(241)	(285)	(1,227)	(1,659)	(5,238)	(4,405)
Loss on fair value changes of risk management contracts	(116)	(661)	-	-	-	-	(116)	(661)
(Loss) gain on fair value changes in financial instruments	-	-	-	-	(57)	13	(57)	13
Impairment of financial instruments	-	-	-	-	(962)	(962)	(962)	(962)
Interest and other income	321	828	-	-	965	971	1,286	1,799
Interest expense	(3,309)	(3,357)	-	-	-	(1)	(3,309)	(3,358)
Foreign exchange gain (loss)	148	99	(37)	57	-	-	111	156
EARNINGS (LOSS) BEFORE INCOME TAXES	5,327	(1,157)	(278)	(228)	(1,285)	(1,643)	3,764	(3,028)
Income tax expense								
Current	-	-	-	-	-	(27)	-	(27)
Deferred	-	-	-	-	(1,055)	(4)	(1,055)	(4)
	-	-	-	-	(1,055)	(31)	(1,055)	(31)
NET EARNINGS (LOSS) FOR THE PERIOD	$ 5,327	$ (1,157)	$ (278)	$ (228)	$ (2,340)	$ (1,674)	$ 2,709	$ (3,059)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:								
Owners of the parent	$ 5,327	$ (1,157)	$ (208)	$ (170)	$ (2,340)	$ (1,674)	$ 2,779	$ (3,001)
Non-controlling interest	-	-	(70)	(58)	-	-	(70)	(58)
	$ 5,327	$ (1,157)	$ (278)	$ (228)	$ (2,340)	$ (1,674)	$ 2,709	$ (3,059)

Segmented Statements of Operations for the three months ended September 30, 2014 and September 30, 2013

	Southern Ontario		Spain		Corporate		TOTAL	
	30-Sept-14	30-Sept-13	30-Sept-14	30-Sept-13	30-Sept-14	30-Sept-13	30-Sept-14	30-Sept-13
REVENUES								
Oil and gas sales	$ 10,114	$ 11,015	$ -	$ -	$ -	$ -	$ 10,114	$ 11,015
Royalties	(1,540)	(1,675)	-	-	-	-	(1,540)	(1,675)
Net sales	8,574	9,340	-	-	-	-	8,574	9,340
Production expenditures	(4,443)	(4,636)	-	-	-	-	(4,443)	(4,636)
Depreciation and depletion	(2,716)	(3,521)	-	-	-	(1)	(2,716)	(3,522)
General and administrative	(1,052)	(650)	(85)	(164)	(323)	(686)	(1,460)	(1,500)
Gain (loss) on fair value changes of risk management contracts	376	(509)	-	-	-	-	376	(509)
Loss on fair value changes in financial instruments	-	-	-	-	(34)	(3)	(34)	(3)
Impairment of financial instruments	-	-	-	-	(324)	(324)	(324)	(324)
Interest and other income	183	741	-	-	323	325	506	1,066
Interest expense	(889)	(1,256)	-	-	-	(1)	(889)	(1,257)
Foreign exchange gain (loss)	85	(47)	(34)	18	-	-	51	(29)
(LOSS) EARNINGS BEFORE INCOME TAXES	118	(538)	(119)	(146)	(358)	(690)	(359)	(1,374)
Income tax recovery (expense)								
Current	-	-	-	-	-	25	-	25
Deferred	-	-	-	-	32	(161)	32	(161)
	-	-	-	-	32	(136)	32	(136)
NET (LOSS) EARNINGS FOR THE PERIOD	$ 118	$ (538)	$ (119)	$ (146)	$ (326)	$ (826)	$ (327)	$ (1,510)
NET (LOSS) EARNINGS ATTRIBUTABLE TO:								
Owners of the parent	$ 118	$ (538)	$ (89)	$ (108)	$ (326)	$ (826)	$ (297)	$ (1,472)
Non-controlling interest	-	-	(30)	(38)	-	-	(30)	(38)
	$ 118	$ (538)	$ (119)	$ (146)	$ (326)	$ (826)	$ (327)	$ (1,510)

Segmented Net Assets as at September 30, 2014 and December 31, 2013

	Southern Ontario		Spain		Corporate		TOTAL	
	30-Sept-14	31-Dec-13	30-Sept-14	31-Dec-13	30-Sept-14	31-Dec-13	30-Sept-14	31-Dec-13
ASSETS								
Current								
Cash	$ 637	$ 25	$ 2	$ 15	$ 37	$ 71	$ 676	$ 111
Accounts receivable	3,737	3,683	1,042	1,124	-	-	4,779	4,807
Prepaids and security deposits	640	1,214	8	3	4	-	652	1,217
Inventory	442	333	-	-	-	-	442	333
Investments	-	-	-	-	2,358	1,340	2,358	1,340
Derivative financial assets	129	-	-	-	-	-	129	-
Taxes recoverable	-	-	-	-	72	72	72	72
	5,585	5,255	1,052	1,142	2,471	1,483	9,108	7,880
Non-current								
Oil and gas properties	165,598	155,414	-	-	42	46	165,640	155,460
Equity accounted investment in Escal	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	8,200	9,255	8,200	9,255
	$ 171,183	$ 160,669	$ 1,052	$ 1,142	$ 10,713	$ 10,784	$ 182,948	$ 172,595
LIABILITIES								
Current								
Bank loan	$ 63,684	$ 65,709	$ -	$ -	$ -	$ -	$ 63,684	$ 65,709
Accounts payable and accrued liabilities	2,869	3,777	40	22	3,087	1,431	5,996	5,230
Derivative financial liabilities	-	92	-	-	-	-	-	92
Decommissioning liabilities	1,525	1,284	-	-	-	-	1,525	1,284
	68,078	70,862	40	22	3,087	1,431	71,205	72,315
Non-current								
Decommissioning liabilities	49,977	41,416	-	-	-	-	49,977	41,416
	$ 118,055	$ 112,278	$ 40	$ 22	$ 3,087	$ 1,431	$ 121,182	$ 113,731
SEGMENTED NET ASSETS	$ 53,128	$ 48,391	$ 1,012	$ 1,120	$ 7,626	$ 9,353	$ 61,766	$ 58,864

Dundee Energy Limited
250-435-4th Avenue SW
Calgary, Alberta
T2P 3A8
Canada

www.dundee-energy.com

Registrar and Transfer Agent
Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Toll Free: 1.800.564.6253
Email: service@computershare.com

Stock Exchange
Toronto Stock Exchange

Stock Symbol
DEN