DUNDEE ENERGY LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

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

(expressed in thousands of Canadian dollars)

	Note	As at September 30, 2016	As at December 31, 2015
ASSETS			
Current			
Cash		$ 59	$ 86
Accounts receivable	4	2,171	1,761
Prepaids and security deposits		1,150	845
Loan receivable	5	-	6
Inventory		313	376
Investments	6	1,425	2,150
Taxes recoverable		32	72
		5,150	5,296
Non-current			
Loan receivable	5	-	347
Oil and gas properties	7	149,744	156,435
Equity accounted investment in Escal	14	-	-
Deferred income taxes		15,571	11,121
		$ 170,465	**$ 173,199**
LIABILITIES			
Current			
Bank loan	8	$ 57,200	$ 58,802
Accounts payable and accrued liabilities	17	8,971	4,452
Derivative financial liabilities	10	1,099	21
Decommissioning liabilities	9	4,199	3,013
		71,469	66,288
Non-current			
Decommissioning liabilities	9	60,378	55,395
		131,847	121,683
SHAREHOLDERS' EQUITY			
Equity Attributable to Owners of the Parent			
Share capital	11	112,682	112,682
Contributed surplus	11	7,611	7,610
Deficit		(77,633)	(65,278)
Accumulated other comprehensive loss		(3,392)	(3,392)
		39,268	51,622
Non-controlling interest		(650)	(106)
		38,618	51,516
		$ 170,465	**$ 173,199**

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

Commitments (Note 18)

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

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

		For the three months ended		For the nine months ended	
	Note	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
REVENUES					
Oil and gas sales		$ 6,414	$ 7,542	$ 16,888	$ 23,717
Royalties		(965)	(1,142)	(2,511)	(3,605)
Net sales		5,449	6,400	14,377	20,112
Production expenditures	13	(3,283)	(4,380)	(9,937)	(12,346)
Depreciation and depletion	7	(2,292)	(2,893)	(6,831)	(8,958)
General and administrative expenses	13	(1,440)	(952)	(4,132)	(3,185)
(Loss) gain on fair value changes of derivative financial instruments	10	269	-	(605)	-
(Loss) gain on fair value changes in investments	6	(725)	-	(725)	10
Impairment of oil and gas properties	7	-	-	(5,000)	-
Impairment of financial instruments	6	(322)	(324)	(962)	(962)
Interest and other items in earnings	7	348	419	(107)	1,980
Interest expense	8, 9	(1,082)	(1,096)	(3,266)	(3,358)
Foreign exchange (loss) gain		(13)	117	(121)	128
NET LOSS BEFORE INCOME TAXES		(3,091)	(2,709)	(17,309)	(6,579)
Income tax recovery (expense)	16				
Current		-	-	(40)	(19)
Deferred		762	695	4,450	1,698
		762	695	4,410	1,679
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		**$ (2,329)**	**$ (2,014)**	**$ (12,899)**	**$ (4,900)**
NET LOSS ATTRIBUTABLE TO:					
Owners of the parent		$ (2,111)	$ (1,902)	$ (12,355)	$ (4,648)
Non-controlling interest		(218)	(112)	(544)	(252)
		$ (2,329)	**$ (2,014)**	**$ (12,899)**	**$ (4,900)**
BASIC AND DILUTED NET LOSS PER SHARE	15	$ (0.01)	$ (0.01)	$ (0.07)	$ (0.02)

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

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

(expressed in thousands of Canadian dollars)

	Attributable to Owners of the Parent							
		Contributed Surplus						
	Share Capital	Option Reserve	Deferred Share Unit Reserve	Ownership Interest in Subsidiaries	Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	TOTAL
Balance, December 31, 2014	$ 112,626	$ 6,808	$ 883	$ -	$ (56,997)	$ (3,392)	$ (288)	$ 59,640
For the nine months ended September 30, 2015								
Net loss	-	-	-	-	(4,648)	-	(252)	(4,900)
Stock based compensation (Note 12)	-	37	-	-	-	-	-	37
Share incentive arrangement (Note 12)	56	-	(66)	-	-	-	-	(10)
Changes of ownership interest in subsidiaries	-	-	-	(46)	-	-	587	541
Balance, September 30, 2015	112,682	6,845	817	(46)	(61,645)	(3,392)	47	55,308
From October 1, 2015 to December 31, 2015								
Net loss	-	-	-	-	(3,633)	-	(153)	(3,786)
Stock based compensation		1	-	-	-	-	-	1
Share incentive arrangement (Note 12)	-	-	(7)	-	-	-	-	(7)
Balance, December 31, 2015	112,682	6,846	810	(46)	(65,278)	(3,392)	(106)	51,516
For the nine months ended September 30, 2016								
Net loss	-	-	-	-	(12,355)	-	(544)	(12,899)
Stock based compensation (Note 12)	-	1	-	-	-	-	-	1
Balance, September 30, 2016	**$ 112,682**	**$ 6,847**	**$ 810**	**$ (46)**	**$ (77,633)**	**$ (3,392)**	**$ (650)**	**$ 38,618**

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, 2016	September 30, 2015
OPERATING ACTIVITIES			
Net loss for the period		$ (12,899)	$ (4,900)
Adjustments for:			
Depreciation and depletion	7	6,831	8,958
Loss on fair value changes of derivative financial instruments	10	1,078	341
Loss (gain) on fair value changes in financial instruments	6	725	(10)
Impairment of oil and gas properties	7	5,000	-
Impairment of financial instruments	6	962	962
Deferred income taxes		(4,450)	(1,698)
Stock based compensation	12	1	37
Reclamation expenditures	9	(568)	(308)
Other	7	1,235	(441)
		(2,085)	2,941
Changes in:			
Accounts receivable		(410)	753
Accounts payable and accrued liabilities		4,099	(959)
Current income taxes		40	19
Prepaids and security deposits		(305)	328
Inventory		63	65
CASH PROVIDED FROM OPERATING ACTIVITIES		1,402	3,147
FINANCING ACTIVITIES			
Repayment of bank loan arrangements	8	(1,602)	(2,195)
Issuance of shares in subsidiaries to non-controlling interest		-	541
CASH USED IN FINANCING ACTIVITIES		(1,602)	(1,654)
INVESTING ACTIVITIES			
Proceeds from the sale of investment		-	205
Receipts pursuant to loan receivable	5	326	9
Investment in oil and gas properties	7	(153)	(390)
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		173	(176)
(DECREASE) INCREASE IN CASH		(27)	1,317
CASH, BEGINNING OF PERIOD		86	829
CASH, END OF PERIOD		**$ 59**	**$ 2,146**
Interest paid		$ 2,590	$ 2,574
Income taxes paid		$ -	$ -

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

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

For the three and nine months ended September 30, 2016 and 2015
Tabular dollar amounts in thousands of Canadian dollars, except per share amounts

1. NATURE OF OPERATIONS

Dundee Energy Limited ("Dundee Energy" or the "Corporation") is an oil and natural gas company with a mandate to create long-term value through the exploration, development, production and marketing of oil and natural gas and through other high impact energy projects. Dundee Energy is incorporated under the *Canada Business Corporations Act*. The Corporation's head office is located at Suite 2100, 1 Adelaide Street East, Toronto, Ontario, Canada, M5C 2V9. The Corporation's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "DEN". At September 30, 2016, Dundee Corporation was the principal shareholder of the Corporation.

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

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

These unaudited condensed interim consolidated financial statements of the Corporation as at and for the three and nine months ended September 30, 2016 ("September 2016 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 2016 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, 2015 ("2015 Audited Consolidated Financial Statements") which were prepared in accordance with IFRS. The September 2016 Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors on October 27, 2016.

These unaudited condensed interim consolidated financial statements have been prepared using accounting principles applicable to a going concern. The going concern basis assumes that the Corporation will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at September 30, 2016, the Corporation had negative working capital of $66,319,000 (December 31, 2015 – $60,992,000) and during the nine months then ended, it incurred a net loss of $12,899,000 (nine months ended September 30, 2015 – $4,900,000). The Corporation's borrowing facility is structured as a demand facility (Note 8) and the Corporation expects that the lenders will undertake a review of the basis for the lending arrangement, which will include an assessment of the Corporation's future performance, with a focus on forecasted prices for oil and natural gas in an uncertain environment. There can be no assurance that the Corporation's lender will not exercise its right to demand under the terms of the credit facility, whether in whole or in part. This material uncertainty casts significant doubt upon the Corporation's ability to continue as a going concern and the ultimate appropriateness of using accounting principles applicable to a going concern.

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

Changes in Accounting Policies Implemented During the Nine Months Ended September 30, 2016

The September 2016 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 3 to the 2015 Audited Consolidated Financial Statements, except as described below.

IAS 1, "Presentation of Financial Statements" ("IAS 1")

On January 1, 2016, the Corporation implemented certain amendments to IAS 1, which clarify guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statement of operations and the statement of comprehensive income or loss, and which provide additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The implementation of amendments to IAS 1 had no impact to the Corporation's September 2016 Interim Consolidated Financial Statements.

IFRS 10, "Consolidated Financial Statements" ("IFRS 10") and
IAS 28, "Investments in Associates and Joint Ventures (2011)" ("IAS 28")

The Corporation implemented certain amendments to IFRS 10 and IAS 28 on January 1, 2016. These amendments relate to the sale or contribution of assets between an investor and its associate or joint venture and require the recognition of a full gain or loss when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The implementation of amendments to IFRS 10 and IAS 28 had no impact to the Corporation's September 2016 Interim Consolidated Financial Statements.

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

Amendments to IFRS 11 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 and requires that such transactions be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, "*Business Combinations*". The Corporation implemented the amendments to IFRS 11 effective January 1, 2016. The implementation of amendments to IFRS 11 had no impact to the Corporation's September 2016 Interim Consolidated Financial Statements.

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

On January 1, 2016, the Corporation implemented amendments to IAS 16 and IAS 38, which eliminated the use of a revenue-based depreciation method for items of property, plant and equipment and eliminated the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The implementation of amendments to IAS 16 and IAS 38 had no impact to the Corporation's September 2016 Interim Consolidated Financial Statements.

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

IFRS accounting standards, interpretations and amendments to existing IFRS accounting standards that were not yet effective as at December 31, 2015, are described in Note 3 to the 2015 Audited Consolidated Financial Statements. Other than as described below, there have been no other changes to existing IFRS accounting standards and interpretations since December 31, 2015 that are expected to have a material effect on the Corporation's consolidated financial statements.

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

In January 2016, the IASB issued amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. The IAS 7 amendments are effective for annual periods beginning on or after January 1, 2017. The Corporation is in the process of evaluating the impact of adopting these amendments to its consolidated financial statements.

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

In January 2016, the IASB issued amendments to IAS 12, which clarify guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at their fair value. The IAS 12 amendments are effective for annual periods beginning on or after January 1, 2017. The Corporation does not currently measure any of its debt instruments at fair value. Therefore, the implementation of IFRS 12 is not expected to have a material impact to the Corporation's consolidated financial statements.

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

In April 2016, the IASB issued amendments to IFRS 15, clarifying the application of certain of its underlying principles, including the identification of a performance obligation, and the determination of whether a company is a principal or is acting as an agent in the provision of a good or service. The amendments will become effective concurrent with the effective date of IFRS 15 on January 1, 2018. The Corporation is in the process of evaluating the impact of adopting these amendments to its consolidated financial statements.

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

In June 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The Corporation is in the process of evaluating the impact of adopting these amendments to its consolidated financial statements.

3. CRITICAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the September 2016 Interim Consolidated Financial Statements in accordance with IFRS requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, revenues and other items in net operating earnings or loss, and the related disclosure of contingent assets and liabilities included in the Corporation's consolidated financial statements. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and other items in net operating earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes in judgments, estimates and assumptions made by the Corporation in the preparation of the September 2016 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in Note 4 to the 2015 Audited Consolidated Financial Statements.

4. ACCOUNTS RECEIVABLE

As at	September 30, 2016	December 31, 2015
Customers for oil and natural gas production	$ 2,021	$ 1,650
Third-party drilling receivable	119	108
Working interest partners	31	3
	$ 2,171	**$ 1,761**

5. LOAN RECEIVABLE

The Corporation had issued a vendor-take-back mortgage in connection with the disposal of certain land and buildings in southern Ontario during 2015, which was secured by the underlying property. During the nine months ended September 30, 2016, the Corporation received $326,000 in payment of outstanding amounts, and the loan receivable was subsequently extinguished.

6. INVESTMENTS

As at	September 30, 2016	December 31, 2015
Investment in private enterprises	$ 1,425	$ 2,150
Preferred shares of Eurogas International	32,150	32,150
Less: Impairment	(32,150)	(32,150)
	-	-
Accrued dividends on preferred share investment in Eurogas International	10,487	9,525
Less: Impairment	(10,487)	(9,525)
	-	-
	$ 1,425	**$ 2,150**

Included in the condensed interim consolidated statement of operations and comprehensive loss for the nine months ended September 30, 2016, as "*(Loss) gain on fair value changes in investments*", is an unrealized loss of $725,000 related to the Corporation's assessment of the fair value of its investment in Windiga Energy Inc. ("Windiga"). The Corporation originally invested $2,150,000 to acquire a 45% equity interest in Windiga, a Canadian-based independent power producer focused on developing, owning and operating renewable energy facilities on the African continent. In addition to its 45% equity interest, the controlling shareholder of the Corporation's parent represents 20% of the Board of Directors of Windiga. The Corporation has completed an assessment of whether it is able to exert significant influence over the operating and financial policies of Windiga. In completing its assessment, the Corporation considered various factors, including the anticipated dilution in its ownership that may be required in order for Windiga to access the necessary capital to advance its current initiatives. Accordingly, the Corporation has classified its investment in Windiga as a financial asset at fair value through profit or loss.

At September 30, 2016 and December 31, 2015, the Corporation held 32,150,000 Series A Preference Shares of Eurogas International ("Series A Preference Shares") with an aggregate par value of $32,150,000. The terms of the Corporation's investment in the Series A Preference Shares are detailed in Note 7 to the 2015 Audited Consolidated Financial Statements. Notwithstanding the Corporation not receiving any dividends on its investment at September 30, 2016, 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, 2016, the Corporation recognized an impairment loss of $322,000 and $962,000 respectively (three and nine months ended September 30, 2015 – $324,000 and $962,000 respectively) relating to dividends receivable on the Series A Preference Shares.

7. 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, 2014							
Cost	$ 159,139	$ 27,751	$ 27,809	$ 5,013	$ 3,186	$ 24,019	$ 246,917
Accumulated depreciation, depletion and impairment	(64,671)	(7,276)	(5,823)	(118)	(1,209)	-	(79,097)
Net carrying value, December 31, 2014	94,468	20,475	21,986	4,895	1,977	24,019	167,820
Nine months ended September 30, 2015							
Carrying value December 31, 2014	94,468	20,475	21,986	4,895	1,977	24,019	167,820
Net additions	5	-	58	(287)	(121)	556	211
Remeasure decommissioning liability (Note 9)	812	-	-	-	-	-	812
Depreciation and depletion	(6,876)	(982)	(1,053)	(24)	(23)	-	(8,958)
Net carrying value, September 30, 2015	88,409	19,493	20,991	4,584	1,833	24,575	159,885
At September 30, 2015							
Cost	159,956	27,751	27,867	4,715	3,057	24,575	247,921
Accumulated depreciation, depletion and impairment	(71,547)	(8,258)	(6,876)	(131)	(1,224)	-	(88,036)
Net carrying value, September 30, 2015	88,409	19,493	20,991	4,584	1,833	24,575	159,885
Transactions from October 1, 2015 to December 31, 2015							
Carrying value September 30, 2015	88,409	19,493	20,991	4,584	1,833	24,575	159,885
Net additions	3	-	58	1	(601)	206	(333)
Remeasure decommissioning liability (Note 9)	606	-	-	-	-	-	606
Depreciation and depletion	(2,141)	(312)	(353)	(9)	(8)	-	(2,823)
Impairment	(900)	-	-	-	-	-	(900)
Net carrying value, December 31, 2015	85,977	19,181	20,696	4,576	1,224	24,781	156,435
At December 31, 2015							
Cost	160,565	27,751	27,925	4,715	2,458	24,781	248,195
Accumulated depreciation, depletion and impairment	(74,588)	(8,570)	(7,229)	(139)	(1,234)	-	(91,760)
Net carrying value, December 31, 2015	85,977	19,181	20,696	4,576	1,224	24,781	156,435
Nine months ended September 30, 2016							
Carrying value December 31, 2015	85,977	19,181	20,696	4,576	1,224	24,781	156,435
Net additions	-	-	(1,432)	-	(31)	542	(921)
Remeasure decommissioning liability (Note 9)	6,061	-	-	-	-	-	6,061
Depreciation and depletion	(5,050)	(725)	(1,015)	(23)	(18)	-	(6,831)
Impairment	(5,000)	-	-	-	-	-	(5,000)
Net carrying value, September 30, 2016	81,988	18,456	18,249	4,553	1,175	25,323	149,744
At September 30, 2016							
Cost	166,626	27,751	26,134	4,715	2,427	25,323	252,976
Accumulated depreciation, depletion and impairment	(84,638)	(9,295)	(7,885)	(162)	(1,252)	-	(103,232)
Net carrying value, September 30, 2016	**$ 81,988**	**$ 18,456**	**$ 18,249**	**$ 4,553**	**$ 1,175**	**$ 25,323**	**$ 149,744**

Impairment of Natural Gas Properties

During the nine months ended September 30, 2016, and in response to the continued decline in the outlook for long-term natural gas prices, the Corporation recognized an impairment loss of $5,000,000 on certain natural gas properties in southern Ontario, reducing their carried value to their recoverable amount of $49,753,000.

The recoverable amount of these natural gas properties was measured based on their value-in-use, determined by the application of a discounted cash flow model, using reserves volumes and forecasted natural gas prices as provided by independent, third party oil and gas reserves evaluators. In computing the recoverable amount, expected future cash flows were adjusted for risks specific to the natural gas properties and discounted using a discount rate of 8%.

As at September 30, 2016, selected key price forecasts used to determine the recoverable amount of the Corporation's natural gas properties were as follows:

Reserve Prices	Natural Gas Union Parkway CAD$ / Mcf
2016	4.05
2017	4.15
2018	4.20
2019	4.35
2020	4.55
Average five year forecast	4.26

Loss on Disposal of Machinery and Equipment

In February 2016, the Corporation sold an offshore jack-up platform for proceeds of $88,000. Included in the condensed interim consolidated statement of operations and comprehensive loss for the nine months ended September 30, 2016, as "*interest and other items in earnings*", is a realized loss of $1,494,000 related to the disposal.

8. BANK LOAN

DELP has established a credit facility with a Canadian Schedule I Chartered Bank secured by the assets of DELP, and the Corporation has also assigned a limited recourse guarantee of its units in DELP. On February 18, 2016, amounts available pursuant to the credit facility were reduced from $70,000,000 at December 31, 2015 to $60,000,000, and amounts available will be further reduced to $55,000,000 before December 31, 2016. The credit facility is structured as a revolving demand loan, and is subject to a tiered interest rate structure based on DELP's net debt to cash flow ratio, as defined in the credit facility. Draws on the credit facility currently bear interest at the bank's prime lending rate plus 3.5%. DELP is subject to a standby fee of 0.55% on undrawn amounts under the credit facility.

The credit facility is subject to certain covenants, including maintenance of minimum levels of working capital. At September 30, 2016, the Corporation was in compliance with all such covenants.

As at	September 30, 2016	December 31, 2015
Prime rate loans	$ 57,200	$ 200
Bankers' acceptances	-	59,000
Less: Unamortized discount	-	(398)
	$ 57,200	**$ 58,802**
Letter of credit	$ -	$ -

At September 30, 2016, DELP had drawn $57,200,000 (December 31, 2015 – $59,200,000) pursuant to the credit facility. During the three and nine months ended September 30, 2016, the Corporation incurred interest expense relating to the credit facility, including bank charges, arrangement fees and standby fees, of $869,000 and $2,590,000 respectively (three and nine months ended September 30, 2015 – $826,000 and $2,574,000 respectively).

The Corporation and its lenders have initiated discussions pursuant to which the lenders have requested that the Corporation further reduce its borrowing capacity to $38,000,000 by mid January 2017. The Corporation is currently working in cooperation with its lenders, and it is assessing further alternatives. However, the Corporation's access to alternative capital may not be available on terms acceptable to the Corporation or at all.

9. DECOMMISSIONING LIABILITIES

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

	As at and for the nine months ended September 30, 2016	As at and for the year ended December 31, 2015
Undiscounted future obligations, beginning of period	$ 94,873	$ 99,757
Effect of changes in estimates	(4,632)	(4,574)
Liabilities settled (reclamation expenditures)	(568)	(310)
Undiscounted future obligations, end of period	**$ 89,673**	**$ 94,873**

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

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

	As at and for the nine months ended September 30, 2016	As at and for the year ended December 31, 2015
Discount rates applied to future obligations	*0.51% - 1.52%*	*0.48% - 2.04%*
Inflation rate	*2.00%*	*2.00%*
Discounted future obligations, beginning of period	$ 58,408	$ 56,261
Effect of changes in estimates and remeasurement of discount rates	6,061	1,418
Liabilities settled (reclamation expenditures)	(568)	(310)
Accretion (interest expense)	676	1,039
Discounted future obligations, end of period	**$ 64,577**	**$ 58,408**
Current	$ 4,199	$ 3,013
Non-current	60,378	55,395
	$ 64,577	**$ 58,408**

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

10. DERIVATIVE FINANCIAL INSTRUMENTS

At September 30, 2016, the Corporation had entered into certain commodity swap derivative contracts to manage its exposure to volatility in the prices received for the sale of the underlying commodities. These derivative instruments were not designated as hedging instruments and accordingly, were classified as financial instruments at fair value through profit or loss. Therefore, changes in the fair value of these derivative financial instruments are recorded in the condensed interim consolidated statement of operations and comprehensive loss.

The Corporation has determined that the fair value of the commodity swap derivative contracts at September 30, 2016 resulted in a liability balance of $1,099,000 (December 31, 2015 – $21,000). During the three and nine months ended September 30, 2016, the Corporation recognized a gain of $269,000 and a loss of $605,000 respectively (three and nine months ended September 30, 2015 – $nil) from changes in the fair value of the commodity swap derivative contracts.

Contract Fixed Price Swap	Volume	Pricing Point	Strike Price ($/unit)	Currency	Remaining Term	Fair Value as at September 30, 2016	
Natural gas	2,000 mbtu/d	NYMEX	$3.41	CDN	Oct 1/16 to Dec 31/16	$	(98)
Natural gas	1,000 mbtu/d	NYMEX	$3.48	CDN	Oct 1/16 to Dec 31/16		(43)
Natural gas	1,000 mbtu/d	NYMEX	$3.64	CDN	Oct 1/16 to Dec 31/16		(28)
Natural gas	5,000 mbtu/d	NYMEX	$2.70	USD	Jan 1/17 to Dec 31/17		(930)
						$	**(1,099)**

11. SHARE CAPITAL

Issued and Outstanding Common Shares

	Number of Common Shares Outstanding		Share Capital	Contributed Surplus	Option Reserve		DSUP Reserve		Ownership Interest in Subsidiaries
Outstanding, December 31, 2014	188,204,184	$	112,626	$	6,808	$	883	$	-
Transactions during the nine months ended September 30, 2015									
Stock based compensation	-		-		37		-		-
Share incentive arrangement	64,810		56		-		(66)		-
Issuance of shares in subsidiaries to non-controlling interest	-		-		-		-		(46)
Outstanding, September 30, 2015	188,268,994		112,682		6,845		817		(46)
Transactions from October 1, 2015 to December 31, 2015									
Stock based compensation	-		-		1		-		-
Share incentive arrangement	-		-		-		(7)		-
Outstanding, December 31, 2015	188,268,994		112,682		6,846		810		(46)
Transactions during the nine months ended September 30, 2016									
Stock based compensation	-		-		1		-		-
Outstanding, September 30, 2016	**188,268,994**	**$**	**112,682**	**$**	**6,847**	**$**	**810**	**$**	**(46)**

12. STOCK BASED COMPENSATION

A detailed description of the Corporation's share incentive plan ("SIP") is provided in Note 13 to the Corporation's 2015 Audited Consolidated Financial Statements.

Stock Option Plan

There were no stock option awards granted during the nine months ended September 30, 2016. 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, 2016 and the year ended December 31, 2015, is as follows:

For the period ended	September 30, 2016			December 31, 2015		
	Stock Options		Weighted Average Exercise Price	Stock Options		Weighted Average Exercise Price
Options outstanding, beginning of period	2,480,000	$	0.50	5,705,000	$	0.66
Forfeited	-		-	(3,225,000)		0.79
Options outstanding, end of period	**2,480,000**	**$**	**0.50**	**2,480,000**	**$**	**0.50**
Exercisable options	2,480,000	$	0.50	2,413,333	$	0.50

Option Price	Options Outstanding	Options Exercisable	Contractual Life Remaining (Years)
At $0.26	200,000	200,000	2.48
At $0.50	1,880,000	1,880,000	1.95
At $0.60	400,000	400,000	0.59

During the three and nine months ended September 30, 2016, the Corporation recognized stock based compensation expense of $nil and $1,000 respectively (three and nine months ended September 30, 2015 – $3,000 and $37,000 respectively) in respect of outstanding stock options.

Deferred Share Unit Plan

The Corporation did not recognize any stock based compensation expense related to its deferred share unit plan during the nine months ended September 30, 2016. At September 30, 2016, there were 1,203,507 (December 31, 2015 – 1,203,507) deferred share units outstanding.

During the nine months ended September 30, 2015, the Corporation paid cash of $13,000 and it issued 64,810 common shares to settle 253,919 deferred share units that had been issued to former directors of the Corporation. There was no stock based compensation expense associated with the Corporation's deferred share unit plan during the nine months ended September 30, 2015.

13. GENERAL AND ADMINISTRATIVE EXPENSES AND PRODUCTION EXPENDITURES BY NATURE

General and Administrative Expenses

	For the three months ended		For the nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Salary and salary-related	$ 588	$ 467	$ 2,066	$ 1,591
Stock based compensation	-	3	1	37
Corporate and professional fees	1,167	878	2,970	2,167
General office	153	213	555	982
Exploration and development costs	28	34	71	99
Allocation of general and administrative costs	(496)	(643)	(1,531)	(1,691)
	$ 1,440	**$ 952**	**$ 4,132**	**$ 3,185**

Production Expenditures

	For the three months ended		For the nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Labour	$ 1,219	$ 1,580	$ 3,465	$ 4,141
Materials, equipment and supplies used	1,049	1,575	3,342	4,200
Transportation	146	241	441	988
Utilities	562	551	1,738	1,663
Rental and lease payments	77	177	198	434
Other	230	256	753	920
	$ 3,283	**$ 4,380**	**$ 9,937**	**$ 12,346**

14. EQUITY ACCOUNTED INVESTMENT IN ESCAL

The Corporation's 74% owned subsidiary, CLP, owns a 33% interest in Escal, the developer and former owner of the Castor underground gas storage project located in Spain (the "Castor Project"). The remaining interest in Escal is held by ACS Servicios Comunicaciones y Energia, S.L. ("ACS"). A detailed description of the nature and status of the Corporation's investment in Escal is provided in Note 15 to the 2015 Audited Consolidated Financial Statements.

The Corporation accounts for CLP's 33% interest in Escal using the equity method. Recognition of CLP's proportionate share of losses incurred by Escal draws CLP's carrying value in Escal to below zero. At September 30, 2016, CLP had not recorded a liability related to losses incurred by Escal, as it does not have the legal or constructive obligation in respect thereof. Consequently, at September 30, 2016, the carrying value of the Corporation's indirect equity interest in Escal was $nil (December 31, 2015 – $nil).

15. NET LOSS PER SHARE

	For the three months ended		For the nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net loss for the period attributable to owners of the parent	$ (2,111)	$ (1,902)	$ (12,355)	$ (4,648)
Weighted average number of common shares outstanding	188,268,994	188,262,654	188,268,994	188,223,888
Basic and diluted net loss per common share	$ (0.01)	$ (0.01)	$ (0.07)	$ (0.02)

16. INCOME TAXES

During the nine months ended September 30, 2016, the Corporation recognized an income tax recovery amount of $4,410,000 (nine months ended September 30, 2015 – $1,679,000).

The income tax recovery amount on the Corporation's loss before income taxes differs from the income tax recovery amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26% (nine months ended September 30, 2015 – 26%) as a result of the following items:

	For the nine months ended	
	September 30, 2016	September 30, 2015
Loss before tax at statutory rate of 26% (September 30, 2015 – 26%)	$ 4,588	$ 1,744
Effect on taxes of:		
Non-deductible expenses	(151)	(77)
Other differences	(27)	12
Income tax recovery	$ 4,410	$ 1,679

17. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these September 2016 Interim Consolidated Financial Statements, related party transactions and balances as at and for the nine months ended September 30, 2016 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, 2016, the Corporation incurred costs of $170,000 and $357,000 respectively (three and nine months ended September 30, 2015 – $249,000 and $764,000 respectively) in respect of these arrangements.

Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities at September 30, 2016 are amounts owing to the Corporation's parent, Dundee Corporation, and to Dundee Corporation's subsidiaries of $2,429,000 (December 31, 2015 – $1,810,000).

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. At September 30, 2016, the Corporation had cash deposits with DSL of $6,000 (December 31, 2015 – $6,000) to facilitate trades pursuant to its normal course issuer bid as described in Note 12 to the Corporation's 2015 Audited Consolidated Financial Statements.

Key Management Compensation

Compensation and other fees related to directors of the Corporation and to each of the President and Chief Executive Officer and Chief Financial Officer of the Corporation during the three and nine months ended September 30, 2016 and 2015 are as follows:

	For the three months ended		For the nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Directors' fees and executive compensation	$ 187	$ 65	$ 562	$ 278
Stock based compensation	-	(1)	1	24
Benefits	7	4	38	12
	$ 194	**$ 68**	**$ 601**	**$ 314**

18. COMMITMENTS

There have been no substantive changes to the description and nature of the Corporation's commitments from those described in Note 19 to the Corporation's 2015 Audited Consolidated Financial Statements.

19. FINANCIAL INSTRUMENTS

The following table provides information about financial assets and financial liabilities measured at fair value in the Corporation's consolidated statement of financial position as at September 30, 2016. These financial assets and financial liabilities have been categorized by level, according to the significance of the inputs used in determining fair value measurements.

		Fair Value as at September 30, 2016		
	Carrying Value as at September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring Measurements				
Financial Assets				
Investment in private enterprises	$ 1,425	$ -	$ 1,425	$ -
Financial Liabilities				
Derivative financial instruments	(1,099)	-	(1,099)	-

A detailed description of the Corporation's financial assets and financial liabilities and its associated risk management in respect thereof are provided in Note 20 to the 2015 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, 2015.

20. CAPITAL MANAGEMENT

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

21. GEOGRAPHIC SEGMENTED INFORMATION

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

Segmented Statements of Operations for the Nine Months Ended September 30, 2016 and September 30, 2015

	Southern Ontario		Spain		Corporate		TOTAL	
	30-Sept-16	30-Sept-15	30-Sept-16	30-Sept-15	30-Sept-16	30-Sept-15	30-Sept-16	30-Sept-15
REVENUES								
Oil and gas sales	$ 16,888	$ 23,717	$ -	$ -	$ -	$ -	$ 16,888	$ 23,717
Royalties	(2,511)	(3,605)	-	-	-	-	(2,511)	(3,605)
Net sales	14,377	20,112	-	-	-	-	14,377	20,112
Production expenditures	(9,937)	(12,346)	-	-	-	-	(9,937)	(12,346)
Depreciation and depletion	(6,829)	(8,955)	-	-	(2)	(3)	(6,831)	(8,958)
General and administrative expenses	(1,676)	(1,561)	(2,084)	(951)	(372)	(673)	(4,132)	(3,185)
Loss on fair value changes of derivative financial instruments	(605)	-	-	-	-	-	(605)	-
(Loss) gain on fair value changes in investments	-	-	-	-	(725)	10	(725)	10
Impairment of oil and gas properties	(5,000)	-	-	-	-	-	(5,000)	-
Impairment of financial instruments	-	-	-	-	(962)	(962)	(962)	(962)
Interest and other items in earnings	(1,069)	1,016	-	-	962	964	(107)	1,980
Interest expense	(3,266)	(3,358)	-	-	-	-	(3,266)	(3,358)
Foreign exchange (loss) gain	(121)	139	-	(11)	-	-	(121)	128
NET LOSS BEFORE INCOME TAXES	(14,126)	(4,953)	(2,084)	(962)	(1,099)	(664)	(17,309)	(6,579)
Income tax recovery (expense)								
Current	-	-	-	-	(40)	(19)	(40)	(19)
Deferred	-	-	-	-	4,450	1,698	4,450	1,698
	-	-	-	-	4,410	1,679	4,410	1,679
NET (LOSS) EARNINGS FOR THE PERIOD	**$ (14,126)**	**$ (4,953)**	**$ (2,084)**	**$ (962)**	**$ 3,311**	**$ 1,015**	**$ (12,899)**	**$ (4,900)**
NET (LOSS) EARNINGS ATTRIBUTABLE TO:								
Owners of the parent	$ (14,126)	$ (4,953)	$ (1,540)	$ (710)	$ 3,311	$ 1,015	$ (12,355)	$ (4,648)
Non-controlling interest	-	-	(544)	(252)	-	-	(544)	(252)
	$ (14,126)	**$ (4,953)**	**$ (2,084)**	**$ (962)**	**$ 3,311**	**$ 1,015**	**$ (12,899)**	**$ (4,900)**

Segmented Statements of Operations for the Three Months Ended September 30, 2016 and September 30, 2015

	Southern Ontario		Spain		Corporate		TOTAL	
	30-Sept-16	30-Sept-15	30-Sept-16	30-Sept-15	30-Sept-16	30-Sept-15	30-Sept-16	30-Sept-15
REVENUES								
Oil and gas sales	$ 6,414	$ 7,542	$ -	$ -	$ -	$ -	$ 6,414	$ 7,542
Royalties	(965)	(1,142)	-	-	-	-	(965)	(1,142)
Net sales	5,449	6,400	-	-	-	-	5,449	6,400
Production expenditures	(3,283)	(4,380)	-	-	-	-	(3,283)	(4,380)
Depreciation and depletion	(2,291)	(2,893)	-	-	(1)	-	(2,292)	(2,893)
General and administrative expenses	(595)	(324)	(812)	(423)	(33)	(205)	(1,440)	(952)
Gain on fair value changes of derivative financial instruments	269	-	-	-	-	-	269	-
Loss on fair value changes in investments	-	-	-	-	(725)	-	(725)	-
Impairment of oil and gas properties	-	-	-	-	-	-	-	-
Impairment of financial instruments	-	-	-	-	(322)	(324)	(322)	(324)
Interest and other items in earnings	26	95	-	-	322	324	348	419
Interest expense	(1,082)	(1,096)	-	-	-	-	(1,082)	(1,096)
Foreign exchange (loss) gain	12	124	(25)	(7)	-	-	(13)	117
LOSS BEFORE INCOME TAXES	(1,495)	(2,074)	(837)	(430)	(759)	(205)	(3,091)	(2,709)
Income tax recovery								
Current	-	-	-	-	-	-	-	-
Deferred	-	-	-	-	762	695	762	695
	-	-	-	-	762	695	762	695
NET (LOSS) EARNINGS FOR THE PERIOD	**$ (1,495)**	**$ (2,074)**	**$ (837)**	**$ (430)**	**$ 3**	**$ 490**	**$ (2,329)**	**$ (2,014)**
NET (LOSS) EARNINGS ATTRIBUTABLE TO:								
Owners of the parent	$ (1,495)	$ (2,074)	$ (619)	$ (318)	$ 3	$ 490	$ (2,111)	$ (1,902)
Non-controlling interest	-	-	(218)	(112)	-	-	(218)	(112)
	$ (1,495)	**$ (2,074)**	**$ (837)**	**$ (430)**	**$ 3**	**$ 490**	**$ (2,329)**	**$ (2,014)**

Segmented Net Assets as at September 30, 2016 and December 31, 2015

	Southern Ontario		Spain		Corporate		TOTAL	
	30-Sept-16	31-Dec-15	30-Sept-16	31-Dec-15	30-Sept-16	31-Dec-15	30-Sept-16	31-Dec-15
ASSETS								
Current								
Cash	$ 21	$ 30	$ 2	$ 3	$ 36	$ 53	$ 59	$ 86
Accounts receivable	2,171	1,761	-	-	-	-	2,171	1,761
Prepaids and security deposits	1,146	845	-	-	4	-	1,150	845
Loan receivable	-	6	-	-	-	-	-	6
Inventory	313	376	-	-	-	-	313	376
Investments	-	-	-	-	1,425	2,150	1,425	2,150
Taxes recoverable	-	-	-	-	32	72	32	72
	3,651	3,018	2	3	1,497	2,275	5,150	5,296
Non-current								
Loan receivable	-	347	-	-	-	-	-	347
Oil and gas properties	149,710	156,399	-	-	34	36	149,744	156,435
Equity accounted investment in Escal	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	15,571	11,121	15,571	11,121
	$ 153,361	$ 159,764	$ 2	$ 3	$ 17,102	$ 13,432	$ 170,465	$ 173,199
LIABILITIES								
Current								
Bank loan	$ 57,200	$ 58,802	$ -	$ -	$ -	$ -	$ 57,200	$ 58,802
Accounts payable and accrued liabilities	4,642	1,795	1,380	537	2,949	2,120	8,971	4,452
Derivative financial liabilities	1,099	21	-	-	-	-	1,099	21
Decommissioning liabilities	4,199	3,013	-	-	-	-	4,199	3,013
	67,140	63,631	1,380	537	2,949	2,120	71,469	66,288
Non-current								
Decommissioning liabilities	60,378	55,395	-	-	-	-	60,378	55,395
	$ 127,518	**$ 119,026**	**$ 1,380**	**$ 537**	**$ 2,949**	**$ 2,120**	**$ 131,847**	**$ 121,683**
SEGMENTED NET ASSETS	$ 25,843	$ 40,738	$ (1,378)	$ (534)	$ 14,153	$ 11,312	$ 38,618	$ 51,516