DUNDEE ENERGY LIMITED
(formerly Eurogas Corporation)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2012

DUNDEE ENERGY LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)

(expressed in thousands of Canadian dollars)

	Note	As at March 31, 2012	As at December 31, 2011
ASSETS			
Current			
Cash		$ 1,260	$ 2,556
Accounts receivable		3,373	4,561
Prepaids		951	1,532
Inventory		358	621
Investments	5	570	579
Derivative financial assets	10	2,034	1,616
Loan receivable	6	560	555
Taxes recoverable		30	30
		9,136	12,050
Non-current			
Oil and gas properties	7	167,660	171,384
Equity accounted investment in Escal	14	-	-
Deferred income taxes	16	3,278	3,182
		$ 180,074	$ 186,616
LIABILITIES			
Current			
Bank loan	8	$ 59,587	$ 59,191
Accounts payable and accrued liabilities	17	4,493	10,000
Decommissioning liabilities	9	2,235	1,985
		66,315	71,176
Non-current			
Decommissioning liabilities	9	40,959	42,303
		107,274	113,479
SHAREHOLDERS' EQUITY			
Equity Attributable to Owners of the Parent			
Share capital	11	104,838	104,854
Contributed surplus	11	6,737	6,631
Deficit		(35,958)	(35,538)
Accumulated other comprehensive loss		(3,114)	(3,114)
		72,503	72,833
Non-controlling interest		297	304
		72,800	73,137
		$ 180,074	$ 186,616

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
(Unaudited)

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

	Note	For the three months ended March 31, 2012	March 31, 2011
REVENUES			
Oil and gas sales		$ 9,446	$ 9,569
Royalties		(1,372)	(1,497)
Net sales		8,074	8,072
Production expenditures	13	(3,045)	(2,898)
Depreciation and depletion	7	(3,756)	(3,459)
General and administrative	12, 13, 17	(1,992)	(1,918)
Gain (loss) on fair value changes of risk management contracts	10	1,260	(1,391)
(Loss) gain on fair value changes in financial instruments	5	(9)	39
Impairment loss on financial instruments	5	(320)	(317)
Interest income		366	346
Interest expense	8, 9	(1,073)	(1,084)
Foreign exchange loss		(28)	(56)
LOSS BEFORE SHARE OF EARNINGS FROM EQUITY ACCOUNTED INVESTMENT AND INCOME TAXES		(523)	(2,666)
Share of earnings from equity accounted investment	14	-	5
LOSS BEFORE INCOME TAXES		(523)	(2,661)
Income tax recovery			
Deferred	16	96	610
		96	610
NET LOSS FOR THE PERIOD		$ (427)	$ (2,051)
NET LOSS ATTRIBUTABLE TO:			
Owners of the parent		$ (420)	$ (2,040)
Non-controlling interest		(7)	(11)
		$ (427)	$ (2,051)
BASIC AND DILUTED NET LOSS PER SHARE	15	$ -	$ (0.01)

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

DUNDEE ENERGY LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

(expressed in thousands of Canadian dollars)

	Note		For the three months ended March 31, 2012		March 31, 2011
NET LOSS FOR THE PERIOD		$	(427)	$	(2,051)
Other comprehensive loss					
Share of other comprehensive loss from equity accounted investment	14		-		(1,160)
Less: Associated taxes			-		145
Other comprehensive loss for the period			-		(1,015)
COMPREHENSIVE LOSS FOR THE PERIOD		$	(427)	$	(3,066)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:					
Owners of the parent			(420)		(2,788)
Non-controlling interest			(7)		(278)
		$	(427)	$	(3,066)

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, 2010	$ 97,746	$ 5,345	$ 401	$ (34,286)	$ (188)	$ 1,415	$ 70,433
For the three months ended March 31, 2011							
Net loss	-	-	-	(2,040)	-	(11)	(2,051)
Stock based compensation (Note 12)	-	241	-	-	-	-	241
Other comprehensive loss	-	-	-	-	(748)	(267)	(1,015)
Balance, March 31, 2011	$ 97,746	$ 5,586	$ 401	$ (36,326)	$ (936)	$ 1,137	$ 67,608
From April 1, 2011 to December 31, 2011							
Acquisition of common shares for cancellation pursuant to normal course issuer bid (Note 11)	(22)	-	-	(6)	-	-	(28)
Shares issued on private placement financing (Note 11)	6,012	-	-	-	-	-	6,012
Shares issued on acquisition (Note 4)	1,118	-	-	-	-	-	1,118
Net earnings	-	-	-	794	-	(56)	738
Stock based compensation (Note 12)	-	465	179	-	-	-	644
Other comprehensive loss	-	-	-	-	(2,178)	(777)	(2,955)
Balance, December 31, 2011	$ 104,854	$ 6,051	$ 580	$ (35,538)	$ (3,114)	$ 304	$ 73,137
For the three months ended March 31, 2012							
Acquisition of common shares for cancellation pursuant to normal course issuer bid (Note 11)	(16)	-	-	-	-	-	(16)
Net loss	-	-	-	(420)	-	(7)	(427)
Stock based compensation (Note 12)	-	69	37	-	-	-	106
Other comprehensive loss	-	-	-	-	-	-	-
Balance, March 31, 2012	$ 104,838	$ 6,120	$ 617	$ (35,958)	$ (3,114)	$ 297	$ 72,800

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

DUNDEE ENERGY LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

(expressed in thousands of Canadian dollars)

	Note	For the three months ended March 31, 2012	For the three months ended March 31, 2011
OPERATING ACTIVITIES			
Net loss for the period		$ (427)	$ (2,051)
Adjustments for:			
Share of earnings from equity accounted investment	14	-	(5)
Depreciation and depletion	7	3,756	3,459
Loss (gain) on fair value changes in financial instruments	5	9	(39)
Impairment loss on financial instruments	5	320	317
(Gain) loss on fair value changes of risk management contracts	10	(418)	1,298
Deferred income taxes	16	(96)	(610)
Stock based compensation	12	106	241
Other		(84)	(79)
		3,166	2,531
Changes in:			
Accounts receivable		1,192	358
Accounts payable and accrued liabilities		(3,925)	558
Prepaids		581	576
Inventory		263	(356)
CASH PROVIDED FROM OPERATING ACTIVITIES		1,277	3,667
FINANCING ACTIVITIES			
Advanced from (repayment of) bank loan arrangements	8	396	(2,038)
Acquisition of common shares for cancellation	11	(16)	-
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		380	(2,038)
INVESTING ACTIVITIES			
Investment in oil and gas properties	7	(2,953)	(1,085)
CASH USED IN INVESTING ACTIVITIES		(2,953)	(1,085)
(DECREASE) INCREASE IN CASH		(1,296)	544
CASH, BEGINNING OF PERIOD		2,556	1,524
CASH, END OF PERIOD		$ 1,260	$ 2,068

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

As at and for the three months ended March 31, 2012 and March 31, 2011
Tabular dollar amounts in thousands of Canadian dollars, except per share amounts

1. NATURE OF OPERATIONS

Dundee Energy Limited (formerly Eurogas Corporation) ("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 Dundee Place, 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" (formerly "EUG").

Dundee Energy's operating interests include its 100% ownership interest in 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 owner 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 45% working interest in the one million acre Sfax permit offshore Tunisia (the "Sfax Permit").

2. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements of the Corporation as at and for the three months ended March 31, 2012 ("March 2012 Interim Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard 34, "*Interim Financial Reporting*". The March 2012 Interim Consolidated Financial Statements were authorized by the Board of Directors on April 30, 2012.

The March 2012 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 3 to the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2011 ("2011 Audited Consolidated Financial Statements"). The March 2012 Interim Consolidated Financial Statements do not include all disclosures required by IFRS for annual financial statements and accordingly, should be read in conjunction with the 2011 Audited Consolidated Financial Statements.

The preparation of the March 2012 Interim Consolidated Financial Statements requires management 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 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 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 March 2012 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in Note 4 to the 2011 Audited Consolidated Financial Statements.

3. ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS NOT YET EFFECTIVE

Accounting standards, interpretations and amendments to existing standards that are not yet effective are outlined in Note 3 to the 2011 Audited Consolidated Financial Statements. The Corporation has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements.

4. BUSINESS COMBINATION

Acquisition of Torque Energy Inc.

In August of the prior year, the Corporation completed the acquisition of Torque Energy Inc. ("Torque"), a Canadian-based oil and natural gas company that was engaged in the exploration, development and acquisition of oil and natural gas properties, primarily in southern Ontario, Canada.

The fair value of the purchase consideration for Torque was $7,130,000 including (i) cash of $6,012,000 and (ii) the issuance of 1,346,926 fully paid common shares of the Corporation at a price of $0.83 per share (Note 11). Aggregate transaction costs associated with the acquisition of Torque were $385,000 and were charged to the Corporation's consolidated statements of operations as incurred. A summary of the allocation of the aggregate consideration transferred to the fair value of the various identifiable assets and liabilities acquired is as follows:

Net assets acquired		
Oil and gas properties	$	10,076
Accounts receivable		1,024
Prepaids		147
		11,247
Bank loan		(1,429)
Accounts payable and accrued liabilities		(519)
Decommissioning liability		(2,169)
	$	7,130
Aggregate consideration transferred:		
Cash	$	6,012
1,346,926 common shares of the Corporation issued at $0.83 per common share		1,118
	$	7,130

On December 1, 2011, the Corporation converged the assets and operations acquired pursuant to the Torque transaction with its existing business in southern Ontario.

As part of the acquisition of Torque, the Corporation assumed a $6,100,000 revolving demand credit facility. The credit facility was fully repaid and cancelled on December 22, 2011.

5. INVESTMENTS

		March 31, 2012		December 31, 2011
Publicly listed equity securities	$	270	$	279
Investment in Lake Erie Limited Partnership		300		300
Preferred shares of Eurogas International		32,150		32,150
Less: Impairment		(32,150)		(32,150)
		-		-
Accrued dividends on preferred share investment in Eurogas International		4,701		4,381
Less: Impairment		(4,701)		(4,381)
		-		-
	$	570	$	579

At March 31, 2012, and December 31, 2011, the Corporation held 32,150,000 Series A Preference Shares of Eurogas International 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 2011 Audited Consolidated Financial Statements. Notwithstanding the Corporation not receiving any dividends on its investment at March 31, 2012, the Corporation had not exercised its entitlement to elect the majority of the members of the Board of Directors of Eurogas International.

During the three months ended March 31, 2012, the Corporation recognized an unrealized loss from changes in the fair value of its investment in publicly listed equity securities of $9,000 (three months ended March 31, 2011 – gain of $39,000).

6. LOAN RECEIVABLE

Amounts advanced to Escal for utilization in the development of its underground gas storage project in Spain are reflected in the March 2012 Interim Consolidated Financial Statements as a loan receivable. Amounts advanced are denominated in Euros. The loan receivable is non-interest bearing and has no fixed term to maturity.

		Canadian dollars		Euros
Balance, December 31, 2010	$	560	€	421
Transactions during the three months ended March 31, 2011				
Foreign exchange gain		19		-
Balance, March 31, 2011	$	579	€	421
Transactions from April 1, 2011 to December 31, 2011				
Foreign exchange loss		(24)		-
Balance, December 31, 2011	$	555	€	421
Transactions during the three months ended March 31, 2012				
Foreign exchange gain		5		-
Balance, March 31, 2012	$	560	€	421

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, 2010							
Cost	$ 107,172	$ 23,408	$ 20,256	$ 4,525	$ 6,611	$ 837	$ 162,810
Accumulated depreciation and depletion	(5,194)	(926)	(554)	(12)	(673)	-	(7,360)
Net carrying value, December 31, 2010	101,978	22,482	19,702	4,513	5,938	837	155,450
Three months ended March 31, 2011							
Carrying value December 31, 2010	101,978	22,482	19,702	4,513	5,938	837	155,450
Net additions	272	1,227	30	-	(774)	165	920
Remeasure decommissioning liability (Note 9)	(760)	-	-	-	-	-	(760)
Depreciation and depletion	(2,664)	(485)	(275)	(6)	(29)	-	(3,459)
Net carrying value, March 31, 2011	98,826	23,224	19,457	4,507	5,135	1,002	152,151
At March 31, 2011							
Cost	106,684	24,635	20,286	4,525	5,837	1,002	162,969
Accumulated depreciation and depletion	(7,858)	(1,411)	(829)	(18)	(702)	-	(10,818)
Net carrying value, March 31, 2011	98,826	23,224	19,457	4,507	5,135	1,002	152,151
Transactions from April 1, 2011 to December 31, 2011							
Carrying value March 31, 2011	98,826	23,224	19,457	4,507	5,135	1,002	152,151
Acquisitions (Note 4)	6,948	-	1,166	55	4	1,903	10,076
Net additions	5,596	682	1,977	-	(3,087)	5,023	10,191
Remeasure decommissioning liability (Note 9)	10,942	-	-	-	-	-	10,942
Depreciation and depletion	(9,281)	(1,548)	(1,013)	(19)	(115)	-	(11,976)
Net carrying value, December 31, 2011	113,031	22,358	21,587	4,543	1,937	7,928	171,384
At December 31, 2011							
Cost	130,170	25,317	23,429	4,580	2,754	7,928	194,178
Accumulated depreciation and depletion	(17,139)	(2,959)	(1,842)	(37)	(817)	-	(22,794)
Net carrying value, December 31, 2011	113,031	22,358	21,587	4,543	1,937	7,928	171,384
Three months ended March 31, 2012							
Carrying value December 31, 2011	113,031	22,358	21,587	4,543	1,937	7,928	171,384
Net additions	219	135	22	-	46	945	1,367
Remeasure decommissioning liability (Note 9)	(1,335)	-	-	-	-	-	(1,335)
Depreciation and depletion	(2,949)	(437)	(334)	(6)	(30)	-	(3,756)
Net carrying value, March 31, 2012	108,966	22,056	21,275	4,537	1,953	8,873	167,660
At March 31, 2012							
Cost	129,054	25,452	23,451	4,580	2,800	8,873	194,210
Accumulated depreciation and depletion	(20,088)	(3,396)	(2,176)	(43)	(847)	-	(26,550)
Net carrying value, March 31, 2012	$ 108,966	$ 22,056	$ 21,275	$ 4,537	$ 1,953	$ 8,873	$ 167,660

8. BANK LOAN

DELP has established a credit facility for $80,000,000 with a syndicate comprised of certain Canadian chartered banks. 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 DELP's current ratios, draws on the credit facility bear interest, at DELP's option, at either the bank's prime lending rate plus 3.0% for loans or letters of credit, or, for bankers' acceptances, at the bank's then prevailing bankers' acceptance rate plus 4.0%. 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 March 31, 2012, the Corporation was in compliance with all such covenants.

	March 31, 2012	December 31, 2011
Prime rate loans	$ 100	$ 3,500
Bankers' acceptances	60,000	56,000
Less: Unamortized discount	(513)	(309)
	$ 59,587	$ 59,191
Letter of credit (Note 9)	$ 3,270	$ 3,270

At March 31, 2012, DELP had drawn $63,370,000 (December 31, 2011 – $62,770,000) pursuant to the credit facility, including $3,270,000 (December 31, 2011 – $3,270,000) issued in the form of a letter of credit. Available credit under the credit facility at March 31, 2012 was $16,630,000. During the three months ended March 31, 2012, the Corporation incurred interest expense relating to the credit facility, including bank charges, arrangement fees and standby fees of $831,000 (three months ended March 31, 2011 – $825,000).

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.

	March 31, 2012	December 31, 2011
Undiscounted future obligations, beginning of period	$ 83,739	$ 80,123
Acquisition (Note 4)	-	4,621
Effect of changes in estimates	-	42
Liabilities settled (reclamation expenditures)	-	(1,047)
Undiscounted future obligations, end of period	$ 83,739	$ 83,739

There were no changes to the Corporation's undiscounted estimate of its decommissioning liabilities during the three months ended March 31, 2012. During the year ended December 31, 2011, changes in the Corporation's estimate of its decommissioning liabilities reflect the impact of inflation to the timing of abandonment and site restoration costs associated with certain land and buildings used in production.

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

	March 31, 2012	December 31, 2011
Discount rates applied to future obligations	*1.19% - 2.56%*	*0.95% - 2.42%*
Inflation rate	*2.00%*	*2.00%*
Discounted future obligations, beginning of period	$ 44,288	$ 31,960
Acquisition (Note 4)	-	2,169
Effect of changes in estimates and remeasurement of discount rates	(1,335)	10,182
Liabilities settled (reclamation expenditures)	-	(1,047)
Accretion	241	1,024
Discounted future obligations, end of period	$ 43,194	$ 44,288
Current	$ 2,235	$ 1,985
Non-current	40,959	42,303
	$ 43,194	$ 44,288

As required by statute, the Corporation has provided the Ontario Ministry of Natural Resources with a letter of credit in respect of future abandonment costs. At March 31, 2012 and December 31, 2011, the amount of the letter of credit was $3,270,000 (Note 8).

10. RISK MANAGEMENT CONTRACTS

At March 31, 2012, the Corporation had entered into certain risk management contracts as identified in the table below.

Contract	Volume	Pricing Point	Strike Price CDN$/unit	Remaining Term
Fixed Price Swap - Crude oil	500 bbl/day	NYMEX	$101.20	Apr 01/12 to Dec 31/12
Fixed Price Swap - Natural Gas	7000 mbtu/day	NYMEX	$3.84	Apr 01/12 to Dec 31/12

The Corporation has determined that the fair value of risk management contracts at March 31, 2012 resulted in an asset balance of $2,034,000 (December 31, 2011 – asset of $1,616,000), due principally to lower price forecasts for natural gas.

During the three months ended March 31, 2012, the Corporation recognized a gain of $1,260,000 (three months ended March 31, 2011 – loss of $1,391,000) from changes in the fair value of risk management contracts.

11. SHARE CAPITAL

Issued and Outstanding

				Contributed Surplus		
	Number of Common Shares Outstanding		Share Capital		Option Reserve (Note 12)		DSUP Reserve (Note 12)
Outstanding, December 31, 2010	156,118,453	$	97,746	$	5,345	$	401
Transactions during the three months ended March 31, 2011							
Stock based compensation	-		-		241		-
Outstanding, March 31, 2011	156,118,453	$	97,746	$	5,586	$	401
Transactions from April 1, 2011 to December 31, 2011							
Stock based compensation	-		-		465		179
Redeemed pursuant to issuer bid	(33,512)		(22)		-		-
Shares issued on private placement financing	7,243,280		6,012		-		-
Shares issued on acquisition (Note 4)	1,346,926		1,118		-		-
Outstanding, December 31, 2011	164,675,147	$	104,854	$	6,051	$	580
Transactions during the three months ended March 31, 2012							
Stock based compensation	-		-		69		37
Redeemed pursuant to issuer bid	(23,500)		(16)		-		-
Outstanding, March 31, 2012	164,651,647	$	104,838	$	6,120	$	617

Normal Course Issuer Bid

On March 30, 2011, the Corporation received regulatory approval to establish a normal course issuer bid through the facility of the TSX from April 1, 2011 to March 31, 2012. During the three months ended March 31, 2012, the Corporation purchased 23,500 common shares, having an aggregate stated capital value of $16,000 for cancellation pursuant to these arrangements. The Corporation paid $16,000 or $0.61 per share to retire these shares.

On March 30, 2012, the Corporation received regulatory approval to continue its normal course issuer bid from April 3, 2012 to April 2, 2013. Subject to certain conditions, the Corporation may purchase up to a maximum of 8,232,582 common shares pursuant to these arrangements, representing approximately 5% of its common shares outstanding prior to approval of the normal course issuer bid.

Private Placement Financing

In August of the prior year, the Corporation completed a private placement financing with Dundee Corporation, the Corporation's parent. The private placement consisted of the issuance of 7,243,280 common shares issued from treasury at a price of $0.83 per share for gross proceeds of approximately $6,012,000. The net proceeds from the private placement were used to fund the cash portion of the aggregate consideration transferred for the acquisition of Torque (Note 4).

12. STOCK BASED COMPENSATION

A detailed description of the Corporation's share incentive plan (the "SIP") is provided in Note 14 to the Corporation's 2011 Audited Consolidated Financial Statements.

Stock Option Plan

A summary of the status of the stock option component of the Corporation's SIP as at and for the three months ended March 31, 2012 and as at and for the year ended December 31, 2011 is as follows:

	March 31, 2012			December 31, 2011		
	Stock Options		Weighted Average Exercise Price	Stock Options		Weighted Average Exercise Price
Options outstanding, beginning of period	5,665,000	$	0.92	6,125,000	$	0.98
Forfeited	-		-	(460,000)		1.65
Options outstanding, end of period	5,665,000	$	0.92	5,665,000	$	0.92
Exercisable options	4,593,332	$	0.95	4,593,332	$	0.95

Option Price	Options Outstanding	Options Exercisable	Contractual Life Remaining (Years)
At $0.54	200,000	200,000	1.55
At $0.81	3,215,000	2,143,332	3.58
At $1.12	2,250,000	2,250,000	0.13

During the three months ended March 31, 2012, the Corporation recognized stock based compensation expense of $69,000 (three months ended March 31, 2011 – $241,000) in respect of outstanding stock options.

Deferred Share Unit Plan

During the three months ended March 31, 2012, the Corporation issued 58,119 (year ended December 31, 2011 – 248,830) deferred share units with a fair value on the date of issuance of $37,000 pursuant to its deferred share unit plan ("DSUP"). Units issued pursuant to the DSUP were in settlement of outstanding directors' fees payable.

	March 31, 2012	December 31, 2011
Number of deferred share units outstanding, beginning of period	603,830	355,000
Granted	58,119	248,830
Number of deferred share units outstanding, end of period	661,949	603,830

13. GENERAL AND ADMINISTRATIVE EXPENSES AND PRODUCTION EXPENDITURES BY NATURE

General and Administrative Expenses

	For the three months ended	
	March 31, 2012	March 31, 2011
Salary and salary-related	$ 913	$ 681
Stock based compensation	106	241
Corporate and professional fees	793	938
General office	379	312
Exploration and development costs	263	206
Capitalization of general and administrative costs	(462)	(460)
	$ 1,992	$ 1,918

Production Expenditures

	For the three months ended	
	March 31, 2012	March 31, 2011
Labour	$ 685	$ 705
Materials, equipment and supplies used	903	453
Transportation	315	310
Utilities	493	469
Rental and lease payments	195	390
Other	454	571
	$ 3,045	$ 2,898

14. EQUITY ACCOUNTED INVESTMENT IN ESCAL

Carrying value, December 31, 2010	$ 4,476
Transactions during the three months ended March 31, 2011	
New investment	1
Share of earnings	5
Share of other comprehensive loss	(1,160)
Carrying value, March 31, 2011	$ 3,322
Transactions from April 1, 2011 to December 31, 2011	
New investment	2
Share of losses	(18)
Share of other comprehensive loss	(3,306)
Carrying value, December 31, 2011 and March 31, 2012	$ -

During the three months ended March 31, 2012, Escal issued 24 par value shares for €1,000 (year ended December 31, 2011 – 99 par value shares for €5,000). To maintain its proportionate interest in Escal, CLP acquired eight of the newly issued shares (year ended December 31, 2011 – 33) for a nominal amount (year ended December 31, 2011 – $3,000; €2,000). In addition and in order to comply with minimum equity to debt ratio requirements, the majority shareholder in Escal also contributed an issuance premium on the newly issued shares of €3,553,472 (year ended December 31, 2011 – €14,659,000) and it issued €3,200,000 (year ended December 31, 2011 – €43,300,000) in subordinated loans. CLP has not recognized the benefit of its 33% interest in the issuance premium and subordinated loans as the ultimate realization and measurement of the benefit is subject to a significant number of risks and uncertainties, including but not limited to, execution risk associated with the construction of the project, the availability and terms of future financing arrangements and the 50-year life span of the project.

Escal has established a hedging strategy to mitigate its exposure to interest rate risk associated with its project financing agreement. At March 31, 2012, the fair value of Escal's obligations in respect of these hedging strategies was approximately €59,066,000 (year ended December 31, 2011 – €74,790,000). Recognition of these losses draws the Corporation's carrying value in Escal to zero. At March 31, 2012, the Corporation had not recorded a liability of $21,876,000 (year ended December 31, 2011 – $28,562,000) related to additional losses incurred by Escal, as it does not have the legal or constructive obligation in respect thereof.

15. NET LOSS PER SHARE

		For the three months ended		
		March 31, 2012		March 31, 2011
Net loss for the period attributable to owners of the parent	$	(420)	$	(2,040)
Weighted average number of common shares outstanding		164,658,543		156,118,453
Basic and diluted net loss per common share	$	-	$	(0.01)
Effect of dilutive securities to the weighted average number of common shares outstanding		n/a		n/a
Diluted net loss per common share	$	-	$	(0.01)

Per share amounts are computed by dividing the loss for the three months ended March 31, 2012 and March 31, 2011 by the weighted average number of common shares outstanding of 164,658,543 (March 31, 2011 – 156,118,453). The effect of common share purchase options and of deferred share units on the net loss per share is not reflected, as it is considered anti-dilutive.

16. INCOME TAXES

During the three months ended March 31, 2012, the Corporation recognized an income tax recovery amount of $96,000 (March 31, 2011 – $610,000).

The income tax recovery amount on the Corporation's loss before income taxes differs from the income tax recovery amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26% (three months ended March 31, 2011– 28%), as a result of the following items:

		For the three months ended		
		March 31, 2012		March 31, 2011
Loss before tax at statutory rate of 26% (March 31, 2011 - 28%)	$	(137)	$	(752)
Effect on taxes of:				
Non-deductible expenses		30		70
Other differences		11		72
Income tax recovery	$	(96)	$	(610)

17. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these March 2012 Interim Consolidated Financial Statements, related party transactions and balances as at and for the three months ended March 31, 2012 are as described below.

Services Arrangement with Dundee Resources Limited

Dundee Resources Limited, a wholly owned subsidiary of Dundee Corporation, provides the Corporation with administrative support services as well as geophysical, geological and engineering consultation with regard to the Corporation's activities. During the three months ended March 31, 2012, the Corporation incurred costs of $321,000 (three months ended March 31, 2011 – $247,000) in respect of these arrangements.

Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is an accrued provision for $500,000. The accrual will be paid to a director of Dundee Corporation in respect of the director's involvement in the Castor underground gas storage project (Note 14). The payment to the director is conditional on the acceptance of terms and conditions of the director's total compensation and approval by the Compensation Committee of the Corporation.

Also included in accounts payable and accrued liabilities at March 31, 2012 are amounts owing to the Corporation's parent, Dundee Corporation, and to Dundee Corporation's subsidiaries of $609,000 (December 31, 2011 – $4,516,000).

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 brokerage firm and 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 (Note 11) are 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 months ended March 31, 2012 and 2011 are shown below:

	For the three months ended	
	March 31, 2012	March 31, 2011
Directors' fees and executive consulting	$ 136	$ 131
Stock based compensation	32	92
Benefits	3	4
	$ 171	$ 227

18. COMMITMENTS

There have been no substantive changes to the description and nature of the Corporation's commitments, from those described in Note 20 to the Corporation's 2011 Audited Consolidated Financial Statements.

19. FINANCIAL INSTRUMENTS

A detailed description of the Corporation's financial assets and financial liabilities and its associated risk management in respect thereof are provided in Note 21 to the 2011 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, 2011.

20. 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 three months ended March 31, 2012 and March 31, 2011

	Southern Ontario		Spain		Corporate		TOTAL	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
REVENUES								
Oil and gas sales	$ 9,446	$ 9,569	$ -	$ -	$ -	$ -	$ 9,446	$ 9,569
Royalties	(1,372)	(1,497)	-	-	-	-	(1,372)	(1,497)
Net sales	8,074	8,072	-	-	-	-	8,074	8,072
Production expenditures	(3,045)	(2,898)	-	-	-	-	(3,045)	(2,898)
Depreciation and depletion	(3,754)	(3,456)	-	-	(2)	(3)	(3,756)	(3,459)
General and administrative	(1,411)	(937)	(37)	(81)	(544)	(900)	(1,992)	(1,918)
Gain (loss) on fair value changes of risk management contracts	1,260	(1,391)	-	-	-	-	1,260	(1,391)
(Loss) gain on fair value changes in financial instruments	-	-	-	-	(9)	39	(9)	39
Impairment loss on financial instruments	-	-	-	-	(320)	(317)	(320)	(317)
Interest income	45	28	-	-	321	318	366	346
Interest expense	(1,070)	(1,084)	-	-	(3)	-	(1,073)	(1,084)
Foreign exchange (loss) gain	(37)	(90)	9	34	-	-	(28)	(56)
(LOSS) EARNINGS BEFORE SHARE OF EARNINGS FROM EQUITY ACCOUNTED INVESTMENT AND INCOME TAXES	62	(1,756)	(28)	(47)	(557)	(863)	(523)	(2,666)
Share of earnings from equity accounted investment	-	-	-	5	-	-	-	5
(LOSS) EARNINGS BEFORE INCOME TAXES	62	(1,756)	(28)	(42)	(557)	(863)	(523)	(2,661)
Income tax recovery								
Deferred	-	-	-	-	96	610	96	610
	-	-	-	-	96	610	96	610
NET (LOSS) EARNINGS FOR THE PERIOD	$ 62	$ (1,756)	$ (28)	$ (42)	$ (461)	$ (253)	$ (427)	$ (2,051)
NET (LOSS) EARNINGS ATTRIBUTABLE TO:								
Owners of the parent	$ 62	$ (1,756)	$ (21)	$ (31)	$ (461)	$ (253)	$ (420)	$ (2,040)
Non-controlling interest	-	-	(7)	(11)	-	-	(7)	(11)
	$ 62	$ (1,756)	$ (28)	$ (42)	$ (461)	$ (253)	$ (427)	$ (2,051)

Segmented Net Assets as at March 31, 2012 and December 31, 2011

	Southern Ontario		Spain		Corporate		TOTAL	
As at	31-Mar-12	31-Dec-11	31-Mar-12	31-Dec-11	31-Mar-12	31-Dec-11	31-Mar-12	31-Dec-11
ASSETS								
Current								
Cash	$ 786	$ 1,856	$ 14	$ 15	$ 460	$ 685	$ 1,260	$ 2,556
Accounts receivable	2,952	4,142	421	419	-	-	3,373	4,561
Prepaids	930	1,529	3	3	18	-	951	1,532
Inventory	358	621	-	-	-	-	358	621
Investments	300	300	-	-	270	279	570	579
Derivative financial assets	2,034	1,616	-	-	-	-	2,034	1,616
Loan receivable	-	-	560	555	-	-	560	555
Taxes recoverable	-	-	-	-	30	30	30	30
	7,360	10,064	998	992	778	994	9,136	12,050
Non-current								
Oil and gas properties	167,603	171,326	-	-	57	58	167,660	171,384
Equity accounted investment in Escal	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	3,278	3,182	3,278	3,182
	$ 174,963	$ 181,390	$ 998	$ 992	$ 4,113	$ 4,234	$ 180,074	$ 186,616
LIABILITIES								
Current								
Bank loan	$ 59,587	$ 59,191	$ -	$ -	$ -	$ -	$ 59,587	$ 59,191
Accounts payable and accrued liabilities	2,941	4,530	536	528	1,016	4,942	4,493	10,000
Decommissioning liabilities	2,235	1,985	-	-	-	-	2,235	1,985
	64,763	65,706	536	528	1,016	4,942	66,315	71,176
Non-current								
Decommissioning liabilities	40,959	42,303	-	-	-	-	40,959	42,303
	$ 105,722	$ 108,009	$ 536	$ 528	$ 1,016	$ 4,942	$ 107,274	$ 113,479
SEGMENTED NET ASSETS	$ 69,241	$ 73,381	$ 462	$ 464	$ 3,097	$ (708)	$ 72,800	$ 73,137