CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

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

(expressed in thousands of Canadian dollars)

	Note		As at June 30, 2017		December 31, 2016
ASSETS					
Current					
Cash		$	1,700	$	1,505
Accounts receivable	4		2,007		2,729
Prepaids and security deposits			761		649
Inventory			279		335
Investments	5		1,425		1,425
			6,172		6,643
Non-current					
Oil and gas properties	6		131,689		131,387
Equity accounted investment in Escal	13		-		-
Deferred income taxes			18,216		18,010
		$	**156,077**	**$**	**156,040**
LIABILITIES					
Current					
Bank loan	7	$	56,100	$	57,400
Accounts payable and accrued liabilities	16		9,671		9,042
Derivative financial liabilities	9		472		2,275
Decommissioning liabilities	8		3,927		3,965
			70,170		72,682
Non-current					
Decommissioning liabilities	8		54,379		51,555
			124,549		124,237
SHAREHOLDERS' EQUITY					
Equity Attributable to Owners of the Parent					
Share capital	10		112,682		112,682
Contributed surplus	10		7,599		7,611
Deficit			(84,971)		(84,399)
Accumulated other comprehensive loss			(3,392)		(3,392)
			31,918		32,502
Non-controlling interest			(390)		(699)
			31,528		31,803
		$	**156,077**	**$**	**156,040**

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

Commitments (Note 17)

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

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

	Note	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
REVENUES					
Oil and gas sales		$ 6,898	$ 5,499	$ 13,875	$ 10,474
Royalties		(1,039)	(801)	(2,070)	(1,546)
Net sales		5,859	4,698	11,805	8,928
Production expenditures	12	(2,845)	(3,947)	(5,345)	(6,654)
Depreciation and depletion	6	(2,072)	(2,268)	(4,147)	(4,539)
General and administrative expenses	12	(737)	(1,154)	(1,663)	(2,692)
Gain (loss) on fair value changes of derivative financial instruments	9	341	(1,580)	1,140	(874)
Impairment of oil and gas properties	6	-	(5,000)	-	(5,000)
Impairment of financial instruments	5	(321)	(320)	(638)	(640)
Interest and other items in earnings		393	685	752	(455)
Interest expense	7, 8	(1,256)	(1,143)	(2,552)	(2,184)
Foreign exchange loss		(112)	(7)	(157)	(108)
NET LOSS BEFORE INCOME TAXES		(750)	(10,036)	(805)	(14,218)
Income tax recovery (expense)	15				
Current		-	(40)	-	(40)
Deferred		194	2,629	206	3,688
		194	2,589	206	3,648
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		**$ (556)**	**$ (7,447)**	**$ (599)**	**$ (10,570)**
NET LOSS ATTRIBUTABLE TO:					
Owners of the parent		$ (539)	$ (7,303)	$ (572)	$ (10,244)
Non-controlling interest		(17)	(144)	(27)	(326)
		$ (556)	**$ (7,447)**	**$ (599)**	**$ (10,570)**
BASIC AND DILUTED NET LOSS PER SHARE	14	$ -	$ (0.04)	$ -	$ (0.05)

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

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

(expressed in thousands of Canadian dollars)

	Attributable to Owners of the Parent							
		Contributed Surplus						
	Share Capital	Option Reserve	Deferred Share Unit Reserve	Ownership Interest in Subsidiaries	Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	TOTAL
Balance, December 31, 2015	$ 112,682	$ 6,846	$ 810	$ (46)	$ (65,278)	$ (3,392)	$ (106)	$ 51,516
For the six months ended June 30, 2016								
Net loss	-	-	-	-	(10,244)	-	(326)	(10,570)
Stock based compensation	-	1	-	-	-	-	-	1
Balance, June 30, 2016	112,682	6,847	810	(46)	(75,522)	(3,392)	(432)	40,947
From July 1, 2016 to December 31, 2016								
Net loss	-	-	-	-	(8,877)	-	(267)	(9,144)
Balance, December 31, 2016	112,682	6,847	810	(46)	(84,399)	(3,392)	(699)	31,803
For the six months ended June 30, 2017								
Net loss	-	-	-	-	(572)	-	(27)	(599)
Changes of ownership interest in subsidiaries (Note 13)	-	-	-	(12)	-	-	336	324
Balance, June 30, 2017	**$ 112,682**	**$ 6,847**	**$ 810**	**$ (58)**	**$ (84,971)**	**$ (3,392)**	**$ (390)**	**$ 31,528**

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)

		For the six months ended	
	Note	June 30, 2017	June 30, 2016
OPERATING ACTIVITIES			
Net loss for the period		$ (599)	$ (10,570)
Adjustments for:			
Depreciation and depletion	6	4,147	4,539
(Gain) loss on fair value changes of derivative financial instruments	9	(1,803)	1,422
Impairment of oil and gas properties	6	-	5,000
Impairment of financial instruments	5	638	640
Deferred income taxes		(206)	(3,688)
Stock based compensation	11	-	1
Reclamation expenditures	8	(1,928)	(523)
Other		(47)	1,344
		202	(1,835)
Changes in:			
Accounts receivable		722	(247)
Accounts payable and accrued liabilities		671	2,695
Current income taxes		-	40
Prepaids and security deposits		(112)	(288)
Inventory		56	51
CASH PROVIDED FROM OPERATING ACTIVITIES		1,539	416
FINANCING ACTIVITIES			
Repayment of bank loan arrangements	7	(1,300)	(234)
Issuance of shares in subsidiaries to non-controlling interest	13	324	-
CASH USED IN FINANCING ACTIVITIES		(976)	(234)
INVESTING ACTIVITIES			
Proceeds from sale of properties		-	326
Investment in oil and gas properties	6	(368)	(489)
CASH USED IN INVESTING ACTIVITIES		(368)	(163)
INCREASE IN CASH		195	19
CASH, BEGINNING OF PERIOD		1,505	86
CASH, END OF PERIOD		**$ 1,700**	**$ 105**
Interest paid		$ 1,882	$ 1,721

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 six months ended June 30, 2017 and 2016 Tabular dollar amounts in thousands of Canadian dollars, except per share amounts

1. NATURE OF OPERATIONS

Dundee Energy Limited ("Dundee Energy" or the "Corporation") is an oil and natural gas company with a mandate to create long-term value through the exploration, development, production and marketing of oil and natural gas and through other high impact energy projects. Dundee Energy is incorporated under the *Canada Business Corporations Act*. The Corporation's head office is located at Suite 2100, 1 Adelaide Street East, Toronto, Ontario, Canada, M5C 2V9. The Corporation's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "DEN". At June 30, 2017, Dundee Corporation was the principal shareholder of the Corporation.

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

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

These unaudited condensed interim consolidated financial statements of the Corporation as at and for the three and six months ended June 30, 2017 ("June 2017 Interim Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "*Interim Financial Reporting*". The June 2017 Interim Consolidated Financial Statements should be read in conjunction with the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2016 ("2016 Audited Consolidated Financial Statements") which were prepared in accordance with IFRS. The June 2017 Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors on August 1, 2017.

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

The Forbearance Agreement provided a definitive timeline within which the Corporation was required to complete its intended process to identify strategic alternatives for DELP which may have included debt restructuring, a sale of all or a material portion of the assets of DELP, the outright sale of DELP, or a business combination or other transaction involving DELP and a third party. Under the terms of the Forbearance Agreement, DELP had committed to enter into a binding agreement under an arrangement, which binding agreement was to be satisfactory to its lender, by April 7, 2017.

The lender did not provide its consent to any of the proposals made by the Corporation, and the Forbearance Agreement expired on May 15, 2017, without resolution. On July 21, 2017, the Corporation received notice from its lender, demanding repayment of amounts borrowed pursuant to the credit facility by July 31, 2017. While the Corporation was unable to meet the demand made by its lender, the lender has not immediately moved to enforce its rights and remedies under the terms of the credit facility, and it remains in discussion with the Corporation as to options. It is anticipated that the Corporation will continue as a going concern while a process is conducted, under the direction of the Corporation's lender, to maximize the value of the business of DELP.

These unaudited condensed interim consolidated financial statements have been prepared using accounting principles applicable to a going concern. The going concern basis assumes that the Corporation will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The low commodity price environment has constrained the Corporation's access to capital under its existing credit facility and otherwise. Without access to financing, the Corporation will be challenged to deploy the capital that it requires to maintain its existing reserves and production volumes, fund repair and maintenance costs, meet its current financial obligations, including the servicing of its debt and its ability to meet decommissioning obligations, and otherwise develop its ongoing business strategy. As at June 30, 2017, the Corporation had negative working capital of $63,998,000 (December 31, 2016 – $66,039,000) and during the six months then ended, it incurred a net loss of $599,000 (six months ended June 30, 2016 – $10,570,000). Furthermore, there can be no assurance that the Corporation and its lender will reach a satisfactory resolution pursuant to the lenders' demand under the terms of the credit facility, whether in whole or in part.

The material uncertainty caused by the events described above 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. The June 2017 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 reassess the carrying value of its assets, including the appropriateness of recognizing the benefit of income tax loss carry forwards, in light of circumstances that could result in the realization of its assets and the discharge of 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 Six Months Ended June 30, 2017

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

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

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

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

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

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

IFRS accounting standards, interpretations and amendments to existing IFRS accounting standards that were not yet effective as at December 31, 2016, are described in Note 3 to the 2016 Audited Consolidated Financial Statements. There were no other changes to existing IFRS accounting standards and interpretations since December 31, 2016 that are expected to have a material effect on the Corporation's consolidated financial statements.

3. CRITICAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the June 2017 Interim Consolidated Financial Statements in accordance with IFRS requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, revenues and other items in net operating earnings or loss, and the related disclosure of contingent assets and liabilities included in the Corporation's consolidated financial statements. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and other items in net operating earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes in judgments, estimates and assumptions made by the Corporation in the preparation of the June 2017 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in Note 4 to the 2016 Audited Consolidated Financial Statements.

4. ACCOUNTS RECEIVABLE

As at	June 30, 2017	December 31, 2016
Customers for oil and natural gas production	$ 1,876	$ 2,596
Third-party drilling receivable	93	119
Working interest partners	10	14
Other	28	-
	$ 2,007	**$ 2,729**

5. INVESTMENTS

As at		June 30, 2017		December 31, 2016
Investment in private enterprises	$	1,425	$	1,425
Preferred shares of Eurogas International		32,150		32,150
Less: Impairment		(32,150)		(32,150)
		-		-
Accrued dividends on preferred share investment in Eurogas International		11,449		10,811
Less: Impairment		(11,449)		(10,811)
		-		-
	$	**1,425**	**$**	**1,425**

At June 30, 2017 and December 31, 2016, the Corporation held 32,150,000 Series A Preference Shares of Eurogas International ("Series A Preference Shares") with an aggregate par value of $32,150,000. The terms of the Corporation's investment in the Series A Preference Shares are detailed in Note 7 to the 2016 Audited Consolidated Financial Statements. Notwithstanding the Corporation not receiving any dividends on its investment at June 30, 2017, the Corporation had not exercised its entitlement to elect the majority of the members of the Board of Directors of Eurogas International. During the three and six months ended June 30, 2017, the Corporation recognized an impairment loss of $321,000 and $638,000 respectively (three and six months ended June 30, 2016 – $320,000 and $640,000 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, 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
Six months ended June 30, 2016							
Carrying value December 31, 2015	85,977	19,181	20,696	4,576	1,224	24,781	156,435
Net additions	-	-	(1,427)	-	(11)	479	(959)
Remeasure decommissioning liability (Note 8)	4,537	-	-	-	-	-	4,537
Depreciation and depletion	(3,361)	(476)	(676)	(15)	(11)	-	(4,539)
Impairment	(5,000)	-	-	-	-	-	(5,000)
Net carrying value, June 30, 2016	82,153	18,705	18,593	4,561	1,202	25,260	150,474
At June 30, 2016							
Cost	165,102	27,751	26,139	4,715	2,447	25,260	251,414
Accumulated depreciation, depletion and impairment	(82,949)	(9,046)	(7,546)	(154)	(1,245)	-	(100,940)
Net carrying value, June 30, 2016	82,153	18,705	18,593	4,561	1,202	25,260	150,474
Transactions from July 1, 2016 to December 31, 2016							
Carrying value June 30, 2016	82,153	18,705	18,593	4,561	1,202	25,260	150,474
Net additions	-	-	(17)	-	(20)	111	74
Remeasure decommissioning liability (Note 8)	(7,731)	-	-	-	-	-	(7,731)
Depreciation and depletion	(3,325)	(481)	(667)	(16)	(7)	-	(4,496)
Impairment	-	-	-	-	-	(6,934)	(6,934)
Net carrying value, December 31, 2016	71,097	18,224	17,909	4,545	1,175	18,437	131,387
At December 31, 2016							
Cost	157,371	27,751	26,122	4,715	2,427	25,371	243,757
Accumulated depreciation, depletion and impairment	(86,274)	(9,527)	(8,213)	(170)	(1,252)	(6,934)	(112,370)
Net carrying value, December 31, 2016	71,097	18,224	17,909	4,545	1,175	18,437	131,387
Six months ended June 30, 2017							
Carrying value December 31, 2016	71,097	18,224	17,909	4,545	1,175	18,437	131,387
Net additions	-	-	(34)	-	-	439	405
Remeasure decommissioning liability (Note 8)	4,044	-	-	-	-	-	4,044
Depreciation and depletion	(2,967)	(464)	(675)	(15)	(26)	-	(4,147)
Net carrying value, June 30, 2017	72,174	17,760	17,200	4,530	1,149	18,876	131,689
At June 30, 2017							
Cost	161,415	27,751	26,077	4,715	2,427	25,810	248,195
Accumulated depreciation, depletion and impairment	(89,241)	(9,991)	(8,877)	(185)	(1,278)	(6,934)	(116,506)
Net carrying value, June 30, 2017	**$ 72,174**	**$ 17,760**	**$ 17,200**	**$ 4,530**	**$ 1,149**	**$ 18,876**	**$ 131,689**

Impairment of Natural Gas Properties

During the six months ended June 30, 2016, the Corporation impaired certain natural gas properties in southern Ontario by $5,000,000, reducing their carried value to their recoverable amount at that date. The recoverable amount was measured based on the value-in-use of the natural gas properties as determined by independent, third party oil and gas reserves evaluators, and discounted using a discount rate of 8%.

7. BANK LOAN

DELP has established a credit facility with a Canadian Schedule I Chartered Bank secured by the assets of DELP, and the Corporation has also assigned a limited recourse guarantee of its units in DELP as further security against the credit facility.

The credit facility is structured as a revolving demand loan, and is subject to a tiered interest rate structure based on DELP's net debt to cash flow ratio, as defined in the credit facility. Based on ratios at June 30, 2017, draws on the credit facility bore interest at the bank's prime lending rate plus 3.5%. DELP is subject to a standby fee of 0.55% on undrawn amounts under the credit facility.

The credit facility is subject to certain covenants, including maintenance of minimum levels of working capital. At June 30, 2017, the Corporation was in compliance with all such covenants.

At June 30, 2017, DELP had drawn $56,100,000 (December 31, 2016 – $57,400,000) pursuant to the credit facility. During the three and six months ended June 30, 2017, the Corporation incurred interest expense relating to the credit facility, including bank charges, arrangement fees and standby fees, of $928,000 and $1,882,000 respectively (three and six months ended June 30, 2016 – $919,000 and $1,721,000 respectively).

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

The Forbearance Agreement provided a definitive timeline within which the Corporation was required to complete its intended process to identify strategic alternatives for DELP which may have included debt restructuring, a sale of all or a material portion of the assets of DELP, the outright sale of DELP, or a business combination or other transaction involving DELP and a third party. Under the terms of the Forbearance Agreement, DELP had committed to enter into a binding agreement under an arrangement, which binding agreement was to be satisfactory to its lender, by April 7, 2017.

The lender did not provide its consent to any of the proposals made by the Corporation and the Forbearance Agreement expired on May 15, 2017 without resolution. On July 21, 2017, the Corporation received notice from its lender, demanding repayment of amounts borrowed pursuant to the credit facility by July 31, 2017. While the Corporation was unable to meet the demand made by its lender, the lender has not immediately moved to enforce its rights and remedies under the terms of the credit facility, and it remains in discussions with the Corporation as to options. It is anticipated that the Corporation will continue as a going concern while a process is conducted, under the direction of the Corporation's lender, to maximize the value of the business of DELP.

8. DECOMMISSIONING LIABILITIES

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

		As at and for the six months ended June 30, 2017		As at and for the year ended December 31, 2016
Undiscounted future obligations, beginning of period	$	98,556	$	94,873
Effect of changes in estimates		963		4,253
Liabilities settled (reclamation expenditures)		(1,928)		(570)
Undiscounted future obligations, end of period	**$**	**97,591**	**$**	**98,556**

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

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

		As at and for the six months ended June 30, 2017		As at and for the year ended December 31, 2016
Discount rates applied to future obligations		*1.05% - 1.99%*		*0.76% - 2.24%*
Inflation rate		*2.00%*		*2.00%*
Discounted future obligations, beginning of period	$	55,520	$	58,408
Effect of changes in estimates and remeasurement of discount rates		4,044		(3,194)
Liabilities settled (reclamation expenditures)		(1,928)		(570)
Accretion (interest expense)		670		876
Discounted future obligations, end of period	**$**	**58,306**	**$**	**55,520**
Current	$	3,927	$	3,965
Non-current		54,379		51,555
	$	**58,306**	**$**	**55,520**

As required by statute, the Corporation has provided a security deposit to the Ontario Ministry of Natural Resources in the amount of $270,000 in respect of future abandonment costs. In addition, on November 9, 2016, Dundee Corporation provided the Corporation with a support letter for up to $2,500,000 towards its decommissioning liabilities, should the Corporation require additional funding in order to complete its current year reclamation obligations.

9. DERIVATIVE FINANCIAL INSTRUMENTS

During the six months ended June 30, 2017, the Corporation entered into certain commodity swap derivative contracts to manage its exposure to volatility in the prices received for the sale of the underlying commodities. These derivative instruments were not designated as hedging instruments and accordingly, were classified as financial instruments at fair value through profit or loss. Therefore, changes in the fair value of these derivative financial instruments are recorded in the consolidated statement of operations and comprehensive loss.

The Corporation has determined that the fair value of the commodity swap derivative contracts at June 30, 2017 resulted in a liability balance of $472,000 (December 31, 2016 – $2,275,000). During the three and six months ended June 30, 2017, the Corporation recognized a gain of $341,000 and $1,140,000 respectively (three and six months ended June 30, 2016 – loss of $1,580,000 and $874,000 respectively) 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 June 30, 2017
Natural gas	5,000 mmbtu/d	NYMEX	$2.70	USD	Jul 1/17 to Jan 1/18	$	(472)

10. SHARE CAPITAL

Issued and Outstanding Common Shares

	Number of Common Shares Outstanding	Share Capital	Contributed Surplus: Option Reserve	Contributed Surplus: DSUP Reserve	Contributed Surplus: Ownership Interest in Subsidiaries
Outstanding, December 31, 2015	188,268,994	$ 112,682	$ 6,846	$ 810	$ (46)
For the six months ended June 30, 2016					
Stock based compensation	-	-	1	-	-
Outstanding, June 30, 2016 and December 31, 2016	188,268,994	112,682	6,847	810	(46)
For the six months ended June 30, 2017					
Cancellation of shares pursuant to sunset clause provision	(185,158)	-	-	-	-
Issuance of shares in subsidiaries to non-controlling interest (Note 13)	-	-	-	-	(12)
Outstanding, June 30, 2017	**188,083,836**	**$ 112,682**	**$ 6,847**	**$ 810**	**$ (58)**

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

11. STOCK BASED COMPENSATION

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

Stock Option Plan

There were no stock option awards granted during the six months ended June 30, 2017. A summary of the status of the stock option component of the Corporation's SIP as at and for the six months ended June 30, 2017 and the year ended December 31, 2016, is as follows:

For the period ended	June 30, 2017		December 31, 2016	
	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Options outstanding, beginning of period	2,380,000	$ 0.50	2,480,000	$ 0.50
Forfeited	(900,000)	0.54	(100,000)	0.50
Options outstanding, end of period	**1,480,000**	**$ 0.47**	**2,380,000**	**$ 0.50**
Exercisable options	1,480,000	$ 0.47	2,380,000	$ 0.50

Option Price	Options Outstanding	Options Exercisable	Contractual Life Remaining (Years)
At $0.26	200,000	200,000	1.74
At $0.50	1,280,000	1,280,000	1.21

During the three and six months ended June 30, 2016, the Corporation recognized stock based compensation expense of $nil and $1,000 respectively. The Corporation did not recognize any stock based compensation expense related to its stock option plan during the three and six months ended June 30, 2017.

Deferred Share Unit Plan

The Corporation did not recognize any stock based compensation expense related to its deferred share unit plan during the three and six months ended June 30, 2017 and 2016. At June 30, 2017, there were 1,203,507 (December 31, 2016 – 1,203,507) deferred share units outstanding.

12. GENERAL AND ADMINISTRATIVE EXPENSES AND PRODUCTION EXPENDITURES BY NATURE

General and Administrative Expenses

	For the three months ended		For the six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Salary and salary-related	$ 678	$ 795	$ 1,263	$ 1,478
Stock based compensation	-	-	-	1
Corporate and professional fees	344	779	811	1,803
General office	248	180	480	402
Exploration and development costs	29	16	57	43
Allocation of general and administrative costs	(562)	(616)	(948)	(1,035)
	$ 737	**$ 1,154**	**$ 1,663**	**$ 2,692**

Production Expenditures

	For the three months ended		For the six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Labour	$ 992	$ 1,246	$ 1,796	$ 2,246
Materials, equipment and supplies used	945	1,764	1,425	2,293
Transportation	147	151	298	295
Utilities	563	593	1,171	1,176
Rental and lease payments	72	76	162	121
Other	126	117	493	523
	$ 2,845	**$ 3,947**	**$ 5,345**	**$ 6,654**

13. EQUITY ACCOUNTED INVESTMENT IN ESCAL

The Corporation’s 74% owned subsidiary, CLP, owns a 33% interest in Escal, the developer and former owner of the Castor underground gas storage project located in Spain (the “Castor Project”). The remaining interest in Escal is held by ACS Servicios Comunicaciones y Energia, S.L. (“ACS”). A detailed description of the nature and status of the Corporation’s investment in Escal is provided in Note 15 to the 2016 Audited Consolidated Financial Statements.

CLP had previously initiated binding arbitration proceedings against ACS as to the sharing of cash flows from the Castor Project. On March 27, 2017, the Corporation announced that the arbitral tribunal of the International Chamber of Commerce had rendered its decision related to the Castor Project, denying the claim made by CLP. The decision was rendered by a majority of the three-person tribunal, with the third member issuing a dissenting opinion. The Corporation continues to explore its options, but has not yet determined an alternative course of action.

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 June 30, 2017, CLP had not recorded a liability related to losses incurred by Escal, as it does not have the legal or constructive obligation in respect thereof. Consequently, at June 30, 2017, the carrying value of the Corporation’s indirect equity interest in Escal was $nil (December 31, 2016 – $nil).

Issuance of Limited Partnership Units in Castor UGS Limited Partnership

During the six months ended June 30, 2017, and in order to fund legal and other related costs of the Castor Project arbitration process, CLP raised funds through a voluntary cash call to its limited partners. CLP raised partners’ capital of $1,284,000 from the cash call, including $960,000 raised directly from the Corporation. As not all limited partners participated in the voluntary cash call, the Corporation’s interest in CLP increased marginally, resulting in a reduction in the Corporation’s contributed surplus balance of $12,000.

14. NET LOSS PER SHARE

	For the three months ended		For the six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net loss for the period attributable to owners of the parent	$ (539)	$ (7,303)	$ (572)	$ (10,244)
Weighted average number of common shares outstanding	188,083,836	188,268,994	188,175,904	188,268,994
Basic and diluted net loss per common share	$ -	$ (0.04)	**$ -**	**$ (0.05)**

15. INCOME TAXES

During the six months ended June 30, 2017, the Corporation recognized an income tax recovery amount of $206,000 (six months ended June 30, 2016 – $3,648,000).

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% (six months ended June 30, 2016 – 26%) as a result of the following items:

	For the six months ended	
	June 30, 2017	June 30, 2016
Loss before tax at statutory rate of 26% (June 30, 2016 – 26%)	$ 213	$ 3,768
Effect on taxes of:		
Non-deductible expenses	(7)	(93)
Other differences	-	(27)
Income tax recovery	**$ 206**	**$ 3,648**

16. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these June 2017 Interim Consolidated Financial Statements, related party transactions and balances as at and for the six months ended June 30, 2017 are as described below.

Services Arrangement with Dundee Resources Limited

Dundee Resources Limited, a wholly owned subsidiary of Dundee Corporation, provides the Corporation with administrative support services as well as geophysical, geological and engineering consultation with regard to the Corporation’s activities. During the three and six months ended June 30, 2017, the Corporation incurred costs of $154,000 and $316,000 respectively (three and six months ended June 30, 2016 – $79,000 and $187,000 respectively) in respect of these arrangements.

Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities at June 30, 2017 are amounts owing to the Corporation’s parent, Dundee Corporation, and to Dundee Corporation’s subsidiaries of $3,402,000 (December 31, 2016 – $2,830,000).

Key Management Compensation

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

		For the three months ended		For the six months ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Directors' fees and executive compensation	$	132	$ 187	$ 276	$ 375
Stock based compensation		-	-	-	1
Benefits		5	20	11	31
	$	**137**	**$ 207**	**$ 287**	**$ 407**

17. COMMITMENTS

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

18. FINANCIAL INSTRUMENTS

The following table provides information about financial assets and financial liabilities measured at fair value in the Corporation's consolidated statement of financial position as at June 30, 2017. These financial assets and financial liabilities have been categorized by level, according to the significance of the inputs used in determining fair value measurements.

		Fair Value as at June 30, 2017		
	Carrying Value as at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring Measurements				
Financial Assets				
Investment in private enterprises	$ 1,425	$ -	$ 1,425	$ -
Financial Liabilities				
Derivative financial instruments	(472)	-	(472)	-

A detailed description of the Corporation's financial assets and financial liabilities and its associated risk management in respect thereof are provided in Note 20 to the 2016 Audited Consolidated Financial Statements. There have been no significant changes in the business and economic circumstances and the related financial risks that affect the fair value of the Corporation's financial assets and financial liabilities since December 31, 2016.

19. CAPITAL MANAGEMENT

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

20. GEOGRAPHIC SEGMENTED INFORMATION

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

Segmented Statements of Operations for the Six Months Ended June 30, 2017 and June 30, 2016

	Southern Ontario		Spain		Corporate		TOTAL	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
REVENUES								
Oil and gas sales	$ 13,875	$ 10,474	$ -	$ -	$ -	$ -	$ 13,875	$ 10,474
Royalties	(2,070)	(1,546)	-	-	-	-	(2,070)	(1,546)
Net sales	11,805	8,928	-	-	-	-	11,805	8,928
Production expenditures	(5,345)	(6,654)	-	-	-	-	(5,345)	(6,654)
Depreciation and depletion	(4,125)	(4,538)	-	-	(22)	(1)	(4,147)	(4,539)
General and administrative expenses	(1,348)	(1,081)	(62)	(1,272)	(253)	(339)	(1,663)	(2,692)
Gain (loss) on fair value changes of derivative financial instruments	1,140	(874)	-	-	-	-	1,140	(874)
Impairment of oil and gas properties	-	(5,000)	-	-	-	-	-	(5,000)
Impairment of financial instruments	-	-	-	-	(638)	(640)	(638)	(640)
Interest and other items in earnings	114	(1,095)	-	-	638	640	752	(455)
Interest expense	(2,552)	(2,184)	-	-	-	-	(2,552)	(2,184)
Foreign exchange (loss) gain	(112)	(133)	(45)	25	-	-	(157)	(108)
NET LOSS BEFORE INCOME TAXES	(423)	(12,631)	(107)	(1,247)	(275)	(340)	(805)	(14,218)
Income tax recovery (expense)								
Current	-	-	-	-	-	(40)	-	(40)
Deferred	-	-	-	-	206	3,688	206	3,688
	-	-	-	-	206	3,648	206	3,648
NET (LOSS) EARNINGS FOR THE PERIOD	**$ (423)**	**$ (12,631)**	**$ (107)**	**$ (1,247)**	**$ (69)**	**$ 3,308**	**$ (599)**	**$ (10,570)**
NET (LOSS) EARNINGS ATTRIBUTABLE TO:								
Owners of the parent	$ (423)	$ (12,631)	$ (80)	$ (921)	$ (69)	$ 3,308	$ (572)	$ (10,244)
Non-controlling interest	-	-	(27)	(326)	-	-	(27)	(326)
	$ (423)	**$ (12,631)**	**$ (107)**	**$ (1,247)**	**$ (69)**	**$ 3,308**	**$ (599)**	**$ (10,570)**

Segmented Statements of Operations for the Three Months Ended June 30, 2017 and June 30, 2016

	Southern Ontario		Spain		Corporate		TOTAL	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
REVENUES								
Oil and gas sales	$ 6,898	$ 5,499	$ -	$ -	$ -	$ -	$ 6,898	$ 5,499
Royalties	(1,039)	(801)	-	-	-	-	(1,039)	(801)
Net sales	5,859	4,698	-	-	-	-	5,859	4,698
Production expenditures	(2,845)	(3,947)	-	-	-	-	(2,845)	(3,947)
Depreciation and depletion	(2,072)	(2,268)	-	-	-	-	(2,072)	(2,268)
General and administrative expenses	(598)	(435)	(30)	(563)	(109)	(156)	(737)	(1,154)
Gain (loss) on fair value changes of derivative financial instruments	341	(1,580)	-	-	-	-	341	(1,580)
Impairment of oil and gas properties	-	(5,000)	-	-	-	-	-	(5,000)
Impairment of financial instruments	-	-	-	-	(321)	(320)	(321)	(320)
Interest and other items in earnings	72	365	-	-	321	320	393	685
Interest expense	(1,256)	(1,143)	-	-	-	-	(1,256)	(1,143)
Foreign exchange (loss) gain	(75)	(20)	(37)	13	-	-	(112)	(7)
NET LOSS BEFORE INCOME TAXES	(574)	(9,330)	(67)	(550)	(109)	(156)	(750)	(10,036)
Income tax recovery (expense)								
Current	-	-	-	-	-	(40)	-	(40)
Deferred	-	-	-	-	194	2,629	194	2,629
	-	-	-	-	194	2,589	194	2,589
NET (LOSS) EARNINGS FOR THE PERIOD	**$ (574)**	**$ (9,330)**	**$ (67)**	**$ (550)**	**$ 85**	**$ 2,433**	**$ (556)**	**$ (7,447)**
NET (LOSS) EARNINGS ATTRIBUTABLE TO:								
Owners of the parent	$ (574)	$ (9,330)	$ (50)	$ (406)	$ 85	$ 2,433	$ (539)	$ (7,303)
Non-controlling interest	-	-	(17)	(144)	-	-	(17)	(144)
	$ (574)	**$ (9,330)**	**$ (67)**	**$ (550)**	**$ 85**	**$ 2,433**	**$ (556)**	**$ (7,447)**

Segmented Net Assets as at June 30, 2017 and December 31, 2016

	Southern Ontario		Spain		Corporate		TOTAL	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
ASSETS								
Current								
Cash	$ 1,694	$ 1,419	$ 2	$ 44	$ 4	$ 42	$ 1,700	$ 1,505
Accounts receivable	2,007	2,729	-	-	-	-	2,007	2,729
Prepaids and security deposits	754	690	-	(41)	7	-	761	649
Inventory	279	335	-	-	-	-	279	335
Investments	-	-	-	-	1,425	1,425	1,425	1,425
	4,734	5,173	2	3	1,436	1,467	6,172	6,643
Non-current								
Oil and gas properties	131,679	131,355	-	-	10	32	131,689	131,387
Equity accounted investment in Escal	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	18,216	18,010	18,216	18,010
	$ 136,413	$ 136,528	$ 2	$ 3	$ 19,662	$ 19,509	$ 156,077	$ 156,040
LIABILITIES								
Current								
Bank loan	$ 56,100	$ 57,400	$ -	$ -	$ -	$ -	$ 56,100	$ 57,400
Accounts payable and accrued liabilities	4,520	4,305	1,075	1,319	4,076	3,418	9,671	9,042
Derivative financial liabilities	472	2,275	-	-	-	-	472	2,275
Decommissioning liabilities	3,927	3,965	-	-	-	-	3,927	3,965
	65,019	67,945	1,075	1,319	4,076	3,418	70,170	72,682
Non-current								
Decommissioning liabilities	54,379	51,555	-	-	-	-	54,379	51,555
	$ 119,398	$ 119,500	$ 1,075	$ 1,319	$ 4,076	$ 3,418	$ 124,549	$ 124,237
SEGMENTED NET ASSETS	**$ 17,015**	**$ 17,028**	**$ (1,073)**	**$ (1,316)**	**$ 15,586**	**$ 16,091**	**$ 31,528**	**$ 31,803**