



DUNDEE ENERGY LIMITED

(formerly Eurogas Corporation)

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dundee Energy Limited ("Dundee Energy" or the "Corporation") is a Canadian-based company whose common shares currently trade on the Toronto Stock Exchange ("TSX") under the symbol "DEN". Pursuant to a special resolution passed by the shareholders of the Corporation at its annual and special meeting held on June 14, 2011, the Corporation changed its name from "Eurogas Corporation" to "Dundee Energy Limited" in order to more clearly reflect its business operations in the energy sector, both in Canada and in Europe. On June 22, 2011, the common shares of the Corporation commenced trading on the TSX under the new symbol "DEN" (formerly "EUG"). Prior to February 4, 2011, the Corporation's common shares were trading on the TSX Venture Exchange.

Dundee Energy is focused on creating long-term value through the development and acquisition of high-impact energy projects. The Corporation holds interests, both directly and indirectly, in the largest accumulation of producing oil and natural gas assets in southern Ontario and in the development of an offshore underground natural gas storage facility in Spain. The Corporation also holds an investment in preferred shares of Eurogas International Inc., an oil and gas exploration company that holds a 45% working interest in the one million acre Sfax permit located offshore Tunisia.

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of October 19, 2011, and provides an update on matters discussed in, and should be read in conjunction with the audited annual consolidated financial statements of the Corporation, including the notes thereto, as at and for the year ended December 31, 2010, which were prepared under Canadian generally accepted accounting principles ("Canadian GAAP") ("2010 Audited Consolidated Financial Statements") and the unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 2011 ("September 2011 Interim Consolidated Financial Statements"). All amounts are in Canadian dollars, unless otherwise specified. The financial data discussed in this MD&A, including financial data relating to comparative periods in the prior year, has been prepared in accordance with International Financial Reporting Standards ("IFRS"), unless otherwise specified. Tabular dollar amounts, unless otherwise specified, are in thousands of dollars or thousands of units of measurement, except for per unit amounts.

IFRS ADOPTION

In 2010, the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") was revised to incorporate IFRS, and required publicly accountable enterprises to apply such standards for financial years beginning on or after January 1, 2011.

The Corporation's September 2011 Interim Consolidated Financial Statements have been prepared in accordance with IFRS. The Corporation's 2010 Audited Consolidated Financial Statements and its interim consolidated financial statements as at and for the three and nine months ended September 30, 2010 (combined, the "Canadian Consolidated Financial Statements"), were prepared using Canadian GAAP. Included in Note 5 to the September 2011 Interim Consolidated Financial Statements is a detailed description of the differences between Canadian GAAP and IFRS, as they apply to the Corporation, as well as a reconciliation of the Canadian Consolidated Financial Statements to IFRS.

The Corporation conducted an assessment of internal controls and information technology systems to ensure compliance with IFRS, both from a transaction level accounting process and for the purpose of financial reporting disclosure requirements. Changes to existing procedures were minor and consisted primarily of establishing processes for the more granular tracking of property, plant and equipment. This granular tracking will better facilitate application of the relevant IFRS, as well as presentation and disclosure of these items.

The Corporation continues to assess amendments and updates to IFRS for purposes of preparing its 2011 audited annual consolidated financial statements as at and for the year ending December 31, 2011. In addition, the Corporation will be required to assess IFRS developments on an ongoing basis. Future changes to IFRS may significantly modify the Corporation's financial and reporting disclosure requirements.

PERFORMANCE MEASURES AND BASIS OF PRESENTATION

The Corporation's consolidated financial statements are prepared in accordance with IFRS and are reported in Canadian dollars.

The Corporation believes that important measures of operating performance include certain measures that are not defined under IFRS and as such, may not be comparable to similar measures used by other companies. Throughout this discussion, there will be references to the following performance measures which management believes are relevant in assessing the economics of its business. While these measures are non-IFRS, they are common benchmarks in the oil and natural gas industry, and are used by the Corporation as supplementary measures to net earnings and cash flow.

- "Barrel of Oil Equivalent" or "boe" is calculated at a barrel of oil conversion ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of oil (6 Mcf to 1 bbl), based on an energy equivalency conversion method which is primarily applicable at the burner tip and does not always represent a value equivalency at the wellhead.
- "Field Level Cash Flows" is calculated as revenues from oil and natural gas sales, less royalties and production expenditures. Field level cash flows contribute to the funding of the Corporation's working capital, as well as to capital expenditure requirements for these activities. Field level cash flows also provide for repayment of amounts owing pursuant to the Corporation's credit facilities (see "*Liquidity and Capital Resources*").
- "Field Netbacks" refers to field level cash flows expressed on a measurement unit or barrel of oil equivalent basis.
- "Proved Reserves" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- "Probable Reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- "Reserve Life Index" is determined by dividing proved reserves by expected annual production. For greater certainty, the reserve life index includes only proved reserves and does not include probable or possible reserves.

SIGNIFICANT PROJECTS

The Southern Ontario Assets

Dundee Energy Limited Partnership

On June 29, 2010, Dundee Energy Limited Partnership ("DELDP"), a wholly-owned limited partnership of the Corporation, acquired a 95% working interest in 65,000 acres of onshore oil properties and a 65% working interest in 902,000 acres of offshore gas properties ("DELDP Acquisition"). As part of the DELDP Acquisition and through the Corporation's investment in DELDP, the Corporation acquired a 65% ownership interest in certain other assets including an offshore fleet of drilling and completion barges, six gas plants and compressor stations that process offshore dry gas at onshore locations, and a 100% interest in four onshore oil facilities. The DELDP Acquisition also

provides for ownership or licensing of up to 14,680 km of 2-dimensional seismic and 331 km² of 3-dimensional seismic.

The DELP Acquisition further provides the Corporation with potential growth opportunities, including a significant number of development drilling locations, as well as opportunities for well recompletions and the optimization of the existing infrastructure system. Importantly, the DELP Acquisition has provided the Corporation with the potential for the development of gas storage reservoirs, the feasibility of which will require further evaluation.

The Corporation paid \$128.6 million for the acquisition of the DELP assets. Transaction costs aggregated \$3.1 million and were comprised primarily of legal and advisory costs. In accordance with IFRS, these costs were expensed as incurred. Approximately \$67.8 million of the consideration transferred was funded using the Corporation's working capital, with the balance funded by drawing against an \$80 million credit facility (see "*Liquidity and Capital Resources*").

Torque Energy Inc.

On August 4, 2011, the Corporation completed the acquisition (the "Torque Acquisition") of all of the outstanding common shares of Torque Energy Inc. ("Torque"), a Canadian based oil and natural gas company with exploration, development and production activities. The acquisition of Torque is expected to provide the Corporation with efficiencies of scale by combining Torque's oil and natural gas interests with those of DELP, including interests in some of the same wells and fields.

The aggregate purchase consideration for the Torque Acquisition was \$7.1 million and included a cash payment of \$6.0 million and the issuance of 1,346,926 common shares of the Corporation with a value of \$1.1 million.

Net assets acquired		
Property, plant and equipment*	\$	10,076
Accounts receivable		1,024
Prepays		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

*Includes capitalization of \$2,169,000 future abandonment and reclamation costs.

Torque holds working interests in 47 wells, including 43 wells located in southern Ontario, in relative proximity to the Corporation's existing oil and natural gas interests held through DELP (collectively, the "Southern Ontario Assets"). Torque's four remaining wells are located in Alberta. Current net production volumes from the Torque assets include 85 bbl per day of oil and condensate as well as 300 Mcf per day of natural gas.

Management, together with independent qualified reserves evaluators and engineers estimate proved reserves of 0.5 million barrels of oil with a reserve life index of 16.3 years, as well as 1.1 billion cubic feet of natural gas with a reserve life index of 10.4 years.

In June 2010, Torque entered into an agreement with Union Gas, which provides Union Gas with the right to develop new gas storage capacity in the Trenton Reservoir located within the Dover East field, where Torque holds a 50% non-operating working interest. In exchange, Torque will receive cash payments that are tiered to the developmental work undertaken by Union Gas for gas storage. During the third quarter of 2011 and subsequent to the Torque Acquisition, Torque received a payment of \$0.6 million in respect of these activities.

Notwithstanding the transaction with Union Gas, Torque retains the right to further explore, drill and produce oil from all new and certain existing wells within the Dover East field, subject to maintaining the integrity of the designated storage reservoir.

Castor UGS Limited Partnership and the Castor Project

The Corporation has an indirect interest in a Spanish infrastructure project designed to convert the abandoned Amposta oil field, located off the eastern Mediterranean coast of Spain, to a natural gas storage facility (the “Castor Project”). The Castor Project provides Spain with a dedicated source of easily deliverable natural gas and is expected to help moderate seasonal and daily demand peaks. It will also provide Spain with strategic gas storage, ensuring supply continuity in the event of disruption to its national gas system.

The Corporation’s 74% owned subsidiary, Castor UGS Limited Partnership (“CLP”), holds a 33% interest in the Castor Project through its investment in Escal UGS S.L. (“Escal”), a Spanish corporation and the owner of the related development concession, providing the Corporation with an effective 25% interest. The Corporation currently accounts for its indirect investment in Escal on an equity basis.

On June 15, 2008, the exploration permit relating to the Castor Project was replaced by a development concession (the “Development Concession”), which allows Escal to construct and utilize the Castor Project. The Castor Project will utilize the abandoned Cretaceous aged carbonate Amposta reservoir for gas storage at an estimated cost of approximately €1.6 billion, with gas injection scheduled to begin in 2012. The Castor Project consists of an underground gas storage reservoir that lies at a depth of 1,800 metres, approximately 21 kilometres off the east coast of Spain in the Mediterranean Sea, two offshore platforms for 13 wells and processing facilities, and an onshore compression and processing plant located in the municipality of Vinaroz. The onshore facilities and offshore platform will be linked by a 30-inch diameter pipeline that is 36 kilometres long, including 21 kilometres offshore.

Series A Preference Share Investment in Eurogas International Inc.

The Corporation holds a \$32,150,000 preferred share investment in Eurogas International Inc. (“Eurogas International” or “EII”), an independent oil and gas company engaged in the exploration and evaluation of its extensive landholdings offshore Tunisia, targeting large scale oil and gas reserves. EII holds a 45% working interest, and is the non-operating partner in the Sfax offshore permit (the “Sfax Permit”) covering 908,425 acres located in the shallow Mediterranean waters in the Gulf of Gabes, and southeast of the city of Sfax.

In January 2011, EII announced that it had declared a condition of Force Majeure with respect to the Sfax Permit and the related Ras-El-Besh concession, as EII believes that the political uncertainty and civil unrest in Tunisia adversely affects their ability to continue exploration and evaluation activities in that region. EII has indicated that it believes that the declaration of Force Majeure will allow EII and its partner to suspend their activities while the conditions resulting in the Force Majeure continue.

CONSOLIDATED NET EARNINGS

During the nine months ended September 30, 2011, the Corporation incurred a net loss before non-controlling interest of \$2.3 million, or \$0.01 per share. This compares with a net loss before non-controlling interest of \$3.9 million incurred in the same period of 2010. Following the DELP Acquisition completed in June 2010, the Corporation began generating revenues from, and incurring expenses related to development and production activities in southern Ontario. As such, the nature of the Corporation's operations have changed significantly, impacting the various components of operations compared with those during the nine months ended September 30 of the prior year, where, during the first six months, the Corporation's activities were limited to exploration and development activities related to its Spanish interests.

A summary of the Corporation's net loss from its various projects is summarized below:

<i>For the nine months ended September 30,</i>	2011			2010		
	Net Earnings (Loss)	Attributable to Owners of the Parent	Non-Controlling Interest	Net Loss	Attributable to Owners of the Parent	Non-Controlling Interest
Southern Ontario Assets	\$ 729	\$ 729	\$ -	\$ (1,894)	\$ (1,894)	\$ -
Castor Project	(149)	(112)	(37)	(516)	(384)	(132)
Corporate activities	(2,848)	(2,848)	-	(1,498)	(1,498)	-
Net loss for the period	\$ (2,268)	\$ (2,231)	\$ (37)	\$ (3,908)	\$ (3,776)	\$ (132)

Results in the third quarter of 2011 include two months of production from the Torque Acquisition.

SOUTHERN ONTARIO ASSETS

Production and Operating Performance

In accordance with Canadian industry practice, production volumes, reserve volumes and oil and gas sales are reported on a working interest or "net" basis, before deduction of royalties. The Corporation's operating performance is dependent on production volumes of oil, natural gas and natural gas liquids and the prices received for this production. Prices for these commodities may vary significantly and are determined by supply and demand factors, weather, general economic conditions and changes in foreign exchange rates.

Production

	Average Production Volumes per Quarter				
	30-Sep-11	30-Jun-11	31-Mar-11	31-Dec-10	30-Sep-10
Natural gas (Mcf/d)					
DEL P	10,469	10,602	10,164	10,417	10,453
Torque	346	-	-	-	-
Oil (bbls/d)					
DEL P	646	674	635	669	683
Torque	77	-	-	-	-
Liquids (bbls/d)	24	36	16	22	15

Natural Gas – DELP's natural gas production during the three months ended September 30, 2011 was 10,469 Mcf/d compared with production of 10,602 Mcf/d during the quarter ended June 30, 2011. This decline of approximately 1% resulted from turnaround work at DELP's Port Maitland and Port Alma facilities undertaken during the summer months.

The Torque Acquisition added 346 Mcf/d to the Corporation's production base. During the third quarter of 2011, Torque restarted a previously shut-in natural gas well, contributing 25 Mcf/d to daily production.

As a result of severe weather conditions in the late winter of 2010, DELP was required to make unanticipated repairs to an offshore gas pipeline. This resulted in a loss of production of a gross 16 MMcf during the quarter ended March 31, 2011.

During the third quarter of 2011, the Corporation drilled three gas wells (see "*Capital Expenditures*"), which are expected to increase production by approximately 500 Mcf/d.

Oil – As a result of natural decline in oil reserves, DELP's oil production during the three months ended September 30, 2011 averaged 646 bbl/d compared with 674 bbl/d in the second quarter of 2011.

Torque's oil production since completion of the Torque Acquisition averaged 77 bbl/d. Oil production was adversely affected by an unplanned shut-in of two wells in the Petrolia East. Torque anticipates that following repairs, production levels will return to normal levels of 85 bbl/d.

The Corporation initiated a three well onshore drilling program during the third quarter of 2011 (see "*Capital Expenditures*") to increase production and partially offset the natural decline in oil reserves.

Oil and Gas Sales

Revenues from oil and natural gas sales were \$10.4 million and \$31.2 million during the three and nine months ended September 30, 2011, respectively.

	Quarter ended 30-Sep-11		Quarter ended 30-Jun-11		Quarter ended 31-Mar-11		Quarter ended 31-Dec-10		Quarter ended 30-Sep-10	
	Realized Revenue	Price/unit	Realized Revenue	Price/unit	Realized Revenue	Price/unit	Realized Revenue	Price/unit	Realized Revenue	Price/unit
Natural gas (Mcf)										
DELDP	\$ 4,420	\$ 4.59	\$ 4,541	\$ 4.71	\$ 4,290	\$ 4.69	\$ 4,309	\$ 4.50	\$ 4,881	\$ 5.08
Torque	88	4.17	-	-	-	-	-	-	-	-
Oil (bbls)										
DELDP	5,338	89.82	6,479	105.63	5,211	91.18	5,342	86.82	4,799	76.38
Torque	409	87.08	-	-	-	-	-	-	-	-
Liquids (bbls)										
	129	58.42	185	56.47	68	47.22	117	58.18	72	50.75
Total	\$ 10,384	n/a	\$ 11,205	n/a	\$ 9,569	n/a	\$ 9,768	n/a	\$ 9,752	n/a

Oil and gas sales during the third quarter of 2011, before factoring in the effect of risk management contracts (see "*Risk Management Contracts – Price Risk Management*"), were negatively affected by significant volatility in commodity prices, following recent concerns in global capital markets.

	For the three months ended September 30, 2011					For the nine months ended September 30, 2011				
	US\$	CAD\$	Realized Prices (\$)	Realized Prices (\$)	Combined Realized Prices (\$)	US\$	CAD\$	Realized Prices (\$)	Realized Prices (\$)	Combined Realized Prices (\$)
Benchmark Prices										
Oil	West Texas Intermediate (WTI)	89.64	86.55			95.22	92.64			
	Edmonton Par		92.47				94.94			
			DELDP	89.82				DELDP	95.81	
			Torque	87.08	89.51			Torque	87.08	95.52
Natural Gas	Dawn Hub	4.41	4.25			4.57	4.45			
	Nymex Henry Hub	4.12	3.97			4.23	4.11			
			DELDP	4.59				DELDP	4.66	
			Torque	4.17	4.58			Torque	4.17	4.66

Natural gas sales in the third quarter of 2011 represented 71% of the overall production volume on a boe basis and 43% of total revenue. During the three months ended September 30, 2011, DELP's sales of natural gas resulted in average realized sales prices of \$4.59/Mcf, representing a significant positive basis differential from the average NYMEX price of US\$4.12 (Cdn\$3.97) during this period. The positive basis differential is due in part, to the Corporation's proximity to the Dawn hub, located in southwestern Ontario, which is a leading provider of natural gas supply to the greater Toronto market area.

Notwithstanding the proximity of Torque's operations, realized average selling prices on natural gas sales averaged \$4.17/Mcf since completion of the Torque Acquisition. Torque's marketing procedures result in realized sales prices that are net of associated transportation and station demand charges. The Corporation estimates that the aggregate of these charges is approximately \$0.30 per Mcf. This adjusted realized price of \$4.47 is approximately 3% below the sales price realized by DELP operations in the current quarter. The Corporation is exploring marketing initiatives to improve the sale price of gas produced by Torque's operations.

Oil sales in the current quarter represented 29% of overall production volume on a boe basis and 57% of total revenue. Global economic concerns continue to cause substantial volatility in the price of oil, with the spot price closing on September 30, 2011 at US\$81.87/bbl West Texas Intermediate (WTI) compared with US\$91.38/bbl at December 31, 2010 and US\$75.93/bbl on the date of the DELP Acquisition.

During the third quarter of 2011, sales of oil from DELP operations generated a realized sales price of \$89.82/bbl. Torque operations, which represent approximately 7% of total aggregate oil revenue, generated an average realized sales price of \$87.08/bbl, 3% less than that realized by DELP operations. The difference is the result of the lower oil quality.

Impact of Foreign Currency Fluctuations in Oil and Gas Sales

Sales revenues are received in US currency or are closely referenced to the US dollar. The Corporation converts these revenues into Canadian dollars for reporting purposes. The strengthening of the Canadian dollar relative to the US dollar during the nine months ended September 30, 2011 has also affected the Corporation's revenues from oil and gas sales. The Corporation partially mitigates its exposure to foreign exchange risk by entering into commodity risk management contracts on a Canadian dollar basis.

Oil and Gas Expenses

Royalties

The Corporation incurs royalty costs, including royalties paid to provincial governments, freehold landowners and overriding royalty holders, in respect of its oil and gas sales. Royalties are generally calculated as a percentage of oil and gas sales.

During the nine months ended September 30, 2011, the Corporation recorded royalty expense of \$4.8 million, representing approximately 15% of oil and natural gas sales.

	Quarter ended									
	30-Sep-11		30-Jun-11		31-Mar-11		31-Dec-10		30-Sep-10	
	Royalty Expense	Royalties as a % of Revenues	Royalty Expense	Royalties as a % of Revenues	Royalty Expense	Royalties as a % of Revenues	Royalty Expense	Royalties as a % of Revenues	Royalty Expense	Royalties as a % of Revenues
Natural Gas	\$ 681	15%	\$ 696	15%	\$ 634	15%	\$ 664	15%	\$ 766	16%
Oil & Liquids	946	16%	979	15%	863	16%	803	15%	807	17%
Total	\$ 1,627	16%	\$ 979	15%	\$ 863	16%	\$ 803	15%	\$ 807	17%

Production Expenditures

Production expenditures for the three and nine months ended September 30, 2011 were \$4.8 million and \$10.7 million, respectively.

	Quarter ended 30-Sep-11			Quarter ended 30-Jun-11			Quarter ended 31-Mar-11			Quarter ended 31-Dec-10			Quarter ended 30-Sep-10		
	Oil and Liquids	Natural Gas	Total	Oil and Liquids	Natural Gas	Total	Oil and Liquids	Natural Gas	Total	Oil and Liquids	Natural Gas	Total	Oil and Liquids	Natural Gas	Total
Production expenditures	\$ 1,952	\$ 2,805	\$ 4,757	\$ 1,338	\$ 1,716	\$ 3,054	\$ 1,128	\$ 1,770	\$ 2,898	\$ 1,480	\$ 1,446	\$ 2,926	\$ 1,115	\$ 1,678	\$ 2,793

A large part of the Corporation's field operations are conducted on or near Lake Erie. As these operations are limited during the winter months, the majority of the Corporation's repair and maintenance and capital expenditures programs are conducted throughout the third and fourth quarters of each year. This seasonality is reflected in increased production expenditures in the current quarter compared to previous reporting periods. In addition, included in 2011 third quarter operating expenditures is \$0.3 million related to an unplanned pipeline repair.

Depreciation and Depletion

Property, plant and equipment are depreciated and/or depleted, as appropriate, based on their estimated useful life. Depletion of assets is calculated using the unit-of-production method based on relative reserve production volumes. For depletion purposes, capitalized costs relating to oil and natural gas rights are adjusted for estimated future resources required to develop proved reserves, and are depleted over estimated proved reserves. The Corporation updates depletion rates annually, unless there is a material change in circumstances. Depreciation and depletion expense for the three and nine months ended September 30, 2011 was \$3.8 million and \$11.1 million, respectively.

Other Measures of Operating Performance

Field Level Cash Flows

Field level cash flows generated from the Southern Ontario Assets were \$15.7 million in the nine months ended September 30, 2011.

Field level cash flows in the third quarter of 2011 were \$4.0 million, a decrease of 29% from average field level cash flows generated since acquisition of the DELP assets at the end of June 2010. The decline reflects increased production expenditures during the peak summer operating season as previously discussed (see "*Oil and Gas Expenses – Production Expenditures*").

	Field Level Cash Flows per Quarter					
	30-Sep-11	30-Jun-11	31-Mar-11	31-Dec-10	30-Sep-10	
Oil and gas sales	\$ 10,384	\$ 11,205	\$ 9,569	\$ 9,768	\$ 9,752	
Royalties	(1,627)	(1,675)	(1,497)	(1,467)	(1,573)	
Production expenditures	(4,757)	(3,054)	(2,898)	(2,926)	(2,793)	
Field level cash flows	\$ 4,000	\$ 6,476	\$ 5,174	\$ 5,375	\$ 5,386	

Torque Operations 04-Aug-11 to 30-Sep-11	
Oil and gas sales	\$ 497
Royalties	(66)
Production expenditures	(161)
Field level cash flows	\$ 270

Field level cash flows in the third quarter of 2011 include the results from the Torque Acquisition. Torque operations generated field level cash flows of \$0.3 million in the quarter, representing approximately 7% of consolidated field level cash flows.

Field Netbacks

Field netbacks represent the unit revenues and unit costs on a bbl or Mcf basis for items included in field level cash flows.

	Quarter ended 30-Sep-11		Quarter ended 30-Jun-11		Quarter ended 31-Mar-11		Quarter ended 31-Dec-10		Quarter ended 30-Sep-10	
	Oil and Liquids (bbls)	Natural Gas (Mcf)	Oil and Liquids (bbls)	Natural Gas (Mcf)	Oil and Liquids (bbls)	Natural Gas (Mcf)	Oil and Liquids (bbls)	Natural Gas (Mcf)	Oil and Liquids (bbls)	Natural Gas (Mcf)
Total sales	\$ 88.53	\$ 4.58	\$ 103.14	\$ 4.71	\$ 90.10	\$ 4.69	\$ 85.91	\$ 4.50	\$ 75.81	\$ 5.08
Royalty expense	(14.25)	(0.69)	(15.15)	(0.72)	(14.74)	(0.69)	(12.64)	(0.69)	(12.56)	(0.80)
Production	(29.42)	(2.85)	(20.71)	(1.78)	(19.26)	(1.94)	(23.29)	(1.51)	(17.36)	(1.74)
Field netbacks	\$ 44.86	\$ 1.04	\$ 67.28	\$ 2.21	\$ 56.10	\$ 2.06	\$ 49.98	\$ 2.30	\$ 45.89	\$ 2.53

Field netbacks in the third quarter of 2011 were adversely affected by both the decline in commodity prices as well as seasonal increases in production expenditures.

Risk Management Contracts – Price Risk Management

The Corporation may, from time to time, enter into fixed price contracts and derivative financial instruments for the purpose of protecting its oil and natural gas revenue from the volatility of oil and natural gas prices and volatility in Canadian to US foreign exchange rates. These price risk management strategies assist the Corporation in securing a stable amount of cash flow to protect a desired level of capital spending and for debt management.

The Corporation's risk management strategy includes a foreign exchange component, as fixed prices are set in Canadian dollars. These risk management contracts hedge approximately 81% of the Corporation's average oil production and approximately 62% of its average natural gas production.

The following is a summary of commodity contracts entered into by the Corporation as of September 30, 2011.

Contract	Remaining Term	Average Volume	Rate / Strike C\$/unit
NYMEX oil swaps	Oct - Dec 2011	100 bbls/d	89.29
NYMEX oil swaps	Oct - Dec 2011	100 bbls/d	89.60
NYMEX oil swaps	Oct - Dec 2011	100 bbls/d	90.00
NYMEX oil swaps	Oct - Dec 2011	50 bbls/d	95.00
NYMEX oil swaps	Oct - Dec 2011	100 bbls/d	99.45
NYMEX oil swaps	Oct - Dec 2011	100 bbls/d	100.00
NYMEX gas swaps	Oct 2011 - Feb 2012	6500 mbtu/d	4.66

For accounting purposes, the Corporation has not designated these risk management contracts as hedges. Accordingly, changes in the fair values of these contracts will be included in the Corporation's net operating results.

These risk management contracts are subject to periodic settlements throughout the term of the contracts. Such settlements may result in a gain or loss, which is recognized as a realized risk management gain or loss at the time of settlement.

The fair values of risk management contracts outstanding at the end of a reporting period are determined using market conditions and forecasts prevailing as at the reporting date. Any changes in the fair values of risk management contracts from amounts determined at the end of the previous reporting period are recognized as an unrealized risk management gain or loss. An unrealized risk management gain or loss may or may not be realized in subsequent periods depending upon subsequent fluctuations in commodity prices or foreign exchange rates affecting the risk management contracts.

The following table summarizes the realized and unrealized gains or losses from the Corporation's risk management contracts:

For the period ended September 30, 2011	Three Months			Nine Months		
	Realized gain	Unrealized gain (loss)	Total	Realized gain (loss)	Unrealized gain	Total
Oil swaps	\$ 296	\$ 1,010	\$ 1,306	\$ (63)	\$ 1,465	\$ 1,402
Gas swap	355	(175)	180	436	196	632
	\$ 651	\$ 835	\$ 1,486	\$ 373	\$ 1,661	\$ 2,034

If the risk management contracts were unwound at September 30, 2011, the Corporation would receive an amount of \$1.2 million.

Capital Expenditures

During the three and nine months ended September 30, 2011, the Corporation incurred capital expenditures on the Southern Ontario Assets of \$4.1 million and \$6.3 million respectively.

For the period ended September 30, 2011	Three Months	Nine Months
<i>Offshore</i>		
Drilling and completion	\$ 2,037	\$ 2,379
Pipeline	133	246
Workovers	7	162
Facilities	60	164
Offshore fleet	118	367
Total Offshore	2,355	3,318
<i>Onshore</i>		
Drilling and completion	1,172	1,172
Workovers	116	588
Facilities	63	116
Other	143	177
Total Onshore	1,494	2,053
Undeveloped properties	205	778
Equipment and software purchases	55	199
	\$ 4,109	\$ 6,348

During the third quarter of 2011 and as part of its offshore work program, the Corporation drilled three gas wells. Two wells were drilled, completed and connected to the pipeline grid, and are expected to result in a gross production of 500 Mcf/d. The third well was shut-in pending further evaluation. The Corporation estimates a cost of \$2.8 million to complete its offshore drilling program, of which \$2.4 million was incurred during the nine months

ended September 30, 2011. In addition, the Corporation is in the process of upgrading pipelines and gas processing facilities to further increase production. Costs incurred in respect of this initiative were \$0.2 million.

Offshore drilling, completion and workover activities are undertaken with the Corporation's fleet of barges, and supply boats. During the nine months ended September 30, 2011, the Corporation incurred \$0.4 million of costs associated with the upgrading of the *Time Saver II* jack-up rig and the *J.R. Rouble* completion barge.

The Corporation's offshore abandonment program is substantially complete at a cost of \$0.7 million. The abandonment program, which has been approved by the Ministry of Natural Resources, reduced the total number of shut-in wells by 20%.

During the third quarter of 2011, the Corporation initiated its onshore drilling program and will drill two wells in the Rochester field targeting oil volumes that are unrecoverable from existing producers. The estimated cost to drill and complete these new wells is \$3.3 million, of which approximately \$1.2 million was incurred in the third quarter of 2011. In addition, the Corporation incurred \$0.6 million to recomplete six existing producing wells that added 18 bbl/d of oil production.

Remaining 2011 Work Program

The Corporation's planned work program for the remainder of 2011 in respect of the Southern Ontario Assets is estimated at \$4.3 million on a net basis and includes approximately \$3.7 million for onshore projects and a further \$0.6 million for offshore projects.

The Corporation anticipates drilling and completion costs during the fourth quarter of 2011 at \$2.1 million and \$0.4 million for its onshore and offshore drilling programs, respectively. In addition, during this period, the Corporation expects to acquire a large 3-dimensional seismic program over producing and non-producing lands at a cost of \$1.2 million. This expenditure is expected to provide data necessary to design the Corporation's onshore drilling program for 2012.

Decommissioning Liabilities

As part of the acquisition of the Southern Ontario Assets, the Corporation recorded decommissioning liabilities representing its best estimate of the costs that it will incur to settle future site restoration, abandonment and reclamation obligations. At September 30, 2011, the Corporation's estimate of these future costs on an undiscounted basis is approximately \$83.4 million, including \$4.6 million relating to the Torque Acquisition, and are expected to be incurred over a 49-year period.

In accordance with accounting requirements, the estimated decommissioning liabilities are recorded in the Corporation's consolidated financial statements on a discounted basis using discount rates that are specific to the underlying obligations. At September 30, 2011, the discounted amount of the Corporation's decommissioning liabilities was \$40.8 million, including \$2.4 million relating to Torque's decommissioning obligations.

During the nine months ended September 30, 2011, the Corporation incurred \$0.7 million on site restoration, abandonment and reclamation expenditures. The Corporation anticipates that it will incur an additional \$1.7 million towards these costs within the next twelve months.

The discount used in calculating the Corporation's decommissioning liabilities is accreted over time. During the three and nine months ended September 30, 2011, the Corporation incurred accretion costs of \$0.3 million and \$0.8 million respectively. These amounts have been included in the Corporation's results of operations as "*interest expense*".

CASTOR UNDERGROUND GAS STORAGE PROJECT

Agreements with ACS Servicios Comunicaciones y Energia S. L.

The Corporation's Castor Project is managed by ACS Servicios Comunicaciones y Energia S.L. ("ACS"), the largest construction group in Spain and a 67% shareholder of Escal. CLP, the Corporation's 74% subsidiary, holds the remaining 33% interest.

CLP has entered into certain agreements with ACS and with Enagas, S.A., ("Enagas"), Spain's top natural gas transportation company, the technical manager of the Spanish gas system and common carrier for the gas network in Spain. These agreements provide that no later than at the start-up of the Castor Project, ACS will sell and Enagas will buy 50% of ACS' interest in Escal based on a pre-established pricing formula at which point CLP, ACS and Enagas will each own 33% of the equity of Escal. In addition, and for a period of 180 days after start-up of the Castor Project, CLP may sell part or all of its shares in Escal to ACS and/or Enagas on essentially the same terms and conditions, including the pre-established pricing formula, as are offered to Enagas.

The agreement with ACS also requires that ACS assume responsibility for all project financing through the construction phase, and until commissioning of the Castor Project and its formal inclusion into the Spanish gas system. The estimated cost of the Castor Project is €1.6 billion, including financing costs during the construction period. Costs associated with the Castor Project are subject to regulatory approval before they are included into the remuneration system. In July 2010, Escal successfully completed a €1.3 billion project financing arrangement with a syndicate of banks to support the cost of the Castor Project (see "*Liquidity and Capital Resources*"). In accordance with the agreements between CLP and ACS, the balance of the funding required for the construction phase of the Castor Project will be borne by ACS. Notwithstanding any funding being provided by ACS, CLP will be entitled to 33% of all distributions from Escal.

During 2010 and the nine months ended September 30, 2011, Escal issued shares from treasury with a par value of €12,000. In order to maintain its 33% interest, CLP subscribed for one third of the newly issued par value shares at an aggregate cost of \$6,000 (€1,000). In order to meet the equity ratios as required by the project financing, ACS also contributed a share premium of €34.2 million and issued €47.2 million in subordinated loans. CLP has not recognized the benefit of its 33% interest in the share premium and in the subordinated loans as the realization and measurement is subject to a 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.

Project Construction and Development

At September 30, 2011, Escal had invested approximately €1.2 billion in the construction and development of the Castor Project, which is now over 80% complete and which is progressing as scheduled and currently on budget.

The 13-well drilling program is essentially complete, as is the installation of the onshore pipeline, which is currently undergoing testing. Installation of the subsea pipeline, which will connect the offshore processing platform to the onshore pipeline, is progressing and is expected to be completed early in the fourth quarter of this year. The responsibility for the construction of the interconnecting pipeline between the onshore facilities and Spain's national natural gas network has been undertaken by Enagas and is expected to be completed before the end of 2011 or early in 2012.

The topsides for the offshore processing platform, which were constructed in the United States are currently being transported to the Castor Project site, where they will be assembled and connected to the wellhead platform.

Share of Equity Earnings from Escal

During the three and nine months ended September 30, 2011, the Corporation realized a loss of \$15,000 and \$13,000 respectively as its share of losses incurred by Escal.

During the first quarter of 2011, Escal established a hedging strategy to mitigate its exposure to interest rate risk associated with the project financing for the construction and development of the Castor Project. At September 30, 2011, the fair value of Escal's obligations in respect of these hedging strategies was approximately €60.3 million. Included in the Corporation's other comprehensive loss during the nine months ended September 30, 2011 is a fair value loss of \$4.4 million, representing the Corporation's maximum exposure to Escal's obligations.

INVESTMENT IN SERIES A PREFERENCE SHARES OF EUROGAS INTERNATIONAL

The Corporation holds a \$32,150,000 investment in the Series A Preference Shares (the "Preferred Shares") of EII. The Preferred Shares rank in priority to the common shares of EII as to the payment of dividends and the distribution of assets on dissolution, liquidation or winding up of EII and entitle the Corporation, as the holder thereof, to a fixed preferential cumulative dividend at the rate of 4% per annum. The Preferred Shares may be redeemed, at the option of either EII or the Corporation, at any time, at a price equal to their face value of \$32.15 million plus accrued and unpaid dividends.

The Corporation has provided EII with a waiver of its redemption entitlement until December 2011. In addition, the Corporation approved a request by EII to defer entitlement to the payment of the cumulative 4% cash dividends and entitlement to receive payment once such dividends are declared, until December 31, 2011. The Corporation may, if requested by EII, reinvest any cash received in respect of dividend payments on the Preferred Shares into common shares of EII, subject to regulatory approval.

The Corporation has completed an impairment analysis in respect of amounts owing to the Corporation pursuant to the terms of the Preferred Shares and determined that, based on current expected cash flows, the Preferred Shares are impaired. Accordingly, the Corporation has fully provided against the face value of the Preferred Shares and the related cumulative accrued and unpaid dividends thereon. Impairment expense during the three and nine months ended September 30, 2011 was \$324,000 and \$962,000 respectively (three and nine months ended September 30, 2010 - \$324,000 and \$962,000 respectively).

In June 2011, EII received approval from the Tunisian government for a one-year extension of the expiry date in respect of the Sfax Permit to December 8, 2012.

RESULTS OF OPERATIONS

The three months ended September 30, 2011 compared with the three months ended September 30, 2010

The Corporation incurred a net loss during the three months ended September 30, 2011 of \$1.1 million compared with a net loss of \$0.1 million in the same period of the prior year.

Revenues earned during the three months ended September 30, 2011 were \$8.8 million and represent oil and gas sales, net of royalties, earned from the Southern Ontario Assets. During the same period of the prior year, the corporation earned \$8.2 million in oil and gas sales, net of royalties.

The Corporation incurred production expenditures of \$4.8 million during the three months ended September 30, 2011 compared with \$2.8 million incurred during the same period of the prior year. Production expenditures represent costs associated with the production and sale of oil and natural gas and include all costs incurred to operate and maintain wells and related equipment and facilities, including direct labour costs, costs associated with repairs and maintenance, and costs for materials, fuel or other forms of energy consumed, and transportation and

distribution costs related to these sales. Production expenditures are seasonal, with the peak period in the third quarter of each year when weather conditions permit extensive repair and maintenance activities. In the comparative period of the prior year, repairs and maintenance were minimal as the Corporation had not yet completed its assessment of the assets acquired as part of the DELP Acquisition.

Depreciation and depletion charges were \$3.8 million in the third quarter of 2011 compared with \$3.2 million incurred in the same period of the prior year. Depreciation and depletion in the current quarter includes \$0.1 million relating to the Torque Acquisition.

General and administrative expenses incurred in the three months ended September 30, 2011 were \$2.0 million compared with \$1.2 million incurred in the same period of the prior year. During the three months ended September 30, 2011, the Corporation incurred \$0.4 million in transaction costs related to the Torque Acquisition. Prior period general and administrative expenses include \$0.2 million of transaction costs related to the DELP Acquisition. Also included in general and administrative expenses in the third quarter of 2011 is \$0.2 million of stock compensation expense relating to the issuance of stock options in the fourth quarter of 2010.

Included in operations during the third quarter of 2011 was a gain of \$1.5 million from risk management contracts, primarily as a result of volatility in forecasted oil prices.

During the quarter ended September 30, 2011, the Corporation incurred interest expense of \$1.1 million, primarily on its bank facilities, consistent with \$1.1 million in interest expense incurred in the same period of the prior year.

The nine months ended September 30, 2011 compared with the nine months ended September 30, 2010

The Corporation incurred a net loss during the nine months ended September 30, 2011 of \$2.2 million compared with a net loss of \$3.8 million in the same period of the prior year. As previously noted, the nature of the Corporation's operations during the nine months ended September 30, 2011 have changed significantly from operations in the first three quarters of the prior year as a result of the DELP Acquisition which was only completed at the end of June 2010.

Revenues earned during the nine months ended September 30, 2011 were \$26.4 million compared with \$8.2 million earned in the prior period. During the same period, the Corporation incurred production expenditures of \$10.7 million (nine months ended September 30, 2010 - \$2.8 million) and depreciation and depletion charges of \$11.1 million (nine months ended September 30, 2010 - \$3.2 million). Revenues and expenses in the comparative period of the prior year represent only one full quarter of operations.

Interest expense incurred during the nine months ended September 30, 2011 was \$3.5 million and includes \$0.8 million of accretion relating to the Corporation's decommissioning liabilities and \$2.7 million relating to the Corporation's \$80.0 million revolving demand credit facility and the \$6.1 million credit facility (see "*Liquidity and Capital Resources*"). Interest expense in the same period of the prior year was \$1.5 million.

During the nine months ended September 30, 2011, the Corporation recognized equity losses of \$13,000 (nine months ended September 30, 2010 – gain of \$5,000) in respect of its investment in Escal. In addition, included in the Corporation's comprehensive loss during the nine months ended September 30, 2011 is an after-tax loss of \$4.0 million (nine months ended September 30, 2010 – \$0.4 million), representing the Corporation's maximum exposure to losses relating to Escal's interest rate risk management contracts as well as foreign exchange differences arising from the translation of Escal's operations to Canadian dollars.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Prepared in accordance with IFRS								Prepared in accordance with Canadian GAAP
	2011			2010			2009		
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	
Revenues	\$ 8,757	\$ 9,530	\$ 8,072	\$ 8,179	\$ 8,301	\$ -	\$ -	\$ 177	
Net (loss) earnings	(1,128)	937	(2,040)	(7,729)	(91)	(3,363)	(322)	(921)	
Basic and fully diluted (loss) earnings per share	\$ (0.01)	\$ 0.01	\$ (0.01)	\$ (0.05)	\$ -	\$ (0.02)	\$ -	\$ (0.01)	
Funds provided by (used in) operations	3,278	4,775	3,502	1,847	1,876	(1,502)	(623)	(674)	
Capital expenditures	4,109	1,319	920	1,720	2,042	-	3	404	

- The Corporation completed the DELP Acquisition on June 29, 2010. There were no operating revenues prior to the DELP Acquisition. Revenues earned under Canadian GAAP represented interest and other similar income.
- In the second quarter of 2010, the Corporation incurred \$2.8 million of transaction costs relating to the DELP Acquisition.
- In the fourth quarter of 2010, the Corporation provided \$6.3 million against the carrying value of its preferred share investment in EII and associated accrued dividends.
- In the second quarter of 2011, the Corporation recognized a \$1.9 million gain in respect of its risk management contracts.
- The third quarter of 2011 includes \$0.5 million of revenues relating to the Torque Acquisition that was completed on August 4, 2011. Also included in the third quarter are \$0.4 million of costs associated with this transaction.

LIQUIDITY AND CAPITAL RESOURCES

Cash Resources Availability

At September 30, 2011, the Corporation held cash of \$1.0 million on deposit with Canadian chartered banks. In addition, the Corporation had access to a further \$19.0 million pursuant to its \$80.0 million revolving demand credit facility and a further \$5.0 million pursuant to its \$6.1 million credit facility.

Southern Ontario Assets

The Corporation assumed, as part of the Torque Acquisition, a \$6.1 million credit facility established by Torque with a Canadian chartered bank. The credit facility provides Torque with a revolving demand loan, bearing interest at the bank's prime lending rate plus 1.5%. Torque is subject to a standby fee of 0.25% on unused amounts under the credit facility. The credit facility is secured against all of the oil and natural gas properties owned by Torque.

At September 30, 2011, Torque had drawn \$1,148,000 pursuant to the credit facility.

On June 29, 2010, and in connection with the DELP Acquisition, the Corporation arranged for the establishment of an \$80.0 million credit facility, including a \$20.0 million operating facility. The credit facility was issued as a direct obligation of DELP, and was placed with a syndicate of Canadian chartered banks. The credit facility is structured as a revolving demand loan, and is subject to a tiered interest rate structure that varies based on DELP's net debt to cash flow ratio, as defined in the credit facility. The interest rate on the credit facility is initially set at prime plus 3% for loans and letters of credit or, for bankers' acceptances, at the bankers' acceptance rate plus 4%. The credit facility is secured against all oil and natural gas properties owned by DELP.

At September 30, 2011, the Corporation had drawn \$61.0 million against the credit facility, including a letter of credit for \$3.3 million issued, as required by statute, in favour of the Ministry of Natural Resources in connection with future abandonment and site restoration obligations.

The Corporation anticipates that cash flows generated from ongoing operating activities, as well as amounts available pursuant to its credit facility will provide sufficient cash flow to support the ongoing working capital requirements related to the Southern Ontario Assets into the foreseeable future.

Spain

ACS is responsible for providing equity and arranging project financing for the Castor Project, including providing all guarantees that may be required, from the day it became a majority shareholder, through development and construction and inclusion of the underground storage facility into the Spanish gas system. After the system is operational, the Corporation will be responsible for its proportionate share of any new capital investments, unless otherwise funded through working capital generated directly by Escal.

Project financing was completed in July 2010, providing Escal with a 10-year, €1.3 billion facility through a syndicate of 19 banks. To provide security for the financing, CLP and ACS have each pledged their respective shares in Escal to the banking syndicate. Other than the pledging of its shares, CLP will not be required to provide any equity or debt funds or provide any warranties required by the project finance lenders. Notwithstanding any form by which ACS may fund Escal during the construction phase, CLP's interest in Escal will at all times remain at 33%, and CLP will retain the right to 33% of all distributable cash flows.

Outstanding Share Data

As at October 19, 2011, there were 164,675,147 common shares outstanding. The Corporation has also granted 5,665,000 stock options to purchase common shares of the Corporation at a weighted average exercise price of \$0.92 per share and it has issued 533,286 deferred share units.

During the third quarter of 2011, the Corporation completed a private placement with its parent, Dundee Corporation, for 7,243,280 common shares from treasury at a price of \$0.83 per share for gross proceeds of \$6.0 million. The proceeds from the private placement were used to fund the cash portion of the Torque Acquisition. In addition the Corporation issued an aggregate of 1,346,926 common shares pursuant to the Torque Acquisition to former Torque shareholders who elected to take common shares of the Corporation in lieu of a cash payment.

Since establishing its normal course issuer bid on March 30, 2011, the Corporation has purchased 33,512 common shares for cancellation pursuant to these arrangements at an average cost of \$0.85 per common share.

OFF BALANCE SHEET ARRANGEMENTS

In the normal course of business, the Corporation and its subsidiaries have entered into arrangements with several third-party goods and services providers. In certain instances, the Corporation, directly and through its subsidiaries, has provided indemnities and/or guarantees to these third-parties for the payment of goods or services provided, or otherwise. Generally, there are no pre-determined amounts or limits included in these arrangements, and the occurrence of an event that would trigger the Corporation's obligations pursuant to these arrangements is difficult to predict. Therefore, the Corporation's potential future liability can not be reasonably estimated.

On September 30, 2011, the Corporation had issued a letter of credit for \$3.3 million in favour of the Ministry of Natural Resources in connection with future abandonment and site restoration costs.

COMMITMENTS AND CONTINGENCIES

Other than as disclosed in the notes to the September 2011 Interim Consolidated Financial Statements, there have been no substantive changes in the description and nature of commitments and contingencies from those described in Note 16 to the 2010 Audited Consolidated Financial Statements.

RELATED PARTY TRANSACTIONS

Other than as disclosed in the notes to the September 2011 Interim Consolidated Financial Statements, there have been no significant changes in the nature and scope of related party transactions to those described in Note 15 to the 2010 Audited Consolidated Financial Statements and the accompanying MD&A.

BUSINESS RISKS

There are a number of inherent risks associated with the Corporation's business activities. These risks were detailed in the section entitled "Business Risks" in the Corporation's MD&A accompanying its 2010 Audited Consolidated Financial Statements. At September 30, 2011, the Corporation had not identified any material changes to the risk factors affecting its business, and its approach to managing those risks, from those discussed in the document referred to above.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

This MD&A is based upon the September 2011 Interim Consolidated Financial Statements of the Corporation. The September 2011 Interim Consolidated Financial Statements have been prepared in accordance with IFRS. The preparation of these unaudited interim consolidated financial statements requires that the Corporation make assumptions, estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. 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 judgements about the carrying value of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The significant accounting policies applied in the preparation of the Corporation's September 2011 Interim Consolidated Financial Statements and a summary of the significant judgements and estimates made by management in the preparation of its consolidated financial statements are included in Notes 3 and 4 to the March 2011 Interim Consolidated Financial Statements.

CONTROLS AND PROCEDURES

In accordance with the Canadian Securities Administrators' National Instrument 52-109, the Corporation has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer certifying that, among other things, the design of disclosure controls and procedures and the design of internal control over financial reporting are adequate as at September 30, 2011.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the Corporation's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow required disclosures to be made in a timely fashion. Based on their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2011, the Corporation's disclosure controls and procedures were effective.

The Chief Executive Officer and Chief Financial Officer of the Corporation have also evaluated whether there were changes to the Corporation's internal control over financial reporting during the nine months ended September 30,

2011 that have materially affected, or are reasonably likely to materially affect the Corporation's internal control over financial reporting. There were no changes identified during their evaluation. Further, the Corporation has determined that there has been no material change in internal controls over financial reporting as a result of the adoption of IFRS.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect management's expectations regarding the Corporation's future growth, results of operations, performance, business prospects and opportunities. Forward-looking statements include future-oriented financial information, within the meaning of the "safe harbor" provisions of the *U.S. Private Securities Litigation Reform Act of 1995* and the securities legislation of certain of the provinces of Canada, including the *Securities Act* (Ontario).

Certain information set forth in this MD&A, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions and may include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In particular, forward-looking statements contained in this document include, but are not limited to, statements with respect to: financial and business prospects and financial outlook; performance characteristics of the Corporation's oil and natural gas properties; oil and natural gas production levels and reserve estimates; the quantity of oil and natural gas reserves and recovery rates; the Corporation's capital expenditure programs; supply and demand for oil and natural gas and commodity prices; drilling plans and strategy; availability of rigs, equipment and other goods and services; expectations regarding the Corporation's ability to raise capital and continually add to reserves through acquisitions, exploration and development; treatment under government regulatory regimes and tax laws; anticipated work programs and land tenure; the granting of formal permits, licences or authorities to prospect; the timing of acquisitions; and the realization of the anticipated benefits of the Corporation's acquisitions and dispositions. In addition, statements relating to "reserves" or "resources" are, by their nature, forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management and labour and labour relations generally, health and safety risks, stock market volatility, the ability to access sufficient capital from internal and external sources and other risk factors discussed or referred to in the section entitled "*Business Risks*" and other documents filed from time to time with the securities administrators, all of which may be accessed at www.sedar.com.

These statements are only predictions, not guarantees, and actual events or results may differ materially. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

Forward-looking statements and other information contained herein concerning the oil and gas industry and the Corporation's general expectations concerning this industry is based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares

and performance characteristics. While the Corporation is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

In addition, a number of assumptions were made by the Corporation in connection with certain forward-looking information and forward-looking statements for 2011 and beyond included in this MD&A. These assumptions include: the impact of increasing competition; the general stability of the economic and political environment in which the Corporation operates; the timely receipt of any required regulatory approvals; the ability of the Corporation to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which the Corporation has an interest to operate such projects in a safe, efficient and effective manner; the ability of the Corporation to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and/or exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Corporation to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Corporation operates; the ability of the Corporation to successfully market its oil and natural gas products; estimates on global industrial production in key geographic markets; global oil and natural gas demand and supply; that the Corporation will not have any labour, equipment or other disruptions at any of its operations of any significance in 2011 other than any planned maintenance or similar shutdowns and that any third parties on which the Corporation is relying will not experience any unplanned disruptions; that the reports it relies on for certain of its estimates are accurate; and that the above mentioned risks and the risk factors described elsewhere in this MD&A do not materialize.

The Corporation's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what resulting benefits the Corporation will derive. The forward-looking statements, including future-oriented financial information, contained herein are presented solely for the purpose of conveying management's reasonable belief of the direction of the Corporation and may not be appropriate for other purposes. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

INFORMATION CONCERNING DUNDEE ENERGY LIMITED

Additional information relating to Dundee Energy Limited, including a copy of the Corporation's Annual Information Form, may be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and the Corporation's website at www.dundee-energy.com.

Toronto, Ontario
October 19, 2011