



# **DUNDEE CORPORATION**

## **CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the three and six months ended June 30, 2006 and 2005

**DUNDEE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

*As at June 30, 2006 and December 31, 2005*

*(expressed in thousands of Canadian dollars) (unaudited)*

	June 30, 2006	December 31, 2005
<b>ASSETS</b>		
Cash and cash equivalents	\$ 414,741	\$ 413,320
Brokerage securities owned	40,075	24,804
Accounts receivable	172,764	250,261
Client accounts receivable	474,401	365,145
Corporate investments (note 3)	451,952	387,374
Deferred sales commissions	163,233	141,266
Capital and other assets	382,818	336,187
Goodwill and other intangible assets (note 4)	453,791	451,283
<b>TOTAL ASSETS</b>	<b>\$ 2,553,775</b>	<b>\$ 2,369,640</b>
<b>LIABILITIES</b>		
Bank indebtedness	\$ 21,004	\$ 33,169
Accounts payable and accrued liabilities	194,286	214,289
Brokerage securities sold short	14,183	6,099
Client deposits and related liabilities	458,333	413,380
Income taxes payable	16,418	27,410
Corporate debt (note 5)	396,476	473,100
Preference shares, series 1 (note 6)	150,000	-
Future income tax liabilities	97,600	89,142
	1,348,300	1,256,589
<b>NON-CONTROLLING INTEREST</b>	<b>424,598</b>	<b>386,012</b>
<b>SHAREHOLDERS' EQUITY (note 7)</b>		
Share capital		
Common shares	289,031	287,002
Contributed surplus	4,394	3,813
Retained earnings	489,894	438,926
Foreign currency translation adjustment	(2,442)	(2,702)
	780,877	727,039
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 2,553,775</b>	<b>\$ 2,369,640</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Contingencies and Commitments (note 10)**

**DUNDEE CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

*For the three and six months ended June 30, 2006 and 2005*

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

	Three Months		Six Months	
	2006	2005	2006	2005
<b>REVENUES</b>				
Management and administration fees	\$ 90,811	\$ 69,092	\$ 180,730	\$ 135,494
Redemption fees	3,364	2,851	6,682	5,891
Financial services	90,582	73,293	198,277	161,573
Real estate revenues	45,354	31,651	84,519	75,725
Oil and gas sales, net of royalties	-	(76)	-	48
	230,111	176,811	470,208	378,731
Investment income	16,725	1,314	20,246	3,955
	246,836	178,125	490,454	382,686
<b>EXPENSES</b>				
Selling, general and administrative	74,083	61,519	142,212	122,651
Variable compensation	59,772	48,021	130,146	108,476
Trailer service fees	25,532	17,949	49,775	35,160
Operating costs, real estate	31,414	19,324	59,606	52,539
Operating costs, oil and gas properties	-	(671)	-	(656)
	190,801	146,142	381,739	318,170
<b>OPERATING EARNINGS BEFORE INTEREST, TAXES AND OTHER NON-CASH ITEMS</b>				
	56,035	31,983	108,715	64,516
Amortization of deferred sales commissions	13,295	10,805	25,688	20,844
Depreciation, depletion and amortization	7,849	3,641	13,188	6,633
Interest expense	7,155	4,020	14,546	7,749
	27,736	13,517	55,293	29,290
<b>OPERATING EARNINGS</b>	27,736	13,517	55,293	29,290
Share of earnings of equity accounted investees	32,104	1,619	42,425	3,917
Dilution gains (loss)	(2,385)	97	1,162	13,089
Income taxes	-	-	-	-
Current	(5,549)	(797)	(19,947)	(8,030)
Future	(7,954)	(7,790)	(8,001)	(6,387)
	(13,503)	(8,587)	(27,948)	(14,417)
Non-controlling interest	(7,642)	(2,453)	(16,162)	(5,460)
<b>NET EARNINGS FOR THE PERIOD</b>	<b>\$ 36,310</b>	<b>4,193</b>	<b>\$ 54,770</b>	<b>26,419</b>
<b>EARNINGS PER SHARE (note 8)</b>				
Basic	\$ 1.45	\$ 0.17	\$ 2.19	\$ 1.05
Diluted	\$ 1.38	\$ 0.16	\$ 2.05	\$ 1.00

*The accompanying notes are an integral part of these consolidated financial statements.*

**DUNDEE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

*As at and for the six months ended June 30, 2006 and year ended December 31, 2005  
(expressed in thousands of Canadian dollars) (unaudited)*

	Common Shares	Contributed Surplus	Retained Earnings	Foreign Currency Translation Adjustment	Total
<b>Balance, December 31, 2004</b>	\$ 290,220	\$ 2,253	\$ 367,604	\$ (2,067)	\$ 658,010
Net earnings	-	-	76,351	-	76,351
Foreign currency translation adjustment	-	-	-	(635)	(635)
Issuance of Class A subordinate shares for cash	424	-	-	-	424
Issuance of Class A subordinate shares for non-cash consideration	45	-	-	-	45
Stock based compensation	-	1,092	-	-	1,092
Issuance of deferred share units	-	468	-	-	468
Exercise of options	-	-	-	-	-
Cancellation of options	-	-	(249)	-	(249)
Acquisition of Class A subordinate shares for cancellation	(3,687)	-	(4,662)	-	(8,349)
Costs associated with cancellation of Class A subordinate shares	-	-	(118)	-	(118)
<b>Balance, December 31, 2005</b>	287,002	3,813	438,926	(2,702)	727,039
Net earnings for the period	-	-	54,770	-	54,770
Foreign currency translation adjustment	-	-	-	260	260
Issuance of Class A subordinate shares for cash	84	-	-	-	84
Issuance of Class A subordinate shares for non-cash consideration	128	-	-	-	128
Stock based compensation	-	405	-	-	405
Issuance of deferred share units	-	261	-	-	261
Exercise of options	2,663	-	-	-	2,663
Cancellation of options	-	-	(2,235)	-	(2,235)
Cancellation of DSUs	-	(85)	-	-	(85)
Acquisition of Class A subordinate shares for cancellation	(846)	-	(1,567)	-	(2,413)
<b>Balance, June 30, 2006</b>	\$ 289,031	\$ 4,394	\$ 489,894	\$ (2,442)	\$ 780,877

*The accompanying notes are an integral part of these consolidated financial statements.*

**DUNDEE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*For the three and six months ended June 30, 2006 and 2005  
(expressed in thousands of Canadian dollars) (unaudited)*

	Three Months		Six Months	
	2006	2005	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net earnings for the period	\$ 36,310	\$ 4,193	\$ 54,770	\$ 26,419
Non-cash items in net earnings:	-			
Depreciation, depletion and amortization	21,144	14,446	38,876	27,477
Net investment gains	(14,978)	(58)	(15,892)	(1,388)
Share of unremitted equity earnings	(32,104)	(1,619)	(42,425)	(3,917)
Dilution (gains) loss	2,385	(97)	(1,162)	(13,089)
Future income taxes	7,954	7,790	8,001	6,387
Non-controlling interest	7,642	2,453	16,162	5,460
Other	2,288	1,337	2,826	3,817
	30,641	28,445	61,156	51,166
Changes in:				
Accounts receivable	3,188	1,583	71,915	16,436
Accounts payable and accrued liabilities	10,901	(18,712)	(11,360)	(30,555)
Bank indebtedness	3,506	1,824	(12,165)	14,565
Income taxes payable	(5,691)	(1,910)	(10,992)	(7,790)
Brokerage securities owned and sold short, net	4,109	(10,159)	(7,187)	(10,046)
Client accounts receivable, net of client deposits and related liabilities	(38,790)	16,296	(64,303)	7,766
Development of land, housing and condominium inventory	(12,647)	(7,376)	(17,969)	(3,569)
Other real estate working capital	2,332	869	(2,906)	(4,232)
<b>CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>(2,451)</b>	<b>10,860</b>	<b>6,189</b>	<b>33,741</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment in real estate revenue properties	(2,028)	(48,048)	(7,726)	(48,134)
Investment in other real estate assets	(15,448)	(4,253)	(18,731)	(5,313)
Sales commissions incurred on distribution of mutual funds	(21,130)	(17,845)	(47,655)	(42,607)
Proceeds from dispositions of corporate investments	2,392	291	2,622	39,159
Acquisitions of corporate investments	(1,648)	(4,462)	(10,486)	(8,242)
Acquisition of shares from non-controlling interests	-	-	(1,000)	(1,000)
Cash disbursed in business combinations	-	-	(3,879)	-
Other	(3,409)	(3,013)	(7,038)	(16,189)
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(41,271)</b>	<b>(77,330)</b>	<b>(93,893)</b>	<b>(82,326)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Issuance of Preference Shares, Series 1, net of costs (note 6)	145,614	-	145,614	-
Issuance of exchangeable debentures, net of deferred costs on issue	-	95,853	-	95,853
Issuance of shares in subsidiaries to non controlling shareholders	4,139	11,682	6,467	60,606
Change in real estate debt	27,318	32,195	26,441	33,219
Change in corporate debt	(95,494)	25,306	(87,999)	285
Issuance of Class A subordinate shares, net of issue costs	157	206	2,747	304
Acquisition of Class A subordinate shares, net of costs	(80)	-	(2,413)	-
Cancellation of shares in subsidiary	-	(2,949)	(190)	(2,949)
Dividends paid by subsidiary to non-controlling shareholders	(773)	(704)	(1,542)	(1,158)
<b>CASH PROVIDED FROM FINANCING ACTIVITIES</b>	<b>80,881</b>	<b>161,589</b>	<b>89,125</b>	<b>186,160</b>
<b>NET INCREASE IN CASH DURING THE PERIOD</b>	<b>37,159</b>	<b>95,119</b>	<b>1,421</b>	<b>137,575</b>
Cash and cash equivalents, beginning of period	377,582	217,954	413,320	175,498
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 414,741</b>	<b>313,073</b>	<b>\$ 414,741</b>	<b>\$ 313,073</b>
Cash flows from operating activities include the following:				
Interest paid	\$ 7,155	\$ 4,020	\$ 14,546	\$ 7,749
Taxes paid	\$ 12,143	\$ 4,054	\$ 33,738	\$ 18,967

*The accompanying notes are an integral part of these consolidated financial statements.*

# DUNDEE CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2006  
(tabular dollar amounts in thousands of Canadian dollars, except per share amounts)  
(unaudited)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These interim consolidated financial statements of Dundee Corporation (the “Company” or “Dundee Corporation”) have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). These interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in note 1 to the Company’s audited consolidated financial statements as at and for the year ended December 31, 2005 (“2005 Audited Financial Statements”). The Company’s interim consolidated financial statements do not include all disclosures required by GAAP for annual consolidated financial statements and, accordingly, should be read in conjunction with the 2005 Audited Financial Statements.

The preparation of interim consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 2. BUSINESS COMBINATIONS

#### **Restructuring of Dundee Realty Corporation (“Dundee Realty”)**

On June 19, 2006, the Company and the non-controlling shareholder of Dundee Realty restructured their holdings in Dundee Realty, pursuant to which, amongst other things, the Company exchanged certain of its holdings in common shares of Dundee Realty for redeemable preferred shares of Dundee Realty. Concurrently, the non-controlling shareholder exercised its options to acquire additional common shares of Dundee Realty at an aggregate exercise price of \$1,680,000. Following these transactions, the Company’s interest in Dundee Realty was diluted from 86.4% to 78.3%. Included in net earnings for the six months ended June 30, 2006 is a dilution loss of \$6,956,000 in respect of these transactions (see note 12).

#### **Harrington Lane Inc. (“Harrington”)**

On February 28, 2006, Dundee Wealth Management Inc. (“Dundee Wealth”), the Company’s 61% owned subsidiary acquired all the outstanding shares of Harrington, a professional advisory company. Dundee Wealth paid cash of \$2,000,000 on closing. In addition, Dundee Wealth issued 350,000 common shares from its treasury with a stated value of \$3,763,000 to the former principal shareholders of Harrington, who have committed themselves to Dundee Wealth under employment contracts. These common shares are being held in escrow and will be released to the former principal shareholders of Harrington subject to certain conditions of employment, over the next five (5) years. The aggregate purchase price of \$5,763,000 has been deferred and will be charged as a period expense over a five (5) year period.

### Central Ontario Financial Group Inc. (“COFG”)

Effective January 1, 2006, a subsidiary of Dundee Wealth acquired COFG, an insurance company. The aggregate purchase price of \$2,500,000, together with tax thereon of \$1,414,000, has been allocated to customer relationships and has been included with “goodwill and other intangible assets” (note 4) on the Company’s consolidated balance sheet and will be amortized over an estimated life of five (5) years.

## 3. CORPORATE INVESTMENTS

	June 30, 2006					December 31, 2005	
	Period End Ownership	Listed	Non-Quoted	Loans	Total	Year end Ownership	Total
<b>Equity Accounted Investments</b>							
Breakwater Resources Ltd. (a)	18%	\$ 46,528	\$ -	\$ -	\$ 46,528	18%	\$ 33,502
Dundee Precious Metals Inc.	21%	71,394			71,394	21%	63,177
Dundee Real Estate Investment Trust (b)	26%	181,731			181,731	31%	149,305
Other		4,136	3,951		8,087		6,703
<b>Marketable Securities</b>		81,381			81,381		75,945
<b>Other Portfolio Investments</b>		26,412	10,871	25,548	62,831		58,742
		<b>\$ 411,582</b>	<b>\$ 14,822</b>	<b>\$ 25,548</b>	<b>\$ 451,952</b>		<b>\$ 387,374</b>

(a) Book value and period end ownership are reported before considering ownership of 30,801,000 warrants to acquire additional shares of Breakwater Resources Ltd. at \$0.20 per share.

(b) Approximately 93% of the Company’s interest in Dundee Real Estate Investment Trust (“Dundee REIT”) is held through units of Dundee Properties Limited Partnership with the remainder in publicly traded REIT units. These limited partnership units are convertible, at the Company’s option, into units of Dundee REIT on a one-for-one basis. In order to satisfy the exchange feature of Exchangeable Debentures, the Company has placed approximately 3,300,000 units of Dundee Properties Limited Partnership into escrow.

The estimated fair value of corporate investments as at June 30, 2006, determined using quoted market values for listed securities and carrying values for non-quoted securities and loans, approximates \$708,000,000 (December 31, 2005 – \$567,000,000). Increases in quoted market values result primarily from investments in the resource sector including Breakwater Resources Ltd. and Dundee Precious Metals Inc.

### Corporate Investments Segregated by Business Segment

	June 30, 2006	December 31, 2005
Real estate	\$ 181,731	\$ 149,305
Resources	138,028	118,825
Other investments	132,193	119,244
	<b>\$ 451,952</b>	<b>\$ 387,374</b>

### Investment Income and Income from Corporate Investments

	Three Months		Six Months	
	2006	2005	2006	2005
<i>For the three and six months ended June 30,</i>				
Interest, dividends and foreign exchange	\$ 1,747	\$ 1,090	\$ 4,354	\$ 2,190
Realized investment gains, net				
Transactions in corporate investments	1,942	224	2,856	1,765
Disposition of interest in a property management company by Dundee Realty	9,755	-	9,755	-
Other real estate gain on disposition of revenue property	50	-	50	-
Settlement of debt obligations in subsidiary of Dundee Wealth (note 5)	3,231	-	3,231	-
	16,725	1,314	20,246	3,955
Share of earnings of equity accounted investments				
Share of earnings	14,703	962	24,145	2,596
Gains from dilutions of interest	17,401	657	18,280	1,321
	32,104	1,619	42,425	3,917
	<b>\$ 48,829</b>	<b>\$ 2,933</b>	<b>\$ 62,671</b>	<b>\$ 7,872</b>

#### *Disposition of Interest in Dundee Management Limited Partnership*

On May 12, 2006, Dundee Realty sold its 50% interest in Dundee Management Limited Partnership (“DMLP”), a property management and real estate advisory services company to Dundee REIT. Previously, Dundee REIT held a 50% interest in DMLP. As consideration therefore, the Company received 450,000 limited partnership units of Dundee Properties Limited Partnership, which may be converted, at the Company’s option, to units of Dundee REIT on a one-for-one basis. The purchase agreement includes a price adjustment for up to an additional 100,000 units of Dundee Properties Limited Partnership, which may be delivered to Dundee Realty on June 30, 2007 subject to a formula that is based on certain minimum levels of future acquisitions to be completed by Dundee Properties Limited Partnership on or before June 30, 2007.

As at June 30, 2006, the Company recognized proceeds of disposition of \$13,914,000 and recognized a gain of \$9,755,000 in respect of this transaction. Proceeds recognized include the value of the 450,000 limited partnership units delivered at closing and an additional 35,016 limited partnership units earned pursuant to the price adjustment.

DMLP and Dundee Realty have agreed to extend the term of their agreement pursuant to which DMLP provides administrative and advisory services to Dundee Realty for an additional five (5) years to June 30, 2013.

#### **4. GOODWILL AND OTHER INTANGIBLE ASSETS**

	June 30, 2006			December 31, 2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Goodwill	\$ 318,336	\$ -	\$ 318,336	\$ 318,332
Investment management contracts	105,015	-	105,015	105,015
Funds under administration	30,573	5,095	25,478	26,497
Customer relationships (note 2)	3,914	391	3,523	-
Bank license	1,439	-	1,439	1,439
	<b>\$ 459,277</b>	<b>\$ 5,486</b>	<b>\$ 453,791</b>	<b>\$ 451,283</b>

#### **5. CORPORATE DEBT**

	June 30, 2006	December 31, 2005
<b>Corporate</b>		
\$150 million - 6.70% senior debentures due September 24, 2007	\$ 149,943	\$ 149,920
\$100 million - 5.85% exchangeable unsecured subordinated debentures due June 30, 2015	94,970	95,000
\$100 million - revolving term credit facility due August 31, 2006	-	83,591
Other	773	773
<b>Subsidiaries</b>		
\$22.3 million - revolving term credit facility, subsidiary of Dundee Wealth due May 30, 2007	200	3,300
Mandatorily redeemable preferred shares of Dundee Wealth	-	10,000
Real estate debt, Dundee Realty	146,781	121,168
Income Trusts, subsidiary of Dundee Wealth	3,728	8,313
Other	81	1,035
	<b>\$ 396,476</b>	<b>\$ 473,100</b>

#### **Notice of Early Redemption of 6.70% Senior Debentures Due September 24, 2007 (the “Debentures”)**

On August 8, 2006 the Company redeemed its \$150,000,000 Debentures, which were due September 24, 2007. The aggregate cash redemption price was \$157,026,000, including principal, an early redemption premium and accrued and unpaid interest to the date of redemption. The redemption price was funded primarily with the proceeds of the Company’s offering of Series 1 Shares (see note 6).

#### **Conversion of Redeemable Preferred Shares of Dundee Wealth**

In the first quarter of 2006, Dundee Wealth exercised its conversion right in respect of its mandatorily redeemable preference shares, and converted the amount of \$10,000,000 to common shares of Dundee Wealth issued from its treasury.

#### **Settlement of Debt Obligations to Multi-Fund Income Trust (“Multi-Fund”)**

On June 13, 2006, a subsidiary of the Company paid \$1,003,000 in full settlement of amounts owing to Multi-Fund Income Trust. Included in investment income in the second quarter of 2006 is a gain of \$3,231,000 recognized in respect of this settlement.

#### **Revolving Term Credit Facilities with a Canadian Chartered Bank**

On May 31, 2006, the Company renewed its revolving term credit facility with a Canadian chartered bank, extending the expiry date to August 31, 2006. On May 31, 2006, a subsidiary of Dundee Wealth renewed its revolving term credit facility with a Canadian chartered bank, extending the expiry date to May 30, 2007.

## **6. FIRST PREFERENCE SHARES, SERIES 1**

On June 22, 2006, the Company issued 6,000,000 5.00% cumulative redeemable first preference shares, series 1 (“Series 1 Shares”) at a price of \$25 per Series 1 Share. The Series 1 Shares rank in priority to the Class A subordinate voting shares (“Subordinate Shares”) and the class B common shares of the Company as to the payment of dividends and the distribution of assets on dissolution, liquidation or winding-up of the Company. The Series 1 Shares entitle the holder to a fixed preferential cumulative dividend at the rate of 5% per annum, payable quarterly. The Series 1 Shares are generally non-voting, except in limited circumstances.

The Series 1 Shares may be redeemed, at the option of the Company, at any time after June 30, 2006 at a price per Series 1 Share which declines over time in accordance with the terms of the Series 1 Shares from \$27.25 per Series 1 Share if such share is redeemed prior to June 30, 2007 to \$25.00 per Series 1 Share if such share is redeemed after June 30, 2015 (the “Redemption Price Schedule”).

The Company may convert the Series 1 Shares to Subordinate Shares of the Company (the “Conversion Option”) at any time after June 30, 2006, subject to regulatory approval. The Series 1 Shares will be converted on the basis of one Series 1 Share for that number of Subordinate Shares that is equal to the redemption price at the time of the conversion determined in accordance with the Redemption Price Schedule divided by the current market price of the Subordinate Shares, determined in accordance with a formula.

Any redemption or conversion of the Series 1 Shares prior to June 30, 2011 is limited to circumstances where the Series 1 Shares are entitled to vote separately as a class or series by law.

The Company may, at any time, purchase the Series 1 Shares for cancellation, which purchase may occur in the open market, by private placement or otherwise.

Series 1 Shares are retractable by the holder at any time after June 30, 2016 for cash of \$25.00 per Series 1 Share.

## 7. SHARE CAPITAL

	SUBORDINATE SHARES		CLASS B SHARES		TOTAL	
	Number	Amount	Number	Amount	Number	Amount
Outstanding December 31, 2005	23,907,971	\$ 278,770	1,048,416	\$ 8,232	24,956,387	\$ 287,002
<b>Transactions during the six months ended</b>						
<b>June 30, 2006</b>						
Redeemed pursuant to issuer bids	(71,412)	(845)	-	-	(71,412)	(845)
Issuance of shares under the share incentive plan	7,588	211	-	-	7,588	211
Options exercised	168,646	2,663	-	-	168,646	2,663
Conversion from Class B Shares to Subordinate Shares	7,939	61	(7,939)	(61)	-	-
<b>Outstanding June 30, 2006</b>	<b>24,020,732</b>	<b>\$ 280,860</b>	<b>1,040,477</b>	<b>\$ 8,171</b>	<b>25,061,209</b>	<b>\$ 289,031</b>

### Substantial Issuer Bid

On December 12, 2005, the Company announced a substantial issuer bid to purchase up to 2,500,000 Subordinate Shares for cash, subject to certain conditions (“the Offer”). The Offer expired on February 6, 2006. An aggregate of 71,412 Subordinate Shares with a stated value of \$846,000 were redeemed and subsequently cancelled. The Company paid \$29.50 per share or an aggregate of \$2,107,000 to retire the shares. The excess of the cancellation price of \$1,261,000 over the value of stated capital has been recorded as a reduction to retained earnings. In the first six months of 2006, transaction costs of \$306,000 were incurred in respect of the Offer and were recorded as a further reduction to retained earnings.

### Share Option Plan

In the first six months of 2006, the Company issued 168,646 shares on the exercise of options at an average price of \$15.79 per share, including 54,990 options which were exercised immediately prior to their ten-year expiry date. In addition, the Company cancelled 224,306 options for cash of \$3,571,000, the majority of which had been issued to former senior executives. On June 30, 2006, there were 1,499,048 options outstanding at an average exercise price of \$20.37.

### Deferred Share Unit Plan

During the first six months of 2006, the Company granted 7,938 deferred share units (DSU’s) under the terms of its deferred share unit plan, increasing contributed surplus by \$261,000. In addition, the Company issued 3,793 Subordinate Shares to settle obligations on an equivalent number of DSU’s previously issued. At June 30, 2006, there were 101,468 DSU’s outstanding. Subsequent to June 30, 2006, the Company granted 4,546 further awards of DSU’s to settle directors’ remuneration.

## 8. EARNINGS PER SHARE

	Three Months		Six Months	
	2006	2005	2006	2005
<i>For the three and six months ended June 30,</i>				
Net earnings available to Subordinate Share holders and Class B Share holders	\$ 36,310	\$ 4,193	\$ 54,770	\$ 26,419
Weighted average number of shares outstanding	25,053,666	25,259,330	25,029,794	25,252,575
Basic earnings per share	\$ 1.45	\$ 0.17	\$ 2.19	\$ 1.05
Effect of dilutive securities to available net earnings	\$ (681)	\$ (149)	\$ (1,677)	\$ (428)
Effect of dilutive securities to weighted average number of shares outstanding	808,675	688,441	864,059	685,496
Diluted earnings per share	\$ 1.38	\$ 0.16	\$ 2.05	\$ 1.00

## 9. STOCK BASED COMPENSATION

Details of the Company's share incentive plan components are disclosed in note 11 to the 2005 Audited Financial Statements. The following table details the recognition of stock based compensation expense and the issuance of shares under the Company's share incentive plan during the three and six months ended June 30, 2006 and 2005.

	Six months ended June 30, 2006					Six months ended June 30, 2005				
	Number of Shares	Employee Contributions	Compensation expense			Number of Shares	Employee Contributions	Compensation expense		
			Treasury Shares	Market Purchases	Aggregate			Treasury Shares	Market Purchases	Aggregate
<b>Dundee Corporation</b>										
Share purchase plan	3,795	\$ 84	\$ 43	\$ 41	\$ 84	4,828	\$ 110	\$ 22	\$ 88	\$ 110
Share option plan	168,646	2,663	-	-	-	15,000	194	-	-	-
Stock option expense over vesting period	-	-	-	-	452	-	-	-	-	461
Deferred share unit plan	3,793	-	-	-	261	-	-	-	-	140
<b>Stock based compensation in subsidiaries before adjusting for non-controlling interest</b>										
Dundee Wealth					7,017					4,884
Eurogas Corporation					564					537
Dundee Realty Corporation					108					47
<b>Share of stock based compensation in equity accounted investees</b>					862					649
			\$ 43	\$ 41	\$ 9,348		\$ 22	\$ 88	\$ 6,828	
	Three months ended June 30, 2006					Three months ended June 30, 2005				
	Number of Shares	Employee Contributions	Compensation expense			Number of Shares	Employee Contributions	Compensation expense		
			Treasury Shares	Market Purchases	Aggregate			Treasury Shares	Market Purchases	Aggregate
<b>Dundee Corporation</b>										
Share purchase plan	2,050	\$ 45	\$ 23	\$ 22	\$ 45	2,709	\$ 60	\$ 11	\$ 49	\$ 60
Share option plan	7,000	111	-	-	-	10,000	146	-	-	-
Stock option expense over vesting period	-	-	-	-	221	-	-	-	-	232
Deferred share unit plan	3,793	-	-	-	121	-	-	-	-	140
<b>Stock based compensation in subsidiaries before adjusting for non-controlling interest</b>										
Dundee Wealth					4,078					2,646
Eurogas Corporation					395					192
Dundee Realty Corporation					92					47
<b>Share of stock based compensation in equity accounted investees</b>					281					313
			\$ 23	\$ 22	\$ 5,233		\$ 11	\$ 49	\$ 3,630	

## 10. CONTINGENCIES AND COMMITMENTS

There have been no substantive changes to the description and nature of contingencies and commitments from those described in note 12 to the 2005 Audited Financial Statements.

## 11. SEGMENTED INFORMATION

### Segmented Earnings for the three and six months ended June 30, 2006 and 2005

	Wealth				Other Investments and							
	Management		Real Estate		Resources		Corporate Costs		Intersegment		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<i>For the six months ended June 30,</i>												
<b>SEGMENTED OPERATIONS</b>												
Revenues	\$ 392,150	\$ 304,424	\$ 94,324	\$ 75,725	\$ 287	\$ (183)	\$ 6,738	\$ 4,687	\$ (3,045)	\$ (1,967)	\$ 490,454	\$ 382,686
Expenses	348,451	284,177	71,791	59,568	1,539	890	18,061	12,364	(4,681)	(3,603)	435,161	353,396
<b>OPERATING EARNINGS (LOSS)</b>	43,699	20,247	22,533	16,157	(1,252)	(1,073)	(11,323)	(7,677)	1,636	1,636	55,293	29,290
Equity earnings	-	-	21,048	3,467	21,034	59	343	391	-	-	42,425	3,917
<b>EARNINGS (LOSS) BEFORE</b>												
<b>UNDERNOTED ITEM</b>	43,699	20,247	43,581	19,624	19,782	(1,014)	(10,980)	(7,286)	1,636	1,636	97,718	33,207
Non-controlling interest	(14,356)	(4,759)	(2,465)	(1,081)	659	380	-	-	-	-	(16,162)	(5,460)
<b>NET EARNINGS (LOSS) BEFORE</b>												
<b>NON-SEGMENTED ITEMS</b>	29,343	15,488	41,116	18,543	20,441	(634)	(10,980)	(7,286)	1,636	1,636	81,556	27,747
Dilution gains											1,162	13,089
Income tax provision											(27,948)	(14,417)
<b>NET EARNINGS (LOSS)</b>	\$ 29,343	\$ 15,488	\$ 41,116	\$ 18,543	\$ 20,441	\$ (634)	\$ (10,980)	\$ (7,286)	\$ 1,636	\$ 1,636	\$ 54,770	\$ 26,419

	Wealth				Other Investments and							
	Management		Real Estate		Resources		Corporate Costs		Intersegment		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<i>For the three months ended June 30,</i>												
<b>SEGMENTED OPERATIONS</b>												
Revenues	\$ 16,435	\$ 146,112	\$ 55,159	\$ 31,651	\$ 126	\$ (200)	\$ 3,628	\$ 1,591	\$ (1,614)	\$ (1,029)	\$ 73,734	\$ 178,125
Expenses		136,216	38,204	23,368	916	6	9,310	6,865	(2,432)	(1,847)	45,998	164,608
<b>OPERATING EARNINGS (LOSS)</b>	16,435	9,896	16,955	8,283	(790)	(206)	(5,682)	(5,274)	818	818	27,736	13,517
Equity earnings	-	-	18,977	1,929	13,032	(482)	95	172	-	-	32,104	1,619
<b>EARNINGS (LOSS) BEFORE</b>												
<b>UNDERNOTED ITEM</b>	16,435	9,896	35,932	10,212	12,242	(688)	(5,587)	(5,102)	818	818	59,840	15,136
Non-controlling interest	(5,943)	(1,803)	(2,141)	(719)	442	69	-	-	-	-	(7,642)	(2,453)
<b>NET EARNINGS (LOSS) BEFORE</b>												
<b>NON-SEGMENTED ITEMS</b>	10,492	8,093	33,791	9,493	12,684	(619)	(5,587)	(5,102)	818	818	52,198	12,683
Dilution gains											(2,385)	97
Income tax provision											(13,503)	(8,587)
<b>NET EARNINGS (LOSS)</b>	\$ 10,492	\$ 8,093	\$ 33,791	\$ 9,493	\$ 12,684	\$ (619)	\$ (5,587)	\$ (5,102)	\$ 818	\$ 818	\$ 36,310	\$ 4,193

### Segmented Assets as at June 30, 2006 and December 31, 2005

	Wealth				Other Investments and							
	Management		Real Estate		Resources		Corporate Costs		Intersegment		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Goodwill	\$ 309,301	\$ 309,297	\$ -	\$ -	\$ -	\$ -	\$ 9,035	\$ 9,035	\$ -	\$ -	\$ 318,336	\$ 318,332
Other assets	1,159,404	1,126,757	593,405	533,360	207,130	203,270	275,500	187,921	-	-	2,235,439	2,051,308
<b>TOTAL ASSETS</b>	\$ 1,468,705	\$ 1,436,054	\$ 593,405	\$ 533,360	\$ 207,130	\$ 203,270	\$ 284,535	\$ 196,956	\$ -	\$ -	\$ 2,553,775	\$ 2,369,640

## 12. SUBSEQUENT EVENTS

### Transfer of Dundee Wealth BHC

During the first quarter of 2006, the Company agreed to transfer its interest in Dundee Wealth BHC to Dundee Wealth for aggregate cash consideration of approximately \$25,000,000, subject to adjustments for costs incurred in Dundee Wealth BHC and its subsidiaries since December 31, 2005. Dundee Wealth BHC holds a 100% interest in Dundee Wealth Bank, a Canadian federally chartered Schedule I Bank, and a 100% interest in The Dundee Bank, a bank licensed with the Cayman Islands Monetary Authority. Subsequent to June 30, 2006, the Office of the Superintendent of Financial Institutions approved the transaction and the Company is currently in the process of carrying out the legal and administrative requirements in order to complete the transfer, including the transfer of the CDIC relationship to Dundee Wealth.

### Investment in a \$25,000,000 Subordinated Convertible Debentures of Iberian Minerals Corp.

On July 26, 2006, the Company's wholly owned subsidiary, Dundee Resources Limited, invested \$25,000,000 in a 5-year 6% convertible subordinated secured debenture granted by Iberian Minerals Corp., a company involved in the evaluation, development and mining of base metal deposits in Spain.

**Restructuring of Dundee Realty**

On July 31, 2006, and as part of the restructuring of Dundee Realty which was initiated in the second quarter of 2006 (see note 2), Dundee Realty completed a series of further transactions that resulted in a substantial portion of the Company's interest in Dundee REIT being separated from Dundee Realty and transferred into a new, wholly owned subsidiary of the Company. In addition, as part of the restructuring, the non-controlling shareholder of Dundee Realty was granted an option, through the issuance of a class of Dundee Realty shares, that will enable it to acquire additional shares of Dundee Realty over a six year period at a cost of approximately \$10,700,000. If exercised, the option purchase will increase the non-controlling shareholder's interest from 22% to 30%. The option purchase will vest in equal annual installments over the six-year period and is subject to the non-controlling interest's shareholder remaining as an employee of Dundee Realty.

**Notice of Early Redemption of 6.70% Senior Debentures Due September 24, 2007**

On August 8, 2006, the Company redeemed its outstanding \$150,000,000 Debentures. Details of the redemption are provided in note 5 to these interim financial statements.