



**DUNDEE  
CORPORATION**

**2011 SECOND QUARTER REPORT**



# DUNDEE CORPORATION

## Management's Discussion and Analysis

**Dundee Corporation** (the "Company" or "Dundee Corporation") is an independent publicly traded Canadian asset management company. Asset management activities are focused in the areas of the Company's core competencies including real estate and infrastructure, resources, and energy. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "DC.A".

Asset management activities are carried out by Ned Goodman Investment Counsel Limited ("NGIC"), a registered portfolio manager and exempt market dealer across Canada and an investment fund manager in the province of Ontario, and by Dundee Real Estate Asset Management ("DREAM"), the asset management division of Dundee Realty Corporation ("Dundee Realty"), a 70% owned subsidiary of the Company. Asset management activities are supported by the Company's 48% interest in Dundee Capital Markets Inc. ("Dundee Capital Markets"), which was created in December 2010 to carry on the capital markets activities previously conducted through DundeeWealth Inc. ("DundeeWealth") (see "*Divestment of Discontinued Operations*"). Dundee Capital Markets is also the manager of the flow-through limited partnership business carried out through the "CMP", "CDR" and "Canada Dominion Resources" brands.

Dundee Corporation also owns and manages direct investments in these core focus areas, through ownership of both publicly listed and private companies. Real estate operations are carried out through the Company's investment in Dundee Realty, an owner and developer of residential and recreational properties in North America. Real estate operations also include an 8% interest in Dundee Real Estate Investment Trust ("Dundee REIT"), a Canadian real estate investment trust. Resource investments are managed through Dundee Resources Limited ("Dundee Resources"), a wholly owned subsidiary of the Company, and include the Company's 54% investment in Dundee Energy Limited ("Dundee Energy") (formerly Eurogas Corporation), an oil and natural gas company with a mandate to create long-term value through the development of high impact energy projects. Dundee Resources also manages several equity accounted investments.

**This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of August 10, 2011 and provides an update on matters discussed in, and should be read in conjunction with the audited annual consolidated financial statements of the Company, including the notes thereto, as at and for the year ended December 31, 2010, which were prepared in accordance with Canadian GAAP (the "2010 Annual Consolidated Financial Statements") and the unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2011 (the "June 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 the financial years beginning on or after January 1, 2011.

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

The Company 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 Company 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 Company will be required to assess IFRS developments on an ongoing basis. Future changes to IFRS may significantly modify the Company's financial and reporting disclosure requirements.

## **RECENT DEVELOPMENTS**

### **All-Cash Offer for Breakwater Resources Ltd. (“Breakwater”)**

On June 15, 2011, Breakwater announced it had entered into a binding agreement with Nyrstar NV (“Nyrstar”) pursuant to which Nyrstar has agreed to make an all-cash offer to acquire all the issued and outstanding shares of Breakwater by way of a friendly takeover bid. Under the terms of the agreement, shareholders of Breakwater will receive \$7.00 in cash per common share plus a special dividend of \$0.50 in cash per common share to be declared payable to Breakwater shareholders of record on the business day immediately prior to the take-up of shares by Nyrstar. The Nyrstar offer is conditional on a number of customary conditions, including the minimum receipt of acceptance from 66 2/3% of shareholders, receipt of all regulatory approvals and no material adverse change in Breakwater's business.

At June 30, 2011, the Company held 17.6 million common shares of Breakwater or approximately 22.1% of Breakwater's common shares outstanding and it had the right to acquire a further 3.1 million common shares at \$1.20 per common share. Subsequent to June 30, 2011, the Company exercised its right to acquire the additional common shares.

Dundee Corporation has entered into a lock-up agreement pursuant to which it has agreed to tender all of its common shares held in favour of the Nyrstar offer. The Company expects to receive approximately \$155 million in cash as a result of the transaction, including \$145 million from the sale of its interest and a \$10 million special dividend. Once the transaction has been completed, the Company expects to record a pre-tax gain in respect of its divestment of Breakwater of approximately \$100 million. The transaction is expected to close in the third quarter of 2011.

### **Initial Public Offering**

#### **Dundee International Real Estate Investment Trust (“Dundee International REIT”)**

On August 3, 2011, Dundee International REIT completed its initial public offering of 27 million trust units at \$10.00 per unit and \$140 million 5.5% convertible unsecured subordinated debentures due July 31, 2018. Both the units and convertible unsecured subordinated debentures are listed on the TSX and trade under the symbols “DI.UN” and “DI.DB”, respectively.

Dundee International REIT is a newly established real estate investment trust formed to invest in real estate outside of Canada. It was originally founded by Dundee Realty, and DREAM has been retained to act as its asset manager. Dundee International REIT provides an opportunity for the Company and other investors in Dundee International REIT to gain exposure to commercial real estate outside of Canada. Current economic conditions and the recent global financial crisis has had a significant impact on the capital markets outside of Canada. In certain European countries, equity and other forms of real estate financing may not be readily available for many potential buyers of real estate. This challenging financial environment has created attractive investment opportunities for well-capitalized buyers seeking to purchase quality real estate assets at attractive yields.

Dundee International REIT will initially invest in a portfolio of properties consisting of 292 office, logistics and other commercial properties, with a residential component, comprising approximately 12.3 million square feet of commercial gross leasable area (“GLA”) located in Germany. The identified portfolio of properties is currently 87% leased, with a weighted average remaining lease term of seven years. Approximately 75% of the GLA on these properties are currently leased to Deutsche Post. As a result of the transaction, Dundee International REIT will be the single largest landlord of Deutsche Post, providing central and strategically placed locations that are difficult to replace.

In connection with the founding of Dundee International REIT, Dundee Realty subscribed for 800,000 units for \$0.4 million in cash. In addition, the Company and Dundee Realty subscribed for 10 million and 2 million units of Dundee International REIT respectively, for cash of \$120 million pursuant to the initial public offering. In aggregate, these holdings represent a 32.2% interest in Dundee International REIT. In addition to the Company’s subscription pursuant to the initial public offering, and in support of Dundee International REIT’s execution of a term loan credit facility with a syndicate of European banks (which together with the proceeds from the initial public offering, will be used by Dundee International REIT to finance the purchase of the German properties), the Company has:

- agreed, together with Dundee Realty, that it will maintain an aggregate of at least \$120 million of equity in Dundee International REIT for a two-year period following closing of the initial public offering, and an aggregate of at least \$48 million from the end of the two-year period until the end of the term of the credit facility; and
- entered into a sub-participation agreement with a Canadian chartered bank (the “Canadian Bank”) which provides that the Company commits to participate in the Canadian Bank’s sub-participation to a member of the European banking syndicate (the “European Syndicate Bank”), with a commitment of €28.9 million. Under the terms of its sub-participation agreement with the Canadian Bank, the Company will be entitled to receive and recover from the Canadian Bank, as applicable, its proportionate share of all repayments of principal and interest paid to the Canadian Bank from the European Syndicate Bank under the European Syndicate Bank sub-participation agreement.

### **Offer to Acquire Torque Energy Inc. (“Torque”)**

During the second quarter of 2011, Dundee Energy announced that it had made an offer to acquire all of the approximately 14.6 million outstanding common shares of Torque Energy Inc. (“Torque Acquisition”), a Canadian-based oil and natural gas company whose common shares previously traded on the TSX Venture Exchange under the symbol “TQE”. The Company held an 18% interest in Torque. The Torque Acquisition was completed on August 4, 2011.

Torque’s business is the exploration, development and acquisition of opportunities related to the operation and production of oil and natural gas properties. The Torque Acquisition provides Dundee Energy with efficiencies of scale from combining Torque’s oil and natural gas interests in Ontario, including interests in some of the same wells and fields as Dundee Energy, with Dundee Energy’s assets.

In connection with the Torque Acquisition, the Company tendered its 18% interest in Torque and received approximately 1,344,000 common shares of Dundee Energy. In addition, the Company purchased an additional 7,243,000 common shares of Dundee Energy pursuant to a private placement at an aggregate cost of approximately \$6.0 million. As a result of these transactions, the Company increased its investment in Dundee Energy to 56.6%.

### **Divestment of Discontinued Operations**

On February 1, 2011, The Bank of Nova Scotia (“Scotiabank”) completed the acquisition of all of the issued and outstanding shares of DundeeWealth, other than DundeeWealth’s first preference shares, series 1, pursuant to an offer made by Scotiabank on November 22, 2010. The Company tendered all of its 69,940,415 common shares and 5,453,668 first preference shares, Series X of DundeeWealth. As consideration therefore, the Company received 18,599,028 common shares of Scotiabank valued at \$1.046 billion and 14,897,209 \$25 3.70% 5-year rate reset preferred shares of Scotiabank (each a “Scotiabank Preferred Share”) valued at \$372.4 million. In addition, the Company received cash distributions of \$156.0 million and it received 74,484,956 common shares of Dundee Capital Markets pursuant to distributions made by DundeeWealth immediately prior to completion of the transaction as described above.

The Company realized a gain of \$870.8 million on completion of the transaction, determined as follows:

	February 1, 2011	December 31, 2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 261,974	\$ 373,115
Accounts receivable	122,414	147,588
Client accounts receivable	292,277	124,829
Securities owned	23,801	31,022
Available-for-sale securities	141,203	160,722
Deferred sales commissions	263,579	261,645
Capital and other assets	68,038	41,556
Goodwill and other intangible assets	727,694	727,547
<b>Assets of discontinued operations held for sale</b>	<b>\$ 1,900,980</b>	<b>\$ 1,868,024</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 350,982	\$ 151,932
Client deposits and related liabilities	294,947	142,475
Income taxes payable	20,245	15,581
Corporate debt	406,606	352,006
Deferred income tax liabilities	117,836	103,498
<b>Liabilities of discontinued operations held for sale</b>	<b>\$ 1,190,616</b>	<b>\$ 765,492</b>
Net assets of discontinued operations held for sale before non-controlling interest	710,364	1,102,532
Less: non-controlling interest	(288,891)	(537,817)
<b>Net assets of discontinued operations held for sale</b>	<b>\$ 421,473</b>	<b>\$ 564,715</b>
<b>Proceeds Received at Divestment</b>		
18,599,028 common shares of Scotiabank	\$ 1,046,528	
14,897,209 Scotiabank Preferred Shares	372,430	
Total proceeds	\$ 1,418,958	
<b>Gain on Divestment</b>	\$ 997,485	
Less: deferred income tax provision	(143,809)	
Realization of accumulated other comprehensive income	17,152	
	<b>\$ 870,828</b>	

In connection with the transaction, each of the Company and Ned Goodman, the Company's President and Chief Executive Officer, entered into a non-competition and non-solicitation agreement (the "Agreement") with Scotiabank which, among other things, restricts each of them for a period of three years, from competing in Canada, either directly or indirectly with the business of DundeeWealth acquired by Scotiabank.

## DIRECT INVESTMENTS

The Company holds direct investments in various industry sectors and its ownership interest in these investments is established through different entities and structures which create differing accounting treatments. Investments are accounted for as follows:

- (i) Subsidiaries are not recorded as individual investments. Instead, the subsidiaries are consolidated in the financial statements, with 100% of the subsidiaries' accounts recorded on a line-by-line basis in the consolidated statements of financial position and consolidated statements of operations. The subsidiaries' accounts are then subject to non-controlling interest.
- (ii) The carrying values of investments that are classified as equity accounted investments are adjusted by the Company's share of earnings or losses in the investment, and by any dilution in its ownership interest. The share of earnings or losses from equity accounted investments, as well as any gain or loss resulting from a dilution in ownership interest, is reported in the consolidated statements of operations as "Share of earnings from equity accounted investments". In addition, the Company assesses at least annually, whether there is objective evidence that its interest in equity accounted investments are impaired. If impaired, the carrying value of the Company's share of the underlying assets is written down to its estimated recoverable amount.
- (iii) Available-for-sale ("AFS") securities are carried on the consolidated statements of financial position at their fair value with gains and losses reported in other comprehensive income ("OCI") until a sale or until the asset becomes impaired, at which point cumulative gains or losses are transferred to net earnings.
- (iv) Securities owned and securities sold short are carried on the consolidated statements of financial position at fair value, with gains and losses included in net earnings.

The following table summarizes significant portfolio investments, including the Company's percentage ownership interest, the accounting treatment used to account for each investment, the book value of the investment (other than for consolidated subsidiaries) and the market values for investments that are publicly listed securities, determined using quoted trading prices as at June 30, 2011.

Investment Holding	Accounting Treatment	(\$000's) Carrying Value	(\$000's) Market Value	30-Jun-11 Percentage Controlled	31-Dec-10 Percentage Controlled
<i>Real Estate Segment</i>					
Dundee Realty Corporation	Consolidation	n/a	n/a	70%	70%
Dundee Real Estate Investment Trust	Equity	143,612	156,545	8%	9%
<i>Resource Segment</i>					
Dundee Energy Limited	Consolidation	n/a	67,708	54%	54%
Eurogas International Inc.	Consolidation	n/a	333	53%	53%
Nichromet Extraction Inc.	Consolidation	n/a	n/a	67%	63%
Dundee Precious Metals Inc.	Equity	108,520	237,319	23%	23%
Breakwater Resources Ltd.	Equity	51,936	149,411	22%	23%
<i>Capital Markets Segment</i>					
Dundee Capital Markets Inc.	Consolidation	n/a	85,658	48%	48%

## PERFORMANCE MEASURES AND BASIS OF PRESENTATION

The Company's consolidated financial statements are prepared in accordance with IFRS and are reported in Canadian dollars. The Company believes that important measures of operating performance, including the operating performance of its subsidiaries, 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, the Company uses them as supplementary measures to net earnings and cash flows.

- "AUM" or "Assets under Management" represent the period-end market value of client assets managed by the Company's capital markets and asset management subsidiaries on a discretionary basis and in respect of which these subsidiaries earn investment management fees and, in certain cases, performance fees. AUM are not reflected in the Company's consolidated statements of financial position.
- "AUA" or "Assets under Administration" represent the approximate period-end market value of client assets administered by Dundee Capital Markets' brokerage subsidiary and in respect of which the subsidiary earns commissions, trailer service fees and administrative or other similar fees. AUA are not reflected in the Company's consolidated statements of financial position.
- "Barrel of Oil Equivalent" or "Boe" is calculated at a barrel of oil conversion ratio of six thousand cubic feet of natural gas to one barrel 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.
- "Contribution Margin" or "Margins" is an important measure of earnings in the real estate segment and represents real estate earnings before related selling, general and administrative expenses, interest, taxes and depreciation.
- "Field Level Cash Flows" is calculated as revenues from oil and gas sales, less royalties, and production expenditures. Field level cash flows contribute to the funding of the Company's working capital allocated to its resource segment, as well as to capital expenditure requirements for these activities. Field level cash flows also provide for repayment of amounts owing pursuant to Dundee Energy's credit facility (see "*Resource Segment – Dundee Energy Limited*").
- "Field Netbacks" refers to field level cash flows expressed on a measurement unit or barrel of oil equivalent basis.
- "Operating Earnings" are set out in the consolidated statements of operations of the Company.
- "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.

## OPERATING SEGMENTS

### Real Estate

The real estate segment consists of the business activities of Dundee Realty, a private company with operating activities in the land and housing business in Canada and the United States. These activities are supplemented by a portfolio of select income-producing properties. The real estate segment also includes the results of the Company's 8% interest in Dundee REIT (see "Real Estate Segment – Dundee REIT"). Additional information regarding Dundee REIT may be accessed at [www.dundeereit.com](http://www.dundeereit.com).

### Resource

The resource segment includes both the Company's 54% interest in Dundee Energy ([www.eurogascorp.com](http://www.eurogascorp.com)), a company involved in oil and gas production in Ontario and the development of a natural gas storage facility in Spain, and its 53% interest in Eurogas International Inc. ("EII") ([www.eurogasinternational.com](http://www.eurogasinternational.com)), a company which carries out oil and gas exploration and evaluation activities in Tunisia. The resource segment also includes the operating results of Nichromet Extraction Inc. ("Nichromet"), an exploration and development stage company. Nichromet is developing a patented technology for the recovery of base and precious metals as well as fertilizers, by a chlorination process.

The resource segment includes certain other significant portfolio holdings, including the Company's 23% interest in Dundee Precious Metals Inc. ("Dundee Precious") ([www.dundeeprecious.com](http://www.dundeeprecious.com)) (see "Resource Segment – Dundee Precious Metals Inc."), and its 22% interest in Breakwater ([www.breakwater.ca](http://www.breakwater.ca)) (see "Resource Segment – Breakwater Resources Ltd."), both of which are accounted for on an equity basis.

### Asset Management

The asset management segment includes the activities undertaken by NGIC, DREAM and Dundee Resources. At June 30, 2011, NGIC and DREAM provided sub-advisory and investment services to approximately \$7.2 billion of AUM. NGIC, together with Dundee Resources, also provides investment services in respect of the Company's portfolio of AFS securities. These investments include both publicly traded and private companies in a variety of industry sectors, as well as liquid securities such as mutual funds. The asset management segment also includes general corporate overhead costs, as well as interest and debt servicing costs, to the extent that such costs have not been specifically allocated to any operating segment.

### Capital Markets

The Company's capital markets segment consists of its 48% interest in the operations of Dundee Capital Markets, a capital markets and advisory company that provides investment banking, institutional equity sales, trading and equity research. Dundee Capital Markets is also the manager of the flow-through limited partnership business carried out through the "CMP", "CDR" and "Canada Dominion Resources" brands.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION OF DUNDEE CORPORATION

	Three Months		Six Months	
<i>Three and six months ended June 30,</i>	2011	2010	2011	2010
Net earnings before income taxes from:				
Real estate segment	\$ 12,926	\$ 14,074	\$ 24,649	\$ 23,782
Resource segment	7,973	4,913	15,231	12,040
Asset management segment	12,076	28,392	10,553	27,417
Capital markets segment	4,346	5,399	9,599	11,020
	37,321	52,778	60,032	74,259
Income taxes	(12,999)	(16,751)	(18,021)	(22,699)
Discontinued operations:				
(Loss) earnings, net of taxes and non-controlling interest	-	11,430	(9,670)	25,582
Gain on sale of discontinued operations, net of taxes	-	-	870,828	-
Net earnings for the period	\$ 24,322	\$ 47,457	\$ 903,169	\$ 77,142

# CONSOLIDATED RESULTS OF OPERATIONS

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## Six months ended June 30, 2011 compared with the six months ended June 30, 2010

### Consolidated Net Earnings

During the six months ended June 30, 2011, the Company generated net earnings from continuing operations of \$42.0 million, or \$0.44 per share on a fully diluted basis, compared with net earnings from continuing operations of \$51.6 million or \$0.55 per share in the same period of 2010. Net earnings during the first half of 2011, including earnings from discontinued operations, were \$903.2 million, or \$12.66 per share on a fully diluted basis, compared with net earnings of \$77.1 million or \$0.87 per share in the same period of 2010. Net earnings in the first half of 2011 include an \$870.8 million gain from the divestment of the Company's interest in DundeeWealth (see "*Recent Developments*").

The Company's real estate segment generated net earnings before income taxes of \$24.6 million during the first half of 2011, a 3.6% increase compared with the \$23.8 million earned in the same period of 2010. Decreases in real estate contribution margins, which are often project-driven, were offset by the Company's share of improved earnings from Dundee REIT, which increased to \$10.0 million in the first half of 2011 compared with a loss of \$1.5 million incurred in the same period of 2010.

Earnings from the Company's resource segment include two full quarters of operations relating to the oil and gas assets acquired in southern Ontario (see "*Resource Segment – Dundee Energy Limited – Acquisition of Southern Ontario Assets*"). As these assets were acquired late in the second quarter of the prior year, there are no comparative operating amounts reflected in earnings during the first six months of 2010. In the six months ended June 30, 2011, the resource segment incurred operating losses of \$1.5 million compared with operating losses of \$5.1 million in the same period of the prior year. Operating losses were offset by substantial equity earnings from resource-based equity accounted investments. Equity earnings, including equity earnings from Breakwater and Dundee Precious, were \$18.8 million in the first half of 2011, a 3.9% increase over the \$18.1 million earned in the same period of 2010.

The Company's asset management business continues to expand. Management fees earned on asset management activities were \$14.1 million in the first six months of 2011 compared with \$11.9 million earned in the same period of 2010. NGIC earned management and performance fees of \$2.9 million in the first half of 2011 (six months ended June 30, 2010 - \$1.9 million). As part of the arrangements with Scotiabank, NGIC will continue to provide sub-advisory services to certain mutual funds and other investment products managed by DundeeWealth. Asset management revenues generated by DREAM increased to \$9.4 million in the first half of 2011 (six months ended June 30, 2010 - \$8.0 million) and reflect substantial acquisitions of real estate property by entities for which DREAM provides real estate asset management services. During the first half of 2011, the Company also generated revenues of \$1.8 million from international asset management activities (six months ended June 30, 2010 - \$2.0 million). Revenues from international operations are generated in U.S. dollars and were adversely affected by the underlying value of the currency relative to the Canadian dollar.

Dundee Capital Markets generated earnings before taxes of \$9.6 million in the first six months of 2011, a decrease of 12.7% compared with net earnings of \$11.0 million earned in the same period of 2010. Following the market volatility of recent years, 2010 and the first half of 2011 have shown signs of renewed growth and investment activities. This is evidenced in the growth of new issues and mergers and acquisitions activity throughout diversified industry sectors across Canada. While Dundee Capital Markets has benefitted from this increased activity, with revenues increasing by almost 21.7% in the first half of 2011 compared with the first half of the prior year, emphasis has been placed on strengthening and broadening competencies within its areas of focus, in anticipation of a more specialized entrepreneurial firm, with carefully selected core strengths. These initiatives are reflected in increased selling, general and administrative costs during the first half of 2011 compared with the same period of the prior year.

## Available-for-Sale Securities

	Three Months ended		Six Months ended	
	30-Jun-11		30-Jun-11	
Fair value of available-for-sale securities, beginning of period	\$	1,810,015	\$	198,482
<b>Transactions during the period ended June 30, 2011</b>				
New investments		97,501		173,599
Interest in Scotiabank shares on divestment of DundeeWealth		-		1,418,958
Proceeds from sales of investments		(2,977)		(8,241)
Changes in fair values of AFS securities		(63,756)		56,903
Other transactions		-		1,082
Fair value of available-for-sale securities, June 30, 2011	\$	<b>1,840,783</b>	\$	<b>1,840,783</b>
Represented by:				
Resource-based investments			\$	229,057
Other public investments				1,520,806
Private investments				82,964
Mutual funds				7,956
			\$	<b>1,840,783</b>

The fair value of the Company's portfolio of AFS securities was \$1.8 billion at June 30, 2011 compared with \$198.5 million at the end of the prior year. The significant increase includes the Company's interest in Scotiabank shares of \$1.4 billion, which were acquired as part of its divestment of DundeeWealth in the first quarter of 2011. Other acquisitions during the first half of 2011 were \$173.6 million, many in the resource sector.

Since January 1, 2011, the Company's portfolio of AFS securities has appreciated by \$56.9 million. However, global capital markets in the second quarter of 2011 were marked by the deterioration of economic indicators amidst an onslaught of negative economic news. Reflective of these market conditions, the fair value of the Company's AFS securities depreciated by \$63.8 million in the second quarter of this year, including depreciation of \$21.1 million related to the Company's shares of Scotiabank. Changes in fair values of AFS securities are recorded in OCI until such time as they are realized.

## Equity Accounted Investments

	Three Months ended		Six Months ended	
	30-Jun-11		30-Jun-11	
Carrying value of equity accounted investments, beginning of period	\$	298,359	\$	289,709
<b>Transactions during the period ended June 30, 2011</b>				
Cash invested in equity accounted investments		22,414		22,414
Distributions received, net of reinvestments		(1,974)		(3,885)
Share of earnings from equity accounted investments		13,870		28,870
Share of other comprehensive loss from equity accounted investments		(2,816)		(7,684)
Other		(809)		(380)
Carrying value of equity accounted investments, June 30, 2011	\$	<b>329,044</b>	\$	<b>329,044</b>

The market value of equity accounted investments as at June 30, 2011 was \$578.7 million (December 31, 2010 - \$586.2 million).

		June 30, 2011			December 31, 2010		
Trade Symbol	Investment	Ownership	Carrying Value	Market Value	Ownership	Carrying Value	Market Value
DPM	Dundee Precious Metals Inc.	23%	\$ 108,520	\$ 237,319	23%	\$ 106,503	\$ 288,128
D.UN	Dundee Real Estate Investment Trust	8%	143,612	156,545	9%	125,877	134,505
BWR	Breakwater Resources Ltd.	22%	51,936	149,411	23%	38,963	127,939
RYG	Ryan Gold Corp. (formerly Valdez Gold Inc.)	12%	15,328	25,345	12%	5,863	20,384
-	Escal UGS S.L.	33%	3,178	3,178	33%	5,930	5,930
CRG	Corona Gold Corporation	26%	5,852	5,170	26%	5,865	7,258
ODX	Odyssey Resources Limited	31%	618	1,705	31%	708	2,046
			<b>\$ 329,044</b>	<b>\$ 578,673</b>		<b>\$ 289,709</b>	<b>\$ 586,190</b>

The Company's 33% interest in Escal UGS S.L. ("Escal") is held through Dundee Energy's 74% owned subsidiary, Castor UGS Limited Partnership, giving Dundee Energy an effective 25% interest in Escal. Escal's market value has been determined based on the Company's carrying value.

## SEGMENTED RESULTS OF OPERATIONS

	<b>2011</b>					
<i>For the six months ended June 30, 2011</i>	Real Estate	Resource	Asset Management	Capital Markets	Intersegment	TOTAL
<b>REVENUES</b>						
Management fees	\$ -	\$ -	\$ 14,106	\$ 9,475	\$ (2,699)	\$ 20,882
Financial services	-	-	1,777	55,838	-	57,615
Real estate revenue	110,665	-	-	-	-	110,665
Oil and gas revenue, net	-	17,602	-	-	-	17,602
Investment income	11	54	34,380	3,732	(1,271)	36,906
	110,676	17,656	50,263	69,045	(3,970)	243,670
<b>EXPENSES</b>						
Variable compensation	-	-	-	33,161	-	33,161
Operating costs, real estate	86,105	-	-	-	(1,678)	84,427
Operating costs, oil and gas	-	5,952	-	-	-	5,952
Depreciation and depletion	1,049	7,248	1,208	431	-	9,936
Selling, general and administrative	5,217	5,995	33,422	25,854	(1,021)	69,467
	92,371	19,195	34,630	59,446	(2,699)	202,943
<b>OPERATING EARNINGS (LOSS)</b>	18,305	(1,539)	15,633	9,599	(1,271)	40,727
<b>OTHER ITEMS IN EARNINGS</b>						
Share of earnings from equity accounted investments	10,042	18,828	-	-	-	28,870
Share of earnings from real estate joint ventures	462	-	-	-	-	462
Risk management gain	-	548	-	-	-	548
Fair value gain (loss)	1,292	(107)	-	-	-	1,185
Interest expense	(5,452)	(2,389)	(4,913)	-	1,271	(11,483)
Foreign exchange loss	-	(110)	(167)	-	-	(277)
	6,344	16,770	(5,080)	-	1,271	19,305
<b>NET EARNINGS BEFORE NON-SEGMENTED ITEMS</b>	24,649	15,231	10,553	9,599	-	60,032
<b>NON-SEGMENTED ITEMS</b>						
Income taxes	-	-	-	-	-	18,021
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	24,649	15,231	10,553	9,599	-	42,011
<b>DISCONTINUED OPERATIONS</b>						
Loss, net of taxes and non-controlling interest	-	-	-	-	-	(9,670)
Gain on sale of discontinued operations, net of taxes	-	-	-	-	-	870,828
<b>NET EARNINGS FOR THE PERIOD</b>	\$ 24,649	\$ 15,231	\$ 10,553	\$ 9,599	\$ -	\$ 903,169
<b>NET EARNINGS ATTRIBUTABLE TO:</b>						
Owners of the parent	\$ 19,936	\$ 16,654	\$ 10,553	\$ 6,048	\$ -	\$ 896,328
Non-controlling interest	4,713	(1,423)	-	3,551	-	6,841
	\$ 24,649	\$ 15,231	\$ 10,553	\$ 9,599	\$ -	\$ 903,169

	<b>2010</b>					
<i>For the six months ended June 30, 2010</i>	Real Estate	Resource	Asset Management	Capital Markets	Intersegment	TOTAL
<b>REVENUES</b>						
Management fees	\$ -	\$ -	\$ 11,932	\$ 6,278	\$ (2,220)	\$ 15,990
Financial services	-	-	659	49,385	-	50,044
Real estate revenue	152,974	-	-	-	-	152,974
Investment income	-	178	35,311	1,094	(1,332)	35,251
	152,974	178	47,902	56,757	(3,552)	254,259
<b>EXPENSES</b>						
Variable compensation	-	-	-	25,629	-	25,629
Operating costs, real estate	117,178	-	-	-	(1,483)	115,695
Depreciation and depletion	1,301	16	1,153	522	-	2,992
Selling, general and administrative	3,660	5,231	14,379	19,574	(737)	42,107
	122,139	5,247	15,532	45,725	(2,220)	186,423
<b>OPERATING EARNINGS (LOSS)</b>	30,835	(5,069)	32,370	11,032	(1,332)	67,836
<b>OTHER ITEMS IN EARNINGS</b>						
Share of earnings (loss) from equity accounted investments	(1,454)	18,120	-	-	-	16,666
Share of earnings from real estate joint ventures	333	-	-	-	-	333
Fair value loss	(38)	(388)	-	-	-	(426)
Interest expense	(5,894)	(467)	(4,942)	(12)	1,332	(9,983)
Foreign exchange loss	-	(156)	(11)	-	-	(167)
	(7,053)	17,109	(4,953)	(12)	1,332	6,423
<b>NET EARNINGS BEFORE NON-SEGMENTED ITEMS</b>	23,782	12,040	27,417	11,020	-	74,259
<b>NON-SEGMENTED ITEMS</b>						
Income taxes	-	-	-	-	-	22,699
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	23,782	12,040	27,417	11,020	-	51,560
<b>DISCONTINUED OPERATIONS</b>						
Earnings, net of taxes and non-controlling interest	-	-	-	-	-	25,582
<b>NET EARNINGS FOR THE PERIOD</b>	\$ 23,782	\$ 12,040	\$ 27,417	\$ 11,020	\$ -	\$ 77,142
<b>NET EARNINGS ATTRIBUTABLE TO:</b>						
Owners of the parent	\$ 19,431	\$ 14,524	\$ 27,417	\$ 7,083	\$ -	\$ 71,338
Non-controlling interest	4,351	(2,484)	-	3,937	-	5,804
	\$ 23,782	\$ 12,040	\$ 27,417	\$ 11,020	\$ -	\$ 77,142

## SEGMENTED RESULTS OF OPERATIONS

Six months ended June 30, 2011 compared with the six months ended June 30, 2010

### REAL ESTATE SEGMENT

#### Dundee Realty Corporation

#### RESULTS OF OPERATIONS

##### *Margins from Real Estate Operations*

Real estate operations generated contribution margins of \$24.6 million or 22.2% on revenues of \$110.7 million during the six months ended June 30, 2011. This compares with contribution margins of \$35.8 million or 23.4% on revenues of \$153.0 million during the same period of 2010.

Components of Real Estate Operations*	Six months to June 30, 2011				Six months to June 30, 2010			
	Revenue	Costs	Margin	% Margin	Revenue	Costs	Margin	% Margin
<b>Inventory</b>								
Land under development	\$ 48,836	\$ 35,724	\$ 13,112	26.8%	\$ 75,034	\$ 52,095	\$ 22,939	30.6%
Housing	36,017	30,146	5,871	16.3%	46,053	37,365	8,688	18.9%
Condominiums	4,691	6,883	(2,192)	(46.7%)	15,190	16,591	(1,401)	(9.2%)
<b>Investment properties</b>	2,858	1,368	1,490	52.1%	2,614	1,531	1,083	41.4%
<b>Income-producing properties</b>	15,941	11,984	3,957	24.8%	11,848	9,619	2,229	18.8%
<b>Other</b>	2,322	-	2,322	N/A	2,235	-	2,235	N/A
	<b>\$ 110,665</b>	<b>\$ 86,105</b>	<b>\$ 24,560</b>	<b>22.2%</b>	<b>\$ 152,974</b>	<b>\$ 117,201</b>	<b>\$ 35,773</b>	<b>23.4%</b>

\* Excludes selling, general and administrative expenses, interest expense and depreciation

##### *Land*

Revenue from land sales in the first six months of 2011 was \$48.8 million generating contribution margins of \$13.1 million or 26.8%. This compares with revenue of \$75.0 million generating contribution margins of \$22.9 million or 30.6% in the same period of 2010. The decrease in operating profits of \$9.8 million reflects fewer lot and parcel sales in western Canada compared to the same period of the prior year. Decreased sales in western Canada lowered revenues by \$21.4 million and decreased operating profit by \$9.7 million. Similarly, a reduction in lot sales related to Dundee Realty's joint venture interests in Toronto decreased revenues by \$5.5 million and operating profit by \$1.2 million in the first half of 2011, compared to the same period of the prior year.

During the six months ended June 30, 2011, Dundee Realty sold 430 lots at an average selling price of \$116,000 per lot compared to 616 lots at an average selling price of \$122,000 per lot in the same period of 2010. Dundee Realty sold 13 parcel acres at an average price of \$456,000 per acre in the first half of 2011, compared to 40 parcel acre sales at \$456,000 per acre in the same period of 2010.

##### *Housing*

Revenue from sales of housing units decreased by \$10.0 million to \$36.0 million in the first six months of 2011, primarily from lower sales volumes of homes in Saskatoon and in Toronto.

Housing operations in Saskatoon experienced slower demand during the first half of 2011, compared to a busy season in the earlier part of 2010. During the six months ended June 30, 2011, 84 units were sold at an average selling price of \$427,000 per unit, translating into a \$3.6 million operating profit, compared to a \$5.7 million profit in the same period of 2010 when 105 units were sold at an average selling price of \$376,000 per unit. The \$2.1 million decrease in sales revenue and higher operating costs decreased margins in the first half of 2011 to 12.0% from 17.7% in the same period of 2010, resulting in a \$2.1 million decrease in operating profits. At June 30, 2011, there were 159 housing units under construction, of which 112 were pre-sold.

Dundee Realty completed 62 home closings through its joint venture operations in Toronto during the first half of 2011, compared to 150 home closings in the same period of 2010. Sales revenue of \$5.7 million generated operating profits of \$2.3 million, with an average selling price of \$426,000. This compares to sales revenues of \$13.6 million, operating profits of \$3.0 million and an average selling price of \$470,000 in the same period of the prior year.

#### *Condominiums*

Revenue from sales of condominium units decreased by \$10.5 million in the first half of 2010, to \$4.7 million in the first half of the current year, primarily attributable to lower sales of condominium units at one of the ongoing projects in Toronto. Revenues of \$1.4 million in the first six months of 2011 resulted in a marginal operating loss, mainly attributable to cost adjustments. The average selling price during the first half of 2011 was \$566,000 per unit.

Sales of 10 units at a condominium project in the U.S. generated \$3.3 million in revenue in the six months ended June 30, 2011, compared to 13 sales in the same period of 2010, which generated revenue of \$4.0 million. At June 30, 2011, there were 28 units available for sale. Management is continuing its program to fund vendor-take-back mortgages that will allow potential purchasers to obtain the remainder of the financing needed to complete a transaction.

#### *Investment Properties*

Revenue from investment properties increased to \$2.9 million during the first half of 2011, from \$2.6 million in the first six months of 2010. During this period, operating profits increased to \$1.5 million, representing a margin of 52.1% and an increase of \$0.4 million from the same period of 2010. The Distillery Historic District in Toronto outperformed last year, as higher occupancy levels contributed to higher revenue and lower bad debt allowance in the current year. During the six months ended June 30, 2011, the value of the Distillery Historic District increased by \$1.3 million mainly due to increased leasing activity and a decrease in overall capitalization rate.

#### *Income-Producing Properties*

Revenue from income-producing properties increased to \$15.9 million in the first two quarters of 2011, from \$11.8 million in the same period of 2010. Operating profits in the current period increased to \$4.0 million, representing a margin of 24.8% and an increase of \$1.7 million from results in the first half of 2010. The increase is mainly attributable to positive margins from ski operations in the U.S. These operations contributed \$4.4 million to operating profit in the current period, representing an increase of 57.8% over the same period of the prior year, mainly due to more skier visits as record snowfall and full operation of a new ski lift generated greater skier response.

Dundee Realty has budgeted US\$1.2 million towards capital expenditures on its U.S. ski operations. These expenditures, which will be incurred throughout the remainder of 2011, will significantly increase parking capacity to accommodate increased demand generated by the new ski lift investment completed in 2010.

Dundee Realty's 17% interest in the King Edward Hotel in downtown Toronto generated marginal operating profit in the six months ended June 30, 2011, in line with the same period of the prior year. Revenue increased to \$2.0 million in the first six months of 2011, from \$1.5 million in the same period of the prior year, and reflects the timing of the acquisition of this property, which was completed in March 2010.

#### *Real Estate Joint Venture Investments*

Dundee Realty's real estate joint venture investments are comprised of investments in jointly controlled entities and investments in associates. The following table discloses the operating margins of jointly controlled entities before applying the equity method of accounting and excluding interest, depreciation and general and administrative expenses:

Components of Real Estate Operations	Six months to June 30, 2011				Six months to June 30, 2010			
	Revenue	Costs	Margin	% Margin	Revenue	Costs	Margin	% Margin
Income-producing properties	\$ 6,632	\$ 4,557	\$ 2,075	31.3%	\$ 6,070	\$ 4,340	\$ 1,730	28.5%
Investment properties	120	53	67	55.8%	-	-	-	N/A
	<b>\$ 6,752</b>	<b>\$ 4,610</b>	<b>\$ 2,142</b>	<b>31.7%</b>	<b>\$ 6,070</b>	<b>\$ 4,340</b>	<b>\$ 1,730</b>	<b>28.5%</b>

## CHANGES IN FINANCIAL CONDITION

### Real Estate Assets

Real estate assets increased by 5.0% from December 31, 2010 to \$430.7 million at June 30, 2011.

As at	June 30, 2011	% Change	December 31, 2010
<b>Inventory</b>			
Land	\$ 251,126	(4%)	\$ 260,298
Housing	28,728	16%	24,691
Condominiums	84,303	42%	59,567
Commercial development	5,330	8%	4,949
	369,487	6%	349,505
<b>Investment properties</b>	37,144	8%	34,280
<b>Income-producing properties</b>	24,043	(4%)	25,141
	<b>\$ 430,674</b>	<b>5%</b>	<b>\$ 408,926</b>

### Land Under Development and Land Held for Development

As illustrated below, Dundee Realty's portfolio of land under development and held for development extends across Canada and the United States.

	Land Held for Development		Land Under Development		Total Cost
	Cost	Acres	Cost	Number of Lots	
Saskatoon	\$ 40,670	2,155	\$ 16,833	122	\$ 57,503
Regina	10,327	980	27,989	294	38,316
Calgary	86,999	1,112	20,195	18	107,194
Edmonton	16,996	463	26,295	201	43,291
Toronto	-	-	3,503	3	3,503
USA	1,319	3	-	-	1,319
	<b>\$ 156,311</b>	<b>4,713</b>	<b>\$ 94,815</b>	<b>638</b>	<b>\$ 251,126</b>

The carrying value of Dundee Realty's portfolio of land under development and held for development decreased to \$251.1 million at June 30, 2011, a decrease of 4% from \$260.3 million at December 31, 2010.

Balance of land inventory, December 31, 2010	\$	260,298
Costs of development		25,191
Transfer to cost of goods sold		(30,507)
Cost recoveries		(3,738)
Other		(118)
Balance of land inventory, June 30, 2011	<b>\$</b>	<b>251,126</b>

Development costs on land were approximately \$25.2 million during the six months ended June 30, 2011, and were incurred primarily in western Canada. Dundee Realty estimates that it will spend an additional \$126.0 million on development activity during the remainder of 2011. Funding will be provided from operating cash as well as borrowings pursuant to Dundee Realty's borrowing facilities.

### Housing Inventory

Housing inventory increased by 16% to \$28.7 million as at June 30, 2011 compared with \$24.7 million at December 31, 2010. Housing development costs, primarily incurred in western Canada, were approximately \$34.0 million during the six months ended June 30, 2011.

Balance of housing inventory, December 31, 2010	\$	24,691
Costs of development		34,004
Transfer to cost of goods sold		(29,967)
Balance of housing inventory, June 30, 2011	\$	<b>28,728</b>

### *Significant Housing Projects*

<i>As at June 30, 2011</i>	<b>Location</b>	<b>Number of houses/condo units</b>	<b>Cost</b>
<b>Single family homes</b>	Saskatoon	86	\$ 14,365
	Regina	73	13,406
	Toronto	10	957
			<b>\$ 28,728</b>

### *Condominium Inventory*

Balance of condominium inventory, December 31, 2010	\$	59,567
New acquisitions		10,728
Costs of development		18,676
Transfer to cost of goods sold		(4,422)
Other		(246)
Balance of condominium inventory, June 30, 2011	\$	<b>84,303</b>

Condominium inventory increased by 42% to \$84.3 million as at June 30, 2011 compared with \$59.6 million at December 31, 2010. During the six months ended June 30, 2011, Dundee Realty, in conjunction with an existing joint venture partner, acquired three condominium development sites located in Toronto for a total cost of \$10.7 million. Condominium development costs were approximately \$18.7 million during the period ended June 30, 2011, all of which were incurred in Toronto.

Dundee Realty, together with its joint venture partners, is developing over 100,000 square feet of vacant space located on the third, fourth and fifth floors of the King Edward Hotel in downtown Toronto, into approximately 145 condominium units. The project is now 98% pre-sold and construction has started, with project completion scheduled for early 2013.

### *Significant Condominium Projects*

<i>As at June 30, 2011</i>	<b>Location</b>	<b>Number of houses/condo units</b>	<b>Cost</b>
<b>Condominiums</b>			
Clear Spirit	Toronto	346	\$ 21,829
Gooderham	Toronto	328	7,227
Corktown I	Toronto	1	3,787
Corktown II	Toronto	192	13,786
Two Gladstone	Toronto	55	6,078
SYNC	Toronto	98	3,540
Trinity Lofts	Toronto	82	4,527
King Edward	Toronto	145	2,274
8 Gladstone	Toronto	-	2,554
11 Peel	Toronto	-	7,636
345 Carlaw	Toronto	-	1,809
Base Camp One	Colorado	28	7,709
Other			1,547
			<b>\$ 84,303</b>

### Commercial Development Property

Balance of commercial development property, December 31, 2010	\$	4,949
Acquisition adjustments		(27)
Additions during the period		408
Balance of commercial development property, June 30, 2011	\$	<b>5,330</b>

Dundee Realty, in conjunction with two partners, jointly acquired a property in Toronto during 2010. Dundee Realty invested \$4.9 million in the property and retained a 45% interest. The vacant office building on the site is to be re-furbished, leased and then marketed for sale on completion. During the six months ended June 30, 2011, \$0.4 million of development costs were incurred on the project.

### Investment Properties

Balance of investment properties, December 31, 2010	\$	34,280
New acquisitions		1,538
Building improvements		7
Initial leasing costs and incentives during the period		31
Fair value adjustment		1,292
Amortization of lease incentives		(4)
Balance of investment properties, June 30, 2011	\$	<b>37,144</b>

During the first half of 2011, Dundee Realty and a joint venture partner acquired a 50% interest in an 84.6% occupied three-storey office building in Toronto for \$1.5 million.

The value of investment properties at June 30, 2011 increased by \$1.3 million from December 31, 2010. The increase is primarily attributed to increases in the value of the Distillery Historic District and reflects improved leasing activity.

### Income-Producing Properties

Balance of income-producing properties, December 31, 2010	\$	25,141
Additions during the period		289
Disposals during the period		(12)
Depreciation and amortization		(1,083)
Other		(292)
Balance of income-producing properties, June 30, 2011	\$	<b>24,043</b>

Income-producing properties decreased by 4% to \$24.0 million as at June 30, 2011 compared with \$25.1 million at December 31, 2010, mainly due to depreciation.

#### As at June 30, 2011

Project	Location	Cost
Arapahoe Basin	Colorado	\$ 11,770
King Edward Hotel	Toronto	6,659
Willows Golf course	Saskatoon	3,322
Corporate fixed assets and other		2,292
		\$ <b>24,043</b>

As previously indicated, Dundee Realty's capital expenditure plan includes US\$1.2 million to increase parking capacity on its U.S. property.

### *Real Estate Joint Venture Investments*

Dundee Realty's real estate joint venture investments are comprised of investments in jointly controlled entities and investments in associates.

Included in Dundee Realty's joint venture investments, is its 20% interest in Firelight Infrastructure Fund ("Firelight"). Firelight has committed \$200 million to fund renewable energy projects and is currently invested in RMS Energy Dalhousie Mountain LP, which completed its first project in 2010, with the successful conversion of the RMS Dalhousie Mountain wind farm in Pictou County, Nova Scotia. Through Xeneca Limited Partnership ("Xeneca"), Firelight is also indirectly invested in the development of waterpower sites in Ontario. Dundee Realty has an 18.8% beneficial interest in Xeneca.

During the second quarter of 2011, Firelight acquired four solar rooftop projects as part of a plan to invest \$150 million over three years in solar energy projects. The acquired solar projects have entered into power purchase agreements for renewable energy with the Ontario Power Authority to supply energy at a fixed rate of 71.3 cents per kWh for 20 years. Dundee Realty holds a 20% interest in the solar projects and has invested \$0.8 million.

Firelight has also entered into a joint venture agreement to acquire a 49% interest in a 31.5 MW wind power project located near Amherst, Nova Scotia.

### **Real Estate Debt**

Real estate debt as at June 30, 2011 was \$171.6 million (December 31, 2010 - \$177.1 million) including \$77.0 million relating to a revolving term credit facility, with the balance divided among mortgages on investment properties, income-producing properties, land servicing loans, vendor-take-back financing of land purchases and housing construction loans. Debt is generally secured by charges on specific properties to which the debt relates. As at June 30, 2011, \$43.1 million (December 31, 2010 - \$33.5 million) of aggregate debt in the real estate segment was subject to a fixed, weighted average interest rate of 7.44% (December 31, 2010 - 6.96%) and matures between 2011 and 2016. A further \$128.5 million (December 31, 2010 - \$143.6 million) of real estate debt is subject to a weighted average variable interest rate of 4.14% (December 31, 2010 - 5.08%) and matures between 2011 and 2018.

The revolving term credit facility is available up to a formula-based maximum not to exceed \$150 million. The facility bears interest at prime plus 1.75% or at the corporate bankers' acceptance rate plus 3.00%. The facility was renewed on February 1, 2011 and expires on November 30, 2012. The facility is secured by a general security agreement and first charges against lots and parcels, as well as certain land held for development in western Canada. At June 30, 2011, Dundee Realty had drawn \$109.8 million against its revolving term credit facility, including \$32.8 million in the form of letters of credit.

### **Dundee REIT**

Dundee REIT is an unincorporated, real estate investment trust and is a leading provider of high quality, affordable business premises. It is focused on owning, acquiring, leasing and managing mid-sized urban and suburban office and industrial properties in Canada. At June 30, 2011, Dundee REIT's portfolio consisted of approximately 15.0 million square feet of gross leasable area across Canada.

Since the beginning of 2011, Dundee REIT successfully raised approximately \$322.4 million in equity financings. The arrangements facilitated the acquisition of 32 properties, enhancing Dundee REIT's real estate portfolio by over 2.7 million square feet of office and industrial space in markets across Canada. The benefit of these acquisitions, together with those completed in 2010, is reflected in improved revenue and net earnings during the first six months of 2011, which increased by 56% and 54%, respectively, compared with the same period of 2010.

The Company's share of earnings from its investment in Dundee REIT for the six months ended June 30, 2011 was \$10.0 million. This compares with net equity losses of \$1.5 million during the same period of 2010.

Dundee Corporation received distributions from Dundee REIT of \$5.0 million during the first six months of 2011 (six months ended June 30, 2010 - \$4.9 million), of which \$1.1 million were reinvested in Dundee REIT as part of its dividend reinvestment program (six months ended June 30, 2010 - \$1.0 million).

At June 30, 2011, Dundee Corporation held, directly and indirectly, an 8% interest in Dundee REIT. The Company continues to account for its investment in Dundee REIT on an equity basis as it is able to exert significant influence over the operations and financial results of Dundee REIT. At June 30, 2011, the market value of the Company's investment in Dundee REIT was \$156.5 million.

Subsequent to June 30, 2011, Dundee REIT announced that it would complete a further offering of 5,037,000 units for gross proceeds of \$163.2 million. In order to maintain its pro-rata interest in Dundee REIT, the Company has elected to participate in this offering and accordingly, it has committed to purchase 407,000 units at a cost of \$13.2 million.

## **RESOURCE SEGMENT**

During the six months ended June 30, 2011, the resource segment generated net earnings of \$15.2 million, compared with net earnings of \$12.0 million earned during the six months ended June 30, 2010. Net earnings in the resource segment include \$18.8 million in earnings from resource-based equity accounted investments, compared with equity earnings of \$18.1 million in the same period of 2010.

### **Dundee Energy Limited (formerly Eurogas Corporation)**

#### **Acquisition of Southern Ontario Assets**

On June 29, 2010, Dundee Energy Limited Partnership ("DELP"), a wholly-owned limited partnership of Dundee Energy, 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 (the "Acquisition"), all located in southern Ontario, Canada (the "Southern Ontario Assets"). As part of the Acquisition and through Dundee Energy's investment in DELP, Dundee Energy 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 Acquisition also provides for ownership or licensing of up to 14,680 kilometres of 2-dimensional seismic and 331 square kilometres of 3-dimensional seismic.

The Acquisition further provides Dundee Energy 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 Acquisition has provided Dundee Energy with the potential for the development of gas storage reservoirs, the feasibility of which will require further evaluation.

The Company accounted for the Acquisition of the Southern Ontario Assets as a business combination pursuant to IFRS requirements. Accordingly, the aggregate consideration transferred of \$128.6 million was assigned to the net assets acquired based on their fair value. Transaction costs relating to the Acquisition were \$3.1 million, including \$2.8 million incurred during the second quarter of 2010, and were comprised 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 Dundee Energy's working capital, with the balance funded by drawing against an \$80 million credit facility (see "*Dundee Energy – Demand Revolving Credit Facility*").

## RESULTS OF OPERATIONS

### *Oil and Gas Sales*

In the six months ended June 30, 2011, DELP generated oil and gas revenue of \$20.8 million before royalty payments (\$17.6 million net revenue after royalty payments). DELP's royalty obligations represent approximately 15% of oil and gas sales and include crown royalties as well as freehold and overriding royalties.

	Sales Volume	Revenues (\$'000's)	Royalty Payments (\$'000's)	Realized Prices (\$)/unit
Natural gas (mcf/d)	20,766	8,831	1,330	4.70
Oil (bbls/d)	1,309	11,690	1,800	98.69
Liquids (bbls/d)	52	253	42	53.41
Total (boe/d)	4,822	20,774	3,172	47.59

Due to severe weather conditions in the late winter and early spring, DELP was required to make unanticipated repairs to an offshore gas pipeline, resulting in an average production loss of approximately 8.8 Mcf/d throughout the first half of 2011. Since completing the repairs in the early spring, and undertaking an extensive workover program during the second quarter of 2011, DELP has arrested the production decline and increased natural gas production.

Natural gas sales currently represent 72% of the overall production volume on a boe basis and 43% of total revenue. During the first half of 2011, DELP realized an average price of \$4.70/Mcf on sales of natural gas, before adjustments resulting from risk management contracts, representing a positive basis differential from the average NYMEX price of US\$4.28/Mcf (Cdn\$4.18/Mcf). The positive basis differential is due in part, to DELP'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.

Oil sales currently represent 28% of the overall production volume on a boe basis and 57% of total revenue. World markets continue to cause substantial volatility in the price of oil with the spot price closing on June 30, 2011 at US\$95.30/bbl West Texas Intermediate (WTI) compared with US\$91.38/bbl at December 31, 2010 and US\$75.93/bbl on the original date of the Acquisition. During the first half of 2011, DELP realized an average price of \$98.69/bbl on oil sales, before adjustments resulting from risk management contracts, above the average WTI price of US\$98.08/bbl (Cdn\$95.79/bbl).

	Average prices during the six months ended June 30, 2011		Actual Realized
	US\$	CDN\$	CDN\$
<b>Benchmark Prices</b>			
<b>Oil</b>			
West Texas Intermediate (WTI)	98.08	95.79	98.69
Edmonton Par	n/a	96.18	98.69
<b>Natural Gas</b>			
Dawn Hub	4.65	4.55	4.70
Nymex Henry Hub	4.28	4.18	4.70

### Price Risk Management

DELP 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 dollar foreign exchange rates. These price risk management strategies assist DELP in securing a more stable cash flow to protect a desired level of capital spending and for debt management. DELP's risk management strategy includes a foreign exchange component, as fixed prices are set in Canadian dollars. These risk management contracts hedge approximately 80% of DELP's oil production and 60% of its natural gas production. The following is a summary of commodity contracts entered into by DELP as of June 30, 2011.

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

\* Volume measured in thousands of British thermal units

For accounting purposes, DELP has not designated these risk management contracts as hedges. Accordingly, changes in the fair values of these contracts will be included in the Company's net earnings. If the risk management contracts were unwound at June 30, 2011, DELP would receive an amount of \$0.4 million.

During the six months ended June 30, 2011, and as a result of the recent volatility in global oil prices, DELP's risk management contracts resulted in a mark to market gain of \$0.5 million as outlined below:

For the period ended June 30, 2011	Three Months			Six Months		
	Realized gain (loss)	Unrealized gain	Total	Realized gain (loss)	Unrealized gain	Total
Oil swaps	\$ (267)	\$ 1,816	\$ 1,549	\$ (359)	\$ 455	\$ 96
Gas swap	81	309	390	81	371	452
	\$ (186)	\$ 2,125	\$ 1,939	\$ (278)	\$ 826	\$ 548

### Field Level Cash Flows and Field Netbacks

Field level cash flows generated from the Southern Ontario Assets were \$11.7 million in the first six months of 2011, an 8% increase over field level cash flows of \$10.8 million generated in the second half of 2010. The increase reflects both the rise in production volumes and an increase in oil prices. The calculation of field level cash flows is summarized below:

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

Field netbacks represent the unit revenues and unit costs on a bbl or Mcf basis for items related to field level cash flows. Field level cash flows have improved in the second quarter of 2011, reflecting both production volume increases and favourable commodity prices.

	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)
Total sales	\$ 103.14	\$ 4.71	\$ 90.10	\$ 4.69	\$ 85.91	\$ 4.50	\$ 75.81	\$ 5.08
Royalty expense	(15.15)	(0.72)	(14.74)	(0.69)	(12.64)	(0.69)	(12.56)	(0.80)
Production expenditures	(20.71)	(1.78)	(19.26)	(1.94)	(23.29)	(1.51)	(17.36)	(1.74)
Field netbacks	\$ 67.28	\$ 2.21	\$ 56.10	\$ 2.06	\$ 49.98	\$ 2.30	\$ 45.89	\$ 2.53

#### *Operating Costs, Oil and Gas*

Costs associated with the production and sale of oil and gas include all costs incurred to operate and maintain wells and related equipment and facilities, including direct labour costs, costs associated with repairs and maintenance, costs for materials, fuel or other forms of energy consumed and supplies utilized in these operations. For the six months ended June 30, 2011, operating costs relating to oil and gas activities were \$6.0 million.

	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
Production expenditures	\$ 1,338	\$ 1,716	\$ 3,054	\$ 1,128	\$ 1,770	\$ 2,898	\$ 1,480	\$ 1,446	\$ 2,926	\$ 1,115	\$ 1,678	\$ 2,793

## CHANGES IN FINANCIAL CONDITION

#### *Investment in Southern Ontario Assets*

During the three and six months ended June 30, 2011, DELP incurred capital expenditures on the Southern Ontario Assets of \$1.3 million and \$2.2 million, respectively.

For the period ended June 30, 2011	Three Months	Six Months
<i>Offshore</i>		
Drilling and Completion	\$ 240	\$ 343
Pipeline	86	113
Workovers	55	156
Facilities	104	105
Offshore Fleet	67	249
Total Offshore	552	966
<i>Onshore</i>		
Workovers	255	472
Facilities	2	32
Seismic	53	53
Total Onshore	310	557
Undeveloped properties	408	572
Equipment and software purchases	49	144
	\$ 1,319	\$ 2,239

### *Decommissioning Liability*

As part of the Acquisition of the Southern Ontario Assets, DELP recorded a decommissioning liability representing its best estimate of costs that it will incur to settle future site restoration, abandonment and reclamation obligations. At June 30, 2011, DELP's estimate of these future costs on an undiscounted basis was approximately \$78.7 million and on a discounted basis was \$32.3 million. These amounts are expected to be incurred over a 49-year period.

During the first half of 2011, DELP incurred \$0.6 million in site restoration, abandonment and reclamation expenditures. DELP anticipates that it will incur approximately \$0.8 million in additional site restoration, abandonment and reclamation expenditures within the next twelve months. In addition, during the first six months of 2011, approximately \$0.5 million of accretion expense associated with this decommissioning liability was included as "Interest expense".

### *Demand Revolving Credit Facility*

On June 29, 2010, and concurrent with the Acquisition, Dundee Energy arranged for an \$80.0 million credit facility for the benefit of DELP, established for the purpose of acquiring and operating the Southern Ontario Assets. The credit facility was placed with a banking syndicate of Canadian chartered banks. The credit facility is structured as a demand revolving loan, and is subject to a tiered interest rate structure that varies based on the net debt to cash flow ratio generated by the Southern Ontario Assets. The rate is initially set at prime plus 3% for loans and letters of credit or, for bankers' acceptances, at the bankers' acceptance rate plus 4%. At June 30, 2011, an aggregate of \$59.9 million had been drawn against the facility and as required by statute, DELP had further issued a letter of credit for \$3.3 million in favour of the Ministry of Natural Resources in connection with future abandonment costs.

### **Eurogas International Inc.**

EII is currently conducting exploration and evaluation programs for oil and natural gas offshore Tunisia in the Gulf of Gabes, where it holds an interest in the 1.0 million acre Sfax permit ("Sfax Permit" or "Permit").

### *Force Majeure*

On January 18, 2011, EII announced that, together with its joint venture partner, Atlas Petroleum Exploration Worldwide Ltd. ("APEX"), it had declared a condition of a Force Majeure with respect to the Sfax Permit and Ras-El-Besh concession located offshore Tunisia. EII and APEX believe that the current political uncertainty and civil unrest in Tunisia adversely affects their ability to continue their exploration and evaluation activities. EII believes that the declaration of a Force Majeure will allow the joint venture to temporarily suspend its activities while the conditions resulting in the Force Majeure continue. Once the situation in Tunisia is resolved, the joint venture will resume its exploration and evaluation activities. The Company's carrying value of its Tunisian properties at June 30, 2011 was \$5.4 million (December 31, 2010 - \$4.7 million).

On June 30, 2011, the Tunisian government granted a one-year extension on the Sfax Permit, extending the term from December 8, 2011 to December 8, 2012. The joint venture remains subject to a work commitment to drill one new exploration well to a specified geological zone during this extended period. In the event that this work commitment is not completed, a compensatory payment of up to US\$12 million will be payable by the joint venture to the Tunisian regulatory bodies. In addition, the joint venture remains obligated to complete the abandonment of its previously drilled REB-3 well. EII estimates that its share of the cost of meeting these two work commitments is approximately US\$7.6 million.

### **Nichromet Extraction Inc.**

Through a series of transactions, the Company acquired a 67% interest in Nichromet for cash consideration of \$7.5 million. Nichromet is a minerals processing technology company.

Nichromet has completed the initial development of metallurgical processes based on a chlorine leach technology. It has constructed a pilot plant and applied the technology to asbestos tailings in Quebec and to lateritic nickel ore deposits. Nichromet has also demonstrated in laboratory tests that its process can be applied to various sulfide and precious metals ores from other worldwide sources. During the six months ended June 30, 2011, Nichromet continued to develop its patented chlorination technology at its pilot plant. On a preliminary basis, Nichromet was able to successfully demonstrate the recoverability of gold without the use of cyanide, on three different low sulfide gold bearing ores.

## Equity Accounted Resource Investments

### Dundee Precious Metals Inc.

Dundee Precious is a Canadian based, international mining company engaged in the acquisition, exploration, development, mining and processing of precious metals properties. Its primary interests include a 100% ownership in the Bulgarian-based Chelopech mine, a producer of gold, copper and silver concentrate, a 100% ownership of Namibia Custom Smelters (Pty) Ltd. (“NCS”), a copper concentrate processing facility located in Tsumeb, Namibia, and a 100% interest in Deno Gold Mining Company CJSC (“Deno Gold”), its principal asset being the Kapan mine, a gold, copper, zinc, and silver concentrate producer located in southern Armenia.

During the six months ended June 30, 2011, revenue from sales generated by Dundee Precious was US\$137.5 million, an increase of US\$56.1 million over revenue of US\$81.4 million generated in the same period of the prior year. The growth was mainly attributable to an increase in metal prices and an increase in deliveries of concentrates. Also contributing to the increase in revenue was the inclusion of the operations of NCS.

Gross profit from mining operations was US\$42.0 million for the six months ended June 30, 2011, compared with US\$17.2 million in the same period of the prior year. The increase in gross profit is consistent with the growth in net revenues, reflecting higher gold, copper and zinc prices, as well as increases in the deliveries of concentrates.

Dundee Precious reported net earnings attributable to equity holders of US\$23.2 million in the six months ended June 30, 2011, compared with a net loss attributable to equity holders of US\$34.1 million in the corresponding period of 2010. Higher pre-tax earnings are attributed to stronger metal prices and higher deliveries of concentrates partially offset by higher exploration expenses and unrealized losses on copper derivative contracts. The pre-tax earnings for the six months ended June 30, 2010 included an impairment provision of US\$50.6 million, including a provision against the planned construction of a metals processing facility (“MPF”) in Chelopech as the Bulgarian Supreme Administrative Court’s final decision to revoke the MPF Environmental Impact Assessment rendered it unlikely that the MPF project will proceed. Dundee Corporation had previously provided against the carrying value of these assets as part of its recognition of an impairment against its carrying value of Dundee Precious at December 31, 2008. Accordingly, Dundee Corporation’s earnings for the six months ended June 30, 2010 do not include its share of the provision recorded by Dundee Precious.

Equity earnings from Dundee Corporation’s investment in Dundee Precious were \$5.9 million for the six months ended June 30, 2011 (six months ended June 30, 2010 - \$2.6 million).

At June 30, 2011, Dundee Corporation held approximately 28.3 million shares and 3.9 million warrants of Dundee Precious with an aggregate market value of \$237 million, representing a 23% interest.

### Breakwater Resources Ltd.

Breakwater is a mining, exploration and development company which produces zinc, copper, lead and gold concentrates. Breakwater’s concentrate production was derived from mines located in Canada, Chile and Honduras. Breakwater also owns base metal and gold exploration properties in these same countries.

At June 30, 2011, Dundee Corporation held 17.6 million shares of Breakwater with a market value of \$130.2 million, representing a 22% interest. In addition, Dundee Corporation owns 31.0 million warrants which, at June 30, 2011, had a market value of approximately \$19.2 million. Subsequent to June 30, 2011, Dundee Corporation converted the 31.0 million warrants for an additional 3.1 million common shares, in anticipation of closing of the Nyrstar offer (see “*Recent Developments*”), bringing Dundee Corporation’s holdings to 20.7 million shares.

Equity earnings from the Company’s investment in Breakwater for the six months ended June 30, 2011 were \$13.4 million (six months ended June 30, 2010 – \$15.2 million).

### **Escal UGS S.L.**

Dundee Energy holds a 74% interest in Castor UGS Limited Partnership (“CLP”), which in turn holds a 33% interest in the Spanish Castor Exploration Permit through its investment in Escal, giving Dundee Energy an effective interest of 25% in the Castor underground gas storage project (“Castor Project”). The Castor Exploration Permit covers the depleted Amposta Oilfield, which is being utilized by Escal for underground gas storage.

The 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 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. 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 first half of 2011, Escal issued shares from treasury with a par value of €10,000. In order to maintain its 33% interest, CLP subscribed for one third of the newly issued par value shares at an aggregate cost of \$4,000 (€3,000). In order to meet the equity ratios as required by the project financing, ACS also contributed a share premium of €30.2 million and issued €6.2 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.

At June 30, 2011, Escal had invested approximately €1.1 billion and it estimates that the Castor Project is over 70% complete. The project construction and development of the Castor Project, including the well drilling program, continued to advance throughout the first half of 2011, as scheduled. The routing of the subsea pipeline between the platform and the onshore facilities continued to advance, with manufacturing of the offshore pipeline having commenced in late 2010, and the onshore pipeline early in 2011. Laying of the pipeline is expected to begin during the second half of 2011.

During the three and six months ended June 30, 2011, Dundee Energy realized a loss of \$3,000 and a gain of \$2,000, respectively (three months and six months ended June 30, 2010 - loss of \$1,000 and gain of \$5,000, respectively) as its share of earnings/loss from its investment in Escal. During the first quarter of 2011, Escal entered into certain interest rate risk management contracts. Included in the Company’s other comprehensive income for the six months ended June 30, 2011, is a \$2.4 million loss, relating to Dundee Energy’s share of the loss incurred by Escal in respect of these financial instruments.

### **Ryan Gold Corp. (“Ryan Gold”)**

The Company holds a 12% interest in Ryan Gold Corp. (“Ryan Gold”), formerly Valdez Gold Inc. Ryan Gold is a publicly traded, prospective gold exploration company with a number of properties in the Yukon Territory in northern Canada.

During the six months ended June 30, 2011, Ryan Gold announced that it had entered into an agreement to acquire an additional package of exploration properties in the Yukon from Shawn Ryan in return for \$7.5 million in cash and 7.5 million shares of Ryan Gold, plus a net smelter royalty on the properties. In total, the properties acquired cover 134,174 hectares and 11 major project areas in various geological terrains that are thought to be prospective for precious metals. On April 26, 2011, Ryan Gold announced that a definitive agreement was signed and on May 11, 2011, Ryan Gold received exchange approval and completed the transaction.

On May 12, 2011, Ryan Gold announced that it had closed a bought deal financing of 15 million units at a price of \$2.00 per unit and 9.9 million flow-through shares at a price of \$2.25 per share for gross proceeds of \$52.3 million. Each unit was comprised of a common share and a half common share purchase warrant. Dundee Corporation purchased 4.4 million flow-through shares for \$10.0 million pursuant to the offering. As a result of this participation, the Company maintained its ownership interest of 12% in Ryan Gold.

At June 30, 2011, Dundee Corporation held 13.9 million shares of Ryan Gold with a market value of \$25.3 million. Equity losses from the Company’s investment in Ryan Gold for the six months ended June 30, 2011 were \$0.5 million (six months ended June 30, 2010 – \$0.2 million).

### **Other Equity Accounted Resource Investments**

Other equity accounted resource investments include Odyssey Resources Limited and Corona Gold Corporation. The Company’s share of earnings from these investments for the six months ended June 30, 2011 were \$0.1 million (six months ended June 30, 2010 – \$0.5 million). The market value of these investments was \$6.9 million as at June 30, 2011.

## **ASSET MANAGEMENT SEGMENT**

Dundee Corporation has historically focused its efforts on the growth of its own portfolio of investments, as well as in the areas of retail and high net worth clients. As a result of the Agreement with Scotiabank, the Company has redirected its focus in order to access a broader range of investment partners, thereby increasing its access to capital, and to non-retail and institutional clients. The expansion of third-party asset management will be conducted primarily through NGIC, as well as through DREAM.

### **Ned Goodman Investment Counsel Limited**

NGIC’s strategy is to acquire, develop and manage high quality assets and businesses that demonstrate an opportunity to achieve sustained growth and high returns in core sectors, as well as to increase asset management fee revenues over the long term.

NGIC continues to act as sub-advisor to certain DundeeWealth funds under a sub-advisory agreement which provides NGIC with a share of management and performance fee revenues as they are generated. At June 30, 2011, NGIC provided sub-advisory and investment services to approximately \$2.1 billion (June 30, 2010 - \$2.8 billion) of DundeeWealth’s AUM. NGIC also provided sub-advisory services to \$0.4 billion (June 30, 2010 - \$0.2 billion) of investment products managed by Dundee Capital Markets.

In addition, NGIC provides advisory and investment services to Ravensden Alternative Group Trust (“RAGT”), an investment entity established by NGIC in late 2009. To date, this investment entity has raised \$13.4 million, including \$9.4 million invested directly by Dundee Corporation. The fair value of the Company’s \$9.4 million investment in RAGT was \$34.2 million at June 30, 2011.

NGIC is continuing with its initiative to form Dundee Global Resources L.P. (“Global Resources LP”), a Cayman Island limited partnership, which will focus on global equity and debt investments in both private and public resource companies. NGIC or an associate of NGIC will be retained to provide sub-advisory management services to the general partner of Global Resources LP and to provide technical expertise, advice and due diligence services to assist the general partner with the review, selection and management of investment opportunities. To date, the Company has committed \$300 million to Global Resources LP and expects to commit a further \$200 million along with new investments from third party investors.

## Dundee Real Estate Asset Management

DREAM is a fully diversified real estate investment and asset management company with a scope of business that includes real estate asset management and advisory services encompassing commercial real estate and real estate development, as well as investments in Canadian renewable energy infrastructure assets. At June 30, 2011, DREAM managed third-party assets with an estimated value of \$4.7 billion (December 31, 2010 - \$4.2 billion).

DREAM also earns asset management revenue in respect of projects in which Dundee Realty has invested capital, including Dundee Realty’s investments in real estate and infrastructure projects. For the six months ended June 30, 2011, DREAM recognized \$1.7 million (six months ended June 30, 2010 - \$1.5 million) of asset management revenues in respect of projects in which Dundee Realty has invested capital. Similarly, the financial results reflect 100% of operating expenses incurred in managing these assets. The portion of revenue that is earned in respect of Dundee Realty’s invested capital is eliminated in determining the Company’s consolidated financial results.

<i>For the six months ending June 30,</i>	2011	2010
Revenues	\$ 9,399	\$ 7,967
Expenses	5,602	4,331
<b>Operating Profit</b>	<b>\$ 3,797</b>	<b>\$ 3,636</b>
Value of AUM	\$ 4,686,000	\$ 3,800,000

Management fee revenues increased to \$9.4 million in the six months ended June 30, 2011, from \$8.0 million in the same period of 2010, mainly reflecting increased asset management fees related to property acquisitions completed on behalf of an existing client. In the first half of 2011, DREAM generated \$3.8 million of operating profits, a \$0.2 million increase over the same period of 2010.

During the second quarter of 2011, DREAM was central to the establishment of Dundee International REIT (see “*Recent Developments*”) and it will act as its asset manager. DREAM continues to pursue other potential asset management investment opportunities and is currently assessing infrastructure development projects. DREAM’s participation in its first windmill project was completed at the end of 2009 and began operating in the first quarter of 2010. DREAM will also consider other alternative energy projects, including solar and water power.

## Other Asset Management Segment Balances

### Income from Corporate Investments

Dundee Corporation owns several other public and private investments in a variety of industry sectors. Revenues from these investments include net realized gains on sales of investments and dividend and interest income. Gains and losses on investments are not recognized in earnings until realized, although provisions for impairment in value are made when deemed appropriate. Unrealized gains and losses on securities designated as AFS are recorded as a component of OCI.

### **Selling, General and Administrative**

Generally, head office costs, including costs associated with corporate governance and related public company costs, are accumulated and reported as head office costs and are not allocated to other operating segments. These costs were \$33.4 million for the six months ended June 30, 2011 compared with \$14.4 million during the six months ended June 30, 2010. Costs in the first half of 2011 include approximately \$15 million related to the gain earned by the Company following the divestment of DundeeWealth.

### **Corporate Interest Expense**

Corporate interest expense was \$4.9 million for the six months ended June 30, 2011, consistent with the \$4.9 million of interest expense incurred during the six months ended June 30, 2010, reflecting the stability of the Company's financial position.

## **CAPITAL MARKETS SEGMENT**

### **Dundee Capital Markets Inc.**

#### **RESULTS OF OPERATIONS**

For the six months ended June 30, 2011, Dundee Capital Markets generated earnings before income taxes of \$9.6 million compared to \$11.0 million in the same period of the prior year. This is due to increased variable compensation and selling, general and administrative expenses. The increase in variable compensation was partially the result of a change in the mix of revenue, with increases in revenue types that attract higher payout percentage. The increase in selling, general and administrative expenses is due to the costs of the restructuring process initiated by Dundee Capital Markets following its spin out from DundeeWealth, as well as costs associated with increased trading volumes.

On the strength of market appreciation and increased asset gathering activities, AUA increased by 43% to \$3.4 billion and AUM increased by 34% to \$1.4 billion at June 30, 2011, compared to AUA and AUM of \$2.4 billion and \$1.1 billion respectively, at June 30, 2010.

<i>For the six months ended June 30,</i>	2011	2010
<b>Revenues</b>		
Financial services		
Investment banking	\$ 30,766	\$ 30,095
Commissions	22,972	18,762
Principal trading	2,100	528
	55,838	49,385
Management fees	9,475	6,278
Investment income	3,732	1,094
	69,045	56,757
<b>Expenses</b>		
Variable compensation	33,161	25,629
Depreciation	431	522
Selling, general and administrative	25,854	19,586
	59,446	45,737
<b>Operating earnings</b>	\$ 9,599	\$ 11,020
<i>(in millions of dollars)</i>		
<i>As at June 30,</i>	2011	2010
AUA	\$ 3,436	\$ 2,402
AUM	1,434	1,070

Dundee Capital Markets' consolidated revenues for the six months ended June 30, 2011 were \$69.0 million, representing a 22% increase from consolidated revenues of \$56.8 million in the same period of the prior year. Growth in revenues reflects increased new issues and advisory fee activity, as well as increased commission revenues resulting from an increase in business volume and higher AUA levels relative to the prior year.

Financial services revenue includes revenue from investment banking, commissions and principal trading activities. Aggregate financial services revenue was \$55.8 million in the first half of 2011 compared with \$49.4 million in the same period of the prior year.

Investment banking revenue is comprised of revenues from new issues and advisory services fees. These revenues increased by 2.2% to \$30.8 million in the first six months of 2011, compared with \$30.1 million earned in the same period of the prior year. The mining and oil and gas sectors dominated corporate finance activities, accounting for 72% (first six months of 2010 – 71%) of aggregate new issue and advisory revenue in the first six months of 2011. During the first half of 2011, Dundee Capital Markets participated in 126 (first half of 2010 – 113) public and private new issue transactions.

Commissions are comprised of financial advisor and institutional fees and aggregated \$23.0 million in the first half of 2011, a 22% increase compared to \$18.8 million earned in the same period of the prior year. The improvement is a result of increased client trading due to improved market conditions, and mirrors the increase in investment banking revenue as Dundee Capital Markets continues to focus on increasing market share in agency trading on behalf of its clients.

Revenues from principal trading activities, including foreign exchange trading, were \$2.1 million in the first half of 2011 compared with \$0.5 million in the same period of the prior year and reflects an increase in activity with institutional clients.

Management fees earned from tax assisted investment products, closed end funds, and financial advisor accounts were \$9.5 million in the first half of 2011, a 51% increase from the \$6.3 million earned in the same period of the prior year. The increase in management fee revenue corresponds to an increase in average AUM resulting from improved market appreciation. Average AUM increased by 34% to \$1.43 billion in the first half of 2011 compared to average AUM of \$1.07 billion in the same period of the prior year.

Operating expenses in Dundee Capital Markets, including selling, general and administrative expenses, variable compensation costs and depreciation were \$59.4 million in the six months ended June 30, 2011, compared with \$45.7 million in the same period of the prior year.

Selling, general and administrative expenses were \$25.9 million in the six months ended June 30, 2011, compared with \$19.6 million in the same period of the prior year. Salary and salary-related costs have increased by \$0.9 million and include severance costs associated with the restructuring process, as well as a certain amount of loss of economies of scale associated with expenses that were previously shared with other divisions of DundeeWealth. Professional fees, which include sub-advisory fees in respect of asset management products, were \$2.6 million (six months ended June 30, 2010 - \$0.4 million), a \$2.2 million increase, largely due to higher average asset levels and the associated sub-advisory rates. Trade related expenses reflect increases in trading volumes and aggregated \$3.6 million in the first half of 2011 (six months ended June 30, 2010 - \$1.6 million).

## FINANCIAL CONDITION

### *Balances Relating to Dundee Capital Markets' Investment Dealer Activities*

<i>As at June 30, 2011</i>	
Client accounts receivable	\$ 534,462
Client deposits and related liabilities	(515,307)
Securities owned	56,524
Securities sold short	(17,889)

Client account balances represent funds owing from or belonging to clients, and amounts due to or from brokers and dealers that are pending settlement. While the amounts may vary significantly on a day-to-day basis, they do not necessarily reflect any meaningful change in Dundee Capital Markets' financial position. As at June 30, 2011, client accounts receivable were \$534.5 million and consisted of \$231.6 million in client margin and other accounts, \$38.0 million in day-to-day settlement amounts, \$119.3 million due from the carrying broker and \$145.5 million in funds deposited with a Canadian trust company in respect of registered accounts, with a corresponding liability having been recorded in client deposits and related liabilities. Client deposits and related liabilities were \$515.3 million.

Securities owned and securities sold short represent trading positions in the capital markets segment. Trading positions may also vary significantly on a day-to-day basis depending upon trading strategies in response to market conditions and in anticipation of price movements. These variances do not necessarily reflect any meaningful changes to Dundee Capital Markets' financial position. Trading positions are recorded at their fair value based on quoted prices where available, with changes in market values being included in principal trading revenue. As of June 30, 2011, securities owned and securities sold short totalled \$56.5 million and \$17.9 million, respectively.

## OTHER CONSOLIDATED BALANCES AND CAPITAL STRUCTURE

### Income Tax Expense

The Company's effective income tax rate was 30.0% for the six months ended June 30, 2011 (six months ended June 30, 2010 – 30.6%). This effective tax rate is higher than the statutory combined federal and provincial tax rate of 28.3% and can be attributed primarily to additional income taxes arising from revisions to management estimates and non tax-deductible items, including stock based compensation and preference share dividends classified as expenses for accounting purposes. The impact of these items on the effective rate is partially offset by non-taxable revenue.

### Net Deferred Income Tax Liabilities

The Company's net deferred income tax liabilities at June 30, 2011 were \$178.5 million, which represent deferred income tax liabilities of \$241.1 million, offset by deferred income tax assets of \$62.6 million. This compares to net deferred income tax liabilities of \$21.3 million at December 31, 2010. The most significant item increasing deferred income tax liabilities during the first six months of 2011 was a tax deferred gain of \$143.8 million related to the divestment of DundeeWealth. Components of the Company's net deferred income tax liabilities are detailed in Note 29 to the June 2011 Interim Consolidated Financial Statements.

The Company's aggregate income tax losses at June 30, 2011 were \$208.3 million (December 31, 2010 - \$189.0 million), of which the estimated realizable benefit of \$50.9 million (December 31, 2010 - \$45.3 million) is included in deferred tax assets.

### Corporate Debt

	Revolving Term Credit Facilities						TOTAL
	\$9.2 million Exchangeable Debentures	\$200 million Corporate	\$80 million Dundee Energy	\$150 million Dundee Realty	Real Estate Debt		
Balance, December 31, 2009	\$ 9,227	\$ -	\$ -	\$ 75,408	\$ 86,597	\$	171,232
Revolving term credit facilities	-	-	62,371	10,592	-	-	72,963
Changes in real estate debt	-	-	-	-	4,470	-	4,470
Unrealized revaluation adjustment	132	-	-	-	-	-	132
Other	59	-	-	-	-	-	59
Balance, December 31, 2010	\$ 9,418	\$ -	\$ 62,371	\$ 86,000	\$ 91,067	\$	248,856
Revolving term credit facilities	-	160,013	(2,504)	(9,000)	-	-	148,509
Changes in real estate debt	-	-	-	-	3,497	-	3,497
Debentures submitted for exchange	(289)	-	-	-	-	-	(289)
Unrealized revaluation adjustment	670	-	-	-	-	-	670
Other	27	-	-	-	-	-	27
Balance, June 30, 2011	\$ 9,826	\$ 160,013	\$ 59,867	\$ 77,000	\$ 94,564	\$	401,270

*Increase in \$200 Million Corporate Revolving Term Credit Facility* – Subsequent to June 30, 2011, the Company arranged to increase the credit available pursuant to this facility from \$200 million to \$325 million in order to facilitate certain commitments pursuant to the initial public offering of Dundee International REIT (see “*Recent Developments*”).

The credit facility will require a repayment of \$100 million by September 9, 2011 with the remaining balance of \$225 million maturing on November 11, 2011. The Company will be initiating the process of renegotiating the terms and conditions pursuant to which the credit facility will be renewed and the Company currently anticipates that the credit facility will be renewed prior to the expiry date.

*5.85% Exchangeable Unsecured Subordinated Debentures* – The Company’s exchangeable debentures mature on June 30, 2015. The Company has placed sufficient units of Dundee REIT into escrow established for the purpose of satisfying any potential obligation pursuant to the terms of the exchangeable debentures which provide that each \$1,000 exchangeable debenture can be exchanged, at the option of the holder, for 33.6134 units of Dundee REIT, subject to certain conditions. During the second quarter of 2011, debenture holders tendered \$0.3 million of exchangeable debentures and received 9,712 units of Dundee REIT on the exchange.

### **Debt of Subsidiaries**

A more detailed discussion of corporate debt in each of the Company’s business segments is presented under “*Segmented Results of Operations – Changes in Financial Condition*”.

### **Share Capital**

As at June 30, 2011, there were 61,725,645 Class A subordinate shares (“Subordinate Shares”) and 3,119,198 Class B common shares outstanding. During the first half of 2011, the Company issued 3,000 Subordinate Shares on the exercise of options at an average price of \$9.40 per share. Pursuant to the Company’s normal course issuer bid, during the first half of 2011, the Company acquired 5,826,148 Subordinate Shares for cancellation at an aggregate cost of \$141.6 million. At August 10, 2011, there were 61,726,113 Subordinate Shares and 3,119,184 Class B common shares outstanding.

As at June 30, 2011, the Company had granted 1,530,000 options with a weighted average exercise price of \$8.72, of which 478,000 were exercisable, as holders had met the vesting criteria. During the six months ended June 30, 2011, no options expired unexercised or were settled in cash.

### *6,000,000 5.00% Cumulative Redeemable First Preference Shares, Series 1 (“Preference shares, series 1”)*

The Company has 6 million Preference shares, series 1 outstanding. The Preference shares, series 1 are generally non-voting except in limited circumstances, and they entitle the holder to a fixed preferential cumulative dividend at the rate of 5% per annum, payable quarterly.

The terms of the Preference shares, series 1 permit the Company to redeem the shares at any time at a redemption price that declines over time to \$25.00 per share if the shares are redeemed after June 30, 2015 (the “Redemption Price Schedule”). The Company also has the right to convert the Preference shares, series 1 to Subordinate Shares on the basis of one Preference share, series 1 for that number of Subordinate Shares that is equal to the redemption price in accordance with the Redemption Price Schedule, divided by the current market price of the Subordinate Shares, determined in accordance with a formula. The Company may repurchase the Preference shares, series 1 for cancellation, either in the open market or through a private transaction. The Preference shares, series 1 are retractable by shareholders after June 30, 2016 at a price of \$25.00 per Preference share, series 1.

In accordance with IFRS, certain terms of the Preference shares, series 1 require that they be classified as debt rather than equity. Accordingly, dividends on the Preference shares, series 1 are included as interest expense on the consolidated statements of operations, on an accrual basis.

### *5,200,000 6.75% Cumulative Redeemable First Preference Shares, Series 2 ("Preference shares, series 2")*

The Company has 5.2 million 6.75% cumulative 5-year rate reset first preference shares outstanding. The Preference shares, series 2 were issued at a price of \$25.00 per share and are entitled to a fixed cumulative preferential cash dividend payable quarterly on the last day of March, June, September and December in each year for the initial five-year period. The Company paid dividends of \$4.4 million on Preference shares, series 2 in the six months ended June 30, 2011.

Holders of the Preference shares, series 2 have the option to convert the shares into Cumulative Floating Rate First Preference shares, series 3 ("Preference shares, series 3"), subject to certain conditions, on September 30, 2014 and on September 30 every fifth year thereafter ("Series 3 conversion date"). The conversion is on the basis of one Preference share, series 3 for each Preference share, series 2.

The Preference shares, series 2 may be redeemed, at the option of the Company, on September 30, 2014 and on September 30 every fifth year thereafter at a price of \$25.00 per share. Prior to September 30, 2014, the Company has the right to redeem the Preference shares, series 2 in limited circumstances.

### *First Preference shares, series 3*

Holders of Preference shares, series 3 may convert their interest in the Preference shares, series 3 into Preference shares, series 2, on a one-for-one basis on September 30, 2019 and on every fifth year thereafter. At June 30, 2011, there were no Preference shares, series 3 outstanding.

The Preference shares, series 3, when issued, will pay quarterly to holders thereof, a cumulative floating rate dividend based on the applicable three month Government of Canada T-Bill rate plus 4.10%.

The Company has the right to redeem the Preference shares, series 3 on September 30, 2019 and on September 30 every fifth year thereafter by payment of an amount in cash of \$25.00 per share, together with accrued and unpaid dividends. The Company may, after September 30, 2014, redeem the Preference shares, series 3 at any other time for \$25.50 per share.

## **CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES**

### **Significant Sources and Uses of Cash and Cash Equivalents**

As at June 30, 2011, cash and cash equivalents from continuing operations were \$160.2 million compared with \$131.8 million at December 31, 2010. The Company had net cash inflows from continuing operations during the six months ended June 30, 2011 of \$30.6 million (June 30, 2010 – \$5.9 million net cash inflows). Significant cash flow items from continuing operations are as follows:

#### *Significant Cash Flows from Operating Activities – Continuing Operations*

<i>For the six months ended June 30,</i>	2011	2010
<b>Operating activities:</b>		
Net earnings, net of non-cash items	\$ 23,999	\$ (3,025)
Client account balances and securities owned and sold short	59,022	14,177
Changes in bank indebtedness	-	(4,821)
Changes in working capital amounts	(12,267)	24,283
Changes in land, housing and condominium inventory	(23,119)	30,592
Other changes in real estate working capital	34,019	5,579
Changes in other operating activities	(12,174)	24,187
<b>Cash provided from operating activities</b>	<b>\$ 69,480</b>	<b>\$ 90,972</b>

- As previously noted, the effect of changes in client account balances and securities owned and sold short held by Dundee Capital Markets will vary significantly on a day-to-day basis. These changes will cause movements in cash from these operations. Changes in cash resulting from these types of transactions may not necessarily reflect any meaningful change in the Company's financial position, or that of its subsidiaries.

During the first half of 2011, variations in these balances resulted in net cash inflows of \$59.0 million (six months ended June 30, 2010 – \$14.2 million net cash inflows).

- Dundee Realty utilized cash of \$23.1 million on development of land, housing and condominium inventory during the first half of 2011 compared with \$30.6 million generated in the same period of 2010. Other changes in working capital relating to real estate activities generated operating cash inflows of \$34.0 million in the first half of 2011, compared with cash inflows from working capital of \$5.6 million in the first half of 2010. Real estate cash flows are mainly project driven. This may also cause significant fluctuations in cash flows from period-to-period.

*Significant Cash Flows from Investing Activities – Continuing Operations*

<i>For the six months ended June 30,</i>	2011	2010
<b>Investing activities:</b>		
Acquisitions of portfolio investments	\$ (196,013)	\$ (66,785)
Proceeds from dispositions of portfolio investments	8,241	140,455
Dividends received from discontinued operations	155,982	-
Net investment in real estate assets	(6,543)	(17,469)
Net investment in real estate joint ventures	(3,634)	-
Acquisition of resource properties	-	(133,048)
Net investment in resource properties	(3,177)	737
Reclamation expenditures	(616)	-
Net changes in capital and other assets	(4,363)	(2,116)
<b>Cash used in investing activities</b>	<b>\$ (50,123)</b>	<b>\$ (78,226)</b>

- Proceeds from sales of AFS securities and other portfolio investments resulted in cash inflows of \$8.2 million in the first half of 2011 (six months ended June 30, 2010 - \$140.5 million net cash inflows). Approximately \$196.0 million was invested into new investment opportunities, or in acquiring an increased interest in existing investments. In the same period of the prior year, the Company invested \$66.8 million into its portfolio of AFS securities and other corporate investments. Proceeds from the sale of corporate investments and acquisitions of corporate investments will vary from period-to-period and are dependent on trading activity and strategies that may evolve in response to global market conditions or otherwise.
- In connection with the divestment of DundeeWealth, the Company received a final dividend of \$156.0 million.
- Net real estate acquisitions and development activities, other than for housing and condominium inventory referred to above, required cash of \$6.5 million in the first half of 2011 compared with \$17.5 million in the first six months of 2010.
- Net investment in resource properties required cash of \$3.8 million in the first six months of 2011 including \$0.6 million paid on reclamation and abandonment expenditures compared with \$0.7 million cash inflows in the first six months of 2010.
- In the first half of the prior year, Dundee Energy disbursed \$133.0 million to complete the acquisition of certain oil and gas assets in southern Ontario.

*Significant Cash Flows from Financing Activities - Continuing Operations*

<i>For the six months ended June 30,</i>	2011	2010
<b>Financing activities:</b>		
Acquisition of Class A subordinate shares, net of costs	\$ (141,574)	\$ (49,850)
Dividends paid on Preference shares, series 2	(4,388)	(4,387)
Change in corporate debt	157,133	46,090
Dividends paid by subsidiaries to non-controlling interest	-	(5,373)
Other financing activities	35	6,711
<b>Cash provided from (used in) financing activities</b>	<b>\$ 11,206</b>	<b>\$ (6,809)</b>

- During the first half of 2011, the Company purchased 5,826,148 Subordinate Shares (first half of 2010 – 3,727,400 Subordinate Shares) for cancellation under its normal course issuer bid at an aggregate cost of \$141.6 million (six months ended June 30, 2010 - \$49.9 million).

- During the six months ended June 30, 2011, the Company paid dividends of \$4.4 million (six months ended June 30, 2010 – \$4.4 million) on outstanding Preference shares, series 2. The Company has not paid a dividend on its Subordinate Shares or on its Class B Common Shares.
- Net amounts borrowed pursuant to corporate debt facilities during the six months ended June 30, 2011, were \$157.1 million (six months ended June 30, 2010 – \$46.1 million repaid), and were used primarily to fund the Company's purchase and cancellation of Subordinate Shares under its normal course issuer bid.
- The Company's subsidiaries paid dividends to non-controlling interests during the first half of the prior year of \$5.4 million.

Dundee Capital Markets' brokerage subsidiaries function in regulated environments and are therefore required to maintain levels of capital in liquid assets in accordance with regulatory requirements. The amount of capital that exists within these regulated entities may dictate the level of business operations, including margin lending, securities trading and corporate finance commitments. Furthermore, the ability to transfer cash resources out of these regulated subsidiaries may be limited by their requirement to comply with regulatory capital requirements.

As a registered portfolio manager and exempt market dealer across Canada and an investment fund manager in the province of Ontario, NGIC is also required to maintain minimum capital as prescribed by regulation. At June 30, 2011 and 2010, all of the Company's regulated subsidiaries exceeded their minimum regulatory capital requirements.

#### **Cash Requirements**

On completion of the divestment of the Company's interest in DundeeWealth, the Company received common and preferred shares of Scotiabank with a value of \$1.4 billion. The Company expects to receive a continuing stream of annual cash flows from the payment of dividends on the Scotiabank shares.

The Company's capital management and funding objectives include ensuring that the Company is compliant with all of its ongoing obligations, including compliance with all applicable debt covenants and ensuring that the Company is able to meet its financial obligations as they become due. In determining capital allocation, the Company considers relevant regulatory capital requirements in order to effectively manage its capital markets business, the use of capital to develop the land and housing business in the real estate segment and to adequately provide for exploration, evaluation and development activities in the resource segment. The Company's capital management objectives also include ensuring that it has sufficient capital available to benefit from acquisitions and other opportunities, should they arise, and ensuring adequate returns for shareholders. The Company regularly assesses the allocation of its capital resources in response to changing economic conditions.

On an ongoing basis, the Company will require cash to support regulated subsidiaries, to develop real estate inventory and resource properties, to meet the obligations under its other contractual commitments, and to finance dividend and interest payments on preference shares and debt obligations. The Company may also require cash to finance new business initiatives or to invest in other opportunities, including investments in AFS securities.

The real estate segment requires working capital to finance development of planned land and housing and condominium projects. The revolving term credit facility of \$150 million in the real estate segment provides increased flexibility to operate this business efficiently. As well, Dundee Energy requires working capital to finance planned capital expenditures and development activities for the upcoming year. The demand revolving credit facility of \$80 million provides Dundee Energy with the necessary cash flows to undertake its planned work programs.

On a consolidated basis, the Company believes that operating cash flows, combined with available lines of credit, provide sufficient cash resources for the Company to conduct its operations for the foreseeable future.

# SEGMENTED RESULTS OF OPERATIONS

Three months ended June 30, 2011 compared with the three months ended June 30, 2010

	2011					
<i>For the three months ended June 30, 2011</i>	Real Estate	Resource	Asset Management	Capital Markets	Intersegment	TOTAL
<b>REVENUES</b>						
Management fees	\$ -	\$ -	\$ 5,982	\$ 4,779	\$ (1,331)	\$ 9,430
Financial services	-	-	325	23,721	-	24,046
Real estate revenue	61,552	-	-	-	-	61,552
Oil and gas revenue, net	-	9,530	-	-	-	9,530
Investment income (loss)	11	(14)	17,164	2,483	(642)	19,002
	61,563	9,516	23,471	30,983	(1,973)	123,560
<b>EXPENSES</b>						
Variable compensation	-	-	-	14,003	-	14,003
Operating costs, real estate	49,542	-	-	-	(838)	48,704
Operating costs, oil and gas	-	3,054	-	-	-	3,054
Depreciation and depletion	500	3,789	604	193	-	5,086
Selling, general and administrative	3,121	3,022	9,847	12,441	(493)	27,938
	53,163	9,865	10,451	26,637	(1,331)	98,785
<b>OPERATING EARNINGS (LOSS)</b>	8,400	(349)	13,020	4,346	(642)	24,775
<b>OTHER ITEMS IN EARNINGS</b>						
Share of earnings from equity accounted investments	6,135	7,735	-	-	-	13,870
Share of earnings from real estate joint ventures	202	-	-	-	-	202
Risk management gain	-	1,939	-	-	-	1,939
Fair value gain (loss)	850	(54)	-	-	-	796
Interest expense	(2,661)	(1,298)	(893)	-	642	(4,210)
Foreign exchange loss	-	-	(51)	-	-	(51)
	4,526	8,322	(944)	-	642	12,546
<b>NET EARNINGS BEFORE NON-SEGMENTED ITEMS</b>	12,926	7,973	12,076	4,346	-	37,321
<b>NON-SEGMENTED ITEMS</b>						
Income taxes	-	-	-	-	-	12,999
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	12,926	7,973	12,076	4,346	-	24,322
<b>DISCONTINUED OPERATIONS</b>						
Loss, net of taxes and non-controlling interest	-	-	-	-	-	-
Gain on sale of discontinued operations, net of taxes	-	-	-	-	-	-
<b>NET EARNINGS FOR THE PERIOD</b>	\$ 12,926	\$ 7,973	\$ 12,076	\$ 4,346	\$ -	\$ 24,322
<b>NET EARNINGS ATTRIBUTABLE TO:</b>						
Owners of the parent	\$ 11,163	\$ 7,983	\$ 12,076	\$ 2,783	\$ -	\$ 21,006
Non-controlling interest	1,763	(10)	-	1,563	-	3,316
	\$ 12,926	\$ 7,973	\$ 12,076	\$ 4,346	\$ -	\$ 24,322

  

	2010					
<i>For the three months ended June 30, 2010</i>	Real Estate	Resource	Asset Management	Capital Markets	Intersegment	TOTAL
<b>REVENUES</b>						
Management fees	\$ -	\$ -	\$ 5,526	\$ 3,153	\$ (1,094)	\$ 7,585
Financial services	-	-	388	23,617	-	24,005
Real estate revenue	90,502	-	-	-	-	90,502
Investment income	-	76	32,787	599	(678)	32,784
	90,502	76	38,701	27,369	(1,772)	154,876
<b>EXPENSES</b>						
Variable compensation	-	-	-	11,320	-	11,320
Operating costs, real estate	72,756	-	-	-	(749)	72,007
Depreciation and depletion	781	11	580	269	-	1,641
Selling, general and administrative	2,279	4,127	7,391	10,375	(345)	23,827
	75,816	4,138	7,971	21,964	(1,094)	108,795
<b>OPERATING EARNINGS (LOSS)</b>	14,686	(4,062)	30,730	5,405	(678)	46,081
<b>OTHER ITEMS IN EARNINGS</b>						
Share of earnings from equity accounted investments	2,629	9,681	-	-	-	12,310
Share of earnings from real estate joint ventures	4	-	-	-	-	4
Fair value loss	(130)	(193)	-	-	-	(323)
Interest expense	(3,115)	(460)	(2,463)	(6)	678	(5,366)
Foreign exchange gain (loss)	-	(53)	125	-	-	72
	(612)	8,975	(2,338)	(6)	678	6,697
<b>NET EARNINGS BEFORE NON-SEGMENTED ITEMS</b>	14,074	4,913	28,392	5,399	-	52,778
<b>NON-SEGMENTED ITEMS</b>						
Income taxes	-	-	-	-	-	16,751
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	14,074	4,913	28,392	5,399	-	36,027
<b>DISCONTINUED OPERATIONS</b>						
Earnings, net of taxes and non-controlling interest	-	-	-	-	-	11,430
<b>NET EARNINGS FOR THE PERIOD</b>	\$ 14,074	\$ 4,913	\$ 28,392	\$ 5,399	\$ -	\$ 47,457
<b>NET EARNINGS ATTRIBUTABLE TO:</b>						
Owners of the parent	\$ 13,555	\$ 6,802	\$ 28,392	\$ 3,470	\$ -	\$ 46,898
Non-controlling interest	519	(1,889)	-	1,929	-	559
	\$ 14,074	\$ 4,913	\$ 28,392	\$ 5,399	\$ -	\$ 47,457

# QUARTERLY CONSOLIDATED RESULTS OF OPERATIONS

## Three months ended June 30, 2011 compared with the three months ended June 30, 2010

Net earnings in the second quarter of 2011 were \$24.3 million, a decrease of \$23.2 million over net earnings of \$47.5 million in the second quarter of 2010.

## SEGMENTED EARNINGS INFORMATION FOR THE SECOND QUARTER OF 2011

### Real Estate Segment

#### Real Estate Operations

During the second quarter of 2011, real estate operations generated contribution margins of \$12.0 million or 19.5% on revenues of \$61.6 million. This compares with margins of \$17.7 million or 19.6% on revenues of \$90.5 million in the same quarter of 2010.

Components of Real Estate Operations*	Three months to June 30, 2011				Three months to June 30, 2010			
	Revenue	Costs	Margin	% Margin	Revenue	Costs	Margin	% Margin
<b>Inventory</b>								
Land under development	\$ 24,210	\$ 19,588	\$ 4,622	19.1%	\$ 38,459	\$ 29,189	\$ 9,270	24.1%
Housing	23,582	19,318	4,264	18.1%	29,096	23,701	5,395	18.5%
Condominiums	2,793	3,882	(1,089)	(39.0%)	13,983	14,046	(63)	(0.5%)
<b>Investment properties</b>	1,461	610	851	58.2%	1,354	617	737	54.4%
<b>Income-producing properties</b>	8,129	6,144	1,985	24.4%	6,435	5,226	1,209	18.8%
<b>Other</b>	1,377	-	1,377	N/A	1,175	-	1,175	N/A
	<b>\$ 61,552</b>	<b>\$ 49,542</b>	<b>\$ 12,010</b>	<b>19.5%</b>	<b>\$ 90,502</b>	<b>\$ 72,779</b>	<b>\$ 17,723</b>	<b>19.6%</b>

\* Excludes selling, general and administrative expenses, interest expense and amortization

Revenue from land sales in the second quarter of 2011 was \$24.2 million generating operating profits of \$4.6 million or 19.1%. This compares with revenues of \$38.5 million generating operating profits of \$9.3 million or 24.1% in the same quarter of 2010. Operating profits decreased by \$4.7 million, reflecting lower lot and parcel sales in western Canada compared to 2010. Similarly, a reduction in lot sales related to Dundee Realty's joint venture interests in Toronto decreased revenues in the second quarter of 2011 by \$4.4 million and operating profit by \$1.0 million compared to the second quarter of the prior year.

Dundee Realty sold 229 lots at an average selling price of \$116,000 per lot in the second quarter of 2011, compared to 314 lots at an average selling price of \$128,000 per lot in the same period of 2010. In addition, Dundee Realty sold 4 parcel acres at an average price of \$469,000 per acre in the current quarter compared to 31 parcel acres sales at \$415,000 per acre in the same quarter of 2010.

Revenue from sales of housing units decreased by \$5.5 million in the second quarter of 2011, to \$23.6 million, primarily attributable to significantly lower sales of homes in Toronto.

Revenue from sales of condominium units decreased by \$11.2 million from the second quarter of the prior year, to \$2.8 million in the current quarter. As noted previously, certain real estate revenues are project driven. Higher revenues earned in the second quarter of 2010 include sales realized from condominium units in a Toronto-based project.

Revenue from investment properties increased to \$1.5 million in the second quarter of 2011, from \$1.4 million in the same quarter of 2010. Operating profits increased marginally to \$0.9 million, representing a margin of 58.2%. During the second quarter of 2011, changes in the fair value of investment properties resulted in gains of \$0.9 million and reflects increased leasing activity.

Revenue from income-producing properties increased to \$8.1 million in the second quarter of 2011 from \$6.4 million in the same quarter of the prior year. Operating profits increased to \$2.0 million, representing a margin of 24.4% and an increase of \$0.8 million from 2010. The increase is mainly attributable to positive margins from ski operations in the U.S.

### **Dundee REIT**

Equity earnings in respect of Dundee REIT were \$6.1 million in the second quarter of 2011 compared with \$2.6 million in the second quarter of the prior year.

### **Resource Segment**

The resource segment generated net earnings of \$8.0 million in the second quarter of 2011, compared with earnings of \$4.9 million in the same period of 2010. In addition, the Company's share of earnings from its resource-based equity accounted investments was \$7.7 million in the second quarter of 2011, compared with earnings of \$9.7 million in the same period of 2010.

During the second quarter of the current year, Dundee Energy earned net revenues of \$9.5 million from oil and gas sales associated with the Southern Ontario Assets (see "*Dundee Energy - Acquisition of Southern Ontario Assets*"). As these assets were acquired at the end of the second quarter of 2010, there were no comparative revenues in the second quarter of the prior year. Operating costs associated with oil and gas activities were \$3.1 million in the current quarter.

Selling, general and administrative expenses incurred by the resource segment were \$3.0 million in the second quarter of 2011 compared with \$4.1 million incurred in the same period of 2010. Included in selling, general and administrative expenses in the second quarter of the prior year are transaction costs of \$2.8 million associated with the Acquisition of the Southern Ontario Assets.

### **Asset Management Segment**

#### **Ned Goodman Investment Counsel Limited**

During the second quarter of 2011, NGIC earned management fees of \$1.4 million on average AUM of \$2.6 billion. This compares with \$0.9 million earned on average AUM of \$3.1 billion in the second quarter of the prior year.

#### **Dundee Real Estate Asset Management**

		2011		2010	
<i>For the three months ending June 30,</i>					
Revenues	\$	3,729	\$	3,674	
Expenses		2,569		2,167	
<b>Operating Profit</b>	<b>\$</b>	<b>1,160</b>	<b>\$</b>	<b>1,507</b>	
Value of AUM	\$	4,686,000	\$	3,800,000	

## Capital Markets Segment

The capital markets segment generated operating earnings of \$4.3 million in the second quarter of 2011 compared with \$5.4 million in the same period of the prior year.

<i>For the three months ended June 30,</i>	2011	2010
<b>Revenues</b>		
Financial services		
Investment banking	\$ 14,248	\$ 16,567
Commissions	10,250	9,833
Principal trading	(777)	(2,783)
	23,721	23,617
Management fees	4,779	3,153
Investment income	2,483	599
	30,983	27,369
<b>Expenses</b>		
Variable compensation	14,003	11,320
Depreciation	193	269
Selling, general and administrative	12,441	10,381
	26,637	21,970
<b>Operating earnings</b>	<b>\$ 4,346</b>	<b>\$ 5,399</b>

Revenue increased to \$31.0 million in the second quarter of 2011 from \$27.4 million in the same period of the prior year. The increase is primarily as a result of increased management fees and principal trading revenues. These revenues benefitted from an increase in business volume as well as higher AUM and AUA levels relative to the prior year.

Variable compensation for capital markets professionals and corporate advisors aggregated \$14.0 million in the second quarter of 2011, compared to \$11.3 million in the same period of the prior year. This represents a relative change in revenue levels that attract differing variable compensation rates. Selling, general and administrative expenses were \$12.4 million in the second quarter of 2011 compared to \$10.4 million in the same period of the prior year. Professional fees, which include sub-advisory fees in respect of asset management products, were \$1.4 million (three months ended June 30, 2010 - \$0.1 million), a \$1.3 million increase largely due to higher average asset levels and sub-advisory rates which increased in the latter part of 2010. Trade related expenses were \$1.8 million (three months ended June 30, 2010 - \$0.7 million), a \$1.1 million increase due largely to increased trading volumes.

Management anticipates that selling, general and administrative costs will increase in the coming quarters as a result of operations and technology costs that will be incurred in anticipation of the systems and back office conversion that will occur prior to the expected termination of the shared services agreement in January 2012 (see “*Recent Developments – Divestment of DundeeWealth*”).

## CONSOLIDATED QUARTERLY BUSINESS TRENDS

For the three months ended,	Prepared in accordance with IFRS						Prepared in accordance with Canadian GAAP	
	2011		2010				2009	
	30-Jun	31-Mar	31-Dec	30-Sep	30-June	31-Mar	31-Dec	30-Sep
Revenues	\$ 123,560	\$ 120,110	\$ 285,150	\$ 171,353	\$ 154,876	\$ 99,383	\$ 121,055	\$ 108,187
Net earnings for the period								
Continuing operations	21,006	14,164	81,159	33,551	35,468	10,288	6,790	25,842
Discontinued operations	-	861,158	5,664	9,391	11,430	14,152	3,823	4,367
<b>Total</b>	<b>\$ 21,006</b>	<b>\$ 875,322</b>	<b>\$ 86,823</b>	<b>\$ 42,942</b>	<b>\$ 46,898</b>	<b>\$ 24,440</b>	<b>\$ 10,613</b>	<b>\$ 30,209</b>

Earnings per share	Prepared in accordance with IFRS						Prepared in accordance with Canadian GAAP	
	2011		2010				2009	
	30-Jun	31-Mar	31-Dec	30-Sep	30-June	31-Mar	31-Dec	30-Sep
<b>Basic</b>								
Continuing operations	\$ 0.28	\$ 0.17	\$ 1.12	\$ 0.44	\$ 0.45	\$ 0.11	\$ 0.06	\$ 0.35
Discontinued operations	-	12.34	0.08	0.13	0.16	0.19	0.05	0.06
	\$ 0.28	\$ 12.51	\$ 1.20	\$ 0.57	\$ 0.61	\$ 0.30	\$ 0.11	\$ 0.41
<b>Diluted</b>								
Continuing operations	\$ 0.27	\$ 0.17	\$ 1.09	\$ 0.44	\$ 0.44	\$ 0.11	\$ 0.06	\$ 0.34
Discontinued operations	-	12.03	0.07	0.12	0.14	0.17	0.05	0.05
	\$ 0.27	\$ 12.20	\$ 1.16	\$ 0.56	\$ 0.58	\$ 0.28	\$ 0.11	\$ 0.39

- Net earnings in the first quarter of 2011 include a gain of \$870.8 million from the divestment of DundeeWealth.
- Performance fee revenue may be earned in each of the Company's capital markets and asset management operations. Performance fees are contingent on the market values of the underlying portfolio at a point in time, generally at the calendar year end, or upon the conclusion of limited partnership arrangements. As these performance fees are recorded in earnings only when these values have been determined with certainty, these operating segments may experience fluctuations in quarter-over-quarter revenues, with peaks generally in the fourth quarter of each year. Performance fees earned in the fourth quarter of 2010 were \$32.7 million (fourth quarter of 2009 - \$9.0 million).
- Real estate operations are project driven. Real estate revenue and associated real estate operating costs are only included in operations in periods when a development project is completed and sold. Otherwise, these costs are deferred as real estate assets. This may also cause significant fluctuations in net earnings from period-to-period.
- Investment income includes income earned from dispositions of investment holdings. Investment gains or losses are only recorded when the Company disposes of an investment. Therefore, the Company may experience significant quarterly fluctuations in these amounts, depending on when it actually effects a disposition.
- The Company's share of earnings from equity accounted investments is included in net earnings for each quarter. Earnings from each equity accounted investment and dilution gains and losses from these investments may fluctuate significantly from period-to-period and may depend on market forces or other operating conditions that are not necessarily under the Company's direct control.

## **COMMITMENTS AND CONTINGENCIES**

Other than as disclosed in the notes to the June 2011 Interim Consolidated Financial Statements, there have been no substantive changes in the description and nature of commitments, contingencies and off-balance sheet arrangements from those described in Note 25 to the 2010 Annual Consolidated Financial Statements and on page 38 of the December 31, 2010 management's discussion and analysis ("December 2010 MD&A").

## **RELATED PARTY TRANSACTIONS**

Other than as disclosed in the notes to the June 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 27 to the 2010 Annual Consolidated Financial Statements and on page 40 of the December 2010 MD&A.

## **ACCOUNTING POLICIES AND ESTIMATES**

This MD&A is based upon the June 2011 Interim Consolidated Financial Statements of the Company. The June 2011 Interim Consolidated Financial Statements have been prepared in accordance with IFRS. The preparation of these unaudited interim consolidated financial statements requires that the Company 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 Company evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Company 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 Company's June 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 Company 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 June 30, 2011.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company 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 Company'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 June 30, 2011, the Company's disclosure controls and procedures were effective.

The Chief Executive Officer and Chief Financial Officer of the Company have also evaluated whether there were changes to the Company's internal control over financial reporting during the three and six months ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting. There were no changes identified during their evaluation. Further, the Company has determined that there has been no material change in internal controls over financial reporting as a result of the adoption of IFRS.

## MANAGING RISK

The risks faced by the Company are described in the Company's 2011 Annual Information Form under "Risk Factors" which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and is incorporated herein by reference.

## FORWARD LOOKING STATEMENTS

Dundee Corporation's public communications may include written or oral forward looking statements. Statements of this type are included in this MD&A, and may be included in other filings with the Canadian regulators, stock exchanges or in other communications. All such statements constitute forward looking information within the meaning of securities law and are made pursuant to the "safe harbour" provisions of the Securities Act (Ontario) and under equivalent applicable Canadian legislation. Forward looking statements may include, but are not limited to, statements about anticipated future events or results including comments with respect to the Company's objectives and priorities for 2011 and beyond, strategies or further actions with respect to the Company, its products and services, business operations, financial performance and condition. Forward looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions concerning matters that are not historical facts. Such statements are based on current expectations of the Company's management and inherently involve numerous risks and uncertainties, known and unknown, including economic factors and those affecting the financial services, real estate and resource industries generally. The forward looking information contained in this MD&A is presented for the purpose of assisting shareholders in understanding business and strategic priorities and objectives as at the periods indicated and may not be appropriate for other purposes.

A number of risks, uncertainties and other factors may cause actual results to differ materially from the forward looking statements contained in this MD&A, including, among other factors, those referenced in the section entitled "Managing Risk" in the Company's Annual Information Form, which include general economic and market conditions; the Company's ability to execute strategic plans and meet its financial obligations; the performance of the Company's principal subsidiaries; the Company's ability to raise additional capital; the ability to create, attract and retain AUM and AUA; risks relating to trading activities and investments; competition faced by the Company; regulation of the Company's businesses; successful integration of the Company with acquired businesses and the realization of any anticipated synergies; risks associated with the Company's real estate and resource businesses and the Company's investment holdings in general, including risks associated with oil and gas and mining exploration, development and production activities, environmental risks, inflation, changes in interest rates, commodity prices and other financial exposures; the availability and adequacy of insurance coverage for the Company and its subsidiaries; maintenance of minimum regulatory capital requirements for certain of the Company's subsidiaries; potential liability of the Company and its subsidiaries under securities laws and for violations of investor suitability requirements; and the ability of the Company and its subsidiaries to attract and retain key personnel. The preceding list is not exhaustive of all possible risk factors that may influence actual results, and is compiled based upon information available as of August 10, 2011.

Forward looking statements contained in this MD&A are based upon assumptions about the future performance of the Canadian, European and United States economies, which were material factors considered by management when setting Dundee Corporation's strategic priorities and objectives. In determining expectations for economic growth in the financial services, real estate and resource sectors, the Company considered historical economic data provided by the Canadian government and its agencies, market and general economic conditions, which factors are unpredictable and may impact the Company's performance.

Forward looking statements contained in this MD&A are not guarantees of future performance and, while forward looking statements are based on certain assumptions that the Company considers reasonable, actual events and results could differ materially from those expressed or implied by forward looking statements made by the Company. Prospective investors are cautioned to consider these and other factors carefully when making decisions with respect to the Company and not place undue reliance on forward looking statements. Circumstances affecting the Company may change rapidly. Except as may be required by applicable law, the Company does not undertake any obligation to update publicly or revise any such forward looking statements, whether as a result of new information, future events or otherwise.

## **INFORMATION CONCERNING DUNDEE CORPORATION**

Additional information relating to Dundee Corporation, including a copy of the Company's Annual Information Form, may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Toronto, Ontario  
August 10, 2011

**DUNDEE CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(unaudited)

(expressed in thousands of Canadian dollars)

Note	June 30, 2011	December 31, 2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 160,225	\$ 131,814
Accounts receivable	246,138	319,677
Client accounts receivable	9 534,462	443,861
Securities owned	10 57,600	177,210
Available-for-sale securities	11 1,840,783	198,482
Equity accounted investments	12 329,044	289,709
Real estate joint venture investments	13 30,952	27,000
Real estate assets	14 430,674	408,926
Resource properties	7,15 159,406	163,163
Capital and other assets	16 42,446	38,977
Assets of discontinued operations held for sale	6 -	1,868,024
<b>TOTAL ASSETS</b>	<b>\$ 3,831,730</b>	<b>\$ 4,066,843</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 220,642	\$ 254,861
Client deposits and related liabilities	19 519,448	488,078
Securities sold short	10 17,889	19,246
Income taxes payable	6,967	19,141
Corporate debt	21 401,270	248,856
Preference shares, series 1	23 148,247	148,072
Decommissioning liabilities	20 33,722	33,391
Deferred income tax liabilities	29 178,496	21,263
Liabilities of discontinued operations held for sale	6 -	765,492
	1,526,681	1,998,400
<b>SHAREHOLDERS' EQUITY</b>		
Share capital		
Common shares	24 250,294	273,414
Preference shares, series 2	23 127,068	127,068
Contributed surplus	16,400	9,562
Retained earnings	1,606,927	833,415
Accumulated other comprehensive income	25 107,903	90,195
	2,108,592	1,333,654
<b>NON-CONTROLLING INTEREST</b>		
Continuing operations	196,457	196,972
Discontinued operations	6 -	537,817
	2,305,049	2,068,443
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 3,831,730</b>	<b>\$ 4,066,843</b>

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

**DUNDEE CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)

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

	Note	Three months ended		Six months ended	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
<b>REVENUES</b>					
Management fees		\$ 9,430	\$ 7,585	\$ 20,882	\$ 15,990
Financial services		24,046	24,005	57,615	50,044
Real estate revenue		61,552	90,502	110,665	152,974
Oil and gas revenue, net		9,530	-	17,602	-
Investment income	26	19,002	32,784	36,906	35,251
		123,560	154,876	243,670	254,259
<b>EXPENSES</b>					
Variable compensation		14,003	11,320	33,161	25,629
Operating costs, real estate		48,704	72,007	84,427	115,695
Operating costs, oil and gas		3,054	-	5,952	-
Depreciation and depletion		5,086	1,641	9,936	2,992
Selling, general and administrative	28	27,938	23,827	69,467	42,107
		98,785	108,795	202,943	186,423
<b>OPERATING EARNINGS</b>		24,775	46,081	40,727	67,836
<b>OTHER ITEMS IN EARNINGS</b>					
Share of earnings from equity accounted investments	12	13,870	12,310	28,870	16,666
Share of earnings from real estate joint ventures		202	4	462	333
Risk management gain	18	1,939	-	548	-
Fair value gain (loss)		796	(323)	1,185	(426)
Interest expense		(4,210)	(5,366)	(11,483)	(9,983)
Foreign exchange (loss) gain		(51)	72	(277)	(167)
		12,546	6,697	19,305	6,423
<b>NET EARNINGS BEFORE INCOME TAXES</b>		37,321	52,778	60,032	74,259
Income taxes	29				
Current		3,287	16,415	15,189	37,447
Deferred		9,712	336	2,832	(14,748)
		12,999	16,751	18,021	22,699
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>		24,322	36,027	42,011	51,560
<b>DISCONTINUED OPERATIONS</b>					
(Loss) earnings, net of taxes and non-controlling interest	6	-	11,430	(9,670)	25,582
Gain on sale of discontinued operations, net of taxes		-	-	870,828	-
<b>NET EARNINGS FOR THE PERIOD</b>		\$ 24,322	\$ 47,457	\$ 903,169	\$ 77,142
<b>NET EARNINGS ATTRIBUTABLE TO:</b>					
Owners of the parent		21,006	46,898	896,328	71,338
Non-controlling interest		3,316	559	6,841	5,804
		\$ 24,322	\$ 47,457	\$ 903,169	\$ 77,142
<b>NET EARNINGS PER SHARE</b>					
30					
Basic					
Continuing operations		\$ 0.28	\$ 0.45	\$ 0.45	\$ 0.56
Discontinued operations		-	0.16	12.55	0.35
		\$ 0.28	\$ 0.61	\$ 13.00	\$ 0.91
Diluted					
Continuing operations		\$ 0.27	\$ 0.44	\$ 0.44	\$ 0.55
Discontinued operations		-	0.14	12.22	0.32
		\$ 0.27	\$ 0.58	\$ 12.66	\$ 0.87

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

**DUNDEE CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(unaudited)

*(expressed in thousands of Canadian dollars)*

	Note	Three months ended		Six months ended	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
<b>NET EARNINGS FOR THE PERIOD</b>		\$ 24,322	\$ 47,457	\$ 903,169	\$ 77,142
Other comprehensive income					
Unrealized gains (loss) on available-for-sale securities, net of associated taxes		(72,053)	420	48,571	21,586
Transfer of unrealized loss (gains) to net earnings, net of associated taxes		18,308	333	(11,783)	(426)
Unrealized loss from foreign currency translation		6,438	(31,005)	4,148	(31,374)
Share of other comprehensive (loss) gains from equity accounted investments, net of associated taxes		(1,610)	2,901	(1,037)	2,993
Other comprehensive income (loss) from continuing operations		(180)	(88)	(543)	(170)
Other comprehensive loss from discontinued operations, net of non-controlling interests and net of associated taxes	6	(2,816)	10,597	(7,684)	6,472
Transfer of other comprehensive income from discontinued operations to net earnings, net of non-controlling interest and net of associated taxes		505	(2,677)	1,577	(1,660)
Total other comprehensive income (loss)		(51,408)	(19,519)	33,249	(2,579)
<b>COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>		\$ (27,086)	\$ 22,420	\$ 919,266	\$ 66,775
<b>COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>					
Owners of the parent		(29,510)	22,002	914,036	61,199
Non-controlling interest		2,424	418	5,230	5,576
		\$ (27,086)	\$ 22,420	\$ 919,266	\$ 66,775

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

# DUNDEE CORPORATION

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

(expressed in thousands of Canadian dollars)

	Attributable to Owners of the Parent							Total
	Common Shares	Preference Shares, Series 2	Contributed Surplus	Retained Earnings	Accumulated Other		Non-controlling Interest	
					Comprehensive Income (Loss)	-		
Balance, January 1, 2010	\$ 289,207	\$ 127,085	\$ 8,493	\$ 681,623	\$ 35,264	\$ 648,297	\$ 1,789,969	
<b>For the six months ended June 30, 2010</b>								
Net earnings, continuing operations	-	-	-	45,756	-	5,804	51,560	
Net earnings, discontinued operations	-	-	-	25,582	-	27,323	52,905	
Other comprehensive loss, continuing operations	-	-	-	-	(2,351)	(228)	(2,579)	
Other comprehensive loss, discontinued operations	-	-	-	-	(7,788)	(8,348)	(16,136)	
Acquisition of Class A subordinate shares for cancellation	(14,868)	-	-	(34,982)	-	-	(49,850)	
Issuance of Class A subordinate shares for non-cash consideration	35	-	-	-	-	-	35	
Issuance of Class A subordinate shares for cash	35	-	-	-	-	-	35	
Issue costs	-	(17)	-	-	-	-	(17)	
Dividends on Preference shares, series 2	-	-	-	(4,387)	-	-	(4,387)	
Stock based compensation	-	-	1,015	-	-	-	1,015	
Acquisition of subsidiary	-	-	-	-	-	6,058	6,058	
Changes in equity of subsidiaries	-	-	-	-	-	11,981	11,981	
Dividends paid to non-controlling interest	-	-	-	-	-	(12,947)	(12,947)	
Net loss on dilution of interests in subsidiaries	-	-	(4,497)	-	-	4,497	-	
Exercise of options	1,326	-	-	-	-	-	1,326	
Balance, June 30, 2010	275,735	127,068	5,011	713,592	25,125	682,437	1,828,968	
<b>From July 1, 2010 to December 31, 2010</b>								
Net earnings, continuing operations	-	-	-	114,710	-	33,019	147,729	
Net earnings, discontinued operations	-	-	-	15,055	-	16,506	31,561	
Other comprehensive income, continuing operations	-	-	-	-	55,878	(238)	55,640	
Other comprehensive income, discontinued operations	-	-	-	-	9,192	9,952	19,144	
Acquisition of Class A subordinate shares for cancellation	(2,485)	-	-	(5,579)	-	-	(8,064)	
Issuance of Class A subordinate shares for non-cash consideration	35	-	-	-	-	-	35	
Issuance of Class A subordinate shares for cash	35	-	-	-	-	-	35	
Dividends on Preference shares, series 2	-	-	-	(4,388)	-	-	(4,388)	
Stock based compensation	-	-	1,175	-	-	-	1,175	
Exercise of options	94	-	(28)	-	-	-	66	
Acquisition of subsidiary	-	-	-	-	-	(3,791)	(3,791)	
Changes in equity of subsidiaries	-	-	-	-	-	13,748	13,748	
Dividends paid to non-controlling interest	-	-	-	-	-	(13,440)	(13,440)	
Net gain on dilution of interests in subsidiaries	-	-	3,404	-	-	(3,404)	-	
Realized actuarial gains from equity accounted investments	-	-	-	25	-	-	25	
Balance, December 31, 2010	273,414	127,068	9,562	833,415	90,195	734,789	2,068,443	
<b>For the six months ended June 30, 2011</b>								
Net earnings, continuing operations	-	-	-	35,170	-	6,841	42,011	
Net loss, discontinued operations	-	-	-	(9,670)	-	(10,330)	(20,000)	
Gain on sale of discontinued operations	-	-	-	870,828	-	(515,425)	355,403	
Other comprehensive income, continuing operations	-	-	-	-	34,860	(1,611)	33,249	
Other comprehensive loss, discontinued operations	-	-	-	-	(17,152)	(18,421)	(35,573)	
Acquisition of Class A subordinate shares for cancellation	(23,222)	-	-	(118,352)	-	-	(141,574)	
Issuance of Class A subordinate shares for non-cash consideration	35	-	-	-	-	-	35	
Issuance of Class A subordinate shares for cash	35	-	-	-	-	-	35	
Dividends on Preference shares, series 2	-	-	-	(4,388)	-	-	(4,388)	
Stock based compensation	-	-	1,108	-	-	-	1,108	
Exercise of options	32	-	(4)	-	-	-	28	
Changes in equity of subsidiaries	-	-	-	-	-	848	848	
Net gain on dilution of interests in subsidiaries	-	-	234	-	-	(234)	-	
Share incentive arrangements	-	-	5,500	-	-	-	5,500	
Realized actuarial losses from equity accounted investments	-	-	-	(76)	-	-	(76)	
<b>Balance, June 30, 2011</b>	<b>\$ 250,294</b>	<b>\$ 127,068</b>	<b>\$ 16,400</b>	<b>\$ 1,606,927</b>	<b>\$ 107,903</b>	<b>\$ 196,457</b>	<b>\$ 2,305,049</b>	

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

**DUNDEE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
(unaudited)

(expressed in thousands of Canadian dollars)

	Note	June 30, 2011	Six months ended June 30, 2010
<b>OPERATING ACTIVITIES:</b>			
Net earnings for the period	\$	903,169	\$ 77,142
Adjusted for: net loss (earnings) from discontinued operations		9,670	(25,582)
Non-cash items:			
Gain on sale of discontinued operations	6	(870,828)	-
Net investment gains		(4,159)	(31,247)
Depreciation and depletion		9,936	2,992
Share of earnings from equity accounted investments		(28,870)	(16,666)
Share of earnings from real estate joint ventures		(462)	(333)
Fair value (gain) loss		(1,185)	426
Risk management gain		(826)	-
Deferred income taxes		2,832	(14,748)
Stock based compensation		1,594	1,111
Other		3,128	3,880
		23,999	(3,025)
Changes in:			
Accounts receivable		12,854	2,845
Accounts payable and accrued liabilities		(25,121)	21,438
Bank indebtedness		-	(4,821)
Income taxes payable		(12,174)	24,187
Securities owned and sold short, net		118,253	68,335
Client accounts receivable, net of client deposits and related liabilities		(59,231)	(54,158)
Land, housing and condominium inventory		(23,119)	30,592
Other real estate working capital		34,019	5,579
Cash provided from operating activities - continuing operations		69,480	90,972
Cash provided from operating activities - discontinued operations		37,617	74,664
<b>CASH PROVIDED FROM OPERATING ACTIVITIES</b>		<b>107,097</b>	<b>165,636</b>
<b>INVESTING ACTIVITIES:</b>			
Net investment in real estate assets		(6,543)	(17,469)
Net investment in real estate joint ventures		(3,634)	-
Net investment in resource properties		(3,177)	737
Reclamation expenditures		(616)	-
Acquisition of resource properties	7	-	(133,048)
Proceeds from dispositions of portfolio investments		8,241	140,455
Acquisitions of portfolio investments		(196,013)	(66,785)
Dividends received from discontinued operations	6	155,982	-
Net changes in capital and other assets		(4,363)	(2,116)
Cash used in investing activities - continuing operations		(50,123)	(78,226)
Cash used in investing activities - discontinued operations		(15,637)	(67,785)
<b>CASH USED IN INVESTING ACTIVITIES</b>		<b>(65,760)</b>	<b>(146,011)</b>
<b>FINANCING ACTIVITIES:</b>			
Change in corporate debt		157,133	46,090
Issuance of Class A subordinate shares, net of issue costs		63	1,361
Acquisition of Class A subordinate shares, net of costs		(141,574)	(49,850)
Net issuance of shares by subsidiaries to non-controlling interest		(28)	5,350
Dividends paid on Preference shares, series 2		(4,388)	(4,387)
Dividends paid by subsidiaries to non-controlling interest		-	(5,373)
Cash provided from (used in) financing activities - continuing operations		11,206	(6,809)
Cash used in financing activities - discontinued operations		(135,273)	(8,853)
<b>CASH USED IN FINANCING ACTIVITIES</b>		<b>(124,067)</b>	<b>(15,662)</b>
<b>NET (DECREASE) INCREASE IN CASH DURING THE PERIOD</b>		<b>(82,730)</b>	<b>3,963</b>
Cash and cash equivalents, continuing operations, beginning of period		131,814	59,675
Cash and cash equivalents, discontinued operations, beginning of period	6	373,115	419,361
Cash and cash equivalents, end of period		422,199	482,999
Less cash disposed of on sale of discontinued operations	6	(261,974)	(317,659)
Less cash and cash equivalents, discontinued operations, end of period		-	-
<b>CASH AND CASH EQUIVALENTS, CONTINUING OPERATIONS</b>			
<b>END OF PERIOD</b>	<b>\$</b>	<b>160,225</b>	<b>\$ 165,340</b>
Cash flows from continuing operating activities include the following:			
Interest paid	\$	11,483	\$ 9,983
Taxes paid	\$	27,187	\$ 6,047

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

**DUNDEE CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

As at and for the three and six months ended June 30, 2011 (tabular dollar amounts in thousands of Canadian dollars, except per share amounts)
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**1. NATURE OF OPERATIONS**

Dundee Corporation (the “Company” or “Dundee Corporation”) is an independent publicly traded Canadian asset management company. The Company’s core focus for its asset management activities is in the areas of real estate and infrastructure and in resources. Third-party asset management activities are carried out by Ned Goodman Investment Counsel Limited (“NGIC”), a registered portfolio manager and exempt market dealer across Canada and an investment fund manager in the province of Ontario, and by Dundee Real Estate Asset Management (“DREAM”), the asset management division of Dundee Realty Corporation (“Dundee Realty”), a 70% owned subsidiary of the Company. Dundee Corporation’s core asset management activities are supported by the Company’s 48% interest in Dundee Capital Markets Inc. (“Dundee Capital Markets”), which was created in December 2010 to carry on the capital markets activities previously conducted through DundeeWealth Inc. (“DundeeWealth”) prior to completion of the Company’s divestment of its interest in DundeeWealth pursuant to the transaction outlined in note 6 to these unaudited interim consolidated financial statements.

Dundee Corporation also owns and manages direct investments in these core focus areas, through ownership of both publicly listed and private companies. Real estate operations are carried out through the Company’s investment in Dundee Realty, an owner and developer of residential and recreational properties in North America. Real estate operations also include an 8% interest in Dundee Real Estate Investment Trust (“Dundee REIT”), a Canadian real estate investment trust. Resource investments are managed through Dundee Resources Limited (“Dundee Resources”), a wholly owned subsidiary of the Company, and include the Company’s 54% investment in Dundee Energy Limited (formerly “Eurogas Corporation”) (“Dundee Energy”), an oil and natural gas company. Dundee Resources also manages several other equity accounted investments.

The Company is incorporated under the Ontario Business Corporations Act. The Company’s head office is located at Dundee Place, 1 Adelaide Street East, Toronto, Ontario, Canada, M5C 2V9. The Company is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DC.A”.

**2. BASIS OF PREPARATION AND ADOPTION OF IFRS**

These interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim consolidated financial statements, including International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) and IFRS 1, “First-time Adoption of IFRS” (“IFRS 1”), which the Company adopted on January 1, 2010 (the “Transition Date”). Prior to the Transition Date, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). Note 5 discloses the impact of the transition to IFRS on the Company’s reported consolidated equity, financial performance and cash flow, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended December 31, 2010.

These condensed interim consolidated financial statements of the Company do not include all disclosures required by IFRS for annual consolidated financial statements. Accordingly, these condensed interim consolidated financial statements of the Company should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2010 ("2010 Annual Consolidated Financial Statements") and the Company's interim consolidated financial statements as at and for the three months ended March 31, 2011 ("March 2011 Interim Consolidated Financial Statements").

The accounting policies applied in these interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2011, as issued and effective as at August 10, 2011, the date the Board of Directors authorized the issuance of these interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

### 3. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in note 3 to the Company's March 2011 Interim Consolidated Financial Statements. Subject to certain elections made on transition to IFRS as disclosed in note 5, these accounting policies have been consistently applied throughout all periods presented in these interim consolidated financial statements, as if these policies had always been in effect.

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

##### IFRS 9, "*Financial Instruments*" ("IFRS 9")

The International Accounting Standards Board ("IASB") intends to replace IAS 39, "*Financial Instruments: Recognition and Measurement*" ("IAS 39"), with IFRS 9. IFRS 9 will be published in three phases. The first phase, which has already been published, addresses the accounting for financial assets and financial liabilities. The second phase will address impairment of financial instruments, while the third phase will address hedge accounting.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39.

Although the classification criteria for financial liabilities will not change under IFRS 9, the fair value option may require different accounting for changes to the fair value of a financial liability resulting from changes to an entity's own credit risk. IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with varying transitional arrangements dependent on the date of initial application.

##### IFRS 10, "*Consolidation*" ("IFRS 10")

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "*Consolidation—Special Purpose Entities*" and parts of IAS 27, "*Consolidated and Separate Financial Statements*" ("IAS 27"). This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 11, “*Joint Arrangements*” (“IFRS 11”)

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas, for a joint operation, the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, “*Interests in Joint Ventures*”, and SIC-13, “*Jointly Controlled Entities—Non-monetary Contributions by Venturers*”. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 12, “*Disclosure of Interests in Other Entities*” (“IFRS 12”)

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, equity accounted investments, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 13, “*Fair Value Measurement*” (“IFRS 13”)

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

*Amendments to Other Standards*

In addition to the issuance of new standards as detailed above, there have also been amendments to existing standards, including IAS 1, “*Presentation of Financial Statements*” (“IAS 1”), IAS 19, “*Employee Benefits*” (“IAS 19”), IAS 27, “*Consolidated and Separate Financial Statements*” and IAS 28, “*Investments in Associates and Joint Ventures*” (“IAS 28”).

The amendments to IAS 1 will require that entities group items presented in other comprehensive income (“OCI”) based on an assessment of whether such items may or may not, be reclassified to earnings at a subsequent date. Amendments to IAS 1 are applicable to annual periods beginning on or after July 1, 2012, with early adoption permitted.

Amendments to IAS 19 eliminate an entity’s option to defer the recognition of certain gains and losses related to post-employment benefits and require remeasurement of associated assets and liabilities in OCI. Amendments to IAS 19 are applicable on a modified retrospective basis to annual periods beginning on or after January 1, 2013, with early adoption permitted.

The amended IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 13 as outlined above. Amendments to IAS 27 and IAS 28 are applicable to annual periods beginning on or after January 1, 2013, with early adoption permitted.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

#### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these unaudited interim consolidated financial statements in accordance with IFRS requires the Company to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. The Company evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Company 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 amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes to the areas of accounting judgements, estimates and assumptions made by the Company from those detailed in note 4 to the March 2011 Interim Consolidated Financial Statements.

#### 5. TRANSITION TO IFRS

The effect of the Company's transition from Canadian GAAP to IFRS is set out in the following reconciliations and the footnotes that accompany the reconciliations.

The Company has applied the provisions of IFRS 1, "*First-Time Adoption of IFRS*" in these unaudited interim consolidated financial statements. IFRS 1 provides the framework for the first-time adoption of IFRS and specifies that, in general, an entity shall apply the principles under IFRS retrospectively. IFRS 1 also provides for certain optional exemptions and mandatory exceptions from full retrospective application.

The Company has applied the following transition exemptions from full retrospective application of IFRS:

- *Deferred Exploration and Evaluation Costs* – IFRS 1 permits a first-time adopter using the full cost method under its previous GAAP to account for costs incurred in the exploration, development and production of resource properties at the Transition Date at original cost, and subject to the following allocation: (a) exploration and evaluation properties at their cost determined under previous GAAP; and (b) assets in the development or production phases at their cost determined under previous GAAP, allocated to the underlying assets pro rata using reserve volumes or reserve values as of the Transition Date. At the Transition Date, the Company has elected to record these assets at cost, as determined under Canadian GAAP, and to allocate the costs between exploration and evaluation activities and development and production activities, subject to impairment testing.
- *Business Combinations* – IFRS 1 allows for the guidance under IFRS 3, "*Business Combinations*" ("IFRS 3"), to be applied either retrospectively or prospectively to business combinations that occurred before the Transition Date. The Company has elected to adopt IFRS 3 prospectively, meaning that only business combinations that occur on or after January 1, 2010 will be accounted for in accordance with IFRS 3. As such, Canadian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward without adjustment.
- *Cumulative Translation Adjustments* – The Company has elected to deem all foreign currency translation differences in respect of all foreign operations that arose prior to the Transition Date to be \$nil at the Transition Date and absorbed the balance into retained earnings.
- *Share Based Compensation* – IFRS 1 encourages, but does not require first-time adopters to apply IFRS 2, "*Share-based Payments*" ("IFRS 2"), to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002, and vested before the latter of the Transition Date and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that either vested prior to January 1, 2010 or were granted before November 7, 2002.

## Explanation of IFRS Transition Adjustments

(a) IAS 36, "*Impairment of Assets*" ("IAS 36")

Under Canadian GAAP and full cost accounting, impairment testing of exploration and evaluation properties was performed on the basis of expected recoverability of costs in each geographic area. For the purpose of assessing impairment under IFRS, assets are grouped into cash generating units ("CGUs") which are defined as the smallest group of assets for which there are separately identifiable cash inflows.

The Company allocated the full cost accounting pool of exploration and evaluation resource properties held directly by Eurogas International Inc. ("EII"), a 53% owned subsidiary of the Company, into separate CGUs, as appropriate. Following a detailed analysis of impairment indicators for each CGU, the Company determined that it was appropriate to recognize an impairment in respect of certain resource properties in Tunisia at the Transition Date.

During 2010, the Company continued to incur exploration and evaluation costs associated with its resource properties in Tunisia. Under Canadian GAAP, expenditures incurred were capitalized under full cost accounting. Under IFRS, these capitalized costs were also considered impaired and written off in the period incurred.

During 2010, and following the favourable settlement of litigation initiated by EII against a previous third-party service provider, EII recovered certain expenses incurred in respect of its Tunisian operations. Under Canadian GAAP, these amounts were recorded against the cost of resource properties under full cost accounting. As the carrying amount of these properties is \$nil under IFRS at the Transition Date, proceeds received from the litigation, to the extent related to the impaired properties, were recognized in earnings. Accordingly, in the fourth quarter of 2010, the Company realized a gain from settlement of the litigation.

(b) IAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*" ("IAS 37")

Accounting for decommissioning liabilities pursuant to IFRS falls under IAS 37. IFRS requires the inclusion of both constructive and legal obligations in determining the amount of a decommissioning liability. While only legal obligations are required under Canadian GAAP, the Company has historically included both legal and constructive obligations in its estimate of decommissioning liabilities.

Consistent with Canadian GAAP, decommissioning liabilities under IFRS are recorded in the consolidated financial statements on a discounted basis. However, discount rates used under IFRS are required to reflect the risks specific to decommissioning liabilities, whereas under Canadian GAAP, discount rates for decommissioning liabilities are based on the entity's credit-adjusted risk-free rate. At each period end, IFRS requires that the Company remeasure its decommissioning liabilities for market interest changes in the discount rate, whereas under Canadian GAAP, changes in discount rates alone do not result in a remeasurement of decommissioning liabilities. IFRS also requires remeasurement of the decommissioning liabilities to reflect changes in foreign exchange rates in instances where such decommissioning liabilities are denominated in foreign currencies, whereas under Canadian GAAP, changes resulting solely from fluctuations in foreign exchange rates do not result in a remeasurement of decommissioning liabilities.

Consistent with Canadian GAAP, the Company is required to accrete its decommissioning liabilities to reflect the passage of time. Under Canadian GAAP, the accretion amount was included in depreciation and depletion expense. IFRS classifies accretion expense as a financing cost and accordingly, the Company has included its accretion expense as "Interest expense" in these unaudited interim consolidated financial statements.

(c) Cumulative Translation Adjustments in Accumulated Other Comprehensive Income ("AOCI")

In accordance with the exemption available pursuant to IFRS 1, the Company elected to reset cumulative translation adjustments in AOCI to zero at the Transition Date.

(d) IAS 23, "*Borrowing Costs*" ("IAS 23")

Borrowing costs attributable to the development and construction of qualifying assets are added to the cost of those assets under IFRS. Capitalization of borrowing costs was permitted but not required under Canadian GAAP. The Company has determined that certain real estate assets to which interest had historically been capitalized under Canadian GAAP do not meet the definition of a qualifying asset under IAS 23. Consequently, on transition and in subsequent quarters, this resulted in the reversal of previously capitalized interest from the carrying value of certain real estate assets, with a corresponding charge to retained earnings at the Transition Date and subsequently to interest expense.

(e) IAS 40, "*Investment Property*" ("IAS 40")

Certain real estate assets held by the Company are considered investment properties as defined by IAS 40. Investment properties are properties held to earn rentals, for capital appreciation or for both, rather than for use in the production or supply of goods or services, for administrative purposes, or for sale in the ordinary course of business. Similar to Canadian GAAP, investment properties are initially measured at cost under IAS 40. However, subsequent to initial recognition, IAS 40 requires that an entity choose either (i) the cost; or (ii) the fair value model to account for its investment properties. The Company has elected to account for its investment properties under the fair value model.

(f) IAS 16, "*Property, Plant and Equipment*" ("IAS 16")

In accordance with IAS 16, the Company has reclassified certain real estate equipment previously included in accounts receivable under Canadian GAAP to real estate assets. This reclassification had no impact on shareholders' equity.

(g) IAS 31, "*Interests in Joint Ventures*" ("IAS 31") and Other Real Estate Investments Accounted for Using the Equity Method

Under Canadian GAAP, the Company has historically accounted for its investment in joint ventures using proportionate consolidation, recording its share of the respective assets and liabilities in its consolidated statements of financial position. Unlike Canadian GAAP, IFRS allows investments in joint ventures to be accounted for using either proportionate consolidation or the equity method of accounting.

The Company has elected to use the equity method of accounting for its investment in jointly controlled entities that were previously proportionately consolidated. Accordingly, joint venture investments that have historically been presented on multiple lines of the consolidated financial statements have been aggregated into a single line.

(h) IFRS 3, "*Business Combinations*"

Under Canadian GAAP, the acquisition of the assets in southern Ontario completed by Dundee Energy in June 2010 (note 7) was accounted for as an asset acquisition with the aggregate purchase price paid, including related transaction costs, allocated to the net assets acquired based on an estimate of their underlying fair values.

The Company has determined that the nature of the assets acquired in southern Ontario meets the definition of a business pursuant to IFRS 3 and, as such, the transaction is accounted for as a business combination rather than as an asset acquisition as was appropriate under Canadian GAAP. Under Canadian GAAP, transaction costs associated with business combinations were included in the aggregate purchase price and allocated to the various assets acquired. Under IFRS, these amounts have been expensed in the periods in which they were incurred.

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

Both Canadian GAAP and IFRS require that income tax balances at initial recognition follow the underlying nature of the associated assets and liabilities. Under Canadian GAAP, a subsequent remeasurement of income tax balances stemming from changes in income tax rates is recorded in earnings. IFRS requires that such remeasurement be recognized in either earnings or OCI, in accordance with the nature of the underlying associated assets and liabilities, consistent with the recording of income tax balances at initial recognition.

(j) *IAS 27, "Consolidated and Separate Financial Statements"*

Under IAS 27, increases and decreases in ownership interest in a subsidiary after control has been obtained is accounted for as a capital transaction. This differs from Canadian GAAP as applied by the Company, where each step purchase resulted in a separate purchase adjustment and each decrease in ownership, without loss of control, resulted in the recognition of a dilution gain or loss in net earnings.

(k) *Non-controlling Interest*

Under IFRS, the non-controlling interest's share of the net assets of subsidiaries is included in equity and their share of net earnings and OCI is allocated directly to equity. Under Canadian GAAP, non-controlling interest was presented as a separate item between liabilities and equity in the consolidated statements of financial position, and their share of net earnings and OCI were deducted in calculating net earnings and OCI of the Company. On transition, non-controlling interest was reclassified and reallocated accordingly. Non-controlling interest has been adjusted to reflect the cumulative effect of IFRS adjustments as previously described.

(l) *Transition to IFRS by Equity Accounted Investments*

Each of the Company's equity accounted investments has been subject to the first-time adoption provisions of IFRS 1, and as such, the carrying values of the Company's equity accounted investments have been adjusted to reflect the Company's cumulative share of the underlying transition adjustments recognized by the equity accounted investments.

The following tables reconcile (i) the consolidated statements of equity as at June 30, 2010 and December 31, 2010; (ii) the consolidated statements of operations and comprehensive income for the three and six months ended June 30, 2010; and (iii) the consolidated statement of cash flow for the six months ended June 30, 2010, as previously prepared under Canadian GAAP to the corresponding consolidated financial statements prepared in accordance with IFRS.

## Reconciliation of Canadian GAAP Consolidated Equity as at June 30, 2010 to IFRS

	Canadian GAAP	IFRS Transition Adjustments												IFRS
	June 30, 2010	Ref (a)	Ref (b)	Ref (c)	Ref (d)	Ref (e)	Ref (f)	Ref (g)	Ref (h)	Ref (i)	Ref (j)	Ref (k)	Ref (l)	June 30, 2010
<b>SHAREHOLDERS' EQUITY</b>														
Share capital														
Common shares	\$ 275,735													\$ 275,735
Preference shares, series 2	127,068													127,068
Contributed surplus	9,513					(1)					(6,228)	1,727		5,011
Retained earnings	702,530	(17,871)	149	(1,800)	(6,770)	9,024			(2,421)	(1,342)	6,228	20,885	4,980	713,592
Accumulated other comprehensive income	19,518			1,800		(2)				1,342		(417)	2,884	25,125
	1,134,364	(17,871)	149	-	(6,770)	9,021	-	-	(2,421)	-	-	22,195	7,864	1,146,531
<b>NON-CONTROLLING INTEREST</b>														
	704,809							(177)				(22,195)		682,437
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 1,839,173</b>	<b>\$ (17,871)</b>	<b>\$ 149</b>	<b>\$ -</b>	<b>\$ (6,770)</b>	<b>\$ 9,021</b>	<b>\$ -</b>	<b>\$ (177)</b>	<b>\$ (2,421)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,864</b>	<b>\$ 1,828,968</b>

### Reconciliation of Canadian GAAP Consolidated Equity as at December 31, 2010 to IFRS

	Canadian GAAP	IFRS Transition Adjustments											IFRS	
	December 31, 2010	Ref (a)	Ref (b)	Ref (c)	Ref (d)	Ref (e)	Ref (f)	Ref (g)	Ref (h)	Ref (i)	Ref (j)	Ref (k)	Ref (l)	December 31, 2010
<b>SHAREHOLDERS' EQUITY</b>														
Share capital														
Common shares	\$ 273,414													\$ 273,414
Preference shares, series 2	127,068													127,068
Contributed surplus	10,660					(1)				(2,823)	1,726			9,562
Retained earnings	810,758	(15,318)	165	(1,800)	(6,566)	11,043		(2,682)	(1,037)	2,823	19,140	16,889		833,415
Accumulated other comprehensive income	84,707			1,800		(2)				1,037	(417)	3,070		90,195
	1,306,607	(15,318)	165	-	(6,566)	11,040	-	-	(2,682)	-	-	20,449	19,959	1,333,654
<b>NON-CONTROLLING INTEREST</b>														
	749,287							(287)			(14,211)			734,789
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 2,055,894</b>	<b>\$ (15,318)</b>	<b>\$ 165</b>	<b>\$ -</b>	<b>\$ (6,566)</b>	<b>\$ 11,040</b>	<b>\$ -</b>	<b>\$ (287)</b>	<b>\$ (2,682)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,238</b>	<b>\$ 19,959</b>	<b>\$ 2,068,443</b>

## Reconciliation of Canadian GAAP Consolidated Statement of Operations for the six months ended June 30, 2010

	Canadian GAAP		IFRS Transition Adjustments											IFRS														
	Six months ended		Ref (a)	Ref (b)	Ref (c)	Ref (d)	Ref (e)	Ref (f)	Ref (g)	Ref (h)	Ref (i)	Ref (j)	Ref (k)	Ref (l)	Six months ended													
	June 30, 2010													June 30, 2010														
<b>REVENUES</b>																												
Management fees	\$	16,097						\$	(107)					\$	15,990													
Financial services		50,044													50,044													
Real estate revenue		159,069					(26)	(6,069)							152,974													
Oil and gas revenue, net		-													-													
Investment income		35,251													35,251													
		260,461	-	-	-	-	(26)	(6,176)	-	-	-	-	-		254,259													
<b>EXPENSES</b>																												
Variable compensation		25,629													25,629													
Operating costs, real estate		120,523				(464)		(4,364)							115,695													
Operating costs, oil and gas		-													-													
Depreciation and depletion		4,278		(46)			(529)	(711)							2,992													
Selling, general and administrative		39,514						(176)	2,769						42,107													
		189,944	-	(46)	-	(464)	(529)	(5,251)	2,769	-	-	-	-		186,423													
<b>OPERATING EARNINGS</b>		70,517	-	46	-	464	503	(925)	(2,769)	-	-	-	-		67,836													
<b>OTHER ITEMS IN EARNINGS</b>																												
Share of earnings from equity accounted investments		27,463											(10,797)		16,666													
Share of earnings from real estate joint ventures		-						333							333													
Dilution loss, net		(6,228)									6,228				-													
Fair value loss		-	(388)				(38)								(426)													
Interest expense		(10,246)		(11)		(318)		592							(9,983)													
Foreign exchange loss		(167)													(167)													
		10,822	(388)	(11)	-	(318)	(38)	925	-	-	6,228	-	(10,797)		6,423													
<b>NET EARNINGS BEFORE INCOME TAXES</b>		81,339	(388)	35	-	146	465	-	(2,769)	-	6,228	-	(10,797)		74,259													
Income taxes																												
Current		37,447													37,447													
Deferred		(12,608)				44	140		(348)				(1,976)		(14,748)													
		24,839	-	-	-	44	140	-	(348)	-	-	-	(1,976)		22,699													
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>		56,500	(388)	35	-	102	325	-	(2,421)	-	6,228	-	(8,821)		51,560													
<b>DISCONTINUED OPERATIONS</b>																												
Earnings, net of taxes and non-controlling interest		25,582													25,582													
<b>NET EARNINGS FOR THE PERIOD</b>	\$	<b>82,082</b>	\$	<b>(388)</b>	\$	<b>35</b>	\$	<b>-</b>	\$	<b>102</b>	\$	<b>325</b>	\$	<b>-</b>	\$	<b>-</b>	\$	<b>(2,421)</b>	\$	<b>-</b>	\$	<b>6,228</b>	\$	<b>-</b>	\$	<b>(8,821)</b>	\$	<b>77,142</b>
<b>NET EARNINGS ATTRIBUTABLE TO:</b>																												
Owners of the parent		75,125	(388)	35	-	102	325	-	(2,421)	-	6,228	1,153	(8,821)		71,338													
Non-controlling interest		6,957										(1,153)			5,804													
	\$	<b>82,082</b>	\$	<b>(388)</b>	\$	<b>35</b>	\$	<b>-</b>	\$	<b>102</b>	\$	<b>325</b>	\$	<b>-</b>	\$	<b>-</b>	\$	<b>(2,421)</b>	\$	<b>-</b>	\$	<b>6,228</b>	\$	<b>-</b>	\$	<b>(8,821)</b>	\$	<b>77,142</b>
<b>NET EARNINGS PER SHARE</b>																												
Basic																												
Continuing operations	\$	0.61													\$	0.56												
Discontinued operations		0.35														0.35												
	\$	0.96													\$	0.91												
Diluted																												
Continuing operations	\$	0.60													\$	0.55												
Discontinued operations		0.32														0.32												
	\$	0.92													\$	0.87												

## Reconciliation of Canadian GAAP Consolidated Statement of Operations for the three months ended June 30, 2010

	Canadian GAAP	IFRS Transition Adjustments											IFRS	
	Three months ended June 30, 2010	Ref (a)	Ref (b)	Ref (c)	Ref (d)	Ref (e)	Ref (f)	Ref (g)	Ref (h)	Ref (i)	Ref (j)	Ref (k)	Ref (l)	Three months ended June 30, 2010
<b>REVENUES</b>														
Management fees	\$ 7,638						\$ (53)							\$ 7,585
Financial services	24,005													24,005
Real estate revenue	93,450					(14)		(2,934)						90,502
Oil and gas revenue, net	-													-
Investment income	32,784													32,784
	157,877	-	-	-	-	(14)	-	(2,987)	-	-	-	-	-	154,876
<b>EXPENSES</b>														
Variable compensation	11,320													11,320
Operating costs, real estate	74,292				(182)			(2,103)						72,007
Operating costs, oil and gas	-													-
Depreciation and depletion	2,344		(23)			(275)		(405)						1,641
Selling, general and administrative	21,118					-		(60)	2,769					23,827
	109,074	-	(23)	-	(182)	(275)	-	(2,568)	2,769	-	-	-	-	108,795
<b>OPERATING EARNINGS</b>	48,803	-	23	-	182	261	-	(419)	(2,769)	-	-	-	-	46,081
<b>OTHER ITEMS IN EARNINGS</b>														
Share of earnings from equity accounted investments	16,323												(4,013)	12,310
Share of earnings from real estate joint ventures	-							4						4
Dilution loss, net	(19)									19				-
Fair value loss	-	(193)				(130)								(323)
Interest expense	(5,629)		(6)		(118)			387						(5,366)
Foreign exchange gain	72													72
	10,747	(193)	(6)	-	(118)	(130)	-	391	-	-	19	-	(4,013)	6,697
<b>NET EARNINGS BEFORE INCOME TAXES</b>	59,550	(193)	17	-	64	131	-	(28)	(2,769)	-	19	-	(4,013)	52,778
Income taxes														
Current	16,415													16,415
Deferred	1,598				19	40			(348)				(973)	336
	18,013	-	-	-	19	40	-	-	(348)	-	-	-	(973)	16,751
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	41,537	(193)	17	-	45	91	-	(28)	(2,421)	-	19	-	(3,040)	36,027
<b>DISCONTINUED OPERATIONS</b>														
Earnings, net of taxes and non-controlling interest	11,430													11,430
<b>NET EARNINGS FOR THE PERIOD</b>	\$ 52,967	\$ (193)	\$ 17	\$ -	\$ 45	\$ 91	\$ -	\$ (28)	\$ (2,421)	\$ -	\$ 19	\$ -	\$ (3,040)	\$ 47,457
<b>NET EARNINGS ATTRIBUTABLE TO:</b>														
Owners of the parent	51,228	(193)	17	-	45	91	-	-	(2,421)	-	19	1,152	(3,040)	46,898
Non-controlling interest	1,739							(28)				(1,152)		559
	\$ 52,967	\$ (193)	\$ 17	\$ -	\$ 45	\$ 91	\$ -	\$ (28)	\$ (2,421)	\$ -	\$ 19	\$ -	\$ (3,040)	\$ 47,457
<b>NET EARNINGS PER SHARE</b>														
Basic														
Continuing operations	\$ 0.51													\$ 0.45
Discontinued operations	0.16													0.16
	\$ 0.67													\$ 0.61
Diluted														
Continuing operations	\$ 0.50													\$ 0.44
Discontinued operations	0.14													0.14
	\$ 0.64													\$ 0.58

### Reconciliation of Canadian GAAP Consolidated Statement of Comprehensive Income for the six months ended June 30, 2010

	Canadian GAAP		IFRS Transition Adjustments											IFRS
	Six months ended		Ref (a)	Ref (b)	Ref (c)	Ref (d)	Ref (e)	Ref (f)	Ref (g)	Ref (h)	Ref (i)	Ref (j)	Ref (k)	Ref (l)
	June 30, 2010													June 30, 2010
<b>NET EARNINGS FOR THE PERIOD</b>	\$ 82,082	\$ (388)	\$ 35	\$ -	\$ 102	\$ 325	\$ -	\$ -	\$ (2,421)	\$ -	\$ 6,228	\$ -	\$ (8,821)	\$ 77,142
Other comprehensive income														
Unrealized gains on available-for-sale securities,	21,586													21,586
net of associated taxes	(426)													(426)
Transfer of unrealized gains to net earnings	(31,374)													(31,374)
net of associated taxes	2,993													2,993
Unrealized foreign currency loss on forward contract,	(19)							19						-
net of associated taxes	6							(6)						-
Unrealized loss from foreign currency translation	(170)													(170)
Share of other comprehensive gains from														
equity accounted investments,	7,746												(1,274)	6,472
net of associated taxes	(1,686)												26	(1,660)
Other comprehensive loss from continuing operations	(1,344)	-	-	-	-	-	-	13	-	-	-	-	(1,248)	(2,579)
Other comprehensive loss from discontinued operations,														
net of non-controlling interests	(13,108)													(13,108)
and net of associated taxes	5,320													5,320
Total other comprehensive loss	(9,132)	-	-	-	-	-	-	13	-	-	-	-	(1,248)	(10,367)
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>72,950</b>	<b>(388)</b>	<b>35</b>	<b>-</b>	<b>102</b>	<b>325</b>	<b>-</b>	<b>13</b>	<b>(2,421)</b>	<b>-</b>	<b>6,228</b>	<b>-</b>	<b>(10,069)</b>	<b>66,775</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>														
Owners of the parent	66,225	(388)	35	-	102	325	-	13	(2,421)	-	6,228	1,149	(10,069)	61,199
Non-controlling interest	6,725											(1,149)		5,576
	\$ 72,950	\$ (388)	\$ 35	\$ -	\$ 102	\$ 325	\$ -	\$ 13	\$ (2,421)	\$ -	\$ 6,228	\$ -	\$ (10,069)	\$ 66,775

### Reconciliation of Canadian GAAP Consolidated Statement of Comprehensive Income for the three months ended June 30, 2010

	Canadian GAAP		IFRS Transition Adjustments											IFRS
	Three months ended		Ref (a)	Ref (b)	Ref (c)	Ref (d)	Ref (e)	Ref (f)	Ref (g)	Ref (h)	Ref (i)	Ref (j)	Ref (k)	Ref (l)
	June 30, 2010													June 30, 2010
<b>NET EARNINGS FOR THE PERIOD</b>	\$ 52,967	\$ (193)	\$ 17	\$ -	\$ 45	\$ 91	\$ -	\$ (28)	\$ (2,421)	\$ -	\$ 19	\$ -	\$ (3,040)	\$ 47,457
Other comprehensive income														
Unrealized gains on available-for-sale securities,	420													420
net of associated taxes	333													333
Transfer of unrealized gains to net earnings	(31,005)													(31,005)
net of associated taxes	2,901													2,901
Unrealized foreign currency loss on forward contract,	-													-
net of associated taxes	-													-
Unrealized loss from foreign currency translation	(88)													(88)
Share of other comprehensive gains from														
equity accounted investments,	10,847												(250)	10,597
net of associated taxes	(2,739)												62	(2,677)
Other comprehensive loss from continuing operations	(19,331)	-	-	-	-	-	-	-	-	-	-	-	(188)	(19,519)
Other comprehensive loss from discontinued operations,														
net of non-controlling interests	(9,438)													(9,438)
and net of associated taxes	3,920													3,920
Total other comprehensive loss	(24,849)	-	-	-	-	-	-	-	-	-	-	-	(188)	(25,037)
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>28,118</b>	<b>(193)</b>	<b>17</b>	<b>-</b>	<b>45</b>	<b>91</b>	<b>-</b>	<b>(28)</b>	<b>(2,421)</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>(3,228)</b>	<b>22,420</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>														
Owners of the parent	26,520	(193)	17	-	45	91	-	-	(2,421)	-	19	1,152	(3,228)	22,002
Non-controlling interest	1,598							(28)				(1,152)		418
	\$ 28,118	\$ (193)	\$ 17	\$ -	\$ 45	\$ 91	\$ -	\$ (28)	\$ (2,421)	\$ -	\$ 19	\$ -	\$ (3,228)	\$ 22,420

**Reconciliation of Canadian GAAP Consolidated Statement of Cash Flow**

The implementation of IFRS did not have a significant impact on the operating, investing or financing cash flow previously reported under Canadian GAAP, except for cash and cash equivalents related to real estate joint ventures which had been proportionately consolidated pursuant to Canadian GAAP and which are equity accounted under IFRS. The cash flow impact is reconciled as follows:

	Canadian GAAP		IFRS	
	Six months ended		Six months ended	
	June 30, 2010	Adjustments	June 30, 2010	
Cash flow from operating activities	\$ 93,350	\$ (2,378)	\$ 90,972	
Cash flow from investing activities	(80,212)	1,986	(78,226)	
Cash flow from financing activities	(6,823)	14	(6,809)	
Net cash flow from continuing operations	6,315	(378)	5,937	
Net cash flow from discontinued operations	(1,974)	-	(1,974)	
Net cash flow for the period	4,341	(378)	3,963	
Cash and cash equivalents, continuing operations, beginning of period	60,814	(1,139)	59,675	
Cash and cash equivalents, discontinued operations, beginning of period	419,361	-	419,361	
Cash and cash equivalents, end of period	484,516	(1,517)	482,999	
Less cash and cash equivalents, discontinued operations, end of period	(317,659)	-	(317,659)	
Cash and cash equivalents from continuing operations, end of period	\$ 166,857	\$ (1,517)	\$ 165,340	

## 6. DIVESTMENT OF DISCONTINUED OPERATIONS

On February 1, 2011, The Bank of Nova Scotia (“Scotiabank”) completed the acquisition of all of the issued and outstanding shares of DundeeWealth, other than DundeeWealth’s first preference shares, series 1, pursuant to an offer made by Scotiabank on November 22, 2010. The Company tendered all of its 69,940,415 common shares and 5,453,668 first preference shares, Series X of DundeeWealth. As consideration therefore, the Company received 18,599,028 common shares of Scotiabank valued at \$1,046,528,000 and 14,897,209 \$25 3.70% 5-year rate reset preferred shares of Scotiabank (each a “Scotiabank Preferred Share”) valued at \$372,430,000. In addition, the Company received cash distributions of \$155,982,000 and it received 74,484,956 common shares of Dundee Capital Markets pursuant to distributions made by DundeeWealth immediately prior to completion of the transaction as described above.

In connection with the transaction, each of the Company and Ned Goodman, the Company’s President and Chief Executive Officer, entered into a non-competition and non-solicitation agreement (the “Agreement”) with Scotiabank which, among other things, restricts each of them for a period of three years, from competing directly or indirectly with the business of DundeeWealth acquired by Scotiabank.

The Company realized a gain of \$870,828,000 on completion of the transaction, net of transaction related costs amounting to \$27,970,000, determined as follows:

	February 1, 2011	December 31, 2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 261,974	\$ 373,115
Accounts receivable	122,414	147,588
Client accounts receivable	292,277	124,829
Securities owned	23,801	31,022
Available-for-sale securities	141,203	160,722
Deferred sales commissions	263,579	261,645
Capital and other assets	68,038	41,556
Goodwill and other intangible assets	727,694	727,547
<b>Assets of discontinued operations held for sale</b>	<b>\$ 1,900,980</b>	<b>\$ 1,868,024</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 350,982	\$ 151,932
Client deposits and related liabilities	294,947	142,475
Income taxes payable	20,245	15,581
Corporate debt	406,606	352,006
Deferred income tax liabilities	117,836	103,498
<b>Liabilities of discontinued operations held for sale</b>	<b>\$ 1,190,616</b>	<b>\$ 765,492</b>
Net assets of discontinued operations held for sale before non-controlling interest	710,364	1,102,532
Less: non-controlling interest	(288,891)	(537,817)
<b>Net assets of discontinued operations held for sale</b>	<b>\$ 421,473</b>	<b>\$ 564,715</b>
<b>Proceeds Received at Divestment</b>		
18,599,028 common shares of Scotiabank	\$ 1,046,528	
14,897,209 Scotiabank Preferred Shares	372,430	
<b>Total proceeds</b>	<b>\$ 1,418,958</b>	
<b>Gain on Divestment</b>	<b>\$ 997,485</b>	
Less: deferred income tax provision	(143,809)	
Realization of accumulated other comprehensive income	17,152	
	<b>\$ 870,828</b>	

Comparative period balances presented in these unaudited interim consolidated financial statements have been restated. Accordingly, the assets and liabilities related to the DundeeWealth business acquired by Scotiabank have been reclassified as assets or liabilities of discontinued operations in the consolidated statement of financial position at December 31, 2010. Operating results related to these assets and liabilities have been included in earnings from discontinued operations in the unaudited interim consolidated statement of operations for the three and six months ended June 30, 2010.

	From January 1, 2011 to February 1, 2011	Three months ended June 30, 2010	Six months ended June 30, 2010
<b>REVENUES</b>			
Management fees	\$ 55,897	\$ 136,267	\$ 267,564
Redemption fees	1,399	4,630	8,357
Financial services	15,762	44,585	93,677
Investment income	10,900	14,200	36,204
	<b>83,958</b>	<b>199,682</b>	<b>405,802</b>
<b>EXPENSES</b>			
Variable compensation	13,071	30,918	63,667
Trailer service fees	17,710	42,093	82,232
Amortization of deferred sales commissions	8,577	24,304	47,922
Selling, general and administrative	42,977	59,015	122,816
Depreciation	633	2,450	4,837
	<b>82,968</b>	<b>158,780</b>	<b>321,474</b>
<b>OPERATING EARNINGS</b>			
Interest expense	990	40,902	84,328
Foreign exchange loss	10,981	4,009	9,795
	22	842	1,477
<b>(LOSS) EARNINGS BEFORE UNDERNOTED ITEMS</b>	<b>(10,013)</b>	<b>36,051</b>	<b>73,056</b>
Income taxes			
Current	4,002	8,276	12,668
Deferred	5,985	4,004	7,483
	<b>(20,000)</b>	<b>23,771</b>	<b>52,905</b>
Other comprehensive loss from discontinued operations, net of taxes	(8,378)	(11,454)	(16,136)
<b>COMPREHENSIVE (LOSS) EARNINGS FROM DISCONTINUED OPERATIONS</b>	<b>\$ (28,378)</b>	<b>\$ 12,317</b>	<b>\$ 36,769</b>
<b>COMPREHENSIVE (LOSS) EARNINGS ATTRIBUTABLE TO:</b>			
Owners of the parent	\$ (22,420)	\$ 5,912	\$ 17,794
Non-controlling interest	(5,958)	6,405	18,975
	<b>\$ (28,378)</b>	<b>\$ 12,317</b>	<b>\$ 36,769</b>

## 7. ACQUISITION OF SOUTHERN ONTARIO RESOURCE PROPERTIES

On June 29, 2010, Dundee Energy Limited Partnership (“DELP”), a wholly owned subsidiary of Dundee Energy, acquired a 95% working interest in onshore oil properties and a 65% working interest in offshore gas properties, all located in southern Ontario. As part of the acquisition, DELP also acquired a 65% working interest in certain other tangible assets, including drilling and completion vessels, gas plants and compressor stations and a 100% interest in oil production facilities. The acquisition also provides for ownership of certain offshore and onshore seismic data. The assets were acquired for aggregate cash consideration of \$128,608,000. Aggregate transaction costs associated with the acquisition of the southern Ontario oil and gas properties were \$3,602,000 and were charged to the Company’s consolidated statements of operations as incurred. At June 30, 2010, the Company had paid cash of \$130,281,000 towards the aggregate consideration transferred.

During the three and six months ended June 30, 2011, the Company earned revenues of \$9,530,000 and \$17,602,000, respectively and generated net pre-tax comprehensive earnings of \$2,332,000 and \$576,000, respectively as a result of the above-referenced transaction. As the assets were acquired in mid-2010, there are no revenues or expenses associated with these assets in the Company’s comparative unaudited interim consolidated statement of operations for the three and six months ended June 30, 2010.

A summary of the fair value of the net assets acquired is as follows:

<b>Net assets acquired</b>		
Property, plant and equipment*	\$	157,851
Prepays		751
Inventory		758
Investment in Lake Erie Limited Partnership		300
Accounts receivable		150
		159,810
Decommissioning liability		(31,202)
	\$	128,608
<b>Aggregate consideration transferred:</b>		
Cash	\$	128,608

\*Includes capitalization of \$31,202,000 future abandonment and reclamation costs.

## 8. ACQUISITIONS AND DILUTIONS OF INTERESTS IN SUBSIDIARIES

### Transactions During the First Six Months of 2011

#### *Increase of Ownership in Nichromet Extractions Inc.*

During the first half of 2011, the Company acquired 14,250,000 common shares of Nichromet Extractions Inc., (“Nichromet”) a resource-based private company, for \$1,425,000. The acquisition increased the Company’s ownership to approximately 67%.

#### *Equity Changes in Subsidiaries*

From time to time, the Company’s subsidiaries may issue or accrue for the issuance of common shares from treasury to settle share incentive awards, or otherwise. Unless the Company participated in the issuance or accrual of common shares from treasury on a pro rata basis, such issuances or accruals result in a dilution of the Company’s interest in the subsidiaries. During the three and six months ended June 30, 2011, changes in the underlying equity of the Company’s subsidiaries resulted in a dilution gain of \$299,000 and \$234,000, respectively. The dilution gain was recorded as an increase in contributed surplus, with a corresponding decrease in non-controlling interest.

### Transactions During the First Six Months of 2010

#### *Acquisition of Control of Nichromet Extractions Inc.*

In May 2010, the Company completed a series of share purchase agreements to acquire a 51% controlling interest in Nichromet for aggregate cash consideration of \$3,692,000. A summary of the net assets acquired is as follows:

<b>Net assets acquired</b>		
Property, plant and equipment	\$	9,512
Net liabilities assumed		238
Non-controlling interest		(6,058)
	\$	3,692
<b>Aggregate consideration transferred</b>		
Cash	\$	3,692

#### *Dilution of Interest in Dundee Realty Corporation*

In 2006, the non-controlling shareholder of Dundee Realty was granted options through the issuance of a class of Dundee Realty shares that enabled the non-controlling shareholder to acquire additional common shares of Dundee Realty over a six-year period, at an aggregate cost of approximately \$10,698,000. If exercised, the non-controlling shareholder's interest in Dundee Realty would increase to 30%. Prior to January 1, 2010, the non-controlling shareholder had paid \$5,349,000 towards the exercise of these options.

In February 2010, the Company agreed to permit the acceleration of vesting requirements of the option arrangement, following which the non-controlling shareholder exercised all outstanding options for a further \$5,349,000. As a result, the non-controlling shareholder's interest increased to 30%, diluting the Company's interest in Dundee Realty from 74% at December 31, 2009 to 70%. The Company recognized a dilution loss of \$3,195,000 in respect of the transaction. In accordance with IFRS, the dilution loss was recorded as a reduction in contributed surplus, with a corresponding increase in non-controlling interest.

#### *Equity Changes in Subsidiaries*

During the three and six months ended June 30, 2010, the Company recognized a net dilution loss of \$19,000 and \$1,302,000, respectively, associated with changes in the equity of its subsidiaries. The net dilution loss was recorded as a decrease in contributed surplus, with a corresponding increase in non-controlling interest.

## 9. CLIENT ACCOUNTS RECEIVABLE

	June 30, 2011	December 31, 2010
Client accounts	\$ 231,607	\$ 173,634
Brokers' and dealers' balances	38,041	35,606
Funds deposited into trust	145,487	176,089
Amounts receivable from carrying broker	119,327	-
Securities borrowed	-	58,532
	<b>\$ 534,462</b>	<b>\$ 443,861</b>

Funds deposited into trust represent client funds deposited and held by Dundee Capital Markets in registered accounts. These funds have been deposited with a Canadian trust company. Included in "Client deposits and related liabilities" (note 19) is a corresponding liability relating to these deposits.

As part of the transaction with DundeeWealth (note 6), Dundee Capital Markets entered into an introducing and carrying broker agreement with a subsidiary of DundeeWealth. "Amounts receivable from carrying broker" represent non-registered client balances and other corporate funds held by the carrying broker pursuant to these arrangements.

## 10. SECURITIES OWNED AND SECURITIES SOLD SHORT

	June 30, 2011		December 31, 2010	
	Securities Owned	Securities Sold Short	Securities Owned	Securities Sold Short
Bonds	\$ 20,912	\$ 15,538	\$ 100,333	\$ 18,205
Equities and convertible debentures	28,118	2,351	76,877	1,041
Broker warrants	8,570	-	-	-
	<b>\$ 57,600</b>	<b>\$ 17,889</b>	<b>\$ 177,210</b>	<b>\$ 19,246</b>

Bonds include \$725,000 (December 31, 2010 - \$836,000) owned directly by the Company's resource subsidiaries. These amounts have been deposited with a Canadian Schedule I Chartered Bank. Bond maturities range from 2011 to 2049 (December 31, 2010 – from 2011 to 2052) and have annual interest yields ranging from 0% to 12% (December 31, 2010 – 0% to 12%).

From time to time, Dundee Capital Markets may sell securities that it does not own ("Securities sold short") and will therefore be obligated to purchase such securities at a future date to settle its obligation. Dundee Capital Markets may incur a loss if the market value of these securities subsequently increases.

## 11. AVAILABLE-FOR-SALE SECURITIES

	June 30, 2011		December 31, 2010	
	Cost	Fair Value	Cost	Fair Value
Resource-based investments	\$ 147,053	\$ 229,057	\$ 58,628	\$ 129,615
Other public investments	1,479,036	1,520,806	17,956	26,941
Private investments	63,985	82,964	33,981	41,655
Mutual funds	10,208	7,956	135	271
	<b>\$ 1,700,282</b>	<b>\$ 1,840,783</b>	<b>\$ 110,700</b>	<b>\$ 198,482</b>

"Other public investments" include the Company's interest in the common shares of Scotiabank and the Scotiabank Preferred Shares which the Company received in settlement of the Company's divestment of its interest in DundeeWealth (note 6). At June 30, 2011, these securities had a cost of \$1,418,958,000 reflecting the value of the proceeds received pursuant to the divestment of DundeeWealth, and a fair value of \$1,450,316,000.

The Company recognizes changes in fair values of available-for-sale ("AFS") securities, other than changes that are determined to be other-than-temporary impairments in fair value, in OCI. During the six months ended June 30, 2011, the Company recognized a gain in OCI of \$39,899,000 (six months ended June 30, 2010 – loss of \$7,221,000) in respect of its portfolio of AFS securities, net of a loss incurred in the three months ended June 30, 2011 of \$48,917,000 (three months ended June 30, 2010 – loss of \$27,351,000).

## 12. EQUITY ACCOUNTED INVESTMENTS

Trade Symbol	Investment	Ownership	June 30, 2011		December 31, 2010		
			Carrying Value	Fair Value	Ownership	Carrying Value	Fair Value
DPM	Dundee Precious Metals Inc.	23%	\$ 108,520	\$ 237,319	23%	\$ 106,503	\$ 288,128
D.UN	Dundee Real Estate Investment Trust	8%	143,612	156,545	9%	125,877	134,505
BWR	Breakwater Resources Ltd.	22%	51,936	149,411	23%	38,963	127,939
RYG	Ryan Gold Corp. (formerly Valdez Gold Inc.)	12%	15,328	25,345	12%	5,863	20,384
-	Escal UGS S.L.	33%	3,178	3,178	33%	5,930	5,930
CRG	Corona Gold Corporation	26%	5,852	5,170	26%	5,865	7,258
ODX	Odyssey Resources Limited	31%	618	1,705	31%	708	2,046
			<b>\$ 329,044</b>	<b>\$ 578,673</b>		<b>\$ 289,709</b>	<b>\$ 586,190</b>

The aggregate fair value of the Company's equity accounted investments as at June 30, 2011 was \$578,673,000 (December 31, 2010 - \$586,190,000).

## Significant Transactions in Equity Accounted Investments

### *Breakwater Resources Ltd. (“Breakwater”)*

On June 15, 2011, Breakwater announced that it had entered into a binding agreement (the “Breakwater Agreement”) with Nyrstar NV (“Nyrstar”) pursuant to which Nyrstar agreed to make an all-cash offer to acquire all of the issued and outstanding shares of Breakwater. Under the terms of the Breakwater Agreement, shareholders of Breakwater will receive \$7.00 in cash per common share to be paid pursuant to the Nyrstar offer. In addition, shareholders will receive a special dividend of \$0.50 per share to be declared payable by Breakwater immediately prior to the take-up of the common shares by Nyrstar pursuant to the Breakwater Agreement. The Company anticipates receiving approximately \$144,685,000 pursuant to the Nyrstar offer and it expects to receive a further \$10,335,000 on payment of the special dividend. The transaction is expected to result in a pre-tax gain on disposal of the Company’s interest in Breakwater of approximately \$100,000,000. The Nyrstar transaction is scheduled to close during the third quarter of 2011.

### *Dundee Real Estate Investment Trust*

In February and June 2011, Dundee REIT issued approximately 10,108,000 units pursuant to public offerings for gross proceeds of \$345,641,000. The Company purchased 356,000 units pursuant to these offerings. At June 30, 2011, the Company held an 8% interest in Dundee REIT. The Company continues to account for its investment in Dundee REIT on an equity basis as it is able to exert significant influence over the operations and financial results of Dundee REIT through its representation on the board of trustees of Dundee REIT, through services arrangements and through senior management representation.

In the first half of the prior year, Dundee REIT completed public offerings pursuant to which it issued approximately 14,795,000 units of Dundee REIT for aggregate proceeds, before transaction costs, of \$333,680,000. The Company did not participate in the offerings.

Subsequent to June 30, 2011, Dundee REIT announced that it would complete a further offering of 5,037,000 units for gross proceeds of \$163,187,000. In order to maintain its pro-rata interest in Dundee REIT, the Company has elected to participate in this offering and accordingly, it has committed to purchase 407,000 units at a cost of approximately \$13,187,000.

### *Escal UGS S.L. (“Escal”)*

The Company’s 33% interest in Escal is held directly by Castor UGS Limited Partnership (“CLP”), a subsidiary of Dundee Energy. The remaining interest in Escal is held by ACS Servicios Comunicaciones y Energia, S.L. (“ACS”), a third-party Spanish entity.

During the six months ended June 30, 2011, Escal issued 66 par value shares for €3,000 (year ended December 31, 2010 – 138 par value shares for €7,000). To maintain its proportionate interest in Escal, CLP acquired 22 (year ended December 31, 2010 – 46) of the newly issued shares at a cost of \$1,000 (€1,000) (year ended December 31, 2010 – \$3,000; €2,000). In addition and in order to comply with minimum equity to debt ratio requirements, ACS also contributed an issuance premium on the newly issued shares of €9,772,000 (year ended December 31, 2010 – €20,429,000) and it issued €30,700,000 (year ended December 31, 2010 – €5,500,000) in subordinated loans. CLP continues to defer the recognition of the benefit of its 33% interest in the issuance premium and subordinated loans as the ultimate realization and measurement of the benefit is subject to a significant number of risks and uncertainties, including but not limited to, execution risk associated with the construction of the project, the availability and terms of future financing arrangements and the 50-year life span of the project.

### *Dundee Precious Metals Inc. (“Dundee Precious”)*

During the first quarter of the prior year, Dundee Precious completed a public offering of 20,000,000 common shares at a price of \$3.30 per share. The Company purchased an aggregate of 8,881,200 common shares of Dundee Precious pursuant to the offering at a cost to the Company of \$29,308,000. As a result of the acquisition, the Company’s interest in Dundee Precious was increased from 20% to 23% at June 30, 2010.

*Ryan Gold Corp. ("Ryan Gold")*

On May 12, 2011, Ryan Gold announced that it had closed a bought deal financing of 15,000,000 units at a price of \$2.00 per unit and 9,900,000 flow-through shares at a price of \$2.25 per share for gross proceeds of \$52,300,000. Each unit was comprised of a common share and a half common share purchase warrant. Dundee Corporation purchased 4,400,000 flow-through shares for \$10,000,000 pursuant to the offering. As a result of this participation, the Company maintained its ownership interest of 12% in Ryan Gold.

**Share of Earnings from Equity Accounted Investments**

During the three and six months ended June 30, 2011, the Company's share of earnings from equity accounted investments was \$13,870,000 and \$28,870,000 respectively (three and six months ended June 30, 2010 - \$12,310,000 and \$16,666,000 respectively).

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Dundee Precious Metals Inc.	\$ 2,524	\$ 1,749	\$ 5,903	\$ 2,628
Dundee Real Estate Investment Trust	6,136	2,630	10,043	(1,454)
Breakwater Resources Ltd.	5,352	7,446	13,372	15,186
Ryan Gold Corp.	(245)	(120)	(535)	(213)
Escal UGS S.L.	(3)	(1)	2	5
Corona Gold Corporation	152	726	171	634
Odyssey Resources Limited	(46)	(120)	(86)	(120)
	<b>\$ 13,870</b>	<b>\$ 12,310</b>	<b>\$ 28,870</b>	<b>\$ 16,666</b>

**13. REAL ESTATE JOINT VENTURE INVESTMENTS**

Percent Owned	Investment	Principal Activity	Location	Carrying Value	
				June 30, 2011	December 31, 2010
1%	Skyline International Development	Real estate development	Toronto	\$ 1,000	\$ 1,000
20%	TBH Partners	Real estate development	California	988	987
20%	Tenderfoot LLC	Real estate	Colorado	11	-
11%	Solaris at Metrogate	Condominium sales and development	Toronto	4,000	4,000
48%	2012468 Ontario Inc.	Real estate development	Toronto	80	80
100%	Dundee International REIT	International REIT	Toronto	400	-
33%	Bear Valley Mountain Resort	Skiing facilities and resort development	California	5,297	5,860
50%	SD Commercial	Investment properties	Toronto	1,142	1,919
50%	Dundee Kilmer Development	Project development	Toronto	1,100	100
50%	Firelight Infrastructure Management	Renewable energy project management	Toronto	9	95
20%	Firelight Infrastructure Fund	Renewable energy projects	Toronto	14,144	11,303
38%	Distillery Restaurant	Restaurant	Toronto	1,392	1,386
78%	Westland Properties	Land sales and development	Saskatoon	272	270
34%	CMCC Fund	Investment properties	Toronto	1,117	-
				<b>\$ 30,952</b>	<b>\$ 27,000</b>

## 14. REAL ESTATE ASSETS

	Inventory	Investment Properties	Income-Producing Properties	TOTAL
Balance January 1, 2010	\$ 363,143	\$ 31,794	\$ 14,240	\$ 409,177
Additions	60,111	230	14,041	74,382
Cost of development	206,643	-	-	206,643
Cost of sales	(279,997)	-	-	(279,997)
Net gain from fair value adjustments	-	2,256	-	2,256
Depreciation	-	-	(2,507)	(2,507)
Other	(395)	-	(633)	(1,028)
Balance, December 31, 2010	349,505	34,280	25,141	408,926
Additions	10,701	1,576	289	12,566
Cost of development	78,279	-	-	78,279
Cost of sales	(64,897)	-	-	(64,897)
Net gain from fair value adjustments	-	1,292	-	1,292
Depreciation	-	(4)	(1,083)	(1,087)
Other	(4,101)	-	(304)	(4,405)
Balance, June 30, 2011	\$ 369,487	\$ 37,144	\$ 24,043	\$ 430,674

## 15. RESOURCE PROPERTIES

	Ontario	Tunisia	Other	TOTAL
Balance January 1, 2010	\$ 79	\$ 4,971	\$ 1,142	\$ 6,192
Acquisitions	157,851	-	-	157,851
Additions	3,765	2,873	(780)	5,858
Depreciation and depletion	(6,736)	-	-	(6,736)
Other	491	(495)	2	(2)
Balance, December 31, 2010	155,450	7,349	364	163,163
Additions	2,239	938	-	3,177
Depreciation and depletion	(7,248)	-	-	(7,248)
Other	465	(151)	-	314
Balance, June 30, 2011	\$ 150,906	\$ 8,136	\$ 364	\$ 159,406

## 16. CAPITAL AND OTHER ASSETS

	June 30, 2011			December 31, 2010		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Furniture and fixtures	\$ 5,233	\$ (4,557)	\$ 676	\$ 5,176	\$ (4,387)	\$ 789
Computer and network software	4,353	(4,001)	352	4,236	(3,850)	386
Leasehold improvements	6,589	(2,376)	4,213	6,190	(2,190)	4,000
Goodwill	5,658	-	5,658	5,658	-	5,658
Trademarks	13,588	(4,034)	9,554	13,279	(3,585)	9,694
Other	26,727	(4,734)	21,993	21,786	(3,336)	18,450
	\$ 62,148	\$ (19,702)	\$ 42,446	\$ 56,325	\$ (17,348)	\$ 38,977

## 17. BANK INDEBTEDNESS

From time to time, Dundee Capital Markets' brokerage subsidiary may utilize call loan arrangements to facilitate the securities settlement process for both client and principal securities transactions or to fund margin lending. At June 30, 2011 and December 31, 2010, there were no call loan facilities available to the brokerage subsidiary.

Capital markets activities previously conducted directly by DundeeWealth's brokerage subsidiary and subsequently transferred to Dundee Capital Markets (note 6) had drawn \$4,821,000 against available call loan facilities at January 1, 2010. There were no amounts outstanding pursuant to these call loan facilities at December 31, 2010.

## 18. RISK MANAGEMENT CONTRACTS

At June 30, 2011, and in accordance with its risk management policy, Dundee Energy had entered into certain risk management contracts as identified below:

Contract	Volume	Pricing Point	Strike Price	
			CDN\$/unit	Remaining Term
Fixed Price Swap - Crude Oil	100 bbl/day	NYMEX	89.29	Jul 1/11 to Dec 31/11
Fixed Price Swap - Crude Oil	100 bbl/day	NYMEX	89.60	Jul 1/11 to Dec 31/11
Fixed Price Swap - Crude Oil	100 bbl/day	NYMEX	90.00	Jul 1/11 to Dec 31/11
Fixed Price Swap - Crude Oil	50 bbl/day	NYMEX	95.00	Jul 1/11 to Dec 31/11
Fixed Price Swap - Crude Oil	100 bbl/day	NYMEX	99.45	Jul 1/11 to Dec 31/11
Fixed Price Swap - Crude Oil	100 bbl/day	NYMEX	100.00	Jul 1/11 to Dec 31/11
Fixed Price Swap - Natural Gas	6500 mbtu/day	NYMEX	4.66	Jul 1/11 to Feb 28/12

The fair value of the risk management contracts at June 30, 2011 resulted in a net asset balance of \$373,000, due principally to lower price forecasts for crude oil. The asset has been included in "Accounts receivable". At December 31, 2010, the Company had recorded a net liability of \$453,000 in "Accounts payable and accrued liabilities" in respect of these contracts.

During the six months ended June 30, 2011, the Company recognized a gain of \$548,000 relating to these risk management contracts, including a gain of \$1,939,000 earned since March 31, 2011.

The market prices used to determine fair value of risk management contracts reflect management's best estimate at the measurement date and considers various factors. However, future market prices will vary from those used in recording the fair value of the related risk management contracts and it is possible that these variations could be material, causing volatility in the Company's financial results.

## 19. CLIENT DEPOSITS AND RELATED LIABILITIES

	June 30, 2011	December 31, 2010
Client accounts	\$ 437,258	\$ 412,157
Brokers' and dealers' balances	78,049	56,773
Securities loaned	-	15,229
International banking client accounts	4,141	3,919
	<b>\$ 519,448</b>	<b>\$ 488,078</b>

## 20. DECOMMISSIONING LIABILITIES

The carrying value of the Company's decommissioning liabilities is comprised of the expected future abandonment and reclamation costs associated with the oil and gas properties acquired in southern Ontario, Canada and with its exploration and evaluation activities in Tunisia.

The Company has estimated its abandonment and reclamation costs based on the Company's net ownership in these assets, the estimated cost to abandon and reclaim these properties, including the associated facilities, and the estimated timing of the costs to be incurred in future periods.

	As at and for the period ended	
	June 30, 2011	December 31, 2010
Undiscounted future obligations, beginning of period	\$ 81,578	\$ 1,531
Acquisition of oil and gas properties (note 7)	-	80,358
Adjustments to estimates	(784)	(76)
Liabilities settled	(616)	(235)
Undiscounted future obligations, end of period	\$ 80,178	\$ 81,578

Changes in estimates recognized during the six months ended June 30, 2011 reflect the impact of inflation to the timing of abandonment and restoration costs related to certain land and buildings used in production.

The following reconciles the Company's decommissioning liabilities on a discounted basis.

	As at and for the period ended	
	June 30, 2011	December 31, 2010
<i>Discount rates applied to future obligations</i>	<i>1.55% - 3.47%</i>	<i>1.68% - 3.51%</i>
<i>Inflation rate</i>	<i>2.00%</i>	<i>2.00%</i>
Discounted future obligations, beginning of period	\$ 33,391	\$ 1,489
Acquisition of oil and gas properties (note 7)	-	31,202
Liabilities settled	(616)	(235)
Effect of changes in estimates and remeasurement of discount and foreign exchange rates	421	412
Accretion	526	523
Discounted future obligations, end of period	\$ 33,722	\$ 33,391

As required by statute, Dundee Energy has provided the Ontario Ministry of Natural Resources with a letter of credit in respect of future abandonment costs. At June 30, 2011, the amount of the letter of credit was \$3,270,000 (note 21).

## 21. CORPORATE DEBT

At June 30, 2011 and December 31, 2010 the fair value of corporate debt approximated its carrying value.

	June 30, 2011	December 31, 2010
<b>Corporate</b>		
\$200 million revolving term credit facility due November 11, 2011	\$ 160,013	\$ -
\$9.2 million, 5.85% exchangeable unsecured subordinated debentures due June 30, 2015	9,826	9,418
<b>Subsidiaries</b>		
\$80 million demand credit facility, Dundee Energy Limited	59,867	62,371
\$150 million revolving term credit facility, Dundee Realty, due November 30, 2012	77,000	86,000
Other real estate debt	94,564	91,067
	<b>\$ 401,270</b>	<b>\$ 248,856</b>

### Available Credit Facilities - Corporate

In November 2010, the Company established a \$200 million revolving term credit facility with a Canadian Schedule I Chartered Bank. Borrowings under the facility bear interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate for loans plus 1.25% or at the then prevailing bankers' acceptance rate or the London Inter-Bank Offer Rate plus 2.25%. Unused amounts available under the facility are subject to a standby fee of 0.5625%. Draws pursuant to the facility are contingent on, among other things, the Company pledging certain of its investments.

The facility is subject to certain covenants, including maintenance of certain financial ratios and restrictions on the existence of other secured indebtedness, restrictions on the redemption, purchase or repayment of the \$9.2 million of the Company's exchangeable debentures and restrictions on the prepayment and payment of interest on these exchangeable debentures.

At June 30, 2011, the Company had drawn \$160,013,000 against this facility. During the three and six months ended June 30, 2011, interest expense relating to the Company's revolving term credit facility, including standby fees and other similar costs, was \$660,000 and \$937,000 respectively. In the three and six months ended June 30, 2010, the Company paid interest of \$405,000 and \$845,000 respectively, pursuant to a previous credit facility.

On July 19, 2011, the Company arranged to increase the credit available pursuant to the facility from \$200 million to \$225 million in order to facilitate its €28,850,000 commitment to sub-participation in a term loan credit facility with a syndicate of European banks, the proceeds of which will be used by Dundee International Real Estate Investment Trust ("Dundee International REIT"), a newly created international real estate investment trust, to partially finance the acquisition of certain European properties (note 36).

On July 29, 2011, the Company further increased the credit available pursuant to the facility from \$225 million to \$325 million in order to fund its \$100 million subscription to Dundee International REIT. The \$100 million increase is short-term in nature, and is due on September 9, 2011.

The balance of the Company's revolving term credit facility matures on November 11, 2011. The Company will be initiating the process of renegotiating the terms and conditions pursuant to which the credit facility would be renewed and the Company currently anticipates that the credit facility will be renewed prior to the expiry date.

### \$9,256,000, 5.85% Exchangeable Unsecured Subordinated Debentures

At June 30, 2011, the Company had 9,256 outstanding exchangeable unsecured subordinated debentures with a par value per debenture of \$1,000. The exchangeable debentures mature on June 30, 2015 and bear interest at 5.85% per annum, payable semi-annually on June 30 and December 31 of each year. Each exchangeable debenture may be exchanged, at the option of the holder for 33.6134 units of Dundee REIT, representing a conversion price of \$29.75 per Dundee REIT unit.

The Company has placed sufficient units of Dundee REIT or other securities exchangeable into units of Dundee REIT into escrow in order to satisfy the exchange feature of the exchangeable debentures. While these securities are held in escrow, the Company retains all voting rights and related privileges and is entitled to all distributions and rights of reinvestment of all distributions. During the six months ended June 30, 2011, an aggregate of 289 exchangeable debentures were surrendered for exchange and the Company delivered 9,712 units of Dundee REIT in settlement thereof.

The carrying value of the exchangeable debentures is adjusted in the Company's consolidated financial statements to reflect the fair value of the embedded exchange feature, provided that such adjustment does not result in a carrying value that is below the principal value of the exchangeable debentures outstanding. The fair value of the exchange feature is determined using a valuation model that recognizes both the debt and exchange feature of the debentures and is based on the premise that each of these components have different default risks. Changes in the fair value of the exchange feature are recorded in consolidated net earnings. Based on this valuation model, the Company determined that the value of the exchangeable debentures at June 30, 2011 was \$10,062,000.

#### **\$80,000,000 Demand Revolving Credit Facility, Dundee Energy Limited**

On June 29, 2010, DELP, a subsidiary of Dundee Energy, established a credit facility in the amount of \$80,000,000 with a syndicate comprised of certain Canadian chartered banks. The credit facility provides the subsidiary with a revolving demand loan, subject to a tiered interest rate structure based on its net debt to cash flow ratio, as defined in the credit facility. Based on current ratios, draws on the credit facility bear interest, at the option of the subsidiary, at either the bank's prime lending rate plus 3.0% for loans or letters of credit, or, for bankers' acceptances, at the bank's then prevailing bankers' acceptance rate plus 4.0%. The subsidiary is also subject to a standby fee of 0.55% on unused amounts under the credit facility. During the three and six months ended June 30, 2011, interest expense relating to Dundee Energy's credit facility, including standby fees and other similar costs, was \$1,037,000 and \$1,862,000 respectively (three and six months ended June 30, 2010 - \$437,000).

The credit facility is secured against all of the oil and natural gas properties owned by Dundee Energy's subsidiary. In addition, Dundee Energy has assigned a limited recourse guarantee of its units in the subsidiary as further security pursuant to the credit facility. The credit facility is subject to certain covenants, including maintenance of minimum levels of working capital.

At June 30, 2011, the subsidiary had drawn \$59,867,000 pursuant to the credit facility and it had issued a letter of credit for \$3,270,000.

#### **\$150,000,000 Revolving Term Credit Facility, Dundee Realty Corporation**

Dundee Realty has established a revolving term credit facility available up to a formula based maximum not to exceed \$150,000,000 with a Canadian Schedule I Chartered Bank. The facility matures on November 30, 2012. The facility bears interest, at Dundee Realty's option, at a rate per annum equal to either the bank's prime lending rate plus 1.75% or at the bank's then prevailing bankers' acceptance rate plus 3.0%. The facility is secured by a general security agreement and a first charge against various real estate assets in western Canada.

At June 30, 2011, Dundee Realty had drawn \$77,000,000 against this facility and it had issued letters of credit of \$32,832,000. Interest expense relating to this revolving term credit facility during the three and six months ended June 30, 2011 was \$990,000 and \$2,126,000 respectively (three and six months ended June 30, 2010 - \$1,155,000 and \$2,116,000 respectively).

#### **Other Real Estate Debt**

Other real estate debt is secured by charges on specific properties to which the debt relates. Mortgages, including land mortgages, are secured by charges on specific properties. Housing advances are secured by charges on specific land under development, housing and condominiums under development, or land held for development. Term debt is secured by

charges on specific capital assets. At June 30, 2011, the weighted average interest rate on fixed rate debt at Dundee Realty, aggregating \$43,068,000, was 7.44%. The remaining real estate debt, including in respect of Dundee Realty's demand revolving term credit facilities, is subject to variable interest rates with a weighted average rate at June 30, 2011 of 4.14%. Fixed rate debt matures between 2011 and 2016. Variable rate debt, including the demand revolving term credit facility, matures between 2011 and 2018.

During the three and six months ended June 30, 2011, Dundee Realty capitalized interest of \$739,000 and \$1,152,000 respectively (three and six months ended June 30, 2010 - \$44,000 and \$512,000 respectively), including interest incurred on its revolving term credit facility and on other real estate debt, to the carrying value of certain real estate assets.

## 22. NON-CONTROLLING INTEREST

	June 30, 2011	December 31, 2010
<b>Non-controlling interest in:</b>		
Dundee Realty Corporation	\$ 74,647	\$ 70,098
Dundee Capital Markets	85,815	88,624
Dundee Energy Limited	31,246	33,017
Other	4,749	5,233
	196,457	196,972
Non-controlling interest in discontinued operations	-	537,817
	<b>\$ 196,457</b>	<b>\$ 734,789</b>

## 23. PREFERENCE SHARES

The terms of the Company's preference shares are summarized in note 16 to the Company's 2010 Annual Consolidated Financial Statements.

### Issued and Outstanding Preference Shares, First Series, Series 1 ("Preference shares, series 1")

	Number of Shares	Par Value	Issue Costs	Premium	Carrying Value
Balance as at January 1, 2010	6,000,000	\$ 150,000	\$ (3,082)	\$ 804	\$ 147,722
Amortization during the six months ended June 30, 2010	-	-	237	(62)	175
Balance as at June 30, 2010	6,000,000	150,000	(2,845)	742	147,897
Amortization during the period from July 1, 2010 to December 31, 2010	-	-	237	(62)	175
Balance as at December 31, 2010	6,000,000	150,000	(2,608)	680	148,072
Amortization during the six months ended June 30, 2011	-	-	237	(62)	175
Balance as at June 30, 2011	6,000,000	\$ 150,000	\$ (2,371)	\$ 618	\$ 148,247

### Issued and Outstanding First Preference Shares, Series 2 ("Preference shares, series 2")

	Number of Shares	Par Value	Issue Costs	Carrying Value
Balance as at January 1, 2010	5,200,000	\$ 130,000	\$ (2,915)	\$ 127,085
Issue costs incurred during the six months ended June 30, 2010	-	-	(17)	(17)
Balance as at June 30, 2010, December 31, 2010 and June 30, 2011	5,200,000	\$ 130,000	\$ (2,932)	\$ 127,068

## 24. SHARE CAPITAL

	SUBORDINATE SHARES		CLASS B SHARES		TOTAL	
	Number	Amount	Number	Amount	Number	Amount
<b>Outstanding January 1, 2010</b>	71,204,526	\$ 281,042	3,119,437	\$ 8,165	74,323,963	\$ 289,207
<b>Transactions during the six months ended June 30, 2010</b>						
Redeemed pursuant to issuer bid	(3,727,400)	(14,868)	-	-	(3,727,400)	(14,868)
Issuance of shares under the share incentive plan	5,294	70	-	-	5,294	70
Options exercised	617,842	1,326	-	-	617,842	1,326
Conversion from Class B Shares to Subordinate Shares	168	1	(168)	(1)	-	-
<b>Outstanding June 30, 2010</b>	<b>68,100,430</b>	<b>\$ 267,571</b>	<b>3,119,269</b>	<b>\$ 8,164</b>	<b>71,219,699</b>	<b>\$ 275,735</b>
<b>Transactions during the period from July 1, 2010 to December 31, 2010</b>						
Redeemed pursuant to issuer bid	(623,000)	(2,485)	-	-	(623,000)	(2,485)
Issuance of shares under the share incentive plan	4,927	70	-	-	4,927	70
Options exercised	63,390	94	-	-	63,390	94
Conversion from Class B Shares to Subordinate Shares	-	(1)	-	1	-	-
<b>Outstanding December 31, 2010</b>	<b>67,545,747</b>	<b>\$ 265,249</b>	<b>3,119,269</b>	<b>\$ 8,165</b>	<b>70,665,016</b>	<b>\$ 273,414</b>
<b>Transactions during the six months ended June 30, 2011</b>						
Redeemed pursuant to issuer bid	(5,826,148)	(23,222)	-	-	(5,826,148)	(23,222)
Issuance of shares under the share incentive plan	2,975	70	-	-	2,975	70
Options exercised	3,000	32	-	-	3,000	32
Conversion from Class B Shares to Subordinate Shares	71	-	(71)	-	-	-
<b>Outstanding June 30, 2011</b>	<b>61,725,645</b>	<b>\$ 242,129</b>	<b>3,119,198</b>	<b>\$ 8,165</b>	<b>64,844,843</b>	<b>\$ 250,294</b>

### Normal Course Issuer Bid

On March 30, 2010, the Company received regulatory approval to continue its normal course issuer bid from April 1, 2010 to March 31, 2011. On March 31, 2011, the Company received further regulatory approval to renew its normal course issuer bid from April 1, 2011 to March 31, 2012. The renewal provides the Company with the ability to purchase up to a maximum of an additional 4,207,351 Subordinate Shares pursuant to these arrangements, representing approximately 10% of the Company's public float on the renewal date.

During the six months ended June 30, 2011, the Company purchased 5,826,148 Subordinate Shares (six months ended June 30, 2010 – 3,727,000 Subordinate Shares; year ended December 31, 2010 – 4,350,400 Subordinate Shares), having an aggregate stated capital value of \$23,222,000 (six months ended June 30, 2010 – \$14,868,000; year ended December 31, 2010 – \$17,353,000), for cancellation pursuant to these arrangements. The Company paid \$141,574,000 (six months ended June 30, 2010 – \$49,850,000; year ended December 31, 2010 – \$57,914,000) to retire these shares. The excess of the purchase price over the value of stated capital, which totalled \$118,352,000 (six months ended June 30, 2010 – \$34,982,000; year ended December 31, 2010 – \$40,561,000), was recorded as a reduction in retained earnings.

### Share Purchase Plan

As part of its share incentive arrangements (note 27), the Company established a share purchase plan pursuant to which eligible participants may contribute up to a specified maximum amount of their basic annual salary towards the purchase of Subordinate Shares of the Company, either from treasury or in the open market, at the discretion of the Company. Compensation expense associated with the share purchase plan during the three and six months ended June 30, 2011 was \$129,000 and \$259,000 respectively (three and six months ended June 30, 2010 - \$115,000 and \$225,000 respectively).

During the six months ended June 30, 2011, the Company issued 2,975 (six months ended June 30, 2010 – 5,294) Subordinate Shares from treasury pursuant to the share purchase plan, with the balance of the amounts contributed to the share purchase plan being used to purchase shares in the open market.

## 25. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Net unrealized gains (loss), net of taxes						Total
	Available- for-Sale Securities	Equity Accounted Investments	Foreign Currency Translation	Non- controlling Interest	Discontinued Operations		
Balance at January 1, 2010	\$ 19,705	\$ (889)	\$ (267)	\$ 967	\$ 15,748	\$ 35,264	
<b>Transactions during the six months ended</b>							
<b>June 30, 2010</b>							
Other comprehensive (loss) income	(7,221)	4,812	(170)	228	(7,788)	(10,139)	
Balance at June 30, 2010	12,484	3,923	(437)	1,195	7,960	25,125	
<b>Transactions during the period from</b>							
<b>July 1, 2010 to December 31, 2010</b>							
Other comprehensive income (loss)	52,982	3,531	(873)	238	9,192	65,070	
Balance at December 31, 2010	65,466	7,454	(1,310)	1,433	17,152	90,195	
<b>Transactions during the six months ended</b>							
<b>June 30, 2011</b>							
Other comprehensive income (loss)	39,899	(6,107)	(543)	1,611	(17,152)	17,708	
<b>Balance at June 30, 2011</b>	<b>\$ 105,365</b>	<b>\$ 1,347</b>	<b>\$ (1,853)</b>	<b>\$ 3,044</b>	<b>\$ -</b>	<b>\$ 107,903</b>	

## 26. INVESTMENT INCOME

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Dividends from investment in Scotiabank (note 6)				
Common shares	\$ 9,672	\$ -	\$ 19,343	\$ -
Scotiabank Preferred Shares	3,445	-	6,654	-
Other dividends, interest and cash distributions	4,016	1,637	6,717	3,508
Realized investment gains from AFS securities	1,858	30,988	4,148	31,335
Reinvested distributions from mutual fund investments	-	159	33	408
Other	11	-	11	-
	<b>\$ 19,002</b>	<b>\$ 32,784</b>	<b>\$ 36,906</b>	<b>\$ 35,251</b>

## 27. SHARE INCENTIVE PLAN ARRANGEMENTS

The terms of the Company's share based compensation plans are summarized in note 20 to the Company's 2010 Annual Consolidated Financial Statements.

### Share Based Compensation

During the three and six months ended June 30, 2011, the Company recognized share based compensation expense of \$567,000 and \$1,108,000 respectively (three and six months ended June 30, 2010 - \$510,000 and \$1,015,000, respectively) related to share incentive arrangements, before similar arrangements of its subsidiaries, as described in the following table.

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Share option plan	\$ 263	\$ 265	\$ 523	\$ 527
Deferred share unit plan	304	245	585	488
	<b>\$ 567</b>	<b>\$ 510</b>	<b>\$ 1,108</b>	<b>\$ 1,015</b>

### Share Option Plan

A summary of the status of the Company's share option plan as at June 30, 2011 and December 31, 2010, and the changes during the six months and the year then ended, are as follows:

	Six months ended June 30, 2011		Year ended December 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,533,000	\$8.72	2,449,612	\$7.33
Exercised	(3,000)	\$9.40	(916,612)	\$4.99
<b>Outstanding, end of period</b>	<b>1,530,000</b>	<b>\$8.72</b>	<b>1,533,000</b>	<b>\$8.72</b>
Exercisable options	478,000	\$7.21	481,000	\$7.22

Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life (Years)	
		Options	Options Exercisable
Options issued with an exercise price of \$4.38	120,000	0.40	120,000
Options issued with an exercise price of \$5.13	105,000	0.79	105,000
Options issued with an exercise price of \$9.40	1,280,000	3.62	248,000
Options issued with an exercise price of \$9.67	25,000	3.63	5,000

### Share Option Plan of Dundee Energy

Dundee Energy has established a share incentive plan for its directors, officers and employees. As at June 30, 2011, Dundee Energy had granted 5,665,000 options at a weighted average exercise price of \$0.92, of which 3,521,666 share options were exercisable. Dundee Energy also has a deferred share unit plan pursuant to which 464,637 awards have been issued as at June 30, 2011.

During the three and six months ended June 30, 2011, compensation expense of \$242,000 and \$483,000 respectively (three and six months ended June 30, 2010 – \$9,000 and \$18,000 respectively) was recognized in respect of Dundee Energy's share option arrangements and deferred share unit arrangements.

### Share Based Compensation of Dundee Realty

Dundee Realty recognized share based compensation expense of \$75,000 in respect of option arrangements (note 8) during the first quarter of 2010. Dundee Realty did not incur any share based compensation costs during the three and six months ended June 30, 2011.

### Share Based Compensation of Other Subsidiaries

From time to time, other subsidiaries of the Company may incur share based compensation expense pursuant to their respective share incentive plan arrangements. During the three and six months ended June 30, 2011, EII incurred share based compensation expense of \$1,000 and \$3,000 respectively (three and six months ended June 30, 2010 - \$2,000 and \$3,000 respectively) relating to options granted pursuant to these arrangements.

## 28. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Salary and salary-related	\$ 15,599	\$ 10,742	\$ 43,995	\$ 20,297
Stock based compensation	810	521	1,594	1,111
Corporate and professional fees	7,271	3,914	15,149	9,608
General office	9,339	13,165	18,440	20,244
Expense recoveries	(5,256)	(4,387)	(10,261)	(8,866)
Other	175	(128)	550	(287)
	\$ 27,938	\$ 23,827	\$ 69,467	\$ 42,107

## 29. INCOME TAXES

Significant components of the Company's deferred income tax assets and liabilities are as follows:

	June 30, 2011	December 31, 2010
Deferred income tax assets		
Tax loss carry forwards	\$ 50,933	\$ 45,311
Capital assets	1,329	1,202
Non-deductible reserves	809	813
Accrued liabilities	1,465	1,547
Other	8,091	7,887
Total deferred income tax assets	62,627	56,760
Deferred income tax liabilities		
Available-for-sale securities and equity accounted investments	202,124	34,839
Real estate assets	32,723	29,388
Other	6,276	13,796
Total deferred income tax liabilities	241,123	78,023
Net deferred income tax liabilities	\$ 178,496	\$ 21,263

The Company's income tax provision differs from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax to pre-tax earnings as a result of the following:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Anticipated income tax expense based on a combined Canadian federal and provincial statutory income tax rate of 28% (2010 - 31%)	\$ 10,545	\$ 16,362	\$ 16,959	\$ 23,019
Non-deductible expenses	655	1,240	1,995	2,042
Non-taxable revenue	(1,581)	(827)	(2,894)	(1,370)
Remeasurement of deferred income taxes	(83)	(1,839)	(588)	(2,983)
Adjustments in respect of current and deferred income tax of prior years	4,014	(47)	2,700	(540)
Tax losses and other temporary differences not recognized	163	-	388	-
Other	(714)	1,862	(539)	2,531
Income tax expense	\$ 12,999	\$ 16,751	\$ 18,021	\$ 22,699

In accordance with IFRS, the Company's deferred income tax provision from continuing operations includes an amount in respect of the earnings generated by the capital markets activities conducted by DundeeWealth prior to settlement of the transaction as outlined in note 6. The associated income tax liabilities are the responsibility of DundeeWealth and have been included in "Liabilities of discontinued operations held for sale".

As at June 30, 2011, the Company had operating loss carry forwards of \$208,285,000 (December 31, 2010 - \$188,950,000). A summary of the operating loss carry forwards, by year of expiry, is as follows:

Year of Expiry:	Recognized	Unrecognized	Total
2011	\$ -	\$ 5,034	\$ 5,034
2012	-	-	-
2013	-	-	-
2014	-	12	12
2015	760	40	800
Thereafter	177,929	4,736	182,665
	178,689	9,822	188,511
Taxable capital loss	19,774	-	19,774
	\$ 198,463	\$ 9,822	\$ 208,285

### 30. NET EARNINGS PER SHARE

	For the three months ended		For the six months ended	
	June 30, 2011	June 30 2010	June 30, 2011	June 30 2010
Net earnings attributable to owners of the parent	\$ 21,006	\$ 46,898	\$ 896,328	\$ 71,338
Less dividends on Preference shares, series 2	(2,194)	(2,194)	(4,388)	(4,388)
	\$ 18,812	\$ 44,704	\$ 891,940	\$ 66,950
Represented by:				
Continuing operations	\$ 18,812	\$ 33,274	\$ 30,782	\$ 41,368
Discontinued operations	-	11,430	861,158	25,582
Weighted average number of shares outstanding during the period	67,508,791	73,733,373	68,632,149	73,855,823
Basic earnings per share				
Continuing operations	\$ 0.28	\$ 0.45	\$ 0.45	\$ 0.56
Discontinued operations	-	0.16	12.55	0.35
	\$ 0.28	\$ 0.61	\$ 13.00	\$ 0.91
Effect of dilutive securities on available net earnings				
Continuing operations	\$ -	\$ -	\$ -	\$ -
Discontinued operations	-	(720)	-	(1,591)
Effect of dilutive securities on weighted average number of shares outstanding during the period	1,869,511	1,612,683	1,841,907	1,893,554
Diluted earnings per share				
Continuing operations	\$ 0.27	\$ 0.44	\$ 0.44	\$ 0.55
Discontinued operations	-	0.14	12.22	0.32
	\$ 0.27	\$ 0.58	\$ 12.66	\$ 0.87

### 31. FINANCIAL INSTRUMENTS

#### FAIR VALUE

The fair value hierarchy of financial instruments that are measured at fair value in the consolidated statements of financial position, is as follows:

	June 30, 2011			December 31, 2010		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial Assets</b>						
Securities owned						
Bonds	\$ -	\$ 20,912	\$ 20,912	\$ -	\$ 100,333	\$ 100,333
Equities and convertible debentures	28,118	-	28,118	76,877	-	76,877
Broker warrants	-	8,570	8,570	-	-	-
Available-for-sale securities						
Publicly traded securities	1,749,864	-	1,749,864	156,556	-	156,556
Private investments	-	74,100	74,100	-	16,456	16,456
Mutual funds and other short term investments	8,589	-	8,589	17,939	-	17,939
Debt	-	8,230	8,230	-	7,531	7,531
Other assets - risk management contracts	-	373	373	-	-	-
Other assets	-	1,980	1,980	-	1,224	1,224
<b>Financial Liabilities</b>						
Securities sold short						
Bonds	-	(15,538)	(15,538)	-	(18,205)	(18,205)
Equities and convertible debentures	(2,351)	-	(2,351)	(1,041)	-	(1,041)
Other liabilities - risk management contracts	-	-	-	-	(453)	(453)

There were no financial instruments included in level 3 of the fair value hierarchy at June 30, 2011 and December 31, 2010.

## RISK MANAGEMENT

There have been no significant changes to financial instrument risks from those risks described in note 23 to the Company's 2010 Annual Consolidated Financial Statements, which were prepared in accordance with Canadian GAAP.

## 32. CAPITAL MANAGEMENT

The Company defines the capital that it manages as the aggregate of its shareholders' equity and interest bearing debt, including outstanding preference shares. The following table summarizes the carrying value of the Company's capital as at June 30, 2011 and December 31, 2010.

	June 30, 2011	December 31, 2010
Shareholders' equity	\$ 2,108,592	\$ 1,333,654
Corporate debt	401,270	248,856
Preference shares, series 1	148,247	148,072
	\$ 2,658,109	\$ 1,730,582

The Company's objectives when managing capital include (i) ensuring that the Company and all of its regulated entities meet relevant regulatory capital requirements; (ii) ensuring that the Company is able to meet its financial obligations as they become due, whilst ensuring compliance with all applicable debt covenants; (iii) ensuring that the Company has sufficient capital to manage the land and housing business in the real estate segment and the exploration and development activities in the resource segment; (iv) ensuring that the Company has sufficient capital available to benefit from acquisition opportunities, should they arise; and (v) ensuring adequate returns for shareholders. The Company regularly assesses its capital management practices in response to changing economic conditions. As at June 30, 2011 and December 31, 2010, the Company and its subsidiaries complied with all regulatory capital requirements and all debt covenants.

### 33. COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

Other than as disclosed below, there have been no substantive changes to the description and nature of commitments, contingencies and off-balance sheet arrangements from those described in note 25 to the Company's 2010 Annual Consolidated Financial Statements, which were prepared in accordance with Canadian GAAP.

#### *Pledge of Interest in Common Shares of Scotiabank*

At June 30, 2011, the Company had deposited 6,900,000 common shares of Scotiabank (note 11) as security against its \$200 million revolving term credit facility established with a Canadian chartered bank (note 21). As a condition to increasing the credit available pursuant to the Company's revolving term credit facility from \$200 million to \$325 million (note 21), the Company deposited an additional 4,850,000 common shares of Scotiabank as further security.

#### *Oil & Gas Commitments*

On June 23, 2011, the Tunisian government provided an extension on the Sfax offshore exploration permit (the "Sfax Permit") to December 8, 2012. As a condition of the extension, EII and its joint operating partner are committed to drilling one new exploration well with depth to a specified geological zone. The actual cost for the exploration well will depend on the selection of the prospect and location within the Sfax Permit. In the event that this work commitment is not completed, a compensatory payment of up to US\$12 million will be payable to the Tunisian regulatory bodies, less any amounts actually expended by EII and its joint venture partner. In connection with the Sfax Permit, EII and its joint venture partner are also required to complete the abandonment of their REB-3 well. EII estimates that its share of the cost to meet these two commitments is US\$7.6 million.

On January 18, 2011, EII announced that, together with its joint venture partner, it had declared a condition of Force Majeure with respect to its Tunisian project. EII and its joint venture partner believe that the political uncertainty and civil unrest in Tunisia adversely affects their ability to continue their exploration and evaluation activities. EII believes that the declaration of a Force Majeure will allow the temporary suspension of activities, while the conditions resulting in the Force Majeure continue. It is anticipated that the Force Majeure declaration will result in an extension of the term of EII's exploration permit and development concession in Tunisia for a period of time equivalent to the time that activities were suspended as a result of the Force Majeure. Once the situation in Tunisia is resolved, EII and its joint venture partner will resume their exploration and evaluation activities.

#### *Land Purchase Agreements and Estimated Costs to Complete*

Dundee Realty had commitments under land purchase agreements totalling \$27,580,000 as at June 30, 2011 (December 31, 2010 - \$12,237,000) which will become payable in future periods on the satisfaction of certain conditions pursuant to these agreements. Estimated costs to complete land and housing and condominium projects which have not been accrued at June 30, 2011 were \$3,563,000 (December 31, 2010 - \$3,859,000).

#### *Letters of Credit and Surety Bonds*

Dundee Realty is contingently liable for letters of credit and surety bonds that have been provided to support land and condominium developments in the amount of \$55,049,000 (December 31, 2010 - \$50,115,000).

#### *Joint Ventures and Co-ownerships*

Dundee Realty may conduct its real estate activities from time to time through joint ventures with third party partners. The Company is contingently liable for the obligations of the other owners of the unincorporated joint ventures in the amount of \$31,520,000 as at June 30, 2011 (December 31, 2010 - \$40,331,000). The Company would have available to it the other venturers' share of assets to satisfy the obligations that may arise.

#### *The Maple Group*

Dundee Capital Markets has committed to become an equity investor in The Maple Group, an entity that was formed by 13 Canadian financial institutions and pension plans and which has a pending takeover bid for the shares of the TMX Group. The TMX Group currently owns and operates the Toronto Stock Exchange, serving the senior equity market, and the TSX Venture Exchange, serving the public venture equity market in Canada. If the bid is successful, Dundee Capital Markets' commitment to acquire shares of The Maple Group will be between \$15 million and \$19 million. The takeover bid will expire on September 30, 2011.

#### *Legal Contingencies*

An effective predecessor of a subsidiary of Dundee Capital Markets was one of several underwriters in respect of a public offering of senior secured notes totalling approximately \$142 million pursuant to a prospectus dated July 5, 2007. The predecessor's participation in the underwriting syndicate was 12.5%. A number of entities that are note holders have issued a claim in which the underwriters have been named as defendants regarding note holders' security interest further to filing by the issuer under the Companies' Creditors Arrangement Act. To date, the claim has not been served on the subsidiary of Dundee Capital Markets or on its predecessor.

The subsidiary of Dundee Capital Markets has agreed to indemnify its predecessor entity with respect to certain claims. The defences to these claims and the quantification of damages are yet to be determined and the amount of the loss, if any, cannot be determined at this time.

One of the indemnified subsidiaries participated in the underwriting syndicates in respect of public equity offerings by Sino-Forest Corporation ("Sino-Forest"). The indemnified party was named in at least two lawsuits brought by shareholders of Sino-Forest, alleging securities law violations. To date, neither claim has been served. The subsidiary of Dundee Capital Markets believes the allegations against the underwriting syndicates are without merit and plans to vigorously defend against the action.

The Company is also a defendant in various other legal actions. The Company intends to vigorously defend itself against these legal claims. Although the ultimate outcome of these matters cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management, based on information currently available, that these are not material liabilities, adequate provisions have been made for any liabilities and the resolution of these matters will not have a material adverse effect on the financial position of the Company. Legal provisions at June 30, 2011 were \$300,000. Legal provisions have been included in "Accounts payable and accrued liabilities" in these consolidated financial statements.

### **34. RELATED PARTY TRANSACTIONS**

There have been no significant changes in the nature and scope of related party transactions to those described in note 27 to the Company's 2010 Annual Consolidated Financial Statements, which were prepared in accordance with Canadian GAAP.

### 35. SEGMENTED INFORMATION

The Company is a diversified asset management company with a core focus in the areas of real estate and infrastructure, as well as resources. Asset management activities are supported by Dundee Capital Markets, which was created in December 2010 to carry on the capital markets activities previously conducted through DundeeWealth. The Company also manages its own diversified portfolio of investments.

#### **Real Estate**

The real estate segment consists of the business activities of Dundee Realty, a private company with operating activities in the land and housing business in Canada and the United States. These activities are supplemented by a portfolio of select investment and income-producing properties. Also included in the real estate segment is the Company's 8% interest in Dundee REIT.

#### **Resource**

Activities in the resource segment are primarily carried out through Dundee Energy and EII. These entities carry on acquisition, exploration, development and production activities in the oil and gas sector. Dundee Energy and EII have interests in southern Ontario, Spain and Tunisia. The Company's interest in Dundee Precious, Breakwater, and other resource-based investments, which are primarily accounted for using the equity method, are also included in this segment.

#### **Asset Management**

The Company's asset management activities are carried out through NGIC, DREAM and through Dundee Resources. NGIC and DREAM provide sub-advisory and investment services to third party assets under management ("AUM"). NGIC, together with Dundee Resources, also provides investment services in respect of the Company's portfolio of AFS securities. These investments include both publicly traded and private companies in a variety of sectors, as well as liquid securities such as mutual funds. The asset management segment includes general corporate overhead costs, as well as interest and debt servicing costs, to the extent that such costs have not been specifically allocated to any other operating segment.

#### **Capital Markets**

Dundee Capital Markets' core activities consist of investment banking, institutional equity sales and trading and equity research. Dundee Capital Markets has aligned its principal focus into specific sector coverage including resources, real estate and infrastructure, diversified industries and special situations, complementing the core focus areas of the Company's asset management activities. The operations of Dundee Capital Markets are primarily conducted through Dundee Securities Ltd., a full service securities dealer. Dundee Capital Markets is also the manager of certain flow-through resource limited partnership investment management products, including the CMP Resource Limited Partnerships and the Canada Dominion Resource Limited Partnerships.

**Segmented Statements of Operations for the six months ended June 30, 2011 and 2010**

	Real Estate		Resource		Asset Management		Capital Markets		Intersegment		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<b>SEGMENTED OPERATIONS</b>												
Revenues	\$ 110,676	\$ 152,974	\$ 17,656	\$ 178	\$ 50,263	\$ 47,902	\$ 69,045	\$ 56,757	\$ (3,970)	\$ (3,552)	\$ 243,670	\$ 254,259
Expenses	92,371	122,139	19,195	5,247	34,630	15,532	59,446	45,725	(2,699)	(2,220)	202,943	186,423
	18,305	30,835	(1,539)	(5,069)	15,633	32,370	9,599	11,032	(1,271)	(1,332)	40,727	67,836
Other items in earnings:												
Share of earnings (loss) from equity accounted investments	10,042	(1,454)	18,828	18,120	-	-	-	-	-	-	28,870	16,666
Share of earnings from real estate joint ventures	462	333	-	-	-	-	-	-	-	-	462	333
Risk management gain	-	-	548	-	-	-	-	-	-	-	548	-
Fair value gain (loss)	1,292	(38)	(107)	(388)	-	-	-	-	-	-	1,185	(426)
Interest expense	(5,452)	(5,894)	(2,389)	(467)	(4,913)	(4,942)	-	(12)	1,271	1,332	(11,483)	(9,983)
Foreign exchange loss	-	-	(110)	(156)	(167)	(11)	-	-	-	-	(277)	(167)
<b>NET EARNINGS BEFORE NON-SEGMENTED ITEMS</b>	24,649	23,782	15,231	12,040	10,553	27,417	9,599	11,020	-	-	60,032	74,259
Income taxes											18,021	22,699
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	24,649	23,782	15,231	12,040	10,553	27,417	9,599	11,020	-	-	42,011	51,560
<b>DISCONTINUED OPERATIONS</b>												
(Loss) earnings, net of taxes and non-controlling interest											(9,670)	25,582
Gain on sale of discontinued operations, net of taxes											870,828	-
<b>NET EARNINGS FOR THE PERIOD</b>	\$ 24,649	\$ 23,782	\$ 15,231	\$ 12,040	\$ 10,553	\$ 27,417	\$ 9,599	\$ 11,020	\$ -	\$ -	\$ 903,169	\$ 77,142
<b>NET EARNINGS ATTRIBUTABLE TO:</b>												
Owners of the parent	\$ 19,936	\$ 19,431	\$ 16,654	\$ 14,524	\$ 10,553	\$ 27,417	\$ 6,048	\$ 7,083	\$ -	\$ -	\$ 896,328	\$ 71,338
Non-controlling interest	4,713	4,351	(1,423)	(2,484)	-	-	3,551	3,937	-	-	6,841	5,804
	\$ 24,649	\$ 23,782	\$ 15,231	\$ 12,040	\$ 10,553	\$ 27,417	\$ 9,599	\$ 11,020	\$ -	\$ -	\$ 903,169	\$ 77,142

### Segmented Statements of Operations for the three months ended June 30, 2011 and 2010

	Real Estate		Resource		Asset Management		Capital Markets		Intersegment		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<b>SEGMENTED OPERATIONS</b>												
Revenues	\$ 61,563	\$ 90,502	\$ 9,516	\$ 76	\$ 23,471	\$ 38,701	\$ 30,983	\$ 27,369	\$ (1,973)	\$ (1,772)	\$ 123,560	\$ 154,876
Expenses	53,163	75,816	9,865	4,138	10,451	7,971	26,637	21,964	(1,331)	(1,094)	98,785	108,795
	8,400	14,686	(349)	(4,062)	13,020	30,730	4,346	5,405	(642)	(678)	24,775	46,081
Other items in earnings:												
Share of earnings from equity accounted investments	6,135	2,629	7,735	9,681	-	-	-	-	-	-	13,870	12,310
Share of earnings from real estate joint ventures	202	4	-	-	-	-	-	-	-	-	202	4
Risk management gain	-	-	1,939	-	-	-	-	-	-	-	1,939	-
Fair value gain (loss)	850	(130)	(54)	(193)	-	-	-	-	-	-	796	(323)
Interest expense	(2,661)	(3,115)	(1,298)	(460)	(893)	(2,463)	-	(6)	642	678	(4,210)	(5,366)
Foreign exchange (loss) gain	-	-	-	(53)	(51)	125	-	-	-	-	(51)	72
<b>NET EARNINGS BEFORE NON-SEGMENTED ITEMS</b>	12,926	14,074	7,973	4,913	12,076	28,392	4,346	5,399	-	-	37,321	52,778
Income taxes											12,999	16,751
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	12,926	14,074	7,973	4,913	12,076	28,392	4,346	5,399	-	-	24,322	36,027
<b>DISCONTINUED OPERATIONS</b>												
Earnings, net of taxes and non-controlling interest											-	11,430
Gain on sale of discontinued operations, net of taxes											-	-
<b>NET EARNINGS FOR THE PERIOD</b>	\$ 12,926	\$ 14,074	\$ 7,973	\$ 4,913	\$ 12,076	\$ 28,392	\$ 4,346	\$ 5,399	\$ -	\$ -	\$ 24,322	\$ 47,457
<b>NET EARNINGS ATTRIBUTABLE TO:</b>												
Owners of the parent	\$ 11,163	\$ 13,555	\$ 7,983	\$ 6,802	\$ 12,076	\$ 28,392	\$ 2,783	\$ 3,470	\$ -	\$ -	\$ 21,006	\$ 46,898
Non-controlling interest	1,763	519	(10)	(1,889)	-	-	1,563	1,929	-	-	3,316	559
	\$ 12,926	\$ 14,074	\$ 7,973	\$ 4,913	\$ 12,076	\$ 28,392	\$ 4,346	\$ 5,399	\$ -	\$ -	\$ 24,322	\$ 47,457

**Segmented Statements of Net Assets as at June 30, 2011 and December 31, 2010**

	Real Estate		Resource		Asset Management		Capital Markets		Discontinued Operations		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<b>Assets</b>												
Cash and cash equivalents	\$ 11,905	\$ 12,747	\$ 5,310	\$ 2,935	\$ 13,245	\$ 29,878	\$ 129,765	\$ 86,254	\$ -	\$ -	\$ 160,225	\$ 131,814
Available-for-sale securities	-	-	-	-	1,840,783	198,482	-	-	-	-	1,840,783	198,482
Equity accounted investments	143,612	125,877	185,432	163,832	-	-	-	-	-	-	329,044	289,709
Other assets	664,987	673,731	175,839	179,449	40,612	57,292	620,240	668,342	-	1,868,024	1,501,678	3,446,838
	\$ 820,504	\$ 812,355	\$ 366,581	\$ 346,216	\$ 1,894,640	\$ 285,652	\$ 750,005	\$ 754,596	\$ -	\$ 1,868,024	\$ 3,831,730	\$ 4,066,843
<b>Liabilities</b>												
Corporate debt	\$ 171,564	\$ 177,067	\$ 59,866	\$ 62,371	\$ 169,840	\$ 9,418	\$ -	\$ -	\$ -	\$ -	\$ 401,270	\$ 248,856
Preference shares, series 1	-	-	-	-	148,247	148,072	-	-	-	-	148,247	148,072
Deferred income tax liabilities	42,939	46,255	3,199	(2,377)	135,930	(18,910)	(3,572)	(3,705)	-	-	178,496	21,263
Other liabilities	141,122	160,392	38,662	37,840	30,532	29,359	588,352	587,126	-	765,492	798,668	1,580,209
	\$ 355,625	\$ 383,714	\$ 101,727	\$ 97,834	\$ 484,549	\$ 167,939	\$ 584,780	\$ 583,421	\$ -	\$ 765,492	\$ 1,526,681	\$ 1,998,400
<b>SEGMENTED NET ASSETS</b>	\$ 464,879	\$ 428,641	\$ 264,854	\$ 248,382	\$ 1,410,091	\$ 117,713	\$ 165,225	\$ 171,175	\$ -	\$ 1,102,532	\$ 2,305,049	\$ 2,068,443
<b>SEGMENTED NET ASSETS ATTRIBUTABLE TO:</b>												
Owners of the parent	\$ 390,232	\$ 358,543	\$ 228,859	\$ 210,132	\$ 1,410,091	\$ 117,713	\$ 79,410	\$ 82,551	\$ -	\$ 564,715	\$ 2,108,592	\$ 1,333,654
Non-controlling interest	74,647	70,098	35,995	38,250	-	-	85,815	88,624	-	537,817	196,457	734,789
	\$ 464,879	\$ 428,641	\$ 264,854	\$ 248,382	\$ 1,410,091	\$ 117,713	\$ 165,225	\$ 171,175	\$ -	\$ 1,102,532	\$ 2,305,049	\$ 2,068,443

### 36. SUBSEQUENT EVENTS

#### *Investment in Dundee International REIT*

In connection with the founding of Dundee International REIT, a newly established real estate investment trust formed to invest in real estate outside of Canada, Dundee Realty subscribed for 800,000 units for \$400,000 in cash. In addition, the Company and Dundee Realty subscribed for 10,000,000 and 2,000,000 units of Dundee International REIT respectively, for cash of \$120,000,000 pursuant to an initial public offering. In aggregate, these holdings represent a 32.16% interest in Dundee International REIT. In order to fund its subscription in Dundee International REIT, the Company increased the amount available pursuant to its credit facility (note 21).

In addition to the Company's subscription pursuant to the initial public offering, and in support of Dundee International REIT's execution of a term loan credit facility led by a syndicate of European banks (which together with the proceeds from the initial public offering, will be used by Dundee International REIT to finance the purchase of certain European properties) (the "REIT Credit Facility"), the Company has:

(i) agreed, together with Dundee Realty, that it will maintain an aggregate of at least \$120,000,000 of equity in Dundee International REIT for a two-year period following closing of the initial public offering, and an aggregate of at least \$48,000,000 from the end of the two-year period until the end of the term of the REIT Credit Facility; and

(ii) entered into a sub-participation agreement in the principal amount of €28,850,000 with a Canadian chartered bank (the "Canadian Bank") in which the Company agreed to participate in the Canadian Bank's participation in the REIT Credit Facility. Under the terms of the sub-participation agreement with the Canadian Bank, the Company will be entitled to receive and recover from the Canadian Bank, as applicable, its proportionate share of all repayments of principal and interest paid to the Canadian Bank under the Canadian Bank's entitlement in the REIT Credit Facility.

#### *Acquisition of Torque Energy Inc. ("Torque")*

On May 2, 2011, Dundee Energy announced that it had made an offer to acquire all of the approximately 14,578,000 issued and outstanding common shares of Torque for, at the shareholders' option, either \$0.50 in cash, or one half of a common share of Dundee Energy (the "Torque Acquisition"). The Torque Acquisition was completed on August 4, 2011. Dundee Energy paid cash of \$6,012,000 and it issued approximately 1,347,000 common shares as consideration for the Torque Acquisition.

In connection with the Torque Acquisition, the Company tendered its 18% interest in Torque and received approximately 1,344,000 common shares of Dundee Energy. The Company also purchased an additional 7,243,000 common shares of Dundee Energy pursuant to a private placement at an aggregate cost of approximately \$6,012,000. As a result of these transactions, the Company increased its investment in Dundee Energy to 56.6%.







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**Stock Listing**

The Toronto Stock Exchange

**Stock Symbol**

DC.A