**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**DECEMBER 31, 2016**

# DUNDEE CORPORATION
## Management's Discussion and Analysis

**Dundee Corporation** (the "Corporation" or "Dundee Corporation") is a public Canadian independent holding company, listed on the Toronto Stock Exchange ("TSX") under the symbol "DC.A". Through its operating subsidiaries, the Corporation is engaged in diverse business activities in the areas of energy, resources, agriculture, real estate and infrastructure, and corporate finance. The Corporation also holds, directly and indirectly, a portfolio of investments mostly in these key areas, as well as other select investments in both publicly listed and private enterprises.

**This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of March 30, 2017 and provides an update on matters discussed in, and should be read in conjunction with the Corporation's audited consolidated financial statements, including the notes thereto, as at and for the year ended December 31, 2016 (the "2016 Audited Consolidated Financial Statements"), which have been prepared using International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars unless otherwise specified. Tabular dollar amounts, unless otherwise specified, are in thousands of dollars, except for per share or per unit amounts. This MD&A contains forward looking statements that are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may vary materially from management's expectations. See the *"Cautionary Note Regarding Forward Looking Statements"* section later in this MD&A for further information.**

## STRATEGY

Dundee Corporation is a holding company that owns and manages a portfolio of publicly listed and privately held businesses. The Corporation's core business activities are focused on the active management and oversight of its portfolio of merchant capital investments. The Corporation has significant amounts of its own capital invested in these assets, ensuring that its interests are appropriately aligned for the benefit of its clients, its partners and the Corporation's shareholders. Dundee Corporation's overriding strategic priority is to allocate and invest capital in a manner that consistently generates long-term value creation.

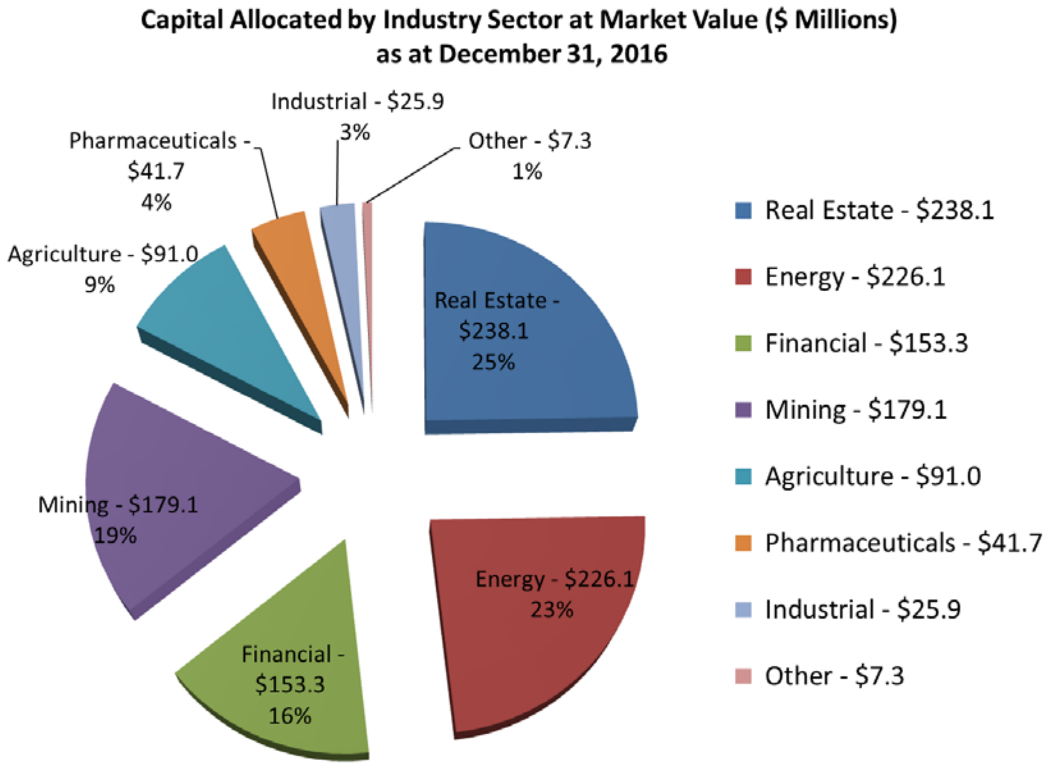
The Corporation's merchant capital investments include both domestic and international assets. These investments include physical assets that are primarily resource, real estate, agriculture and infrastructure assets, and these assets are owned or co-owned within the Corporation's core operating entities and are being managed by Dundee Corporation on behalf of the entity and its co-investors. Merchant capital investments also include debt or equity securities, which include sometimes significant positions in entities engaged in financial services, resources and real estate, and represent investments in physical assets such as those described above. These debt or equity securities are held on behalf of the Corporation and are managed by dedicated teams of investment professionals within the Dundee group of companies.

Dundee Corporation has traditionally been the sole source of capital for its investee companies. More recently, the Corporation has placed increased emphasis on investing its capital alongside industry or financial partners. In so doing, the Corporation expects to mitigate its risk by no longer being the sole source of capital for its businesses, while partnering with third parties who in addition to providing capital, can also lend industry expertise and support for management teams at investee companies.

During 2016, the Corporation has been focused on the rationalization of its merchant capital portfolio. As part of this process, the Corporation is focused on those investments which it considers to be core to its expertise and aligned with its ability to generate sustainable growth and value for shareholders. This involves the disposition of non-core assets and the exiting of certain businesses, allowing for the redeployment of capital into core holdings, as well as the reallocation of management time.

At the head office level, the Corporation took significant steps to transition and reposition its cost profile. This was consistent with the broader strategic goal of shedding the Corporation's operating company structure in order to adopt a leaner organizational framework that is more reflective of a holding company structure. To that end, the Corporation has significantly reduced its personnel infrastructure, including personnel involved in the provision of services to certain of the Corporation's subsidiaries, from more than 400 individuals at the start of 2015, to approximately 100 at the end of 2016. This has resulted in reduced overhead expenses, which will translate to lower general and administrative costs moving forward.

## DUNDEE CORPORATION'S CAPITAL ALLOCATED BY INDUSTRY SECTOR




**CAUTIONARY NOTE ON DETERMINATION OF MARKET VALUE OF INVESTMENTS**

Certain of the Corporation's investments trade in public markets, while other investments are in debt or equity securities of private companies. While the Corporation has applied valuation methodologies to estimate the market value of its portfolio of non-publicly traded investments, these valuation methodologies have not been applied to:

(i) operating subsidiaries; and

(ii) equity accounted investments that are not publicly traded.

For purposes of the above chart, the "market value" of the Corporation's non-public operating subsidiaries and non-public equity accounted investments is equal to their underlying carrying value (see *"Understanding the Allocation of Dundee Corporation's Capital"*).

## UNDERSTANDING THE ALLOCATION OF DUNDEE CORPORATION'S CAPITAL

| | | 2016 | | 2015 | |
|---|---|---|---|---|---|
| | | Carrying Value | Market Value* | Carrying Value | Market Value* |
| 1 | **Operating Subsidiaries**<br>Operating subsidiaries are not recorded as individual investments in the Corporation's consolidated financial statements. Instead, the accounts of the operating subsidiary are consolidated with those of the Corporation on a line-by-line basis. For example, the revenue generated by an operating subsidiary is reported as revenue of the Corporation in the consolidated statement of operations. | $ 388,647 | $ 376,068 | $ 544,393 | $ 525,378 |
| 2 | **Equity Accounted Investments**<br>Investments that are accounted for using the equity method are separately disclosed in the Corporation's consolidated statement of financial position as "Equity accounted investments". These investments are initially recorded at the Corporation's cost of acquisition. Subsequently, the original cost is increased or decreased in proportion to the Corporation's share of earnings or losses generated by the investee. | 151,183 | 151,207 | 172,672 | 172,736 |
| 3 | **Investments**<br>All other investments are designated as "Investments" in the Corporation's consolidated statement of financial position. These investments may include investments in equity or debt securities of public or private companies in a variety of sectors. These investments are reported in the Corporation's consolidated financial statements at their estimated fair value. | 433,574 | 433,574 | 438,628 | 438,628 |
| 4 | **Corporate Account Balances**<br>Corporate account balances represent balances of the Corporation's capital that are not directly attributable to a particular investment. These balances include cash held by the Corporation directly, offset by the Corporation's direct obligations, including obligations in respect of its credit facilities. | (108,981) | (111,500) | (100,660) | (100,785) |
| | **SHAREHOLDERS' EQUITY** | **$ 864,423** | **$ 849,349** | **$ 1,055,033** | **$ 1,035,957** |
| | Less: Shareholders' equity attributable to holders of: | | | | |
| | Preference Shares, series 2 | (84,053) | (86,985) | (84,053) | (86,985) |
| | Preference Shares, series 3 | (43,015) | (43,015) | (43,015) | (43,015) |
| | **SHAREHOLDERS' EQUITY ATTRIBUTABLE TO CLASS A SUBORDINATE SHARES AND CLASS B SHARES OF THE CORPORATION** | **$ 737,355** | **$ 719,349** | **$ 927,965** | **$ 905,957** |
| | Number of Class A Subordinate Shares and Class B Shares of the Corporation outstanding | | | | |
| | Class A Subordinate Shares | | 55,621,546 | | 55,529,801 |
| | Class B Shares | | 3,114,936 | | 3,115,232 |
| | | | 58,736,482 | | 58,645,033 |
| | **SHAREHOLDERS' EQUITY ON A PER SHARE BASIS**** | **$ 12.55** | **$ 12.25** | **$ 15.82** | **$ 15.45** |

* *See "Dundee Corporation's Capital Allocated by Industry Sector – Cautionary Note on Determination of Market Value of Investments".*

** *Before accounting for deferred income tax assets and liabilities in respect of the Corporation's investments in operating subsidiaries, which are not recognized in the Corporation's consolidated financial statements as per IAS 12.*

## PERFORMANCE MEASURES

The Corporation believes that important measures of its operating performance, as well as that of its subsidiaries, include certain metrics that are not defined under IFRS and as such, may not be comparable to similar performance measures used by other companies. Throughout this MD&A, there will be references to certain performance measures which management believes are relevant in assessing the economics of its business. While these performance measures are not formally recognized by IFRS, the Corporation believes that they are informative and provide further qualitative insight into net earnings and cash flows.

- **"AUA" or "Assets under Administration"** represent the approximate period-end value of client assets administered by the Corporation's brokerage subsidiaries and in respect of which these subsidiaries earn commission revenue and other similar fees from clients. AUA are not included in the Corporation's consolidated statements of financial position.

- **"AUM" or "Assets under Management"** represent the period-end value of client assets managed by the Corporation's wealth management and asset management subsidiaries on a discretionary basis and in respect of which these subsidiaries earn management fee revenue and, in certain cases, performance fee revenue. AUM are not included in the Corporation'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 ("Mcf") of natural gas to one barrel ("bbl") of oil (6 Mcf to 1 bbl), based on an energy equivalency conversion method which is primarily applicable at the burner tip and does not always represent a value equivalency at the wellhead.

- **"Contingent Resources"** are those quantities of oil estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

- **"Contingent Resources - 2C"** are considered to be the best estimate of the quantity that will actually be recovered from the Contingent Resources. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the best estimate.

- **"Contingent Resources - 3C"** are considered to be the optimistic estimate of the quantity that will actually be recovered from the Contingent Resources. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability that the quantities actually recovered will equal or exceed the high estimate.

- **"Contingent Resources - 3C net of 2C"** are considered to be the additional quantity of 3C that will actually be recovered above the 2C.

- **"Contribution Margin" or "Margin"** is an important measure of earnings in certain business segments and generally represents core revenues less cost of sales. Margin generally excludes general and administrative expenses, interest expense, and income taxes and may also exclude depreciation and depletion of assets not directly associated with the activities of producing or extracting product for sale.

- **"Earnings Before Interest, Taxes, Depreciation and Amortization" or "EBITDA"** is a measure of a company's operating performance and can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.

- **"FVTPL"** means fair value through profit or loss. Certain of the Corporation's investments in equity and debt securities have been designated as investments at FVTPL. Changes in the fair value of investments designated as investments at FVTPL are reported in net earnings or loss.

- **"Fair Value" or "Market Value"** of an investment is generally determined using quoted market prices on prescribed stock exchanges for investments that are publicly traded. Market value or fair value of an investment that is privately held is determined by reference to valuation methodologies appropriate for the investment.

- **"Field Level Cash Flows"** are calculated as revenue from oil and natural gas sales, less royalties and cost of sales. Field level cash flows contribute to working capital, including debt management, as well as to the funding of capital expenditure requirements for the Corporation's resource-based business activities.

- **"Field Netbacks"** refer to field level cash flows expressed on a measurement unit or barrel of oil equivalent basis.

- **"Per Day Amount" or ("/d")** is used throughout this MD&A to reflect oil and gas production volumes on an average per day basis.

- **"Probable Reserves"** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining reserves quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

- **"Prospective Resources"** are defined as those quantities of oil estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

- **"Prospective Resources – Best Estimate"** are considered to be the best estimate of the quantity of prospective resources that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the best estimate.

- **"Proved Reserves"** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining reserves quantities recovered will exceed the estimated proved reserves.

- **"Shareholders' Equity on a Per Share Basis"** is calculated by dividing the carrying value of the Corporation's shareholders' equity in accordance with IFRS (or the "Market Value" or "Fair Value" of such shareholders' equity determined using valuation methodologies as described under the definition of "Market Value" or "Fair Value" above), by the aggregate number of Subordinate Shares and Class B Shares of the Corporation issued and outstanding.

## SELECTED ANNUAL INFORMATION

| *As at and for the years ended December 31,* | | 2016 | | 2015 | | 2014 |
|---|---|---|---|---|---|---|
| Revenues | $ | 267,934 | $ | 280,692 | $ | 311,468 |
| Net loss attributable to owners of the parent | $ | (142,097) | $ | (459,118) | $ | (318,420) |
| Loss per share | | | | | | |
| Basic | $ | (2.54) | $ | (7.99) | $ | (5.93) |
| Diluted | $ | (2.54) | $ | (7.99) | $ | (5.93) |
| Total assets | $ | 1,401,414 | $ | 2,241,034 | $ | 2,797,105 |
| Total liabilities | $ | 487,561 | $ | 1,159,887 | $ | 1,222,240 |
| Dividends per share | | | | | | |
| Subordinate Voting Shares | $ | - | $ | - | $ | - |
| Class B Common Shares | $ | - | $ | - | $ | - |
| Preference Shares, series 2 | $ | 1.42 | $ | 1.42 | $ | 1.62 |
| Preference Shares, series 3 | $ | 1.16 | $ | 1.18 | $ | 0.32 |
| Preference Shares, series 4 | $ | - | $ | 0.89 | $ | 0.89 |
| Preference Shares, series 5 | $ | 1.88 | $ | - | $ | - |

## RESULTS OF OPERATIONS

**Year ended December 31, 2016 compared with year ended December 31, 2015**

### Consolidated Net Earnings

During 2016, the Corporation incurred a net loss attributable to owners of Dundee Corporation of $142.1 million, or a loss of $2.54 per share. In comparison, the Corporation incurred a loss attributable to owners of Dundee Corporation of $459.1 million, or $7.99 per share during the prior year. Included in the prior year results was an impairment of $215.2 million ($132.9 million after adjusting for non-controlling interest) relating to the resource properties associated with the Corporation's investment in United Hydrocarbon International Corp. The following table summarizes the Corporation's net operating loss on a per segment basis.

| *For the years ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Net loss before income taxes from: | | | | |
| Goodman & Company, Investment Counsel Inc. | $ | (11,578) | $ | (10,160) |
| Dundee Securities Ltd. | | (1,492) | | (30,151) |
| Dundee Energy Limited | | (26,563) | | (11,699) |
| United Hydrocarbon International Corp. | | (12,787) | | (252,332) |
| Dundee Sustainable Technologies Inc. | | (3,738) | | (6,727) |
| Eurogas International Inc. | | (647) | | (852) |
| Blue Goose Capital Corp. | | (15,906) | | (11,974) |
| AgriMarine Holdings Inc. | | (6,065) | | (23,822) |
| Dundee 360 Real Estate Corporation | | (50,341) | | (23,775) |
| | | (129,117) | | (371,492) |
| Adjusted for the corporate and other portfolio holdings segment: | | | | |
| Changes in the market value of investments: | | | | |
| Dundee Precious Metals Inc. | | 33,403 | | (165,781) |
| DREAM Unlimited Corp. | | (15,355) | | (49,763) |
| Other portfolio investments | | (9,452) | | (64,031) |
| Share of (loss) earnings from equity accounted investments | | (5,639) | | 35,946 |
| Other items in the corporate and other portfolio holdings segment | | (38,033) | | (22,733) |
| Income tax recovery | | 18,442 | | 60,637 |
| Net loss for the year | **$** | **(145,751)** | **$** | **(577,217)** |
| Net loss attributable to: | | | | |
| Owners of the parent | $ | (142,097) | $ | (459,118) |
| Non-controlling interest | | (3,654) | | (118,099) |
| | **$** | **(145,751)** | **$** | **(577,217)** |

Operating results during 2016 benefited from improved market performance in certain of the Corporation's investments that are carried in the consolidated financial statements at FVTPL. Included as part of the "Corporate and other portfolio holdings" segment, these investments resulted in the recognition of a gain from investments of $8.6 million during 2016, compared with a loss of $279.6 million during 2015. Changes in the fair value of investments carried at FVTPL, which are determined by trends and information in equity and capital markets, are recorded in the Corporation's net earnings or loss and can cause substantial volatility in operating results. The Corporation cautions that the equity and credit markets do not always necessarily reflect the underlying value of certain assets.

A number of the Corporation's investments are accounted for using the equity method of accounting, which requires that the Corporation increase or decrease the carrying value of its investment by its proportionate share of the net earnings or loss of the underlying investee. This method of accounting further subjects the Corporation to significant volatility in its operating performance as the underlying net earnings or loss of the equity accounted investee may be subject to market forces or other events over which the Corporation does not exert control. During 2016, the Corporation recognized a loss from its equity accounted investments of $5.6 million, compared with earnings of $35.9 million in the prior year.

Highlights of other year-over-year comparable results are described below and are further discussed under "*Segmented Results of Operations*".

- Goodman & Company, Investment Counsel Inc. grew its AUM to $173.8 million at December 31, 2016, compared with AUM of $88.2 million at the end of the prior year. Reflecting additional general and administrative expenses associated with the development stage of these operations, Goodman & Company, Investment Counsel Inc. incurred a net operating loss before taxes of $11.6 million in 2016, compared with a net operating loss before taxes of $10.2 million in 2015.

- The capital markets division of Dundee Securities Ltd. incurred a net operating loss before taxes of $0.3 million during 2016, compared with a net operating loss before taxes of $10.6 million during 2015. While revenues were consistent at approximately $40 million in each year, overall profitability improved by amounts in excess of $10.4 million during 2016 as a result of cost cutting initiatives, including a re-engineering of infrastructure costs following the divestiture of Dundee Securities Ltd.'s retail division in April 2016 and its capital markets division in December 2016.

- The retail division of Dundee Securities Ltd. reported a net operating loss before taxes of $1.2 million in 2016, compared with a net operating loss before taxes of $19.5 million in 2015. Substantially all of the assets of the retail division were sold in April 2016. Therefore, reported revenues in this division fell from $48.1 million in 2015 to $19.8 million in 2016.

- Dundee Energy Limited's operating performance continues to be impacted by significant volatility in prices of oil and natural gas. As a result, Dundee Energy Limited reported a net operating loss before taxes of $26.6 million during 2016, including an impairment of $11.9 million on certain of its natural gas properties in southern Ontario. In comparison, Dundee Energy Limited reported a net operating loss before taxes of $11.7 million during the prior year.

- United Hydrocarbon International Corp. incurred a net operating loss before taxes of $12.8 million in 2016, compared with a net operating loss before taxes of $252.3 million during the prior year. Prior year results included an impairment of $215.2 million related to its resource properties, and $12.0 million of termination and shutdown costs incurred by this entity as it committed to reduce operating costs in response to lower commodity prices.

- Dundee Sustainable Technologies Inc. incurred a net operating loss before taxes of $3.7 million during 2016, compared with a net operating loss before taxes of $6.7 million in 2015. Operating results in 2016 include revenues of $1.6 million, including revenue from the sale of technical services to customers in the mining industry to evaluate processing alternatives using its proprietary technologies.

- Blue Goose Capital Corp. incurred a net operating loss before taxes of $15.9 million during 2016, compared with a net operating loss before taxes of $12.0 million in the prior year. The change in operating performance is driven primarily by changes in the fair value of livestock, which is subject to significant variability from period to period due to changes in physical growth and market prices. During 2016, and reflective of reduced market prices for beef, Blue Goose Capital Corp. reported a fair value gain of $5.7 million, compared with a fair value gain of $17.2 million in 2015.

- AgriMarine Holdings Inc. reported a net operating loss before taxes of $6.1 million in 2016, compared with a net operating loss before taxes of $23.8 million in the prior year. Prior year results included a $13.6 million one-time charge against the carrying value of certain intangible assets.
- Dundee 360 Real Estate Corporation incurred a net operating loss before taxes of $50.3 million during 2016, including restructuring charges of $36.0 million incurred as this division redefines its strategic objectives. Restructuring charges include depreciation of $17.6 million relating to goodwill and other intangible assets associated with the Parq project (see "*Significant Investments Accounted for under the Equity Method*"), $5.8 million incurred on the sale of certain hospitality services agreements, and $12.6 million associated with certain real estate developments that are being monetized. In comparison, operating losses before taxes in 2015 were $23.8 million.

## OPERATING SUBSIDIARIES AS AT DECEMBER 31, 2016

| | *Ticker Symbol* | *(000's) # of Shares Held* | *Market Price/Share* | *Percentage Ownership* | *Net Assets (note 1)* | *Non-Controlling Interests (note 2)* | *Carrying Value as at December 31, 2016* | *Market Value (note 5) as at December 31, 2016* |
|---|---|---|---|---|---|---|---|---|
| **Subsidiaries That Are Not Publicly Listed** | | | | | | | | |
| United Hydrocarbon International Corp. | | | | 85% | $ 232,816 | $ (35,442) | $ 197,374 | $ 197,374 |
| Blue Goose Capital Corp. | | | | 90% | 76,782 | (5,987) | 70,795 | 70,795 |
| Dundee Securities Ltd. (note 3) | | | | 100% | 46,347 | - | 46,347 | 46,347 |
| Dundee 360 Real Estate Corporation | | | | 100% | 24,549 | (438) | 24,111 | 24,111 |
| AgriMarine Holdings Inc. | | | | 100% | 18,937 | - | 18,937 | 18,937 |
| Goodman & Company, Investment Counsel Inc. | | | | 100% | 173 | - | 173 | 173 |
| **Subsidiaries That Are Publicly Listed** | | | | | | | | |
| Dundee Sustainable Technologies Inc. | DST | 228,068.5 | $0.04 | 66% | 3,924 | 3,121 | 7,045 | 9,123 |
| Dundee Energy Limited | DEN | 108,993.5 | $0.03 | 58% | 34,633 | (12,986) | 21,647 | 2,725 |
| Eurogas International Inc. | EI | 16,646.8 | $0.01 | 53% | (84) | 2,302 | 2,218 | 83 |
| Amounts due from non-controlling interests (note 4) | | | | | | | - | 6,400 |
| **TOTAL – OPERATING SUBSIDIARIES** | | | | | | | **$ 388,647** | **$ 376,068** |

1. *See note 35 "Segmented Information" to the 2016 Audited Consolidated Financial Statements for a more detailed analysis of the carrying value of individual assets and liabilities attributed to each operating subsidiary.*
2. *See note 23 "Non-Controlling Interest" to the 2016 Audited Consolidated Financial Statements for information regarding the carrying value of non-controlling interest in each subsidiary.*
3. *Includes "Dundee Securities Europe LLP", "Dundee Securities Inc.", and "Dundee Goodman Insurance Agency Ltd.", all of which are sister companies to Dundee Securities Ltd.*
4. *From time to time, the Corporation will advance monies to an operating subsidiary to fund working capital requirements. Amounts advanced between the Corporation and its operating subsidiaries are eliminated in the 2016 Audited Consolidated Financial Statements of the Corporation. Accordingly, for purposes of determining the estimated market value of operating subsidiaries that are publicly traded, the Corporation has included its proportionate interest in advances to each operating subsidiary that is due to the Corporation from non-controlling shareholders of each operating subsidiary. Amounts due under these arrangements to operating subsidiaries that are not publicly traded are already included in the determination of the net carrying value of these operating subsidiaries.*
5. *See "Dundee Corporation's Capital Allocated by Industry Sectors – Cautionary Note on Determination of Market Value of Investments".*

# Segmented Results of Operations

The following discussion provides a more comprehensive analysis of the performance results of each of the Corporation's operating subsidiaries, and their impact to the consolidated operating results of the Corporation. The following information is presented in a manner that corresponds to the Corporation's reportable business segments as presented in note 35 to the 2016 Audited Consolidated Financial Statements.

## GOODMAN & COMPANY, INVESTMENT COUNSEL INC.

Goodman & Company, Investment Counsel Inc. ("GCIC") is a registered portfolio manager and exempt market dealer across Canada, and an investment fund manager in the provinces of Ontario, Quebec and Newfoundland. GCIC is a wholly-owned subsidiary of Dundee Global Investment Management Inc. ("DGIM") which, in turn, is a wholly-owned subsidiary of Dundee Corporation. Further information about GCIC may be accessed at www.goodmanandcompany.com.

During 2016, the Corporation restated its segmented information, resulting in the reclassification of costs incurred directly by DGIM to the segment designated as “Goodman & Company, Investment Counsel Inc.”. Previously, these costs were considered part of the “Corporate and other portfolio holdings” segment. The impact of this restatement includes general and administrative costs of $7.8 million incurred by DGIM during 2016 (2015 – $7.5 million).

GCIC and DGIM are the entities through which the Corporation intends to build out its Investment Counsel/Portfolio Management (“ICPM”) platform. The Corporation believes that targeting and servicing the unique needs of the high-net worth and ultra-high-net worth markets presents a significant opportunity. These markets consist of successful business owners, entrepreneurs, corporate executives and other individuals with sophisticated wealth management and financial product and service needs. It is estimated that over the next decade, high-net worth and ultra-high-net worth individuals will be involved in the creation and transfer of a significant amount of wealth in Canada, which some third parties estimate could total as much as four trillion dollars. By providing a seamless, integrated suite of client-centric wealth services, the Corporation believes that it can successfully differentiate itself from other competitors.

The Corporation’s current objective is to build an ICPM platform that is national in scope, with a network of offices servicing major urban centres in Canada, both through acquisition of established businesses and through organic client acquisition. This is a strategically important platform for the Corporation, as the insights gathered from high-net worth and ultra-high-net worth clients will enable the creation of highly customized and unique alternative products.

The Corporation intends to provide a full suite of complementary wealth and lifestyle services to its clients through a network of preferred suppliers. These complementary services include business succession planning, group pension and health benefits programs, property and casualty insurance products, real estate services, estate and tax planning and other services designed to meet the sophisticated and wide ranging needs of its clients. To ensure quality and consistency in the delivery of these services, the Corporation will actively manage the standards and service delivery of its network of business partners.

Sotheby’s (see *“Segmented Results of Operations – Dundee 360 Real Estate Corporation”*) is another key component of the Corporation’s wealth management strategy and enhanced service offering. Sotheby’s is Canada’s leading real estate sales and marketing company, and it is well positioned to serve the high-net worth and ultra-high-net worth markets. Through this relationship, the Corporation expects to drive significant synergies through referrals and other services.

Over time, the Corporation believes that the successful execution of its wealth management strategy will help generate more regular and predictable cash flows. It is anticipated that future cash flows in the wealth management business will come from a combination of both asset management and performance based fees.

*Assets Under Management at December 31, 2016*

During 2016, GCIC accumulated approximately $92.3 million in AUM under managed account arrangements for private clients, and it successfully launched its most recent tax-sheltered limited partnership, *CMP 2016 Resource Limited Partnership*, which raised new capital of $20.7 million. In addition, GCIC established its own series of investment products geared towards its high-net worth client base with the launch of *Goodman & Co. Partners Strategy* and *Goodman & Co. Core Equity Strategy*, which collectively raised a further $16.3 million.

In May 2016, GCIC, in its capacity as the trustee and manager of *Goodman Gold Trust*, determined that it was in the best interest of unitholders to terminate the trust following a distribution of its underlying assets. The distribution of $33.4 million was completed in June 2016, following which the trust itself was terminated.

Combined with market appreciation of $18.7 million since January 1, 2016, and as a result of the preceding information, AUM increased by a net amount of $85.5 million to $173.8 million at December 31, 2016, compared with AUM of $88.2 million at December 31, 2015.

| | For the three months ended December 31, 2016 | For the year ended December 31, 2016 |
|---|---|---|
| AUM at beginning of the period | $ 180,510 | $ 88,227 |
| **Transactions for the period ended December 31, 2016** | | |
| Additions | 2,730 | 37,020 |
| Redemptions | (7,186) | (25,551) |
| Distributions paid | (186) | (36,923) |
| Change in market values | (6,226) | 18,677 |
| Change in private client assets | 4,114 | 92,306 |
| Net change in managed assets | (6,754) | 85,529 |
| AUM at end of the period | $ 173,756 | $ 173,756 |

| AUM Breakdown | |
|---|---|
| Private clients | $ 92,306 |
| Tax sheltered investment products | 37,242 |
| Mutual funds | 18,204 |
| Alternative investment products | 26,004 |
| | $ 173,756 |

AUM designated as “Private clients” AUM include $14.4 million of assets invested in the Corporation’s alternative investment products. In the above table, these same assets are also designated as “Alternative investment products”.

GCIC’s management fee revenue is calculated and paid monthly, based on the fair value of AUM as determined on the last business day of each month. The average AUM for 2016 was $167.5 million, compared with average AUM of $101.5 million during the prior year. The increase has led to a corresponding increase in management fee revenues earned, which increased to $2.2 million in 2016 from revenue levels of $2.0 million earned in the prior year.

Management fee revenues are also impacted by the management fee rate charged on AUM. During 2016, the average management fee rate on AUM was 1.4%, compared with an average management fee rate of 2.0% earned in the prior year. The decrease in the average management fee rate reflects the mix of assets managed, with private client assets generally earning a lower management fee rate than tax sheltered investment products, mutual funds and closed-end investment products.

In addition to management fee revenues, GCIC also earned performance fee revenue of $0.5 million in 2016. Performance fees are contingent on the market values of the underlying portfolio at a specified point in time, generally at the calendar year end, or upon the conclusion of limited partnership arrangements. The Corporation may experience fluctuations in period-over-period revenues as performance fees are only recorded in earnings when amounts are determined with certainty.

*RESULTS OF OPERATIONS*

As illustrated in the following table, GCIC incurred a net loss before income taxes attributable to owners of Dundee Corporation of $11.6 million in 2016, compared with a pre-tax loss of $10.2 million incurred in the prior year. Despite the increase in management fee revenues, GCIC’s net operating performance has been impacted by higher levels of general and administrative expenses, which increased to $14.7 million in 2016, compared with general and administrative expenses of $12.1 million during 2015, reflecting initiatives in the development of GCIC’s business activities.

| *For the years ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Revenues | | | | |
| Management and performance fees | $ | 2,734 | $ | 1,994 |
| Financial services | | 7 | | - |
| Interest, dividends and other | | 369 | | 2 |
| | | 3,110 | | 1,996 |
| Other items in net loss before taxes | | | | |
| Depreciation | | (5) | | (7) |
| General and administrative | | (14,682) | | (12,149) |
| Interest expense | | (1) | | - |
| Net loss before taxes, Goodman & Company, Investment Counsel Inc. | **$** | **(11,578)** | **$** | **(10,160)** |
| **Net loss before taxes, Goodman & Company, Investment Counsel Inc., attributable to:** | | | | |
| Owners of Dundee Corporation | $ | (11,578) | $ | (10,160) |
| Non-controlling interest | | - | | - |
| Net loss before taxes, Goodman & Company, Investment Counsel Inc. | **$** | **(11,578)** | **$** | **(10,160)** |

## DUNDEE SECURITIES LTD.

Dundee Securities Ltd., a wholly-owned subsidiary of Dundee Corporation, is registered as an investment dealer in each of the jurisdictions of Canada and as a derivatives dealer in Quebec and as such, it is subject to the oversight of the provincial securities commissions and the Investment Industry Regulatory Organization of Canada ("IIROC"). Business activities are carried out directly, and through several sister companies including Dundee Securities Europe LLP, a company authorized by the Financial Services Authority in the United Kingdom for the purposes of security brokering and asset management; and Dundee Goodman Insurance Agency Ltd., licensed by the Financial Services Commission of Ontario to carry on business as a life insurance agency (collectively "Dundee Securities"). Dundee Securities' business activities have historically been conducted through two operating divisions; (i) the capital markets division, which had been branded under the name "Dundee Capital Markets", and (ii) the retail division which had been branded under the name "Dundee Goodman Private Wealth".

Additional information about the operations of Dundee Securities and its various business divisions may be accessed at either www.dundeegoodman.com or www.dundeesecurities.com.

*Divestiture of the Retail Division of Dundee Securities Ltd. – April 2016*

In the latter part of 2015, the Corporation assessed the growth prospects and strategic fit of the retail division of Dundee Securities to its ongoing business strategy. In so doing, it became apparent that this business was not aligned with the Corporation's wealth management strategy, both in terms of its economic contribution and in its ability to provide suitable distribution. Accordingly, the Corporation entered into a transaction for the sale of substantially all of the assets of Dundee Goodman Private Wealth, completed in April 2016, to Echelon Wealth Partners Inc. ("Echelon"). The transaction with Echelon resulted in the transfer of approximately $3.5 billion of investible client assets. In addition, and in order to accommodate the integration process with Echelon, Dundee Goodman Private Wealth also transferred a significant part of its underlying operating infrastructure and staff resources associated with this division.

As illustrated in the following table, Dundee Securities received cash consideration of $9.3 million on the sale. In addition, Dundee Securities may receive up to another $4.2 million in cash consideration, contingent on the retention of AUA by Echelon over a 12-month period from completion of the sale. At completion of the transaction with Echelon, the fair value of the contingent consideration was $3.7 million. Dundee Securities realized a gain of $2.6 million on the sale of Dundee Goodman Private Wealth, which was included in 2016 earnings as a recovery of general and administrative expenses.

| *As at* | | April 25, 2016 |
|---|---|---|
| **Carrying value of net assets sold:** | | |
| Cash | $ | 206,790 |
| Accounts receivable | | 569 |
| Client accounts receivable | | 282,664 |
| Brokerage securities owned | | 21,983 |
| Capital and other assets | | 9,799 |
| Client deposits and related liabilities | | (506,375) |
| Brokerage securities sold short | | (5,062) |
| | | 10,368 |
| **Proceeds received on disposition of net assets:** | | |
| Cash | | 9,305 |
| Contingent consideration | | 3,660 |
| **Gain on sale of net assets** | **$** | **2,597** |

As required by accounting standards, the amount of the future consideration was revalued to its fair value of $2.7 million at December 31, 2016, with the change in fair value of $1.0 million recognized as a loss in the current year. The fair value was determined using an estimated level of advisor retention, as well as some level of market appreciation in the underlying assets to the anniversary date of April 25, 2017.

In addition to proceeds received at closing, this transaction, combined with the divestiture of the capital markets division of Dundee Securities Ltd. in December 2016 (see below), unlocked regulatory capital, enabling Dundee Securities to flow $60.5 million of cash to the Corporation.

In connection with the completion of the Echelon transaction, and in order to facilitate the transition of client accounts, Dundee Securities has agreed to provide Echelon with certain back-office activities on a cost-recovery basis. These arrangements are expected to extend to the second quarter of 2017.

*Divestiture of the Capital Markets Division of Dundee Securities Ltd. – December 2016*

In 2014, the Corporation initiated a review of its compensation structure, with the intent of implementing industry best practices, and to ensure both individual and business success factors converge. Central to this process was the willingness to provide key employees with an opportunity, through ownership or quasi-ownership structures, to share in the growth and profitability generated through their direct efforts. In December 2016, Dundee Securities completed a transaction that resulted in the sale of the assets and liabilities related to its capital markets division to Eight Capital, a partnership formed by a consortium of individuals that were previously key employees of Dundee Securities' capital markets division.

The Corporation provided $17.5 million of capital, in the form of a subordinated loan, to match the level of capital provided by key employees as equity holders. The subordinated loan bears an annual interest rate of 10%. Subsequent to December 31, 2016, $2.5 million of the subordinated loan was repaid. The terms of the subordinated loan were enhanced with a revenue–based royalty arrangement, pursuant to which Eight Capital will pay a royalty to the Corporation, ranging between 1% and 6.5% of revenues generated by Eight Capital over a five-year period commencing in the calendar year ending December 31, 2017, and reducing to between 1% and 2% in each of 2022 and 2023. Under the terms of the royalty arrangement, royalty payments will cease, subject to a final royalty payment, if the subordinated loan is repaid in full, and in any case, will cease effective December 31, 2023.

During the fourth quarter of 2016, Dundee Securities changed its introducing/carrying agreement with Fidelity Clearing Canada from a Type 4 to a Type 2 Agreement. This change enabled Dundee Securities to free sufficient regulatory capital to facilitate the subordinated loan to Eight Capital.

As illustrated in the following table, Dundee Securities received cash consideration of $2.3 million on the sale, and it recognized a gain of $0.3 million.

| *As at* | | December 2, 2016 |
|---|---|---|
| **Carrying value of net assets sold:** | | |
| Cash | $ | 10,076 |
| Accounts receivable | | 1,891 |
| Client accounts receivable | | 25,187 |
| Capital and other assets | | 69 |
| Client deposits and related liabilities | | (35,262) |
| | | 1,961 |
| **Proceeds received on disposition of net assets:** | | |
| Cash | | 2,258 |
| **Gain on sale of net assets** | **$** | **297** |

Dundee Securities Inc. is a wholly-owned subsidiary of Dundee Securities and is registered as a broker-dealer with the United States Securities and Exchange Commission in select states and is also a member of Financial Industry Regulatory Authority. Dundee Securities Inc. is primarily engaged in the business of acting as agent in the purchase and sale of Canadian equities in the secondary market to U.S. institutional investors. Dundee Securities has determined that the business of Dundee Securities Inc. is aligned with the capital markets business that it sold to Eight Capital. Accordingly, Dundee Securities is seeking regulatory approval for the transfer of Dundee Securities Inc. to Eight Capital, which is expected early in the second quarter of 2017.

*RESULTS OF OPERATIONS*

| | Capital Markets | | Retail & Other | | TOTAL | |
|---|---|---|---|---|---|---|
| *For the years ended December 31,* | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | | | |
| Management fees | $ - | $ - | $ 3,464 | $ 14,914 | $ 3,464 | $ 14,914 |
| Financial services | | | | | | |
| Investment banking | 27,632 | 22,924 | - | - | 27,632 | 22,924 |
| Commissions | 16,942 | 18,185 | 8,685 | 21,957 | 25,627 | 40,142 |
| Principal trading | (5,159) | (1,990) | 2,913 | 1,362 | (2,246) | (628) |
| Foreign exchange trading | - | - | 160 | 581 | 160 | 581 |
| Interest, dividends and other | 1,209 | 1,240 | 4,622 | 9,291 | 5,831 | 10,531 |
| | 40,624 | 40,359 | 19,844 | 48,105 | 60,468 | 88,464 |
| Cost of sales | | | | | | |
| Variable compensation | (19,674) | (20,321) | (7,389) | (23,492) | (27,063) | (43,813) |
| Other items in net loss | | | | | | |
| Depreciation | (449) | (419) | (549) | (3,663) | (998) | (4,082) |
| General and administrative | | | | | | |
| - direct | (14,592) | (25,052) | (7,615) | (28,649) | (22,207) | (53,701) |
| - allocated | (6,169) | (5,285) | (4,970) | (12,178) | (11,139) | (17,463) |
| Interest expense | (65) | (76) | (124) | (88) | (189) | (164) |
| Foreign exchange (loss) gain | 73 | 162 | (437) | 446 | (364) | 608 |
| Net loss attributable to Dundee Securities Ltd. | **$ (252)** | **$ (10,632)** | **$ (1,240)** | **$ (19,519)** | **$ (1,492)** | **$ (30,151)** |
| **Net loss before taxes, Dundee Securities Ltd. attributable to:** | | | | | | |
| Owners of Dundee Corporation | $ (252) | $ (10,632) | $ (1,240) | $ (19,519) | $ (1,492) | $ (30,151) |
| Non-controlling interest | - | - | - | - | - | - |
| Net loss before taxes, Dundee Securities Ltd. | **$ (252)** | **$ (10,632)** | **$ (1,240)** | **$ (19,519)** | **$ (1,492)** | **$ (30,151)** |

### The Capital Markets Division

Before completion of the sale to Eight Capital, the capital markets division of Dundee Securities provided a variety of financial services including investment banking, institutional equity sales and equity research. This division provided strategic financing expertise to private clients and select companies within certain core sectors including mining, energy, technology, real estate, infrastructure and industrials.

*Revenues from Activities in the Capital Markets Division*

During the year ended December 31, 2016, the capital markets division generated revenues of $40.6 million, a 1% increase over revenues of $40.4 million earned during the prior year. The increase results primarily from increased investment banking revenue offset by increased facilitation trading losses. Revenue from new issues and advisory services fees was $27.6 million during 2016, compared with $22.9 million earned in the prior year. Institutional commissions earned in 2016 decreased to $16.9 million, compared with $18.2 million earned in 2015.

During 2016, Dundee Capital Markets participated in 104 public and private new issue transactions, compared with 122 transactions in the prior year. New issue revenue increased to $21.9 million in 2016, compared with $18.2 million of new issue revenue earned in the prior year. Advisory fee revenue during 2016 was $5.7 million, compared with $4.7 million earned in the prior year.

Principal trading losses were $5.2 million in 2016 and include facilitation trading losses of $7.1 million, offset by appreciation of $1.9 million in the market value of certain securities held in this division. In comparison, during 2015, facilitation trading losses were $3.7 million, offset by appreciation of $1.7 million in the market value of securities held. The ratio of facilitation trading losses to associated institutional commission revenue increased to 42% in 2016, compared with 22% in the prior year.

*Variable Compensation Expense*

Variable compensation expense incurred by Dundee Capital Markets during 2016 was $19.7 million (2015 – $20.3 million), and represented approximately 50% (2015 – 52%) of related financial services revenue, resulting in contribution margins of 50% (2015 – 48%).

*General and Administrative Expenses*

Dundee Capital Markets incurred general and administrative expenses of $20.8 million in 2016, compared with $30.3 million in the prior year. The decrease reflects cost savings initiatives implemented during 2015 that have resulted in lower employment, trade related, communication expenses and professional fees.

**The Retail Division and Other Activities**

As a result of the sale of Dundee Goodman Private Wealth in April 2016, revenue in the retail division decreased to $19.8 million during 2016, compared with revenue of $48.1 million generated in the prior year. Correspondingly, variable compensation expense incurred in 2016 was $7.4 million (2015 – $23.5 million), representing approximately 49% (2015 – 59%) of related financial services and management fee revenue, resulting in contribution margins of 51% (2015 – 41%).

Consistent with reduced business activity, the retail division incurred general and administrative expenses of $15.2 million ($12.6 million net of the recognition of the $2.6 million gain from the sale of the retail assets to Echelon), a decrease of $25.6 million from general and administrative expenses of $40.8 million incurred in the prior year.

*CHANGES IN FINANCIAL CONDITION*

*Changes in Assets and Liabilities*

The following table illustrates the year-over-year changes in the net assets of Dundee Securities as a result of its divestiture of each of the retail division and the capital markets division, as well as changes resulting from its ongoing business activities. The net assets of Dundee Securities at December 31, 2016 are after the distribution of $60.5 million of cash to the Corporation.

| | Net Assets of Dundee Securities Ltd. As at December 31, 2015 | | | Transactions during the year ended December 31, 2016 | | | Net Assets of Dundee Securities Ltd. |
|---|---|---|---|---|---|---|---|
| | In Active Business | Held for Sale | Total | Divestiture Retail | Divestiture Capital Markets | Other Activities 2016 | As at December 31 2016 |
| Cash | $ 149,733 | $ 21,786 | $ 171,519 | $ (206,790) | $ (10,076) | $ 100,734 | $ 55,387 |
| Accounts receivable | 11,845 | - | 11,845 | (569) | (1,891) | 3,156 | 12,541 |
| Client accounts receivable | 266,037 | 360,445 | 626,482 | (282,664) | (25,187) | (313,469) | 5,162 |
| Brokerage securities owned | 12,428 | 14,008 | 26,436 | (21,983) | - | 7,390 | 11,843 |
| Income taxes (payable) receivable | (70) | - | (70) | - | - | 554 | 484 |
| Capital and other assets | 5,437 | 8,800 | 14,237 | (9,799) | (69) | (235) | 4,134 |
| Accounts payable and accrued liabilities | (18,212) | - | (18,212) | - | - | 1,682 | (16,530) |
| Client deposits and related liabilities | (326,950) | (387,313) | (714,263) | 506,375 | 35,262 | 145,953 | (26,673) |
| Brokerage securities sold short | - | (8,926) | (8,926) | 5,062 | - | 3,863 | (1) |
| | $ 100,248 | $ 8,800 | $ 109,048 | $ (10,368) | $ (1,961) | $ (50,372) | $ 46,347 |

As a regulated subsidiary and a member of IIROC, the ability of Dundee Securities to transfer cash resources may be limited by its requirement to comply with regulatory capital requirements.

*Call Loan Facilities*

At December 31, 2016, Dundee Securities had established an uncommitted call loan facility for up to $50.0 million (2015 – $125.0 million). There were no amounts drawn pursuant to this facility at December 31, 2016.

## DUNDEE ENERGY LIMITED

Dundee Energy Limited ("Dundee Energy") is a small-cap Canadian-based company focused on creating long-term value through the development and acquisition of high-impact energy projects. Its principal operating assets are located in and around Lake Erie in southern Ontario, Canada and consist of an approximate 93% working interest in 35,000 gross acres of onshore oil and gas properties and an approximate 98% working interest in 268,000 gross acres of offshore gas properties. These assets currently produce approximately 2,322 boe/d, 79% of which is natural gas production. At December 31, 2016, the Corporation held a 58% interest in Dundee Energy. Common shares of Dundee Energy are traded on the TSX under the symbol "DEN". Additional information about Dundee Energy may be accessed at www.dundee-energy.com.

In July 2012, Dundee Energy's principal subsidiary, Dundee Energy Limited Partnership ("DELP") established a $70 million credit facility with a Canadian Schedule I Chartered Bank. The credit facility was structured as a demand loan, whereby the lender had full right, at its sole discretion, to demand repayment of all amounts borrowed under the credit arrangement, whether in whole or in part, at any time. Borrowings under the facility were subject to certain financial covenants, including maintenance of minimum levels of working capital as defined in the credit agreement, and the maintenance of certain net debt to cash flow ratios. At December 31, 2016, DELP was in compliance with all such financial covenants.

In February 2016, the terms of DELP's credit facility were amended to reduce the amounts available pursuant to the credit facility to $60 million, with a further requirement to reduce the facility to $55 million before December 31, 2016. The February 2016 amendment to the credit facility required that DELP maintain a hedging strategy in respect of the sale of commodities, and it required collaboration of Dundee Energy for the prepayment from any net proceeds from the sale of certain assets and/or the settlement of the arbitration process in respect of the Castor Project (see "*Significant Investments Accounted for under the Equity Method*").

DELP continues to generate positive cash flows from its assets in southern Ontario, and it continues to remain in compliance with the financial covenant requirements of the credit agreement. However, the low commodity price environment has, in the view of DELP's lender, eroded the value of DELP's assets in southern Ontario, and it has therefore also eroded the lender's underlying secured interest in such assets. The lender subsequently requested that DELP further reduce its borrowings under the credit facility by early 2017. DELP was not able to meet these requirements and in January 2017, it requested and it obtained a waiver from its lender, maintaining its borrowing availability at $58 million, conditional on DELP agreeing to the terms of a forbearance agreement (the "Forbearance Agreement"). On January 31, 2017, DELP entered into the Forbearance Agreement with its lender, pursuant to which, and provided that certain conditions are met, DELP's lender has agreed to forbear from exercising its enforcement rights and remedies under the terms of the credit facility until the earlier of May 15, 2017; the occurrence of an event of default under the terms of the credit facility; the occurrence of a default or breach of representation under the Forbearance Agreement; or on a demand by the lender.

In connection with these events, and with the approval of its board of directors, Dundee Energy initiated a strategic review process for DELP, the purpose of which is to identify strategic alternatives available to Dundee Energy with respect to enhancing the value of its investment in DELP. Strategic alternatives may include a debt restructuring, a sale of all or a material portion of the assets of DELP, the outright sale of DELP, or a business combination or other transaction involving DELP and a third party. The Forbearance Agreement provides a definitive timeline within which Dundee Energy will be required to complete this process. Dundee Energy has engaged independent financial advisors to advise it in connection with this comprehensive review and analysis.

The financial statements of Dundee Energy have been consolidated into the Corporation's 2016 Audited Consolidated Financial Statements using accounting principles applicable to a going concern, which assumes that Dundee Energy will continue its operations in the foreseeable future, and that it will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Without access to alternative financing arrangements, Dundee Energy will be challenged to deploy the capital that it requires to maintain its existing reserves and production volumes, fund repair and maintenance costs, meet its current financial obligations, including the servicing of its debt, and otherwise develop its ongoing business strategy. There can be no assurance that Dundee Energy will be successful in its strategic review process. Furthermore, and notwithstanding the Forbearance Agreement, there can be no assurance that DELP's lender will not exercise its right to demand under the terms of the credit facility. This material uncertainty casts significant doubt upon Dundee Energy's ability to continue as a going concern and the ultimate appropriateness of using accounting principles applicable to a going concern.

The 2016 Audited Consolidated Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should Dundee Energy be unable to continue as a going concern. If Dundee Energy is not able to continue as a going concern, it may be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the 2016 Audited Consolidated Financial Statements. These differences could be material.

*RESULTS OF OPERATIONS*

During 2016, Dundee Energy incurred a net loss of $17.9 million attributable to owners of Dundee Corporation. This compares to a net loss attributable to owners of Dundee Corporation of $7.8 million incurred during 2015. Included in the net loss attributable to owners of Dundee Corporation during 2016 is an impairment loss of $11.9 million against certain natural gas properties and certain exploration properties. The net loss incurred during 2015 included an impairment of $0.9 million against certain oil properties.

| *For the year ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Revenues | | | | |
| Oil and gas sales | $ | 20,310 | $ | 25,086 |
| Interest and dividends | | (1,770) | | 1,062 |
| | | 18,540 | | 26,148 |
| Cost of sales | | | | |
| Production expenditures | | (12,385) | | (15,753) |
| Other items in net loss before taxes | | | | |
| Depreciation and depletion | | (20,969) | | (12,681) |
| General and administrative | | (5,322) | | (5,112) |
| Loss on derivative financial instruments | | (1,965) | | (21) |
| Interest expense | | (4,399) | | (4,432) |
| Foreign exchange (loss) gain | | (63) | | 152 |
| Net loss before taxes, Dundee Energy Limited | **$** | **(26,563)** | **$** | **(11,699)** |
| **Net loss before taxes, Dundee Energy Limited attributable to:** | | | | |
| Owners of Dundee Corporation | $ | (17,918) | $ | (7,809) |
| Non-controlling interest | | (8,645) | | (3,890) |
| Net loss before taxes, Dundee Energy Limited | **$** | **(26,563)** | **$** | **(11,699)** |

*Sales and Production Volumes*

During 2016, sales of oil and natural gas, net of royalty interests, were $20.3 million, a decrease of $4.8 million from net sales of $25.1 million earned during the prior year. Approximately $2.2 million of the decrease resulted directly from lower realized prices for the underlying commodities. The remaining $2.6 million decrease reflects lower production volumes as a result of scheduled overhaul work on two compressors, as well as reduced activities resulting from financial restrictions related to Dundee Energy's borrowing capacity.

Dundee Energy realized an average price on sales of natural gas of $3.56/Mcf, representing a 5% premium over the average benchmark price at the Dawn Hub of $3.39/Mcf. Despite this premium, the average realized price on sales of natural gas during 2016 declined 12% from the average price of $4.05/Mcf realized by Dundee Energy in the prior year. Dundee Energy's average realized price for sales of oil in 2016 was $53.69/bbl, an 11% decrease from the average price of $60.26/bbl realized during 2015. The decrease is consistent with the 11% decrease in the U.S. dollar-denominated West Texas Intermediate price for this commodity, but is in excess of the 8% decrease in the Edmonton Par average price for crude oil.

| *Average daily volume during the years ended December 31,* | 2016 | 2015 |
|---|---|---|
| Natural gas (Mcf/d) | 11,001 | 11,660 |
| Oil (bbls/d) | 485 | 560 |
| Liquids (bbls/d) | 3 | 3 |
| Total (boe/d) | 2,322 | 2,506 |

Average daily natural gas production volumes decreased to 11,001 Mcf/d during 2016, compared with production volumes of 11,660 Mcf/d achieved in the prior year, which represents an approximate decline of 6%. This reduction is consistent with historical decline rates for these long life reserves. Oil production volumes decreased to an average of 485 bbls/d during 2016, compared with an average of 560 bbls/d produced in the prior year. The decrease reflects a decline of approximately 13% and falls in the lower range of the expected decline rates for these reserves. The successful and ongoing downhole maintenance program implemented in 2014 is the contributing factor to these improved decline rates.

*Field Level Cash Flows and Field Netbacks*

| *For the years ended December 31,* | | | 2016 | | | 2015 |
|---|---|---|---|---|---|---|
| | Natural Gas | Oil and Liquids | Total | Natural Gas | Oil and Liquids | Total |
| Total sales | $ 14,349 | $ 9,542 | $ 23,891 | $ 17,233 | $ 12,348 | $ 29,581 |
| Royalties | (2,153) | (1,428) | (3,581) | (2,598) | (1,897) | (4,495) |
| Production expenditures | (8,130) | (4,255) | (12,385) | (9,557) | (6,196) | (15,753) |
| | 4,066 | 3,859 | 7,925 | 5,078 | 4,255 | 9,333 |
| Realized gain on derivative financial instruments | 289 | - | 289 | - | 341 | 341 |
| **Field level cash flows** | **$ 4,355** | **$ 3,859** | **$ 8,214** | **$ 5,078** | **$ 4,596** | **$ 9,674** |

| *For the years ended December 31,* | | | 2016 | | | 2015 |
|---|---|---|---|---|---|---|
| | Natural Gas | Oil and Liquids | Total | Natural Gas | Oil and Liquids | Total |
| | $/Mcf | $/bbl | $/boe | $/Mcf | $/bbl | $/boe |
| Total sales | $ 3.56 | $ 53.52 | $ 28.13 | $ 4.05 | $ 60.04 | $ 32.33 |
| Royalties | (0.53) | (8.01) | (4.22) | (0.61) | (9.22) | (4.91) |
| Production expenditures | (2.02) | (23.86) | (14.58) | (2.25) | (30.13) | (17.22) |
| | 1.01 | 21.65 | 9.33 | 1.19 | 20.69 | 10.20 |
| Realized gain on derivative financial instruments | 0.07 | - | 0.34 | - | 1.66 | 0.37 |
| **Field netbacks** | **$ 1.08** | **$ 21.65** | **$ 9.67** | **$ 1.19** | **$ 22.35** | **$ 10.57** |

From time to time, Dundee Energy may mitigate its exposure to price volatility in commodities, including currency risk associated with commodity pricing, by entering into fixed price commodity contracts in Canadian dollars. These arrangements improved field netbacks in 2016 by $0.34/boe, compared with an increase of $0.37/boe in 2015.

At December 31, 2016, Dundee Energy had remaining a single derivative financial instrument for 5,000 million British thermal units ("mmbtu") per day at US$2.70/mbtu for the period commencing January 1, 2017 and ending on January 1, 2018. At December 31, 2016, this derivative financial instrument had a negative value of $2.3 million.

| Contract<br>Fixed Price Swap | Volume | Pricing<br>Point | Strike Price<br>($/unit) | Remaining<br>Term | Fair Value<br>December 31, 2016 |
|---|---|---|---|---|---|
| Natural Gas | 5,000 mmbtu/day | NYMEX | US$2.70 | Jan 01/17 to Jan 01/18 | $ (2,275) |

*CHANGES IN FINANCIAL CONDITION*

*Reserves*

Dundee Energy retained Deloitte LLP ("Deloitte"), an independent qualified reserves evaluator to prepare a report on its reserves as at December 31, 2016, pursuant to guidelines and definitions set out under National Instrument 51-101. The following table outlines the change in Dundee Energy's reserves since December 31, 2015. As at December 31, 2016, the reserve life index for natural gas was 23.5 years, while the reserve life index for oil was 13.4 years.

| | Natural Gas (MMcf) | Oil (Mbbl) | Natural Gas Liquids (Mbbl) | Total (Mboe) | NPV @ 10% Before Tax (M$) | NPV per boe |
|---|---|---|---|---|---|---|
| **Proved Reserves** | | | | | | |
| Opening balance, January 1, 2016 | 93,791 | 1,580 | 8 | 17,219 | $ 117,519 | $ 6.82 |
| Net acquisitions | - | - | - | - | | |
| Revisions | 6,729 | 773 | 4 | 1,899 | | |
| Production | (4,161) | (174) | (1) | (869) | | |
| **Closing balance, December 31, 2016** | **96,359** | **2,179** | **11** | **18,249** | **$ 142,568** | **$ 7.81** |
| **Probable Reserves** | | | | | | |
| Opening balance, January 1, 2016 | 12,883 | 678 | 3 | 2,828 | $ 24,064 | $ 8.51 |
| Net acquisitions | - | - | - | - | | |
| Revisions | 6,663 | 172 | - | 1,283 | | |
| **Closing balance, December 31, 2016** | **19,546** | **850** | **3** | **4,111** | **$ 31,113** | **$ 7.57** |
| **Total proved and probable** | 115,905 | 3,029 | 14 | 22,360 | $ 173,681 | $ 7.77 |
| **Percentage increase in proved and probable reserves** | 9% | 34% | 27% | 12% | | |

The following table outlines Deloitte's forecasted future prices for each of oil and natural gas. These forecasts form the basis for Deloitte's evaluation of Dundee Energy's reserves at December 31, 2016, as outlined above.

| Reserve Prices | Natural Gas<br>Ontario<br>Dawn Reference Point<br>CAD$ / mmbtu* | Oil<br>WTI at<br>Cushing Oklahoma<br>US$ / bbl |
|---|---|---|
| 2017 | 4.70 | 55.00 |
| 2018 | 4.75 | 58.15 |
| 2019 | 4.80 | 62.40 |
| 2020 | 4.80 | 69.00 |
| 2021 | 4.70 | 75.75 |
| Average five year forecast | 4.75 | 64.06 |

* Dundee Energy's gas quality is 1.042 mmbtu for one Mcf.

On June 30, 2016, Dundee Energy recognized an impairment loss of $5.0 million on certain of its natural gas properties, reducing their carried value to their estimated recoverable amount. The impairment resulted from a continued decline in the outlook for long-term natural gas prices at the time of the impairment. The recoverable amount of these natural gas properties was determined based on their value-in-use, using a discounted cash flow model. In computing the recoverable amount, expected future cash flows were adjusted for risks specific to the natural gas properties and were discounted using a discount rate of 8%. Dundee Energy anticipates that, had it completed its analysis using a discount rate of 10%, at December 31, 2016, Dundee Energy's gas properties would have been further impaired by $0.1 million. Had the discount rate increased to 15%, Dundee Energy's gas properties would have been further impaired by $19.7 million.

On December 31, 2016, Dundee Energy recognized a further impairment loss of $6.9 million against certain exploration and evaluation properties. These properties do not have any identified commercially viable resources or reserves, and Dundee Energy would require substantial amounts of financial resources to further exploit these properties. In light of restricted financial resources available to Dundee Energy during the forbearance period, Dundee Energy determined that it was appropriate to impair these assets, reducing their carried value to $nil.

*Capital Expenditures*

In response to declining commodity prices for both crude oil and natural gas, and as a consequence of restrictions placed on Dundee Energy's ability to borrow pursuant to its existing lending arrangements, Dundee Energy extensively limited its 2016 capital work plan. During 2016, Dundee Energy incurred capital expenditures of $0.7 million (2015 – $0.8 million), including costs of $0.6 million (2015 – $0.8 million) to maintain its existing and essential land portfolio, and a further $0.1 million for the completion of prior year projects. Dundee Energy intends to forego any material capital work in 2017 until Dundee Energy is able to secure alternative financing arrangements.

*Decommissioning Liabilities*

DELP is subject to the provisions of the *Oil, Gas and Salt Resources Act* (Ontario) which requires, among other things, the plugging and/or decommissioning of inactive wells within 12 months of becoming inactive so that they do not become a hazard to the environment and/or public safety. An inspector of the Ministry of Natural Resources and Forestry ("MNRF") may also require the plugging and/or decommissioning of a well if, in the opinion of the MNRF, it poses a hazard to the public or to the environment. DELP has always maintained an up-to-date emergency response program that is designed and monitored by highly qualified individuals that ensure adherence to environmental and safety policies and standards. As well, DELP maintains property and liability insurance coverage which provides a reasonable amount of protection from risk of loss. However, not all risks are foreseeable or insurable and there can be no guarantee that DELP will be able to recover any financial losses suffered as a result of environmental factors directly from its insurance arrangements.

In August 2015, the MNRF issued an order to DELP and to its general partner, outlining its requirements for the abandonment of approximately 73 wells over a period beginning in 2015. Due to the low price environment in commodity markets, and its effect on DELP's borrowing capabilities, DELP was not able to comply with the immediate requirements of the order from the MNRF and consequently, it entered into discussions with the MNRF in order to obtain a deferral of these obligations. In January 2017, DELP obtained the approval of the MNRF for the deferral of its plugging and abandonment program, subject to DELP complying with the revised timeline for the abandonment of inactive wells. In connection with the revised plugging and decommissioning requirements, Dundee Corporation has provided a letter of support for up to $2.5 million to complete DELP's abandonment obligations under the revised terms approved by the MNRF, if DELP does not have the financial resources to comply with the requirements.

Dundee Energy has recorded a decommissioning liability, representing its best estimate of the costs that it will incur to settle future site restoration, abandonment and reclamation obligations, including activities that are required as part of the order referred to above. At December 31, 2016, the Corporation's estimate of these future costs on an undiscounted basis is approximately $98.6 million. The Corporation expects to incur these forecasted obligations over the life of the underlying assets, which is currently in excess of 40 years. At December 31, 2016, the discounted amount of the Corporation's decommissioning liabilities was $55.5 million.

*Demand Revolving Credit Facility*

Amounts borrowed pursuant to DELP's credit facility are subject to interest on a tiered rate that varies based on DELP's net debt to cash flow ratio, as defined in the credit facility. Based on DELP's current ratios, draws on the credit facility bear interest at the bank's prime lending rate plus 3.5%. In addition, DELP is subject to a standby fee of 0.55% on unused amounts under the credit facility. The credit facility is subject to certain covenants, including maintenance of minimum levels of working capital. At December 31, 2016, DELP was in compliance with all such covenants.

At December 31, 2016, Dundee Energy and its subsidiaries had cash of $1.5 million on deposit with a Canadian Schedule I Chartered Bank and DELP had drawn $57.4 million against its current credit facility, the availability of which was reduced to $58 million pursuant to the Forbearance Agreement with DELP's lender.

Dundee Energy's access to cash and to additional borrowing availability under the terms of its credit facility are sufficient to meet its immediate obligations, but will not be sufficient for Dundee Energy to sustain its current operations. Therefore, in January 2017, Dundee Energy initiated a strategic review process for DELP, the purpose of which is to identify, examine and consider a range of strategic alternatives available with respect to enhancing the value of its investment in DELP. Strategic alternatives may include a debt restructuring, a sale of all or a material portion of the assets of DELP, either in one transaction or a series of transactions, the outright sale of DELP, a business combination or other transaction involving DELP and a third party, and/or alternative financing initiatives. There can be no assurance that Dundee Energy will be successful in this endeavour.

The lending arrangements provided to Dundee Energy are non-recourse to the Corporation.

## UNITED HYDROCARBON INTERNATIONAL CORP.

United Hydrocarbon International Corp. ("UHIC") is a privately-held Canadian company engaged in the exploration, development and production of oil and gas in the Republic of Chad. In May 2012, UHIC was awarded an exploration permit pursuant to a Production Sharing Contract ("PSC") with the government of the Republic of Chad through its wholly-owned subsidiary, United Hydrocarbon Chad Ltd. The PSC provides UHIC with the exclusive right to explore and develop oil and gas reserves in four distinct blocks: the DOC Block and the DOD Block (together the "Doba Basin"); Block H; and the Largeau Block.

UHIC is committed to finding ways to add value for its shareholders in a challenging environment for junior international oil and gas companies. In that regard, during 2016, UHIC engaged FirstEnergy LLP to seek financial or industry partners and, in order to properly convey the commercial opportunity, they established an extensive data room to service the informational needs of possible joint venture partners and investors. Non-binding bids were received in October 2016 and the board of directors of UHIC subsequently undertook an assessment of the bids received during the remainder of 2016 and early 2017. Although no formal agreement has been signed to date, UHIC has identified a preferred farm out partner in connection with the data room process that began in May 2016 and which yielded significant interest and multiple non-binding bids.

*The Production Sharing Contract*

Under the terms of the PSC, UHIC was awarded an exploration permit with an initial term of five years expiring in May 2017, and with a renewal option for a period of an additional three years. In addition to ongoing normal course annual costs such as land taxes and other miscellaneous administration fees associated with the PSC, the initial term of the PSC carried a minimum work commitment of US$75.0 million, all of which was fulfilled by UHIC. During the three year renewal period, UHIC will have further work obligations of US$5.0 million. UHIC is engaged in ongoing discussions with the Republic of Chad, and has formally submitted its application under its PSC to enter into the three year renewal phase of exploration, having met all of the pre-conditions under the PSC associated with being granted the renewal. Should there be a commercial discovery or discoveries, UHIC may apply for exploitation license(s) under the terms of the PSC. The exploitation license would have an initial term of 25 years, and may be renewed for an additional 10 years. A fee of US$2.0 million would be payable to the government of the Republic of Chad upon the approval and issuance of each exploitation license.

As at December 31, 2016, the Corporation's carrying value of its 85% investment in UHIC was $197.4 million, and was net of an impairment of $215.2 million recognized in the third quarter of the prior year. Additional information regarding UHIC may be accessed at www.unitedhydrocarbon.com.

*CHANGES IN FINANCIAL CONDITION*

*Corporate Restructuring Transaction*

In August 2016, UHIC completed a restructuring transaction with the Corporation which resulted in UHIC emerging with an essentially debt-free balance sheet and sufficient working capital to pursue its immediate objective of attracting a joint venture partner or investors to fund the further development of its resources. As part of the restructuring, the Corporation converted approximately $322.8 million aggregate principal amount of debt into common shares of UHIC, and it forgave all associated and accrued interest on such debt. Upon completion of the transaction, UHIC had approximately 698.0 million common shares outstanding, of which approximately 85% were issued to the Corporation, with the remaining 15% issued to non-controlling shareholders.

*Cash Resources*

UHIC does not currently generate cash flows from its business activities, and it currently relies on its ability to raise funds through capital markets or through debt from the Corporation. In October 2016, and in order to assist with working capital, including the financing of costs associated with the data room, UHIC completed a $12.2 million offering of shares to its existing shareholder base at a price of $0.10 per share. The Corporation invested $10.0 million under the terms of the offering.

Existing cash resources are expected to cover UHIC's cash requirements through to June 2017. Should UHIC not be successful in finalizing and closing an arrangement with its preferred farm out partner, UHIC will require additional funds to continue its exploration program and if successful, to develop and produce commercially viable discoveries. UHIC's management believe that alternative financing, joint ventures or farm out options exist should negotiations with its preferred partner not culminate in a transaction, but there can be no assurance that UHIC will be successful in raising the necessary funds from third party sources.

*The Resource Properties*

Since establishing the PSC, UHIC's primary exploration and evaluation focus has been in the Doba Basin located in southern Chad, including both the DOC Block and the DOD Block. There were two existing discoveries on these blocks that were made by prior block operators, the Belanga and the M'Biku, both of which now form part of the PSC. Remaining discoveries were made by UHIC during its 2014 drilling program in the Doba Basin which included the drilling of 14 wells. These drilling activities resulted in six successful oil appraisal wells at Belanga and two new oil discoveries at Lara 1 and Lara East 1, both within 10 kilometres of Belanga. All of these discoveries are situated in close proximity to the Mondoulli oilfield currently being produced and operated by Exxon.

Block H is located in north-central Chad on the border with Niger, directly adjacent to the Agadem block currently held by China National Petroleum Corp. and Savannah Petroleum PLC. There are two known oil discoveries within Block H, the Kumia and Kanem. UHIC also holds an extensive seismic database that has been used by previous operators to identify more than 200 exploration leads on this block. UHIC has completed an independent interpretation of the seismic data and it continues to update and further validate the exploration potential of Block H. Future exploration activities are expected to include additional scientific work related to lead and prospect identification, and modern seismic acquisition and interpretation, which may lead to drilling in as early as 2017, depending on oil price movement and availability of capital.

In January 2015, the governments of Chad and Niger announced the formation of the Niger Oil Transportation Corporation (NOTCO) which has proposed a pipeline route from Niger through UHIC's Block H, enroute to joining the export pipeline in the Doba Basin, an arrangement which could prove profitable to UHIC in the future.

UHIC has been impacted by downward commodity pricing pressures, which are currently being faced by many international oil and gas companies. The Brent oil price fell to a low of US$36.11/bbl in 2015 and fell further to a low of US$27.88/bbl in early 2016. The reduction of Brent oil prices generally increased the cost of both debt and equity capital to oil and gas companies, while also challenging the short-term returns of prospective projects. In response, UHIC temporarily suspended drilling operations in early 2015, releasing the drilling rig, and issuing contract suspension and termination notices to most of its service providers. On an ongoing basis, and in the absence of finding an industry partner, the Corporation anticipates that UHIC will require approximately $1.0 million per month to ensure the maintenance of its resource properties, meet its obligations under the PSC and develop its technical data.

*Impairment of Resource Properties*

The sharp decline in oil prices in 2015 and early 2016 have reduced the value of the Corporation's investment in UHIC. In accordance with accounting requirements, during the third quarter of the prior year, the Corporation assessed its investment in UHIC's resource properties for impairment, and determined that it was appropriate to recognize an impairment loss of $215.2 million, reducing the carrying value of these properties to their fair value of US$177.0 million as determined on September 30, 2016.

In determining the recoverable amount of the resource properties, a value per barrel of estimated resources was determined using publicly available capital markets transaction metrics consisting of a basket of comparable publicly-traded companies. It is important to note that these metrics are based on a small sample size and are only based on publicly available information. These metrics are sensitive to the consequential reaction of capital markets to volatility in, and the pricing outlook for oil. These factors may result in additional impairments to these properties, or may also result in the reversal of such impairment if the underlying volatility and/or the price of oil improves.

The following table illustrates the historical resource estimates used by UHIC in determining the recoverable amount of its resource properties in 2015. Subsequent to 2015, UHIC obtained updated resource estimates, which are also reflected in the following table. Due to volatility in capital markets, UHIC determined that the updated resource estimates should not result in a change in the impairment of its resource properties.

| Area | Resource type [1][2] | Updated Resources (Millions of bbls) | Historical Resources (Millions of bbls) |
|---|---|---|---|
| Doba | Gross Contingent Resources - 2C [3][4] | 12.6 | 11.3 |
| Doba | Gross Contingent Resources - incremental 3C net of 2C[3][4] | 18.4 | 15.8 |
| Doba | Gross Prospective Resources - Best Estimate [5] | 115.958 | 116.514 |
| Block H | Gross Contingent Resources - 2C [3][4] | 11.4 | - |
| Block H | Gross Contingent Resources - incremental 3C net of 2C[3][4] | 11.5 | - |
| Block H | Gross Prospective Resources - Best Estimate [5] | 1,152.567 | 838.387 |

*1. There is uncertainty that it will be commercially viable to produce any portion of the contingent resources set out herein. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. See "Performance Measures" for a description of, and important information about, the resources terms used in this MD&A.*

*2. All contingent and prospective resources are light and medium oil.*

*3. Contingent resources estimates are sub-classified in the development unclarified project maturity sub-class.*

*4. Contingent resources estimates have not been risked for the chance of development. The chance of development is defined as the probability of a project being commercially viable. Quantifying the chance of development requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social licence, internal and external approvals and commitment to project finance and development timing. As many of these factors are extremely difficult to quantify, the chance of development is uncertain and must be used with caution. The chance of development was estimated to be 65% at Doba and 40% at Block H. Gross resources represent 100% working interest and do not factor in any government back-in rights.*

*5. The risked resources are partially risked prospective resources that have been risked for chance of discovery, but have not been risked for the chance of development. The chance of development is defined as the probability of a project being commercially viable. Quantifying the chance of development requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social licence, internal and external approvals and commitment to project finance and development timing. As many of these factors are extremely difficult to quantify, the chance of development is uncertain and must be used with caution. The chance of development was estimated to be 65% at Doba and 40% at Block H. Gross resources represent 100% working interest and do not factor in any government back-in rights.*

Estimates of UHIC's contingent resources and prospective resources are based on reports of independent qualified reserves evaluators prepared in accordance with the COGE Handbook including:

(i) The updated resources in respect of both Doba and Block H were prepared by McDaniel & Associates Consultants Ltd. dated May 20, 2016, and effective March 31, 2016;

(ii) The historical resources in respect of Doba were prepared by McDaniel & Associates Consultants Ltd. dated November 4, 2015 and effective September 30, 2015; and

(iii) The historical resources in respect of Block H were prepared by Robertson (UK) Limited dated and effective December 31, 2014.

However, this data is inherently imprecise and is subject to significant judgment. The estimates of contingent and prospective resources provided in this MD&A are estimates only and there is no guarantee that the estimated contingent and prospective resources will be recovered. Actual contingent and prospective resources may be greater than or less than the estimates provided in this MD&A. In general, the significant factors that may change the prospective resources and contingent resources estimates include further delineation drilling, which could change the estimates either positively or negatively, future technology improvements, which would positively affect the estimates, and additional transportation capacity, which would positively affect the estimates.

In accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*, estimates per basin are as follows:

| Basin | Estimated cost to achieve commercial production (US$MM) | General Timeline including the estimated date of first commercial production (Years) | Estimate of Recovery Technology (conventional or unconventional) | Basis of Project (conceptual or pre-development) |
|---|---|---|---|---|
| Doba | $250 | 2-4 | Conventional | Conceptual |
| Block H[1] | $350 | 3-6 | Conventional | Conceptual |

*(1) Contingent on the NOTCO pipeline being built.*

*RESULTS OF OPERATIONS*

UHIC normally capitalizes costs that are directly related to exploration activities, including all costs incurred in the Republic of Chad, as well as certain costs incurred at head office that relate specifically to these activities. Following the suspension of drilling operations in early 2015, these costs have been expensed as incurred, including shut-down and contract termination costs.

Following the suspension of drilling operations, UHIC initiated a process to reduce its general and administrative costs in order to conserve cash, it refocused on the integration of all of the new scientific and technical data that had been collected into the development of UHIC's assets, and it engaged in a process to develop targeted plans for a multi-staged development strategy to establish production. As a result of these initiatives, UHIC's general and administrative costs were reduced to $12.0 million during 2016, including costs of $2.7 million incurred during the fourth quarter. This compares with total general and administrative costs of $35.9 million in 2015, including general and administrative costs of $5.5 million incurred in the fourth quarter of that year.

| | For the three months ended December 31, | | For the year ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| General and administrative costs: | | | | |
| Directly attributable to exploration activities, gross | $ 1,355 | $ 2,103 | $ 5,087 | $ 18,606 |
| Amounts capitalized | - | (57) | - | (4,371) |
| Directly attributable to exploration activities, net | 1,355 | 2,046 | 5,087 | 14,235 |
| Head office and other ongoing expenses | 1,322 | 1,536 | 6,719 | 9,729 |
| Employee termination costs | - | 1,173 | 161 | 3,494 |
| Shut-down and contract termination costs | - | 702 | - | 8,471 |
| | 2,677 | 5,457 | 11,967 | 35,929 |
| Other net costs | 457 | 318 | 820 | 1,247 |
| Net costs before impairment | 3,134 | 5,775 | 12,787 | 37,176 |
| Impairment | - | - | - | 215,156 |
| | $ 3,134 | $ 5,775 | $ 12,787 | $ 252,332 |

## DUNDEE SUSTAINABLE TECHNOLOGIES INC.

Dundee Sustainable Technologies Inc. ("Dundee Technologies") is engaged in the development and commercialization of environmentally-friendly technologies for the treatment of complex materials in the mining industry. Through the development of patented, proprietary processes, Dundee Technologies extracts precious and base metals from ores, concentrates and tailings, while stabilizing contaminants such as arsenic, which could not otherwise be extracted or stabilized with conventional processes because of metallurgical issues, cost or environmental considerations.

Cyanidation, a commonly used procedure for processing gold, typically produces large amounts of highly contaminated tailings. Several countries have restricted, or even banned the use of cyanide and, as a result, there are a significant number of ore bodies that are stranded for lack of an environmentally-acceptable process to extract the gold and base metals from the ore bodies. Dundee Technologies' most advanced proprietary process uses chlorination to provide a cyanide-free alternative for the exploitation of gold deposits. The primary benefits of this innovative technology are shorter processing times, an inert and stable cyanide and mercury-free tailings, and a closed-loop operation that eliminates the need for costly tailing ponds and thereby reduces the associated environmental footprint and eliminates the risk of damaging spills from tailings ponds.

In addition to its chlorination process, Dundee Technologies has constructed a pilot plant to demonstrate its arsenic stabilization process, which is designed for the sequestration of this contaminant into a stable glass form. This process is an attractive technique to permanently segregate arsenic, and presents opportunities to process materials considered too toxic to be exploited or stabilized using conventional mining methods.

Dundee Technologies has protected its intellectual property by filing patents during the development of its technologies. To date, Dundee Technologies has patents granted or published on 13 different processes, and it has 57 patents granted, published, pending or filed in 16 different countries. These patents expire between 2022 and 2034.

Inherent in the commercialization of these processes is significant technology development risk. Each of these processes may require significant additional development, testing and investment prior to final commercialization. There can be no assurance that such technologies will be successfully developed, or that output from any use of Dundee Technologies' processes could be produced at a commercial level at reasonable costs, or that such processes could be successfully marketed.

At December 31, 2016, the Corporation held 178.1 million subordinate voting shares and 50.0 million multiple voting shares of Dundee Technologies, representing a 66% equity interest and an 85% voting interest. Additional information regarding Dundee Technologies may be accessed at www.dundeetechnologies.com.

*The Chlorination Technology*

The current stage of Dundee Technologies' chlorination process is the result of 17 years of effort in combined laboratory development and pilot plant scale validation. Following successful pilot results, the next stage in the process was the development of the technology at an industrial scale. This required the construction of a demonstration plant, which could operate on a continuous basis. Construction of the demonstration plant commenced in 2013, and commissioning was successfully completed in late 2015, enabling Dundee Technologies to proceed with the demonstration phase of the project. The demonstration plant will serve as reference for the establishment of full scale plants operating with the same technology. During 2016, Dundee Technologies successfully completed two demonstration campaigns; the first on a refractory concentrate, and the second on a complex material which has historically proven difficult to process using conventional processing methods.

In order to establish the proof of concept for the chlorination process, Dundee Technologies arranged for Dundee Precious (see "*Significant Investments Accounted for under the Equity Method*") to supply refractory gold bearing pyrite concentrate from its Bulgarian mining operations. Processing of 170 tonnes of the concentrate commenced at the demonstration plant in November 2015 and was completed in March 2016. The results of the testing were independently verified through the Canadian Environmental Technology Verification Program ("Canadian ETV"), an independent certification program designed to support Canada's environment industry by providing credible and independent verification of technology claims, and assurance that environmental performance claims are valid and supported by high quality, independent test data and information. Canadian ETV confirmed that Dundee Technologies' cyanide-free gold extraction process achieved an average yield of at least 81%, while the average yield using cyanide extraction methodology was at least 71% on the same material.

Refractory concentrate provided by Dundee Precious was chosen specifically, due to the difficulty of extracting its gold using conventional processes, hence demonstrating the effectiveness of Dundee Technologies' process. Processing of the concentrate also allowed Dundee Technologies to confirm the efficiencies of the components of the demonstration plant, which responded well and according to expectations. Finally, the process successfully demonstrated the closed circuit operation of the demonstration plant, with the recycling and regeneration of the reagents and all solid residues having met or exceeded environmental norms.

In addition to the processing of concentrate received from Dundee Precious, Dundee Technologies entered into an agreement with a Chilean mining company for the processing of gold concentrate using the chlorination process. In September 2015, Dundee Technologies received two tonnes of concentrate from the Chilean company, which it processed at its pilot plant. In March 2016, Dundee Technologies announced that, through the chlorination process, it achieved a gold recovery of 98.8% from this piloting campaign, enabling it to proceed to the next stage of its relationship with the Chilean entity, which involved the processing of a larger quantity of material at the demonstration plant. In December 2016, Dundee Technologies completed the processing of 40 tonnes of this complex material, which contained an estimated 110 g/tonne of gold, copper grades of 9.0% and mercury content in excess of 700 g/tonne. A gold extraction yield of 97.3% was achieved at the outlet of the chlorination reactor, with full environmental controls over the sulfur and mercury content, with mercury effectively removed during processing to a level of 99%.

Dundee Technologies is in the final stages of completing the technical report related to this demonstration campaign. The intention is to initiate an independent technical-economic study, designed with the objective of building Dundee Technologies' first commercial plant.

At December 31, 2016, Dundee Technologies had expended $18.9 million towards the construction and operation of the demonstration plant.

*The Arsenic Stabilization Technology*

During 2015, Dundee Technologies constructed a pilot plant for its proprietary arsenic stabilization process. In February 2016, Dundee Technologies entered into an agreement with an international gold mining and smelting company (the "Customer") to evaluate the feasibility of integrating the arsenic stabilization process onsite at its smelter for arsenical matter produced by the Customer. The first stage of this agreement was completed during the third quarter of 2016, and confirmed that the technology can be implemented successfully on a pilot plant scale. This program confirmed the stability of the produced glass, which contained up to 20% arsenic, by passing the United States Environmental Protection Agency's toxicity characterization leaching procedure. Dundee Technologies is currently completing the advanced engineering for a small onsite industrial plant, and is in discussions with the Customer to evaluate the installation of an arsenic vitrification plant.

In addition to the use of this process in stabilization activities, Dundee Technologies has developed expertise for the processing of arsenical concentrates. Arsenic, contained in the arsenopyrite, is removed by pyrolysis and combined with Dundee Technologies' proprietary stabilization process. This pre-treatment will allow for the level of arsenic in the mineral concentrate to be acceptable for traditional smelters without the need for costly penalties currently imposed.

In February 2017, Dundee Technologies entered into a contract with a Canadian exploration company to conduct a pilot scale program on samples from their gold project located in the Abitibi region of Quebec. Under the terms of this contract, Dundee Technologies has received a five tonne sample of representative material from the project. The goal is to confirm that complex refractory gold concentrates can undergo a pre-treatment to remove arsenic and create a mineral concentrate, and subsequently undergo gold and base metals extraction using Dundee Technologies' chlorination process. This test program will be overseen by an independent consulting firm with the view of providing the necessary data to the Canadian exploration company with which it can complete a preliminary economic assessment.

*RESULTS OF OPERATIONS*

During 2016, Dundee Technologies incurred a net loss of $2.1 million attributable to owners of Dundee Corporation, compared with a loss of $3.9 million in 2015.

| *For the years ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Revenues | | | | |
| Technical services | $ | 1,199 | $ | - |
| Interest, dividends and other | | 400 | | 16 |
| | | 1,599 | | 16 |
| Cost of sales | | (652) | | - |
| Other items in net loss before taxes | | | | |
| Depreciation and depletion | | (1) | | (61) |
| General and administrative | | (4,340) | | (6,553) |
| Interest expense | | (356) | | (110) |
| Foreign exchange gain (loss) | | 12 | | (19) |
| Net loss before taxes, Dundee Sustainable Technologies Inc. | **$** | **(3,738)** | **$** | **(6,727)** |
| **Net loss before taxes, Dundee Sustainable Technologies Inc. attributable to:** | | | | |
| Owners of Dundee Corporation | $ | (2,123) | $ | (3,949) |
| Non-controlling interest | | (1,615) | | (2,778) |
| Net loss before taxes, Dundee Sustainable Technologies Inc. | **$** | **(3,738)** | **$** | **(6,727)** |

During 2016, Dundee Technologies earned revenues of $1.2 million from the provision of technical services to customers in the mining industry to evaluate processing alternatives using its technologies. In addition, it recognized other revenue of $0.4 million from the sale of a resource property that it had previously impaired.

General and administrative expenses include research and development expenses in respect of Dundee Technologies' chlorination and arsenic stabilization processes. During 2016, Dundee Technologies incurred $3.8 million (2015 – $5.7 million) in research and development costs, including costs associated with the construction and subsequent operation of the demonstration plant.

Dundee Technologies periodically receives financial assistance under government incentive programs. Assistance that compensates Dundee Technologies for expenses incurred are normally recognized as a reduction to research and development expense on a systematic basis in the same periods in which the expenses are incurred. On a net-of-assistance basis, research and development costs represented $2.6 million (2015 – $4.4 million) of general and administrative costs.

*CHANGES IN FINANCIAL POSITION*

The chlorination process developed by Dundee Technologies has been recognized as a "green technology", for which Dundee Technologies has been awarded a $5.0 million grant by the Government of Canada through its Sustainable Development Technology Canada Fund, for the construction and operation of the demonstration plant.

In addition to the Government of Canada's support, during 2015, Dundee Technologies completed a $5.0 million private placement with Investissement Quebec. The private placement included an equity investment of $1.0 million and a draw down convertible loan amount of up to $4.0 million of which $1.9 million was advanced in 2015 and $2.1 million in 2016. The loan component of the private placement is evidenced by a five-year secured convertible debenture which bears interest at 8% per annum. After an initial one-year term, the loan may be converted at the option of the holder, into subordinate voting shares of Dundee Technologies at a conversion price equal to the closing market price of such shares on the day immediately prior to conversion. After the first anniversary of the loan, Dundee Technologies may redeem the loan at a 10% premium to par. The convertible loan is secured against all of the assets of Dundee Technologies, other than its intellectual property. In addition, Dundee Corporation has provided a guarantee to Investissement Quebec for up to $1.5 million of amounts borrowed pursuant to the arrangement.

Dundee Corporation advanced $0.5 million to Dundee Technologies during 2016 (2015 – $2.2 million) in order to supplement working capital requirements. In addition, during the prior year, Dundee Corporation paid $5.0 million to Dundee Technologies on the exercise of 50 million outstanding warrants. At December 31, 2016, Dundee Technologies had cash of $0.5 million, and it had obligations, other than obligations due to Dundee Corporation, of $4.6 million. Dundee Technologies continues to pursue financing alternatives to fund its operations. Although there is no assurance that these efforts will be successful, Dundee Technologies believes that if its ongoing research and development activities provide favorable results, it will be able to secure the necessary financing through the issuance of debt or equity.

## EUROGAS INTERNATIONAL INC.

Eurogas International Inc. ("Eurogas") (www.eurogasinternational.com), is a publicly traded (CSE:EI) oil and natural gas exploration company. Subject to certain limitations as further described below, Eurogas holds an approximate 5.625% royalty-like working interest in the Sfax offshore permit (the "Sfax Permit"), located in the shallow Mediterranean waters in the Gulf of Gabes, offshore Tunisia and southeast of the city of Sfax. The operator of the Sfax Permit is DNO Tunisia AS ("DNO"), a subsidiary of DNO International ASA, an Oslo-listed company with significant expertise in the oil and gas industry across the Middle East and Africa.

Eurogas had originally established a joint venture arrangement with Atlas Petroleum Exploration Worldwide Ltd. ("APEX"), pursuant to which it had agreed to undertake exploration, appraisal and extraction activities on the Sfax Permit, targeting oil and natural gas reserves. Under the terms of the original arrangement, Eurogas held a 45% working interest in the arrangement, while APEX held the remaining 55% working interest and was designated as the operator of the project.

In January 2014, Eurogas and APEX entered into a farm out agreement with DNO, and amendments were made to the joint venture arrangement such that DNO acquired an 87.5% working interest in the Sfax Permit. The terms of the farm out arrangement also resulted in DNO carrying 100% of all future costs related to the Sfax Permit, including development and production related costs. DNO, as operator of the Sfax Permit, has assumed all drilling and other obligations associated with the Sfax Permit, including any monetary penalties arising due to non-fulfillment of work commitments agreed to under the terms of the Sfax Permit.

Subject to certain terms and conditions as outlined in the farm out agreement and as further described below, the original joint venture partners retained a 12.5% working interest in the Sfax Permit, of which 45% (representing a net 5.625% working interest) is attributable to Eurogas. The arrangement with DNO provides for the original joint venture partners to retain a 12.5% interest in the profit oil or profit gas component of production, to a maximum of US$125 million (or 12.5% of the profit oil or profit gas from the production of 75 million barrel of oil equivalents, whichever comes first). Thereafter, the original joint venture partners are entitled to 6.25% of the profit oil or profit gas component of production to a maximum of an additional US$75 million (or 6.25% of the profit oil or profit gas component from the production of an additional 45 million barrel of oil equivalents, whichever comes first). In addition, the original joint venture partners are entitled to receive 20% of the cost oil or cost gas component of production, to a maximum of the lesser of 18% of the costs incurred by the original joint venture partners prior to completion of the farm out arrangement, or US$20 million.

The original joint venture partners have conceded a temporary deferral of 50% of their entitlement to a share of the profit oil or profit gas component of production from the Sfax Permit, until such time as DNO recovers US$150 million of total incurred costs from the cost oil or cost gas component of production on the Sfax Permit.

In early 2015, DNO completed the drilling of the Jawhara-3 well, the first exploration and appraisal well undertaken by DNO on the Sfax Permit. The Jawhara-3 well was vertically drilled to a total depth of 2,815 metres. The Douleb and Bireno fractured carbonates formations proved to be water bearing in the compartment of the principal structure targeted by the well and therefore, DNO concluded that further analysis of the well's logging and testing results would be required in order to re-evaluate the Jawhara prospect.

In view of these results, DNO reassessed its work plan and sought an extension of the first renewal period of the Sfax Permit. In August 2015, DNO received the necessary regulatory approval from the Tunisian authorities for a two-year extension of the first renewal period related to the Sfax Permit, extending the first renewal period and the associated exploration well drilling obligation to December 8, 2017. In addition, granting of the extension requires the acquisition of 700 km of 2-dimensional seismic during the renewal period. As previously indicated, DNO is responsible for all obligations and costs associated with the renewal.

In November 2015, DNO announced plans for 3-dimensional activities at the Sfax Permit in preparation for drilling a well in 2017. Budgets for the 2017 work plan were submitted to the authorities in December 2016, and are pending approval.

Notwithstanding the extension of the first renewal period, the uncertainties associated with exploration and evaluation activities, compounded by the current capital markets environment and the associated volatility in the price of oil, cause significant uncertainties to Eurogas' determination of possible cash flows from its oil and natural gas activities. Accordingly, Eurogas carries its investment in the Sfax Permit at a cost of $nil as at December 31, 2016 and 2015.

*RESULTS OF OPERATIONS*

In 2016, Eurogas incurred a loss before income taxes of $0.6 million, compared with a loss of $0.9 million in 2015, reflecting measures taken by Eurogas in the second half of 2015 to reduce corporate and professional fees, as it was no longer actively involved in the Sfax Permit.

| *For the years ended December 31,* | 2016 | 2015 |
|---|---|---|
| Other items in net loss before taxes | | |
| Depreciation and depletion | $ (9) | $ (123) |
| General and administrative | (434) | (561) |
| Interest expense | (202) | (182) |
| Foreign exchange (loss) gain | (2) | 14 |
| Net loss before taxes, Eurogas International Inc. | **$ (647)** | **$ (852)** |
| **Net loss before taxes, Eurogas International Inc. attributable to:** | | |
| Owners of Dundee Corporation | $ (345) | $ (454) |
| Non-controlling interest | (302) | (398) |
| Net loss before taxes, Eurogas International Inc. | **$ (647)** | **$ (852)** |

During the fourth quarter of 2016, Eurogas incurred a loss before income taxes of $0.2 million, compared with a loss of $0.3 million in the same period of the prior year.

*CHANGES IN FINANCIAL CONDITION*

Dundee Corporation has provided Eurogas with a $5.0 million revolving term credit facility, pursuant to which Eurogas has agreed to pay interest at a rate per annum equal to the prime lending rate for loans as set out by a Canadian Schedule I Chartered Bank, plus 1.25%. Dundee Corporation may, at its discretion and subject to the necessary regulatory approvals, require Eurogas to convert all amounts outstanding, including any interest outstanding, into common shares of Eurogas, subject to a minimum conversion price of $0.05 per common share of Eurogas. At December 31, 2016, Eurogas had drawn $4.9 million against this facility, including a net amount of $0.3 million advanced by Dundee Corporation during 2016.

In addition, Eurogas has issued preference shares from treasury with a par value of $32.2 million. The preference shares are held by Dundee Energy, and are subject to demand by Dundee Energy at any time, together with yet unpaid dividends thereon amounting to $10.8 million at December 31, 2016.

Both the $5.0 million revolving term credit facility provided by Dundee Corporation to Eurogas, and the $32.2 million preference shares held by Dundee Energy, are eliminated as intersegment amounts in the 2016 Audited Consolidated Financial Statements. However, as a result of these financial obligations, Eurogas had a negative working capital balance of $48.2 million at December 31, 2016. Eurogas' ability to meet these obligations is conditional on the discovery of economically recoverable reserves, obtaining exploitation concessions for any such economically recoverable reserves, its ability to raise the necessary capital to finance development and settle its current obligations, and working capital from future profitable production or proceeds from the disposition of assets. There can be no assurance that Eurogas will be successful in achieving these initiatives.

## BLUE GOOSE CAPITAL CORP.

Blue Goose Capital Corp. ("Blue Goose") is a privately-held Canadian company focused on the production, distribution and sale of organic, natural and conventional protein products, including beef, chicken and fish. Blue Goose continues to undergo significant strategic changes which are aimed at refocusing its core business and profitability. In late 2016, and in order to continue to expand its operations and further its vertical integration strategy, Blue Goose completed the acquisition of Tender Choice Foods Inc. ("Tender Choice"), which will allow Blue Goose to expand its brand, and provide it with additional revenue opportunities in the conventional protein market.

Dundee Corporation continues to view its investment strategy in the agriculture sector as protection against inflation, with the added opportunity to benefit from a dynamic and rapidly growing organic and natural food sector. At December 31, 2016, the Corporation held a 90% interest in Blue Goose. Additional information about Blue Goose may be accessed at www.bluegoosepurefoods.com.

*RESULTS OF OPERATIONS*

During 2016, Blue Goose incurred a net loss attributable to the owners of Dundee Corporation of $14.6 million, compared with a net loss attributable to the owners of Dundee Corporation of $10.4 million incurred during the prior year. The change in operating performance is driven primarily by changes in the fair value of livestock, which is subject to significant volatility from period to period due to both changes in physical growth as well as market prices. During 2016 and reflective of reduced market prices for beef, Blue Goose recognized a fair value gain in livestock value of $5.7 million, compared with a fair value gain of $17.2 million in the prior year.

Also included in the 2016 results is a $6.5 million gain from the disposal of Blue Goose's feed division, a division which Blue Goose no longer considers core to its operating strategy. Blue Goose had initiated the sale of non-core assets in 2015, disposing of both its aggregates business and its beef operations in the United States. These transactions resulted in a net loss of $1.4 million in that year.

| *For the years ended December 31,* | 2016 | 2015 |
|---|---|---|
| Revenues | | |
| Sales of livestock | $ 68,075 | $ 58,084 |
| Interest and dividends | (1,163) | 478 |
| Gain on sale of Fischer Feeds | 6,508 | - |
| | 73,420 | 58,562 |
| Cost of sales | (77,873) | (71,965) |
| Other items in net loss before taxes | | |
| Depreciation and depletion | (3,898) | (3,551) |
| General and administrative | | |
| Net loss on sale of assets | - | (1,416) |
| Other general and administrative | (10,192) | (7,022) |
| Fair value changes in livestock | 5,653 | 17,187 |
| Interest expense | (2,998) | (3,774) |
| Foreign exchange (loss) gain | (18) | 5 |
| Net loss before taxes, Blue Goose Capital Corp. | **$ (15,906)** | **$ (11,974)** |
| **Net loss before taxes, Blue Goose Capital Corp. attributable to:** | | |
| Owners of Dundee Corporation | $ (14,576) | $ (10,371) |
| Non-controlling interest | (1,330) | (1,603) |
| Net loss before taxes, Blue Goose Capital Corp. | **$ (15,906)** | **$ (11,974)** |

*Contribution Margins*

During 2016, Blue Goose incurred a negative contribution margin of $4.1 million on total revenues of $68.1 million, compared with a positive contribution margin of $3.3 million on total revenues of $58.1 million for the prior year. The contribution margin, before adjusting for fair value changes was $3.2 million in 2016, compared with a negative contribution margin before adjusting for fair value changes of $0.2 million incurred in the prior year.

| *For the year ended December 31,* | | | | | | | 2016 |
|---|---|---|---|---|---|---|---|
| | Beef | Fish | Chicken | Processor | Feed | Other | Total |
| Sales | $ 14,787 | $ 2,687 | $ 12,248 | $ 15,763 | $ 22,590 | $ - | $ 68,075 |
| Cost of sales, period cost | (12,810) | (2,846) | (12,062) | (15,915) | (21,192) | (80) | (64,905) |
| | 1,977 | (159) | 186 | (152) | 1,398 | (80) | 3,170 |
| Fair value changes | | | | | | | |
| Fair value changes in livestock | 3,342 | 2,311 | - | - | - | - | 5,653 |
| Cost of sales, fair value harvested | (10,234) | (2,734) | - | - | - | - | (12,968) |
| | (6,892) | (423) | - | - | - | - | (7,315) |
| Margin | $ (4,915) | $ (582) | $ 186 | $ (152) | $ 1,398 | $ (80) | $ (4,145) |
| Margin % | (27.1%) | (11.6%) | 1.5% | (1.0%) | 6.2% | n/a | (5.6%) |

| *For the year ended December 31,* | | | | | | | 2015 |
|---|---|---|---|---|---|---|---|
| | Beef | Fish | Chicken | Processor | Feed | Other | Total |
| Sales | $ 13,928 | $ 4,256 | $ 12,689 | $ - | $ 25,154 | $ 2,057 | $ 58,084 |
| Cost of sales, period cost | (14,320) | (4,161) | (13,031) | - | (24,181) | (2,546) | (58,239) |
| | (392) | 95 | (342) | - | 973 | (489) | (155) |
| Fair value changes | | | | | | | |
| Fair value changes in livestock | 14,825 | 2,362 | - | - | - | - | 17,187 |
| Cost of sales, fair value harvested | (9,565) | (4,161) | - | - | - | - | (13,726) |
| | 5,260 | (1,799) | - | - | - | - | 3,461 |
| Margin | $ 4,868 | $ (1,704) | $ (342) | $ - | $ 973 | $ (489) | $ 3,306 |
| Margin % | 16.9% | (25.7%) | (2.7%) | - | 3.9% | (23.8%) | 4.4% |

Revenue from sales of beef increased by $0.9 million to $14.8 million in 2016, compared with revenue of $13.9 million generated in the prior year. The increase is attributable to higher volumes in both the sales of processed beef and live animals.

During 2016, period costs associated with the beef division were $12.8 million and included costs of feeding, labour and other farm costs. This compares with period costs of $14.3 million in the prior year.

Revenue from fish sales decreased to $2.7 million in 2016, compared with revenue of $4.3 million in the prior year, reflecting lower sales volumes. In mid-2016, Blue Goose revised its harvest plan as climate related issues lowered available biomass. These lower volumes continued until the end of the year. Consistent with lower sales volume, period costs associated with the fish division decreased to $2.8 million in 2016, compared with period costs of $4.2 million in the prior year.

Blue Goose chicken products are produced by third-party suppliers and are sold to major retailers and independent grocers. During 2016, revenue from the sale of chicken products was $12.2 million, compared with revenue of $12.7 million in the prior year. Blue Goose continues to work with its processors and suppliers to address the current supply constraints. Despite this limitation, during 2016, the launch of higher margin processed chicken products, including chicken chili and chicken stock, as well as the reduction of certain overhead and processing costs, improved overall margins in this division by $0.5 million.

During 2016 and prior to its sale in early October, Blue Goose's feed business earned revenues of $22.6 million (2015 – $25.2 million) and a contribution margin of $1.4 million (2015 – $1.0 million).

The acquisition of Tender Choice added a further $15.8 million of revenues to Blue Goose since its acquisition in late October 2016. Tender Choice incurred a negative contribution margin of $0.2 million since its acquisition, partially as a result of costs attributed to the integration of the business following the closing of the transaction.

*CHANGES IN FINANCIAL CONDITION*

*Acquisition of Tender Choice*
On October 17, 2016, Blue Goose completed the acquisition of the assets of the meat processing business of Tender Choice. Blue Goose believes this strategic acquisition will be accretive to the existing Blue Goose poultry business, and that it will provide operational cost savings, including labour, transportation and administration costs. Further, the Tender Choice acquisition provides Blue Goose with additional processing capabilities to expand its current product offerings.

The aggregate purchase consideration for Tender Choice included cash of $59.0 million, which Blue Goose financed through the issuance of a combination of common shares and convertible debt, and through corporate debt facilities. In addition, Blue Goose may pay additional contingent consideration of up to $35.0 million if the operations of Tender Choice exceed certain thresholds in each of the calendar years ending December 31, 2017 and 2018. The following table illustrates the various net assets acquired in the Tender Choice acquisition.

| | | Tender Choice |
|---|---|---|
| **Net assets acquired:** | | |
| Accounts receivable | $ | 4,777 |
| Livestock | | 5,814 |
| Capital and other assets | | |
| Intangibles | | 44,617 |
| Other | | 2,390 |
| Goodwill | | 23,638 |
| Accounts payable | | (2,092) |
| Deferred income tax liabilities | | (2,744) |
| | $ | 76,400 |
| **Aggregate consideration transferred:** | | |
| Cash | $ | 59,000 |
| Contingent consideration | | 17,400 |
| | $ | 76,400 |

In accordance with accounting requirements, the contingent consideration was recorded in the 2016 Audited Consolidated Financial Statements at its estimated fair value as determined on the date of acquisition. The fair value was determined to be

$17.4 million, and was calculated by applying a probability metric to expected profitability, as defined in the purchase and sale agreement.

Included in the net assets acquired are intangible assets with an attributed value of $44.6 million. These intangible assets include customer relationships, trademarks and the trade name associated with Tender Choice, and certain non-compete agreements. In addition, Blue Goose recognized $23.6 million of goodwill associated with the purchase of Tender Choice.

*Changes in Livestock Carrying Values*

| | Cattle | Fish | Inventory and Supplies | Total |
|---|---|---|---|---|
| Carrying value, beginning of the year | $ 30,332 | $ 2,378 | $ 2,276 | $ 34,986 |
| **Transactions during the year ended December 31, 2016** | | | | |
| Acquisition | - | - | 5,349 | 5,349 |
| Net additions | 2,330 | 525 | 35,577 | 38,432 |
| Herd growth - physical changes | 8,495 | 2,316 | - | 10,811 |
| Herd growth - price changes | (5,154) | (4) | - | (5,158) |
| Net of product processed | (10,235) | (2,733) | (35,045) | (48,013) |
| Carrying value, end of the year | $ 25,768 | $ 2,482 | $ 8,157 | $ 36,407 |

Blue Goose continues to execute on its strategy to grow its cattle business. In June 2016, Blue Goose purchased Cache Creek Farms in British Columbia for $2.2 million, and further purchased 200 head of cattle for $0.4 million. The purchase also included 337 acres of hay producing land and a sub-finishing lot, plus related buildings and equipment, in close proximity to Blue Goose's current operations. Overall, Blue Goose increased the size of its organic cattle herd by 675 head, or 5% compared to its herd count as of December 31, 2015. Blue Goose expects to continue growing the size of its organic cattle herd to support future sales growth.

| | | Cattle herd as at |
|---|---|---|
| *(number of animals)* | December 31, 2016 | December 31, 2015 |
| Breeding cattle and bulls | 6,137 | 5,934 |
| Immature livestock and feeder cattle | 7,566 | 7,094 |
| | 13,703 | 13,028 |

Blue Goose also expanded and modernized its fish operations in 2016, through the introduction of new technology in its farming operations, as well as additional investment in a hatchery program. These steps are expected to realize increased efficiencies and improved margins in 2017.

*Disposition of Fischer Feeds Limited ("Fischer Feeds")*

Blue Goose completed the sale of its feed division on October 4, 2016, as this division was no longer considered to be core to Blue Goose's business strategy. Total sale proceeds of $17.0 million allowed Blue Goose to repay its debt associated with Fischer Feeds of $6.6 million. The balance of the proceeds was used for general working capital purposes, including repayment of other debt arrangements in Blue Goose.

**Corporate Debt in Blue Goose**

Blue Goose and its subsidiaries have entered into several borrowing arrangements, pursuant to which Blue Goose has borrowed an aggregate of $88.9 million as at December 31, 2016. A detailed description of the nature of each of Blue Goose's borrowing facilities is provided in note 19 to the 2016 Audited Consolidated Financial Statements. Other than as described below, the lending institutions to Blue Goose do not have recourse to Dundee Corporation in respect of any of the amounts borrowed under these arrangements.

*Credit Facilities Established for the Acquisition of Tender Choice*
In October 2016, and in connection with the purchase of Tender Choice, Blue Goose established a credit facility for up to $67.5 million, the components of which include:

i. A $35.0 million term component which was drawn against to partially fund the acquisition of Tender Choice, of which $10.0 million may be redrawn if required to finance the contingent consideration associated with the transaction;
ii. $7.5 million revolving component to finance working capital; and
iii. An additional $25.0 million that will be made available to Blue Goose to fund any contingent consideration.

At December 31, 2016, Blue Goose had drawn $33.8 million under these arrangements, which amount currently bears interest at prime plus 2%.

The credit facility established for the acquisition of Tender Choice is secured against all of the assets of Tender Choice and as additional security, Blue Goose has pledged its shares of its subsidiary that holds the assets of Tender Choice. In addition to this security, these arrangements require the maintenance of certain financial covenants. During 2016 and following the incurrence of certain costs associated with the integration of the Tender Choice business, Blue Goose breached certain of these financial covenants. Blue Goose is in active discussions with its lender to obtain a waiver to the breach in the financial covenants and to amend underlying terms so as to alleviate the events causing the breach.

In addition to the $67.5 million facility, Blue Goose also established a $10.0 million real property loan facility with Farm Credit Canada, a leading lender to the agricultural sector. At December 31, 2016, $10.0 million was borrowed against the facility. In addition to security provided by Blue Goose, Dundee Agriculture Corporation, a wholly-owned subsidiary of the Corporation, has provided a full guarantee in respect of this loan arrangement.

*Convertible Debentures*
In order to fund the equity portion of its investment in Tender Choice, Blue Goose raised $12.5 million from a new strategic investor, through the issuance of convertible debentures. These convertible debentures mature on July 20, 2021 and bear interest at 8% during the first two years of their term, increasing to 10% in the remaining three years. Subject to certain conditions, the convertible debentures may be converted into common shares of Blue Goose at a price of $7.25 per share.

Dundee Corporation provided a further $7.5 million in the form of an equity injection to Blue Goose, and it agreed to exchange $15.0 million of normal course intercompany advances to convertible debentures of Blue Goose under essentially the same terms as the strategic investor. At the same time, Dundee Corporation converted $9.9 million of its unsecured debt into additional equity of Blue Goose at a price of $6.00 per share. Amounts due from Blue Goose to Dundee Corporation are eliminated in the consolidated financial results of the Corporation.

## AGRIMARINE HOLDINGS INC.

AgriMarine Holdings Inc. ("AgriMarine") is a private company engaged in fish farming activities using both conventional netting systems and other proprietary aquaculture technologies. AgriMarine has three principal assets: a Steelhead salmon fish farm known as West Coast Fishculture, located in Powell River, British Columbia; a suite of patents pertaining to a closed-containment tank technology used to rear finfish; and an engineering company known as *"AgriMarine Technologies Inc."* ("ATI") that supports internal needs and provides engineering services to third-party fish farm operators.

AgriMarine continues to rationalize its cost structure, focusing on achieving profitability for its West Coast Fishculture farming operation and sourcing third-party revenue for its ATI division, while it continues to prove the scientific and commercial viability of its closed-containment tank technology.

As at December 31, 2016, the Corporation held a 100% interest in AgriMarine. Additional information about AgriMarine may be accessed at www.agrimarine.com.

*RESULTS OF OPERATIONS*

During 2016, AgriMarine incurred a pre-tax net loss of $6.1 million attributable to owners of Dundee Corporation, compared with a pre-tax net loss attributable to owners of Dundee Corporation of $23.7 million in 2015. The 2015 pre-tax loss includes a one-time charge of $18.7 million against the carrying value of certain assets.

| *For the year ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Revenues | | | | |
| Sales | $ | 10,645 | $ | 7,527 |
| Interest, dividends and other | | (50) | | 51 |
| | | 10,595 | | 7,578 |
| Cost of sales | | (11,506) | | (9,317) |
| Other items in net loss before taxes | | | | |
| Depreciation and depletion | | - | | (18,713) |
| General and administrative | | (4,182) | | (4,679) |
| Fair value changes in livestock | | (902) | | 951 |
| Interest expense | | (68) | | (21) |
| Foreign exchange (loss) gain | | (2) | | 379 |
| Net loss before taxes, AgriMarine Holdings Inc. | **$** | **(6,065)** | **$** | **(23,822)** |
| **Net loss before taxes, AgriMarine Holdings Inc. attributable to:** | | | | |
| Owners of Dundee Corporation | $ | (6,065) | $ | (23,729) |
| Non-controlling interest | | - | | (93) |
| Net loss before taxes, AgriMarine Holdings Inc. | **$** | **(6,065)** | **$** | **(23,822)** |

During 2016, AgriMarine generated revenue of $10.6 million and a negative contribution margin of $1.2 million, before fair value changes in livestock.

*Contribution Margins*

| *For the year ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Revenues | $ | 10,645 | $ | 7,527 |
| Cost of sales | | (11,828) | | (7,960) |
| Contribution margin before fair value changes and writedowns | | (1,183) | | (433) |
| Fair value changes in livestock | | (902) | | 951 |
| Gain (writedowns) | | 322 | | (1,357) |
| | $ | (1,763) | $ | (839) |

West Coast Fishculture harvested 1.4 million kilograms of product during 2016, of which 1.2 million kilograms were sold at an average selling price of $7.77 per kilogram, representing a yield of approximately 85%. The volume of fish sold, and the resulting cost of sales, was negatively impacted by early maturation in some of the cohorts of the biomass, resulting in undersized, less-marketable products. AgriMarine has since taken steps to control maturities, as a result of which AgriMarine experienced improved operating results in the third and fourth quarters of the current year.

Included in revenues during 2016, is $1.3 million relating to the sale by ATI of one of its closed-containment tanks, resulting in a contribution margin of $0.3 million. In addition to supporting West Coast Fishculture operations, ATI continues to grow its customer base of third-party engineering services clients.

*CHANGES IN FINANCIAL CONDITION*

| | | Biological Assets | | Inventory and Supplies | | TOTAL |
|---|---|---|---|---|---|---|
| Carrying value, beginning of the year | $ | 7,889 | $ | 825 | $ | 8,714 |
| **Transactions during the year ended December 31, 2016** | | | | | | |
| Net additions | | 4,553 | | (426) | | 4,127 |
| Growth - physical changes | | (900) | | - | | (900) |
| Growth - price changes | | (2) | | - | | (2) |
| Net of product processed | | (5,045) | | - | | (5,045) |
| Carrying value, end of the year | $ | 6,495 | $ | 399 | $ | 6,894 |

At December 31, 2016, the carrying value of AgriMarine's biological assets was $6.5 million, compared with a carrying value of $7.9 million at December 31, 2015. The decrease reflects a fair value adjustment of $0.9 million stemming from the underlying value of smaller fish size, the disposition of AgriMarine's Benxi subsidiary in China, as well as increased harvest levels.

During 2016, AgriMarine successfully expanded its fish containment facilities, and it also increased its processing capabilities with the installation of new equipment to process a wider product range. During 2016, Dundee Corporation advanced $2.6 million to AgriMarine in order to supplement working capital requirements and to fund certain capital expenditures. At December 31, 2016, AgriMarine had cash of $0.3 million, and it had liabilities, other than liabilities due to Dundee Corporation, of $2.9 million. There can be no assurance that AgriMarine will have access to the necessary cash to carry out its current business plan.

## DUNDEE 360 REAL ESTATE CORPORATION

Dundee 360 Real Estate Corporation ("Dundee 360") is a seasoned real estate company that offers integrated management services in the development, marketing, sales and project administration of high-end single purpose and mixed-use, residential, hotel and recreational real estate assets. In addition to its real estate projects, Dundee 360 also holds the Canadian franchise license to operate Sotheby's International Realty Canada ("Sotheby's"). Combining a prestigious and internationally recognized real estate brand with local market knowledge and specialized marketing expertise, Sotheby's is the leading real estate sales and marketing company for some of Canada's most exceptional properties.

During 2016, Dundee 360 introduced new leadership, and continues to make strategic decisions to shift its focus from the international market to the Canadian market in order to achieve greater alignment with the services provided by its affiliates, including Sotheby's and the Corporation's wealth management division, as the Corporation views real estate as an integral component of a well-defined wealth management strategy.

At December 31, 2016, Dundee 360 was a wholly-owned subsidiary of the Corporation. Additional information about Dundee 360 may be accessed at www.dundee360.com.

*RESULTS OF OPERATIONS*

During 2016, Dundee 360 incurred a net loss attributable to the owners of Dundee Corporation of $48.4 million. This compares to a net loss attributable to owners of Dundee Corporation of $23.7 million in the prior year. As described in more detail below, during 2016, Dundee 360 restructured its hospitality, asset management and real estate development divisions to focus on luxury real estate projects within Canada. These restructuring activities resulted in one-time costs of $36.0 million.

| *For the year ended December 31, 2016* | Sales and Marketing | Hospitality and Asset Management | Real Estate Developments | Other | Total |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Gross commission income | $ 81,782 | $ - | $ - | $ - | $ 81,782 |
| Consulting and management fees | 4 | 2,532 | 2,762 | - | 5,298 |
| Sales and marketing fees | 223 | - | 446 | - | 669 |
| Other revenue | 8,262 | 20 | 27 | 962 | 9,271 |
| Interest, dividends and other | 432 | 108 | 100 | - | 640 |
| | 90,703 | 2,660 | 3,335 | 962 | 97,660 |
| Cost of sales | (74,051) | - | - | - | (74,051) |
| Other items in net loss before taxes | | | | | |
| Depreciation and depletion | (1,018) | (15,473) | (17,762) | (232) | (34,485) |
| General and administrative | (16,956) | (5,962) | (7,383) | (4,435) | (34,736) |
| Share of income from real estate joint ventures | - | - | (4,564) | - | (4,564) |
| Finance expense | (89) | - | (55) | (21) | (165) |
| Net loss before taxes, Dundee 360 Real Estate Corporation | **$ (1,411)** | **$ (18,775)** | **$ (26,429)** | **$ (3,726)** | **$ (50,341)** |
| **Net loss before taxes, Dundee 360 Real Estate Corporation attributable to:** | | | | | |
| Owners of Dundee Corporation | $ (1,411) | $ (18,775) | $ (24,513) | $ (3,726) | $ (48,425) |
| Non-controlling interest | - | - | (1,916) | - | (1,916) |
| Net loss before taxes, Dundee 360 Real Estate Corporation | **$ (1,411)** | **$ (18,775)** | **$ (26,429)** | **$ (3,726)** | **$ (50,341)** |

| *For the year ended December 31, 2015* | | Sales and Marketing | Hospitality and Asset Management | Real Estate Developments | Other | Total |
|---|---|---|---|---|---|---|
| Revenues | | | | | | |
| Gross commission income | $ | 67,218 | $ - | $ - | $ - | $ 67,218 |
| Consulting and management fees | | - | 8,133 | 5,297 | - | 13,430 |
| Sales and marketing fees | | 835 | - | - | - | 835 |
| Other revenue | | 6,810 | 63 | 100 | 52 | 7,025 |
| Interest, dividends and other | | 109 | 154 | 162 | 5 | 430 |
| | | 74,972 | 8,350 | 5,559 | 57 | 88,938 |
| Cost of sales | | (61,390) | - | - | - | (61,390) |
| Other items in net (loss) earnings before taxes | | | | | | |
| Depreciation and depletion | | (1,531) | (2,823) | (9,998) | (297) | (14,649) |
| General and administrative | | (14,017) | (3,212) | (10,273) | (8,991) | (36,493) |
| Share of loss from real estate joint ventures | | - | - | (181) | - | (181) |
| Finance expense | | - | - | - | - | - |
| Net (loss) earnings before taxes, Dundee 360 Real Estate Corporation | **$** | **(1,966)** | **$ 2,315** | **$ (14,893)** | **$ (9,231)** | **$ (23,775)** |
| **Net (loss) earnings before taxes, Dundee 360 Real Estate Corporation attributable to:** | | | | | | |
| Owners of Dundee Corporation | $ | (1,966) | $ 2,315 | $ (14,773) | $ (9,231) | $ (23,655) |
| Non-controlling interest | | - | - | (120) | - | (120) |
| Net (loss) earnings before taxes, Dundee 360 Real Estate Corporation | **$** | **(1,966)** | **$ 2,315** | **$ (14,893)** | **$ (9,231)** | **$ (23,775)** |

*Real Estate Brokerage and Sales and Marketing Activities*

Dundee 360 currently holds the exclusive right to the use of the "Sotheby's International Realty" name and related trademarks across Canada for a period of 25 years ending in 2029, with a unilateral right to extend its franchise agreement for an additional 25-year term. Franchise fees pursuant to this arrangement are 6% of gross commission income, with minimum annual payments of US$1.0 million. As part of its growth plan, Sotheby's remains focused on recruiting realtors with strong ethical and professional backgrounds who understand the benefit of the Sotheby's International Realty brand. These initiatives have resulted in a realtor base that averages between four to five times the sales volume of other realtors in Canada as reported by The Canadian Real Estate Association.

During 2016, Sotheby's sold over $4.4 billion worth of residential real estate, compared with $3.6 billion in the prior year. Gross commission revenues for the listing, marketing and selling of real estate assets during 2016 were $81.8 million. Commissions paid to associated brokers and agents in respect of this revenue stream were $74.1 million, providing Dundee 360 with a contribution margin of $7.7 million or 9.5%. This compares with a contribution margin of $5.8 million or 8.7% in the prior year. The increase in contribution margin is attributable to organic growth of Sotheby's realtor base as well as favourable market conditions in Vancouver and Ontario.

In addition to commission revenues, this division earned $8.3 million of other revenue from its network of brokers and agents for the provision of services, including marketing, administrative and support services. In addition, other revenue in 2016 includes luxury premium awards earned for achieving certain gross commission income targets.

*Hospitality and Asset Management Activities*

Hospitality and asset management activities have encompassed the management and operations of international hotel, resort, residential and commercial properties. During 2016, Dundee 360 generated total revenues of $2.7 million from hospitality and asset management activities. This compares with $8.4 million of revenues generated in the prior year, which included a $4.0 million payment for the termination of an asset management agreement.

Dundee 360 had entered into a series of agreements with members of the Enchantment Group, a resort company based in the United States. In connection with these arrangements, Dundee 360 entered into a pre-development agreement to prepare a plan to redevelop the Tides Inn in Virginia, in exchange for an option to acquire an interest in the underlying project. The option carried a penalty of US$1.0 million if the option was not exercised. Under the terms of the arrangements with the Enchantment Group, and regardless of whether the option was exercised, Dundee 360 was also committed to assume 50% of any operating losses incurred by the Tides Inn for a period of up to three years commencing November 13, 2015. Included in the operating results of the hospitality and asset management division are operating losses of $2.5 million associated with these obligations.

As part of its restructuring initiatives, on June 30, 2016, Dundee 360 executed a series of definitive agreements with the Enchantment Group, pursuant to which, among other things, Dundee 360 sold the shares of its subsidiary that provided hospitality services. Under the terms of the sale, Dundee 360 agreed to transfer and assign the trademark rights it owned for the "Enchantment" and "Mii amo" brand and, in exchange, the Enchantment Group agreed to release Dundee 360 from all obligations due under the pre-development and license agreements, including the US$1.0 million penalty payment and the obligation to fund any future operating losses of the Tides Inn. As part of the Corporation's acquisition of Dundee 360 in July 2014, the Corporation had attributed value to the exclusive license to use the trademarks "Enchantment" and "Mii amo" and to the value of the associated hospitality management agreements. The restructuring of these activities resulted in charges of $5.8 million in 2016, including accelerated depreciation charges of $4.4 million and general and administrative charges of $1.4 million, and which reduced the carrying value of these intangible assets to $nil.

In connection with the extension of the construction schedule for the Parq Resort (see "*Significant Investments Accounted for under the Equity Method*"), Dundee 360 reassigned its participation in the asset management agreement pursuant to which Dundee 360 was to provide management services when the Parq Resort commenced operations. As a result of this amendment, the Corporation incurred impairment charges of $10.4 million in 2016 associated with goodwill acquired as part of the acquisition of Dundee 360 in July 2014.

*Real Estate Development Activities*

During 2016, Dundee 360 earned revenues of $3.3 million from its real estate development activities. This compares with $5.6 million of revenues generated in the prior year, which included development fees earned for the construction of the Parq Resort. Consistent with depreciation charges incurred in the hospitality and asset management division, during the second quarter of 2016, Dundee 360 incurred non-recurring depreciation charges of $3.5 million on the reassignment of its participation in the development management agreement associated with the Parq Resort and $3.7 million of associated goodwill. Furthermore, included in general and administrative expenses of the real estate development division is $1.2 million of accrued development fees that Dundee 360 surrendered as part of the extension of the construction contract.

*Development in the Gangwon Province*

During 2016, Dundee 360 provided advisory services for the planning and development of a recreational and mixed-use real estate development project directly south of the 2018 Winter Olympic site of Gangneung. As part of Dundee 360's renewed strategy to focus its resources on the Canadian real estate market, Dundee 360 determined that it would be in its best interest to withdraw as its project developer. At December 31, 2016, the special purpose subsidiary incorporated to obtain financing and execute development work on this project was successfully dissolved, with full support from all shareholders.

*Edenarc 1800*

Edenarc 1800 is a ski-in and ski-out resort project development in the French Alps. Sotarbat 360, a French entity domiciled in Savoie, France, is the builder of the project. Dundee 360 provides development services for which it earns a fee calculated as a percentage of project costs. The remaining build-out cost of approximately $40 million is being financed directly by the project and the builder.

During 2016, construction commenced on the project's fifth and sixth phase, Les Monarques Phase 2 and 3, a 40-unit and a 57-unit residential apartment development. Les Monarques Phase 2 is expected to be delivered in the second quarter of 2017 while Phase 3 will be delivered in June 2018. The project is envisioned to have three more phases with ultimate completion of the resort expected by the end of 2019. During 2016, Dundee 360 earned $0.5 million of revenues from these arrangements, compared with $0.7 million earned in the prior year. In addition to providing these services, Dundee 360 holds a 45% equity interest in Sotarbat 360, subject to a priority interest by the builder to a full recovery of all costs of development of the project.

Dundee 360 accounts for its investment in Sotarbat 360 as a real estate joint venture investment, with a book value as at December 31, 2016 of $2.2 million.

*Project Management and Procurement*

Dundee 360 provides project management and procurement services to two Fairmont hotels to oversee refurbishments and infrastructure capital projects for which it earns fees based on a percentage of capital invested. During 2016, Dundee 360 earned revenues of $2.7 million from the provision of project management and procurement services, compared with $2.2 million earned in the prior year.

*Clearpoint Resort and First Bay Resort Limited*

Dundee 360 has an approximate 86% interest in Clearpoint Resort Limited, a Maltese corporation ("CRLM"), through which Dundee 360 had anticipated to develop the Clearpoint Resort project in Cavtat, Croatia. A master planned hotel, marina and recreational accommodations project, it has an estimated full build-out cost of $185 million and requires land accumulation of 25.6 acres, of which approximately 5.9 acres is currently owned. Dundee 360 is currently looking for potential strategic investors to purchase or partner in the assets held by CRLM. During 2016, Dundee 360 reduced the carrying value of this real estate development project by $8.0 million to reflect the estimated recoverable amount for this property of $5.6 million.

*Developments in Cuba*

Dundee 360 has initiated a transaction that would result in the sale of its Cuban real estate development rights to a former key employee of Dundee 360 for aggregate cash consideration of $2.0 million, subject to the approval of the authorities of the Cuban government for the transfer of ownership of the development rights. During 2016, Dundee 360 recognized depreciation of $4.6 million against its rights in Cuba, reducing the carrying value to the expected proceeds of sale. The depreciation has been included with "*Share of (loss) earnings from real estate joint ventures*".

*CHANGES IN FINANCIAL CONDITION*

*Real Estate Debt*

During 2016, the Corporation advanced $5.2 million to Dundee 360 to supplement restructuring initiatives, working capital requirements and to advance strategies in place for its real estate projects. At December 31, 2016, Dundee 360 had cash and receivables of $7.3 million and its current liabilities, other than amounts due to Dundee Corporation, were $8.6 million. Dundee 360 is currently implementing strategies to monetize various international real estate development interests and to create potential financing vehicles to allow Dundee 360 to continue growing its business. Without the financial support of the Corporation, there can be no assurance that Dundee 360 will have access to the necessary funding to carry out its current business plan.

## SIGNIFICANT INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

In the normal course of its business, the Corporation may, from time to time, acquire a sufficient equity interest in a public or private company that enables the Corporation to exert influence over the underlying investee, without having full control. Generally, the Corporation would expect to exert influence over an underlying investee when it holds more than 20%, but less than 50% of an investee's ultimate voting rights. This influence may be manifested through representation on the board of directors, partaking in the investee's policy development and the interchanging of managerial personnel. When the equity method is used to account for ownership in an investee, the Corporation records the initial investment at cost, and then that cost is increased or decreased every reporting period to reflect the Corporation's share of the net earnings or loss in the investee, and to reflect the Corporation's share of the investee's other comprehensive income or loss. The Corporation assesses the resulting carrying value every period for possible impairment by comparing its equity accounted carrying value to the Corporation's determination of recoverable amount of its investment. If the carrying value of an equity accounted investment exceeds its recoverable amount, the investment's carrying value is reduced to the recoverable amount, and an impairment loss is recognized.

**Equity Accounted Investments at December 31, 2016**

At December 31, 2016, the Corporation accounted for nine of its investments using the equity method, including eight investments in private companies and one minor investment in a publicly listed company. These investments had an aggregate carrying value at December 31, 2016 of $151.2 million (2015 – $172.7 million).

| *As at December 31,* | | | | 2016 | | | 2015 |
|---|---|---|---|---|---|---|---|
| Trade Symbol | Investment | Ownership | Carrying Value | Market Value (i) | Ownership | Carrying Value | Market Value (i) |
| **Publicly Listed Equity Accounted Investment** | | | | | | | |
| ODX | Odyssey Resources Limited | 31% | $ 33 | $ 57 | 31% | $ 163 | $ 227 |
| | | | 33 | 57 | | 163 | 227 |
| **Privately Held Equity Accounted Investments** | | | | | | | |
| | Android Industries, LLC | 20% | 25,905 | 25,905 | 20% | 28,265 | 28,265 |
| | Cambridge Medical Funding Group II, LLC | 50% | 8,572 | 8,572 | 50% | 11,507 | 11,507 |
| | Dundee Acquisition Ltd. | 98% | (3,891) | (3,891) | 98% | 444 | 444 |
| | Dundee Sarea Acquisition I Limited Partnership | 33% | 13,707 | 13,707 | 33% | 9,756 | 9,756 |
| | Dundee Sarea Limited Partnership | 25% | 336 | 336 | 34% | 356 | 356 |
| | Paragon Holdings (Smithe Street) ULC (ii) | 50% | 57,450 | 57,450 | 50% | 54,174 | 54,174 |
| | Union Group International Holdings Limited | 40% | 49,071 | 49,071 | 40% | 68,007 | 68,007 |
| | Escal UGS S.L. (iii) | 33% | - | - | 33% | - | - |
| | | | 151,150 | 151,150 | | 172,509 | 172,509 |
| | | | **$ 151,183** | **$ 151,207** | | **$ 172,672** | **$ 172,736** |

*(i) The amount designated as the "market value" of privately held equity accounted investees is equal to their carrying value in the 2016 Audited Consolidated Financial Statements. The Corporation has not otherwise provided a valuation estimate of the market value of these investments. See "Dundee Corporation's Capital Allocated by Industry Sector – Cautionary Note on Determination of Market Value of Investments".*

*(ii) The Corporation holds a 50% interest in Paragon Holdings (Smithe Street) ULC which holds a 74% interest in the Edgewater Casino Limited Partnership and the Parq resort real estate development project in Vancouver, giving the Corporation an effective 37% interest in these underlying projects.*

*(iii) Dundee Energy Limited's 74% owned subsidiary, Castor UGS Limited Partnership, holds a 33% interest in Escal UGS S.L. giving Dundee Energy Limited an effective 25% interest and Dundee Corporation an effective 14% interest in Escal UGS S. L. and its underlying projects.*

## Continuity in the Corporation's Portfolio of Equity Accounted Investments

| | *For the three months ended December 31, 2016* | *For the year ended December 31, 2016* |
|---|---|---|
| Carrying value of equity accounted investments, beginning of period | $ 169,484 | $ 172,672 |
| **Transactions during the period ended December 31, 2016** | | |
| Cash invested in equity accounted investments | 750 | 5,300 |
| Share of loss from equity accounted investments | (2,976) | (5,639) |
| Share of other comprehensive loss from equity accounted investments | (15,944) | (20,740) |
| Other | (131) | (410) |
| **Carrying value of equity accounted investments, end of period** | **$ 151,183** | **$ 151,183** |

## Significant Developments in Equity Accounted Investments

*Union Group International Holdings Limited ("Union Group")*

Union Group (www.uniongrp.com) is a holding company with strategic investments in the power generation, oil and gas, infrastructure and logistics, agriculture, minerals and real estate sectors, in Latin American countries such as Uruguay, Peru and Paraguay.

In April 2016, Union Group acquired a 50% interest in ICC International Cannabis Corp. ("ICC") (www.intcannabiscorp.com), one of the two licensed producers and sellers of cannabis and its derivative products in Uruguay. In November 2016, ICC announced the completion of a reverse take-over transaction and subsequent public listing of the shares of ICC on the TSX Venture Exchange. Union Group owns 40 million common shares of ICC, representing approximately 36% of the issued and outstanding shares of ICC on a non-diluted basis, with a trading value of approximately $38.8 million at December 31, 2016.

Uruguay was the first country to regulate cannabis for recreational, medicinal and industrial uses, establishing its general regime in 2013. During 2016, ICC successfully transitioned its recreational cannabis production facility to a new 70,565 square foot state-of-the-art greenhouse located in Montevideo, Uruguay. The relocation is part of ICC's ramp-up in recreational cannabis production and a total of 5,000 plants and 3,500 cuttings have been moved to its new facility. The facility will allow ICC to produce up to 10 tonnes of recreational cannabis per year. ICC expects to produce approximately two tonnes of recreational cannabis in 2017, with the selling of recreational cannabis by ICC through the pharmacy channel expected to commence in the second quarter of 2017.

Subsequent to December 31, 2016, ICC announced that it had entered into a memorandum of understanding with Emblem Corp. (TSXV: EMC), a licensed producer of medicinal cannabis pursuant to the Access to Cannabis for Medical Purposes Regulations overseen by Health Canada. The memorandum of understanding encompasses the presale of 10% of ICC's 2018 cannabidiol production to Emblem Corp. and establishes a cooperative framework for Emblem Corp. to assist ICC with the importation of cannabidiols into Canada and subsequently ensure distribution within Canada.

Union Group currently manages a portfolio of run-of-river hydropower assets in Peru at various stages of development. In May 2016, Union Group brought its first hydropower plant, Canchayllo, into operation at approximately 5.3 megawatts ("MW"). As part of its growth plan, Union Group completed the acquisition of Karpa, a hydro generation project of 20 MW of power, and with a 20-year power purchase agreement with the Peruvian government. The Karpa project is scheduled to become operational by June 2019.

Two further hydropower plants, El Carmen and 8 de Agosto, with a combined capacity of 27 MW were expected to commence operations in the back half of 2016. Unfortunately, cost overruns arising from unforeseen natural disaster incidents in the catchment area have resulted in contractual issues with the engineering, procurement and construction contractor and with project debt providers. Union Group and its financing partners are currently in talks to arrange financing for the incremental costs associated with these disruptions. In the interim, Union Group's equity interests in these two projects have been written down to $nil to reflect the uncertainties associated with these projects and their development pipeline.

Union Group also develops and operates oil and gas assets in the Andean States and Southern Cone regions of Latin America. During 2015, Union Group signed a joint venture agreement with ANCAP, and became the only private company in Uruguay to operate jointly with Uruguay's state-owned oil company. This joint venture arrangement will allow Union Group to continue to move forward with building oil and gas assets in the region in this difficult macro environment. In addition, Union Group has acquired a controlling stake in an oil and gas operator/owner of a high potential onshore block in Peru. Union Group has taken advantage of weak economic conditions in the oil and gas sector to expand its portfolio of assets with strategic acquisitions of exploration blocks in Bolivia, Paraguay and Peru. Union Group acquired these exploration blocks to position itself as a strategic holder of prime exploration acreages in the region.

Union Group holds mineral rights in Uruguay, with projects diversified across mineral types and maturity stages. Union Group also manages and invests in a diversified portfolio of prime real estate properties in Uruguay, including income generating, residential and coastline land properties; it holds an approximate 3% interest in Union Agriculture Group (www.uag.com.uy); and it continues to develop and operate infrastructure and logistics assets in Uruguay.

The Corporation and Union Group have a renewed focus on developing a strategy that will allow third party investors to participate in the continued growth of Latin America's most compelling economies. These initiatives may include undertaking a number of other public listings of Union Group's subsidiaries. In the interim, Union Group has completed an in-depth assessment of operations across all divisions in its efforts to reduce costs and improve efficiencies. These measures will allow for enhanced navigation through the commodity down-cycle, while retaining capacity to take advantage of distressed asset acquisition opportunities and continue growing its various business platforms.

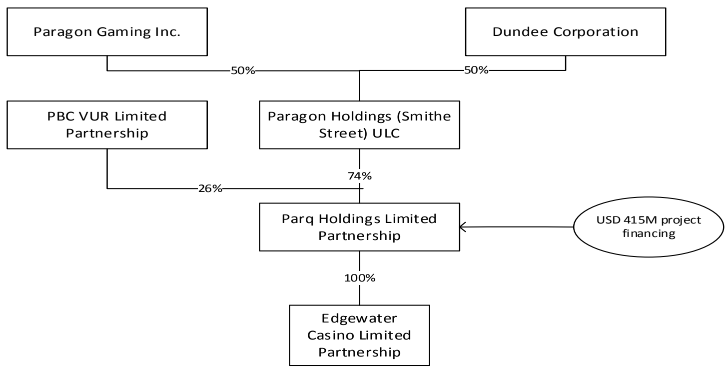
In 2016, Union Group reported losses of approximately US$1.1 million (2015 – US$4.2 million) and it reported a loss of US$32.6 million in other comprehensive income, including the impairment of its operations relating to two of its hydropower plants, El Carmen and 8 de Agosto, as outlined above. The Corporation's share of these losses, translated into Canadian dollars was $0.6 million (2015 – $1.6 million) and its share of other comprehensive losses was $18.2 million. During the prior year, the Corporation recognized a $10.9 million dilution gain resulting from a US$25 million equity investment by a third party in certain of Union Group's energy assets. During 2016, the Corporation recognized a dilution loss of $0.2 million.

At December 31, 2016, the Corporation holds a 40% interest in Union Group. The Corporation has not committed any further funds to Union Group, and it is not subject to any contingent obligations in respect of its investment.

*Paragon Holdings (Smithe Street) ULC ("Paragon Holdings")*

Paragon Holdings is a joint venture established between the Corporation and Paragon Gaming Inc., a Las Vegas-based casino resort developer and operator. Paragon Holdings holds an indirect 73.46% interest in Parq Holdings Limited Partnership (of which the Corporation's share is 36.73%), a partnership established for the purpose of developing a Vancouver-based urban entertainment and leisure resort (the "Parq Resort"). Scheduled to open in the fall of 2017, the Parq Resort is immediately adjacent to the B.C. Place Stadium; it will include two Marriott-branded luxury hotels with 517 rooms, a 60,000 square foot conference centre, five restaurants, three lounges, parking and a specialized spa; and it will house the relocated Edgewater Casino that will commence operations in the new location with 600 slot machines and 75 gaming tables.

The remaining 26.54% interest in Parq Holdings Limited Partnership ("Parq") is owned by PBC VUR Limited Partnership ("PBC"), a partnership managed by PBC Real Estate Advisors Inc., an asset management company engaged in pursuing, developing, acquiring, funding and managing various real estate assets including land, real property and mortgages on behalf of its institutional client base.




In late 2014, Parq completed a US$415 million project financing arrangement for the development of the project, including a US$265 million first lien term loan bearing interest at the London Interbank Offered Rate plus 7.5% and maturing on December 17, 2020, and a US$150 million second lien term loan bearing interest at the London Interbank Offered Rate plus 12% and maturing on December 17, 2021. In connection with the project financing, the Corporation and certain affiliates of Paragon Gaming Inc., as co-guarantors, had arranged to provide a $17.5 million completion guarantee, for a total completion guarantee of $35 million, the terms of which would require the co-guarantors to pay for the construction of the resort up to each guarantor's $17.5 million guarantee in the event that certain terms of the financing agreements are not met, including cost overruns and delays, and shortfalls in the operations of the existing Edgewater Casino.

The release of funds pursuant to the project financing was conditional on certain criteria, including a certification from Parq and EllisDon Tishman Inc. ("EDT"), the general contractor of the project, with respect to the project being, among other things, on schedule. In March 2016, Parq entered into discussions with its general contractor regarding the construction schedule for the Parq Resort under the general contract. These discussions culminated in an extension to the construction schedule and an updated scheduled opening date.

As a result, on June 2, 2016, Parq entered into an amendment with its lenders to allow for the schedule extension. In order to fund cost increases primarily related to the schedule extension, the existing ownership group invested an additional $75.3 million to the Parq Resort, in the form of a convertible preferred security designated as "Class C Preferred Units". The terms of the Class C Preferred Units entitle the holders thereof to a preferential return of up to 17%, and provide terms for redemption and/or conversion at the holders' option. Dundee Corporation invested $40.7 million to acquire 37.8 million units under these arrangements, of which $17.5 million originated from the Corporation's share of the original completion guarantee. The completion guarantee was subsequently cancelled. The Class C Preferred Units have been designated for accounting purposes as financial instruments at FVTPL (see "*Other Portfolio Investments*").

During the third quarter of the current year, the existing ownership group made an additional investment into Parq in the form of preferred units totalling $13.9 million, the proceeds of which were primarily used by Parq to fund a completion guarantee. Of this amount, $9.0 million was made in the form of Class C Preferred Units as described above, and $4.9 million into securities designated as "Class D Preferred Units". Class D Preferred Units are similar in form to the Class C Preferred Units, but carry certain liquidity and redemption preferences. The Corporation's share of this additional investment was $2.5 million, all of which was invested in Class D Preferred Units. On a fully converted basis, the Corporation holds a 39.8% interest in the Parq Resort, while Paragon Gaming Inc. owns a 32.8% fully converted interest, and PBC owns a 27.4% fully converted interest.

Affiliates of Dundee 360 had previously entered into both development and asset management agreements with affiliates of Paragon Gaming Inc. to jointly develop and operate the Parq Resort. In connection with the schedule extension, Dundee 360 reassigned its role in each of these arrangements. The development of the Parq Resort will now be jointly managed by affiliates of Paragon Gaming Inc. and PBC. Once construction of the Parq Resort is completed and operations commence, ongoing asset management will be provided jointly by affiliates of Paragon Gaming Inc., PBC and Dundee Corporation.

Construction during 2016 progressed to the hotel towers that will host the JW Marriott and Douglas hotels at the property. The pouring of concrete on the shorter of the towers was completed on November 15, 2016 for the Douglas hotel and on November 16, 2016 for the JW Marriott south tower, which represented the top-off of these towers. The top-off of the taller JW Marriott north tower occurred in January 2017. Parq remains on schedule to open in the fall of 2017.

Paragon Holdings reported net earnings of $8.9 million in 2016 (2015 – net loss of $44.6 million), of which $3.3 million is attributed to each of the Corporation and Paragon Gaming Inc., with the remaining net earnings of $2.3 million attributable to PBC. In addition, the Parq Resort project incurred interest expense of $56.6 million (2015 – $52.1 million), all of which was capitalized to the development cost of the project.

*(in millions of dollars)*

| *Source of revenue and other items in net earnings or loss for the years ended December 31,* | 2016 | Amounts attributable to Dundee Corporation | 2015 | Amounts attributable to Dundee Corporation |
|---|---|---|---|---|
| Casino operations: | | | | |
| Revenue | $ 68.1 | $ 25.5 | $ 65.5 | $ 24.8 |
| Other items in net earnings (loss) | (58.1) | (21.8) | (56.9) | (21.4) |
| | 10.0 | 3.8 | 8.6 | 3.3 |
| Deferred tax (expense) recovery | (2.4) | (0.8) | 7.8 | 3.0 |
| Foreign exchange gain (loss) | 11.0 | 4.1 | (57.6) | (21.5) |
| Loss from fair value changes in derivative instruments | (9.7) | (3.6) | (3.4) | (1.2) |
| | $ 8.9 | $ 3.3 | $ (44.6) | $ (16.4) |

Exposure to changes in foreign exchange rates in the underlying Parq Resort project is partially mitigated, as the debt terms established a 30-month interest reserve to June 2017 that required the deposit of U.S. currency. During 2015, and in order to further protect against exposure to interest rate fluctuations and volatility between the U.S. and Canadian dollar, the Parq Resort project entered into two derivative instruments. A cross currency swap was established on October 1, 2015, pursuant to which the Parq Resort project exchanged its first lien US$237.9 million floating rate debt for $315.5 million Canadian fixed rate debt at 10.1% and it exchanged US$150.0 million of its second lien floating rate debt for $198.9 million Canadian fixed rate debt at 14.6%. The derivative instrument expires on March 31, 2019, when it is anticipated that all or a portion of debt will be renegotiated. In addition, the project has entered into a forward contract to buy approximately $90 million of potential principal repayment at an exchange rate of $1.326 Canadian to US$1.00 until March 31, 2019. The project will progressively enter into additional hedges if foreign exchange rates reach certain pre-determined thresholds.

*Android Industries, LLC ("Android")*
The Corporation holds a 20% interest in Android (www.android-ind.com), a private company and leading high technology-enabled assembler and sequencer of complex assemblies for the automotive industry headquartered in Michigan, United States.

This engineering based company applies lean manufacturing principles to deliver a high value product. Under its most comprehensive system, Android applies its expertise in supply chain management to purchase parts globally, manage currency exposure and manage inventory. Under this model, Android owns all materials, issues and maintains contracts with a component supply base, and assembles finished parts or modules and delivers the finished goods to the customer just in time and in the proper build sequence, essentially dealing with customer requirements from start to finish.

Although initially developed for the automotive industry, the processes and equipment that have been developed by Android have applicability across components and other industries.

Android continues to expand its business internationally with facilities in the U.S., Canada, Mexico, Spain, Brazil, Turkey and Italy. Android continues its efforts to move up the value chain by seeking contract opportunities with new customers and making solid strides to position itself as a key and strategic component in the global supply chain for its customers. In spite of an increasingly challenging and competitive environment, management is confident that its transition strategy will result in long-term value appreciation. During 2016, Android continued to focus on business strategy offering multi-assemblies bundled solutions to its customers with higher value-added contracts that better align with its customer's current sourcing strategies. This resulted in the award of four new multi-year manufacturing contracts which will be deployed at several of Android's existing production facilities. The capital requirements associated with these new contracts are significant and will be deployed between 2017 and 2019. It is expected that the new contracts and better customer alignment will continue to result in additional value-added growth opportunities for the company, and it is expected to generate higher levels of sales and earnings beginning in 2018.

During 2016, the Corporation's share of earnings from its investment in Android was $0.4 million (2015 – $3.6 million) and it has received distributions of $0.4 million in 2016 (2015 – $1.5 million). In addition, the Corporation recognized other comprehensive losses of $2.4 million, representing foreign currency losses associated with Android's foreign operations.

*Cambridge Medical Funding Group II, LLC ("Cambridge Medical")*
Cambridge Medical is a private, U.S.-based consortium with a focus on purchasing insured medical receivables. Using proprietary software and sourcing, Cambridge Medical funds and purchases, or otherwise administers medical receivables from medical clinics and then manages the collection and adjudication process. The Corporation has invested US$10.0 million to acquire a 50% interest in Cambridge Medical. The Corporation has also advanced a further US$1.0 million to Cambridge Medical to assist with short-term working capital requirements.

During 2016, Cambridge reported a loss of US$5.1 million, including an impairment of US$3.6 million against certain receivables from a single medical provider. In Canadian dollar terms, the Corporation recognized a loss of $2.7 million in 2016 (2015 – $0.2 million), as its share of losses incurred by Cambridge Medical.

*Dundee Sarea Limited Partnership ("Dundee Sarea LP")*
Dundee Sarea LP (www.dundeesarea.com) is a private equity firm investing in special situations companies that require a constructive, long term partner to drive meaningful change and growth. Through limited partnership investment vehicles, Dundee Sarea LP makes equity investments in mid-market companies that are in need of a financial restructuring or an operational turnaround. Supported by a group of professionals with hands-on turnaround experience, Dundee Sarea's business model encompasses the investment of more than just capital to difficult situations. Instead, these professionals become actively involved in realigning strategy and improving performance.

Dundee Sarea LP has, in partnership with the Caisse de dépôt et placement du Québec, raised an initial committed amount of $112.5 million towards the creation of its first limited partnership, Dundee Sarea Acquisition I Limited Partnership (see below), including $37.5 million of committed capital from the Corporation.

During 2016, the Corporation recognized earnings of $0.1 million from its interest in Dundee Sarea LP, essentially offset by a dilution loss of $0.1 million which resulted from the Corporation's interest decreasing from 34% at the end of 2015 to 25% at December 31, 2016.

*Dundee Sarea Acquisition I Limited Partnership ("Dundee Sarea Fund")*

Dundee Sarea Fund will use the capital committed by its limited partners to invest in companies requiring turn-around expertise in North America and Europe, with a focus on manufacturing distribution, industrial products, agriculture, oil & gas and forestry-related industries. The Corporation has committed capital of $37.5 million towards this venture, representing an interest of 33%.

At December 31, 2016, Dundee Sarea Fund's sole investment consisted of a 100% ownership in Redecam Group S.p.A. ("Redecam"). Based in Milan, Italy, Redecam is a designer, manufacturer and installer of air filtration equipment and flue gas treatment systems for air pollution control.

At December 31, 2016, the Corporation had invested an aggregate of $16.6 million into the venture, representing approximately 44% of its committed amount.

During 2016, the Corporation's share of equity losses from its investment in Dundee Sarea Fund was $1.4 million (2015 – share of earnings of $1.0 million).

*Dundee Acquisition Ltd. ("Dundee Acquisition")*

On March 5, 2015, the Corporation created Dundee Acquisition (www.dundeeacquisition.com), a special purpose acquisition corporation ("SPAC") established for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, share exchange, asset acquisition, share purchase, reorganization or any other similar business combination (a "Qualifying Acquisition").

Dundee Corporation founded Dundee Acquisition with an initial subscription of class B common shares with a value of $25,000 or $0.008 per share. On April 21, 2015, Dundee Acquisition completed an initial public offering of its class A restricted voting units at $10.00 per unit, each unit consisting of a class A restricted voting share, and one-half of a warrant, each whole warrant entitling the holder to purchase an additional share of Dundee Acquisition at $11.50 per share, subject to certain conditions as outlined in the prospectus supporting the initial public offering. Dundee Acquisition raised aggregate proceeds of $112.3 million pursuant to the initial public offering, including proceeds received on the exercise of an over-allotment option granted to its underwriters. In connection with the initial public offering and its role as sponsor of Dundee Acquisition, Dundee Corporation acquired 430,750 additional class B common shares of Dundee Acquisition at $10.00 per unit.

At December 31, 2016, Dundee Acquisition had 14,575,937 shares outstanding, comprised of 11,230,000 class A restricted voting shares and 3,345,937 class B common shares. Dundee Corporation held 3,272,677 class B common shares, representing 22% of the aggregate issued and outstanding shares of Dundee Acquisition. Accordingly, the Corporation is accounting for its investment in Dundee Acquisition as an equity accounted investment.

The class A restricted voting shares of Dundee Acquisition provides the holders with the right to redeem their shares in the event that a Qualifying Acquisition is not completed within 21 months from the closing of the initial public offering, or in certain other conditions as outlined in the prospectus and, as such, the class A restricted voting shares of Dundee Acquisition have been classified as debt in Dundee Acquisition's financial statements. As a result, the equity of Dundee Acquisition consists solely of its class B common shares, of which the Corporation holds 98%.

In connection with the initial public offering, Dundee Acquisition placed $10.00 per class A restricted voting share into an escrow account to settle any redemption requirement. The Corporation, as founder and sponsor of Dundee Acquisition, does not have access to these funds to fund ongoing operations, including legal and due diligence work necessary to complete a Qualifying Acquisition. Dundee Corporation has also executed a make-whole agreement and undertaking in favour of Dundee Acquisition, whereby Dundee Corporation has agreed to indemnify Dundee Acquisition in certain limited circumstances where the funds held in escrow are reduced to below $10.00 per class A restricted voting share.

On August 25, 2016, Dundee Acquisition announced a proposed transaction pursuant to which it would complete, by plan of arrangement, a business combination and a series of real estate acquisitions to create a publicly-listed student housing owner/operator company. If completed, the transaction would constitute Dundee Acquisition's Qualifying Acquisition (the "Proposed Qualifying Acquisition"). Consummation of the Proposed Qualifying Acquisition required, among other things, approval of Dundee Acquisition's shareholders. In connection with the Proposed Qualifying Acquisition, holders of Dundee Acquisition's class A restricted voting shares were entitled to redeem all or a portion of their shares, whether they voted for or against, or did not vote on, the Proposed Qualifying Acquisition, provided that they deposited their shares for redemption. A redeeming shareholder would be entitled to receive an amount per share payable in cash equal to the per share amount then on deposit in Dundee Acquisition's escrow account, subject to certain limitations.

On January 27, 2017, Dundee Acquisition's shareholders approved the Proposed Qualifying Acquisition. However, if the Proposed Qualifying Acquisition were to have been completed, the resulting business combination would not have met the targeted minimum cash amount required to be retained following completion of the business combination as a result of higher than expected redemption deposits of Dundee Acquisition's class A restricted voting shares. In light of these circumstances, Dundee Acquisition is considering strategic alternatives. The Corporation has committed to provide Dundee Acquisition with up to $1.0 million to fund ongoing working capital requirements.

During 2016, the Corporation recognized a loss of $4.3 million (2015 – $3.9 million) from its investment in Dundee Acquisition.

*Escal UGS S.L. ("Escal")*

Escal was the original developer of a Spanish infrastructure undertaking that converted an abandoned oilfield to a natural gas storage facility (the "Castor Project"). Escal is incorporated under Spanish jurisdiction. ACS Servicios Communicaciones y Energia S.L. ("ACS"), a construction group in Spain, is a 67% shareholder of Escal. Dundee Energy, through its 74% interest in Castor UGS Limited Partnership ("CLP") holds the remaining 33% interest in Escal, providing the Corporation with an effective 14% interest in the Castor Project.

In September 2013, the Spanish authorities mandated suspension of activities at the Castor Project, following micro-seismic activity detected in the surrounding area. Escal subsequently considered options available in respect of the Castor Project and in July 2014, Escal determined that it was appropriate to exercise its right under the underground gas storage concession to relinquish the concession to the Spanish authorities. In October 2014, the Spanish government approved a royal decree, which formally accepted the relinquishment and acknowledged termination of the concession.

In November 2014, and under the terms of the relinquishment, Escal received €1.35 billion, being the net value of its investment in the Castor Project, after deducting €110 million previously received by Escal during the pre-commissioning stage of development. These proceeds were applied towards the partial repayment of the €1.41 billion of outstanding bonds issued by Watercraft Capital S.A., Escal's financing vehicle.

The royal decree also provides Escal with certain other remuneration rights, including financial remuneration for the period from the provisional commissioning date of the Castor Project on July 5, 2012 through to October 4, 2014, as well as the reimbursement of operating and maintenance costs incurred during this period. On November 17, 2015, the Spanish Ministry of Industry, Energy, and Tourism issued a resolution establishing the additional remuneration at €253.3 million, and the reimbursement of operating and maintenance costs at an additional €42.3 million. On December 18, 2015, a further €4.56 million was authorized and subsequently received, as compensation for operating and maintenance costs between October 4, 2014 through to November 30, 2014, being the date of the hand-over of the facilities to Enagás Transporte, S.A.U. During the year ended December 31, 2016, Escal received a further €212 million under these arrangements, permitting Escal to further reduce debt outstanding, as further detailed below. The balance of remuneration is currently set to be received over a 15-year period, and is subject to interest at 1.2%. Companies within the Spanish gas system are formally negotiating a discounted settlement of these future payments with certain commercial banks.

In November 2014 and following relinquishment of the Castor Project, ACS arranged a €300 million bank financing for Escal. At that time, €60 million of the bank facility was applied to repay the balance of all amounts owing pursuant to the outstanding bond arrangements. The remaining €240 million available pursuant to the bank line were used by Escal to repay Escal's shareholder loans solely to ACS. CLP is of the view that the new financing arranged by ACS was not in the best interest of Escal and consequently, CLP has lodged a legal action challenging the approval of the new financing.

Furthermore, in the opinion of CLP, the use of the €240 million in payment of subordinated loans solely to ACS contravenes the terms of the 2007 memorandum of understanding in respect of CLP's ownership rights in the equity and shareholder loans of Escal. Therefore, early in the second quarter of 2015, CLP commenced binding arbitration proceedings to resolve this contractual dispute with ACS. On March 27, 2017, Dundee Energy announced that the arbitral tribunal of the International Chamber of Commerce rendered its decision related to the Castor Project, denying the claim made by Dundee Energy and its subsidiary. The decision was rendered by a majority of the three-person tribunal, with the third member issuing a dissenting opinion. Dundee Energy's counsel is currently reviewing the decision to determine what steps may be taken based on the decision rendered.

The Corporation accounts for its investment in Escal using the equity method. At December 31, 2016 and 2015, Escal's net equity available to shareholders was negative, reflecting operating losses and the settlement of unfavourable hedging transactions. Accordingly, the Corporation has reduced the carrying value of its investment in Escal to $nil at December 31, 2016 (2015 – $nil) as the Corporation does not have any legal or constructive obligations in respect of its investment in Escal, nor is it currently obligated to make any payments on behalf of Escal.

**Earnings and Losses from Equity Accounted Investments**

| *For the years ended December 31,* | | | 2016 | | | 2015 |
|---|---|---|---|---|---|---|
| | Equity Earnings (Losses) | Dilution (Loss) Gains | Total | Equity Earnings (Losses) | Dilution Gains | Total |
| Android Industries, LLC | $ 4 | $ 410 | $ 414 | $ 2,127 | $ 1,511 | $ 3,638 |
| Cambridge Medical Funding Group II, LLC | (2,731) | - | (2,731) | (263) | 92 | (171) |
| Dundee Acquisition Ltd. | (4,335) | - | (4,335) | (4,759) | 871 | (3,888) |
| Dundee Sarea Acquisition I Limited Partnership | (1,349) | - | (1,349) | (516) | 1,549 | 1,033 |
| Dundee Sarea Limited Partnership | 72 | (92) | (20) | 819 | - | 819 |
| Paragon Holdings (Smithe Street) ULC | 3,276 | - | 3,276 | (16,386) | - | (16,386) |
| Union Group International Holdings Limited | (565) | (198) | (763) | (1,605) | 10,888 | 9,283 |
| Others | (131) | - | (131) | 41,386 | 232 | 41,618 |
| | (5,759) | 120 | (5,639) | 20,803 | 15,143 | 35,946 |
| Real estate joint venture investments | (4,564) | - | (4,564) | (181) | - | (181) |
| | **$ (10,323)** | **$ 120** | **$ (10,203)** | **$ 20,622** | **$ 15,143** | **$ 35,765** |

| *For the three months ended December 31,* | | | 2016 | | | 2015 |
|---|---|---|---|---|---|---|
| | Equity Earnings (Losses) | Dilution Gains | Total | Equity Earnings (Losses) | Dilution Gains | Total |
| Android Industries, LLC | $ 353 | $ 132 | $ 485 | $ 505 | $ 1,511 | $ 2,016 |
| Cambridge Medical Funding Group II, LLC | (2,558) | - | (2,558) | (200) | - | (200) |
| Dundee Acquisition Ltd. | (1,610) | - | (1,610) | 997 | - | 997 |
| Dundee Sarea Acquisition I Limited Partnership | (300) | - | (300) | (229) | 4 | (225) |
| Dundee Sarea Limited Partnership | (202) | - | (202) | (8) | - | (8) |
| Paragon Holdings (Smithe Street) ULC | (194) | - | (194) | (1,894) | - | (1,894) |
| Union Group International Holdings Limited | 1,415 | - | 1,415 | (452) | - | (452) |
| Others | (12) | - | (12) | 41,489 | - | 41,489 |
| | (3,108) | 132 | (2,976) | 40,208 | 1,515 | 41,723 |
| Real estate joint venture investments | (4,716) | - | (4,716) | (324) | - | (324) |
| | **$ (7,824)** | **$ 132** | **$ (7,692)** | **$ 39,884** | **$ 1,515** | **$ 41,399** |

In addition to its share of earnings of its equity accounted investments, in 2016, the Corporation recognized $20.7 million of other comprehensive losses relating to these investments (2015 – $9.1 million of other comprehensive losses). Other comprehensive losses during 2015 are net of $41.5 million of foreign currency translation gains relating to the Corporation's investment in Dundee Precious, which amount was transferred from other comprehensive income to the net loss, concurrent with the reclassification of Dundee Precious as an investment accounted for under the equity method to an investment at FVTPL in that year.

## OTHER PORTFOLIO INVESTMENTS

### Portfolio of Investments at December 31, 2016

| | Ownership | Ticker Symbol | (000's) # of Shares Held | Per Share Price | Market Value as at December 31, 2016 |
|---|---|---|---|---|---|
| **Publicly Traded Securities** | | | | | |
| Dream Unlimited Corp. | 20% | DRM | 15,536.3 | $6.69 | $ 103,938 |
| Dundee Precious Metals Inc. | 23% | DPM | 36,381.6 | $2.24 | 81,495 |
| Osisko Mining Inc. (formerly Oban Mining Corporation) | 4% | OSK | 7,194.3 | $2.43 | 17,482 |
| Skyline International Development Inc. | 5% | SKLN_IT | 800.0 | $8.95 | 7,159 |
| Others | | | | | 46,251 |
| | | | | | 256,325 |
| **Private Investments (note 1)** | | | | | |
| Parq Equity Limited Partnership - Class C and Class D preferred units | n/a | | | | 43,151 |
| TauRx Pharmaceuticals Ltd. | 4% | | | | 41,703 |
| Red Leaf Resources Inc. | 2% | | | | 14,283 |
| Pan African Minerals Limited | 11% | | | | 214 |
| Others | | | | | 24,297 |
| | | | | | 123,648 |
| **Debt Securities** | | | | | |
| Subordinated loan advanced to Eight Capital (formerly Dundee Capital Partners) | | | | | 17,500 |
| Publicly traded debt securities | | | | | 10,969 |
| Debt securities owing from public enterprises (note 1) | | | | | 4,163 |
| Debt securities owing from private enterprises (note 1) | | | | | 20,742 |
| | | | | | 53,374 |
| **Warrants and Options (note 1)** | | | | | |
| Warrants or options on shares of publicly listed enterprises | | | | | 227 |
| | | | | | 227 |
| **TOTAL – PORTFOLIO INVESTMENTS** | | | | | **$ 433,574** |

*1. These investments are not traded on a prescribed exchange, therefore, market values of these investments were determined by application of valuation methodologies appropriate for such investments (see note 31 to the 2016 Audited Consolidated Financial Statements for further information on valuation methodologies applied for such investments).*

At December 31, 2016, the estimated market value of the Corporation's portfolio of investments carried at FVTPL was $433.6 million, a decrease of $5.0 million from an estimated market value of these investments of $438.6 million at December 31, 2015.

| | For the three months ended December 31, 2016 | For the year ended December 31, 2016 |
|---|---|---|
| Market value of portfolio investments, beginning of period | $ 572,206 | $ 438,628 |
| **Transactions during the period ended December 31, 2016** | | |
| New investments | 17,500 | 71,733 |
| Proceeds from sales of investments | (54,568) | (84,747) |
| Changes in market values | (102,680) | 8,596 |
| Other transactions | 1,116 | (636) |
| **Market value of portfolio investments, end of period** | **$ 433,574** | **$ 433,574** |

During 2016, the Corporation invested $71.7 million into its portfolio of investments at FVTPL, including $43.2 million invested in Class C and Class D convertible preferred units associated with the Corporation's Parq Resort (see "*Significant Investments Accounted for under the Equity Method*"); $17.5 million invested in a subordinated loan advanced to Eight Capital (formerly Dundee Capital Partners) as part of the divestiture by Dundee Securities of its capital markets division; and $2.5 million invested in Dundee Precious in connection with a non-brokered private placement.

| | *For the three months ended December 31, 2016* | *For the year ended December 31, 2016* |
|---|---|---|
| **New investments during the period** | | |
| Parq Equity Limited Partnership, Class C convertible preferred units | $ - | $ 40,683 |
| Parq Equity Limited Partnership, Class D convertible preferred units | - | 2,468 |
| Subordinated loan advanced to Eight Capital (formerly Dundee Capital Partners) | 17,500 | 17,500 |
| Dundee Precious Metals Inc., private placement | - | 2,520 |
| Other investments | - | 8,562 |
| **Total new investments during the period** | **$ 17,500** | **$ 71,733** |

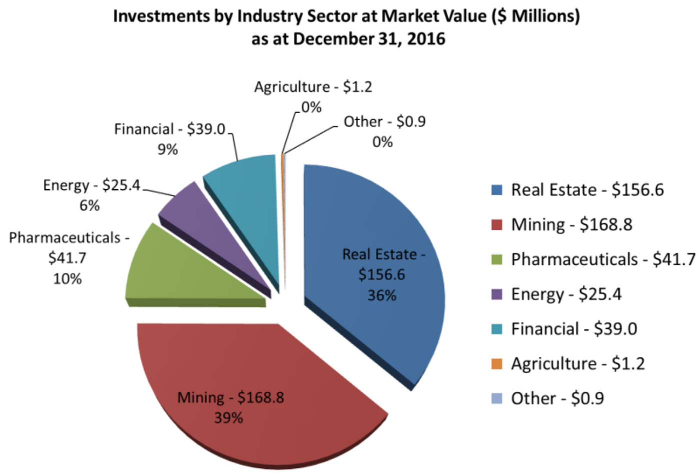
These new investments were partially funded through proceeds generated from the sale of certain other investments, including $38.0 million received on sale of the Corporation's interest in Dream Unlimited Corp., $12.0 million received on the sale of the Corporation's interest in Newfoundland Capital Corporation and $8.6 million of distributions received on the wind-up and termination of Goodman Gold Trust.

| | *For the three months ended December 31, 2016* | *For the year ended December 31, 2016* |
|---|---|---|
| **Proceeds from sales of investments during the period** | | |
| Dream Unlimited Corp. | $ 38,003 | $ 38,003 |
| Newfoundland Capital Corp. | - | 12,005 |
| Goodman Gold Trust | - | 8,648 |
| Other proceeds | 16,565 | 26,091 |
| **Total proceeds from sales of investments during the period** | **$ 54,568** | **$ 84,747** |

Changes in market values during 2016 increased the value of the Corporation's portfolio of investments at FVTPL by $8.6 million.

| | *For the three months ended December 31, 2016* | *For the year ended December 31, 2016* |
|---|---|---|
| **Changes in fair value of investments during the period** | | |
| Dundee Precious Metals Inc. | $ (36,382) | $ 33,403 |
| Dream Unlimited Corp. | (14,490) | (15,355) |
| TauRx Pharmaceuticals Ltd. | (32,255) | (36,297) |
| Other | (19,553) | 26,845 |
| **Total changes in fair value of investments during the period** | **$ (102,680)** | **$ 8,596** |

At December 31, 2016, the Corporation's portfolio of investments continued to include several public and private investments, as well as certain debt securities across a variety of industry sectors.




*Investment in DREAM Unlimited Corp. ("DREAM")*
DREAM (TSX: DRM) is one of Canada's leading real estate companies with approximately $14 billion of assets under management in North America and Europe. The scope of DREAM's business includes residential land development, housing and condominium development, asset management of four TSX listed trusts and institutional partnerships, and investments in and management of Canadian renewable energy infrastructure and commercial property ownership. During 2016, DREAM reported revenues of $340.2 million and net earnings of $95.4 million.

Since first becoming a public company in 2013, DREAM has shifted its business focus more towards real estate development, including the development of retail centers within its master planned communities in western Canada; the recent emergence of commercial development on lands held; and the significant expansion of condominium and mixed-use properties within urban development sites.

As a result of low cost land, preferred locations and an established track record, condominium development projects are expected to continue to be robust. During 2016, DREAM achieved 1,456 condominium unit closings (711 at DREAM's share) within DREAM's completed downtown Toronto projects. Over the next year, DREAM expects to launch new condominium projects on existing land inventory, including the Distillery District (approximately 500 – 600 units), the Canary District (approximately 1,200 units) and Riverside Square (approximately 928 units).

While the housing business in western Canada continues to be affected by declining economic conditions in those provinces, DREAM continues to make progress in securing land approvals and re-aligning its operations to suit changes in these local markets. DREAM has already secured deposits on sales of approximately 570 lots and 15 acres in this region, which is in excess of its results for all of 2016. DREAM believes this pre-sales activity is a positive indication for the future profitability of its land business.

DREAM's asset management business consists of a team of real estate and infrastructure professionals with backgrounds in property management, architecture, urban planning, engineering, development, construction and finance. DREAM provides asset management to four publicly listed funds, its renewable power business and various institutional partner/third-party real estate and development assets. Fee earning assets under management were approximately $5.2 billion at December 31, 2016 and generated total asset management revenues of $64.0 million.

Dundee Corporation currently holds a 20% interest in DREAM, with a market value at December 31, 2016 of $103.9 million. Additional information regarding DREAM is available at [www.dream.ca](http://www.dream.ca).

*Dundee Precious Metals Inc. ("Dundee Precious")*
Dundee Precious (*www.dundeeprecious.com)* is a Canadian-based international gold mining company engaged in the acquisition of mineral properties, exploration, development, mining and processing of precious metals. Dundee Precious' principal assets include the Chelopech operations in Bulgaria, which produce a copper concentrate containing gold and silver and a pyrite concentrate containing gold; and the Tsumeb smelter in Namibia, a complex concentrate processing facility. Dundee Precious also holds interests in a number of other developing gold and exploration properties in Bulgaria, Serbia and northern Canada, including the Krumovgrad mine, which started construction in the fourth quarter of 2016 and is expected to commence operations in the fourth quarter of 2018, its 100% interest in Avala Resources Ltd. and its 10.7% interest in Sabina Gold & Silver Corp. During 2016, Dundee Precious generated revenues from continuing operations of US$279.5 million, and it reported net losses attributable to its common shareholders of US$151.6 million, which are net of impairment charges of US$126.3 million primarily related to the Tsumeb smelter.

During 2016, Dundee Precious produced gold on a net by-product basis of US$562.00 per ounce, and US$738.00 per ounce on an all in sustaining cost basis, both on a consolidated basis. Low cash-cost continued to help Dundee Precious sustain operations during the challenging commodity price environment in 2016 for gold and copper.

The Chelopech mine produces a complex concentrate that would normally place the producer at risk for both pricing and access to smelting capacity. However, Dundee Precious has mitigated this potential risk through vertical integration of the operations at the Chelopech mine with the Tsumeb smelter in Namibia, where Dundee Precious has established a secure and cost managed means to treat the product. However, at December 31, 2016, and primarily attributable to lower forecasted third party toll rates and lower forecasted volumes related to a slower ramp-up of throughput to 370,000 tonnes per year, Dundee Precious determined that its carrying value of the Tsumeb smelter exceeded its estimated recoverable amount, resulting in an impairment charge of US$107.0 million.

In April 2016, Dundee Precious sold its interest in the Kapan mine located in Armenia. Dundee Precious received aggregate proceeds of approximately US$29.8 million, including US$15.2 million shares of the buyer that were subsequently sold for US$14.8 million. Dundee Precious has retained a 2% net smelter royalty on all future production from the Kapan property.

In July 2016, Dundee Precious completed a financing of $54.65 million at $3.00 per share. Concurrent with the financing, the Corporation purchased 840,000 common shares of Dundee Precious pursuant to a non-brokered private placement at an equivalent price of $3.00 per share. In January 2017, Dundee Precious further strengthened its liquidity through the issuance of a further 17.8 million common shares at $2.45 per share. Proceeds will be used by Dundee Precious for the construction of the Krumovgrad mine.

At December 31, 2016, Dundee Corporation held 36.4 million common shares of Dundee Precious with a market value of $81.5 million, representing a 23% interest. Following the private placement completed by Dundee Precious in January 2017, the Corporation's interest in Dundee Precious was diluted to 20%.

Prior to 2016, the Corporation accounted for its investment using the equity method. However, in mid-2015, the Corporation determined that it no longer exerted significant influence over the operations and financial results of Dundee Precious, and therefore reclassified and designated its interest in Dundee Precious as an investment at FVTPL.

*Osisko Mining Inc. ("Osisko") formerly Oban Mining Corporation ("Oban")*
Osisko is a mineral exploration company focused on the acquisition, exploration and development of precious metals resource properties in Canada. Osisko's flagship projects are the high-grade Windfall Lake gold deposit located between Val-d'Or and Chibougamau in Québec (the "Windfall Lake Project") and the Marban Block property located between Val-d'Or and Malartic in Québec (the "Marban Block Project"). Osisko holds a 100% interest in the Windfall Lake gold deposit located between Val-d'Or and Chibougamau in Québec and holds a 100% undivided interest in a large area of claims in the surrounding Urban Barry area (82,400 hectares), a 100% interest in the Marban project located in the heart of Québec's prolific Abitibi gold mining district, and properties in the Larder Lake Mining Division in northeast Ontario, including the Jonpol and Garrcon deposits on the Garrison property, the Buffonta past producing mine and the Gold Pike mine property. Osisko also holds interests and options in a number of additional properties in northern Ontario.

Since reorganizing in August 2015, Osisko has completed over 30 transactions, and it has raised approximately $91 million. Approximately $33.0 million has been spent on exploration and evaluation assets, predominantly on the Windfall Lake and Urban Barry properties, and a further $8.6 million was spent on general and administrative costs. Osisko raised approximately $83.0 million through multiple financings, and it has had continued success on its 150,000 metre and 250,000 metre drill programs at Windfall Lake and Urban Barry, with over 24 positive press releases expanding the resource both at depth and along strike with the step-out holes.

At December 31, 2016, Osisko had approximately $95 million in cash, cash equivalents and marketable securities. The Corporation has four main deposits that contain an aggregate of 3.42 million ounces of global resources in the measured mineral resource and the indicated mineral resource categories and an aggregate of 1.8 million ounces of global resources in the inferred mineral resource category.

Osisko is planning to increase its drilling program on all properties. A 250,000 metre drill campaign is expected to place 16 to 20 drill rigs on the Windfall Lake Property and Urban Barry area and a 35,000 metre drill campaign using 6 rigs in Garrison Township, Ontario. Subsequent to year end, Osisko commenced its feasibility study on the Windfall Lake Property and will begin de-watering the exploration ramp in the second quarter of 2017. The goal of the program is to increase the confidence in all the existing resources as well as to expand all existing resources. Osisko is working towards an initial resource update over the course of 2017 on the Urban Barry and Windfall Lake Properties.

Additional information regarding Osisko is available at *www.osiskomining.com*. At December 31, 2016, the Corporation held approximately 7.2 million shares of Osisko with a market value of $17.5 million.

*Investment in TauRx Pharmaceuticals Ltd. ("TauRx")*

TauRx is a private neuroscience company focused on the discovery, development and commercialization of products for the diagnosis and treatment of neuro-degenerative diseases caused through protein aggregation. The business was established in 2002 with the aim of discovering novel approaches to the treatment and diagnosis of Alzheimer's disease ("AD") as well as other neurological diseases characterized by abnormal aggregation of the Tau protein within the brain.

During 2016, TauRx completed and announced results for its three-part Phase III clinical trial program designed to test the efficacy and safety of LMTX™ in patients with mild to moderate AD and behavioral variant Frontotemporal Dementia ("bv-FTD").

The headline results for Study TRx 015 (mild-moderate AD in 890 subjects) and Study TRx 005 (mild AD in 800 subjects) were negative as LMTX™ failed to slow cognitive or functional decline in the total populations of treated AD subjects as measured by the ADAS-Cog11 and ADCS-ADL23 test batteries. The clinical trial in patients with bv-FTD (Study TRx 007 in 220 subjects) reported a lower rate of cognitive decline (as measured by the ACE-R and MMSE test batteries) than previously published studies in this patient population, although both the treatment and control arms showed no significant differences in outcomes. The clinical trials which comprised patients with mild or moderate AD reported a promising sub-group analysis outcome in which patients who received LMTX™ as their only AD medication (LMTX™ as a monotherapy) demonstrated significant reductions in disease progression as measured both by cognitive and functional test batteries and by MRI imaging of brain atrophy. However, patients that received the drug as an add-on therapy showed no beneficial effects. The major criticism of this analysis is that no causative inference can be drawn from the encouraging monotherapy outcomes as the studies were not randomized from the outset to test for the difference between monotherapy and add-on therapy. This necessitates further trials to be conducted with a focus on LMTX™ as monotherapy.

TauRx has initiated discussions with the regulatory authorities in Europe and the U.S. to determine its next steps and anticipates a requirement to corroborate the positive findings from Studies 015/005 in one or more trials that are fully randomized from the outset to test for clinically meaningful and statistically significant differences between LMTX™ taken as monotherapy and placebo groups.

TauRx will be raising additional financing through a rights issue to commence this drug validation and market development initiatives.

At December 31, 2016, the Corporation held a 4% interest in TauRx. The Corporation has determined that the fair value of its investment at December 31, 2016 was $41.7 million. In determining the fair value of its interest, the Corporation applied a value per share of US$30.60, the equivalent of a 50% discount to the volume-weighted average price of shares issued from treasury during 2015/16. Additional information regarding TauRx may be accessed at *www.taurx.com*.

*Investment in Red Leaf Resources Inc. ("Red Leaf")*

Red Leaf is a privately held oil and gas technology company. Red Leaf's patented technology, EcoShale, is a next generation oil and gas recovery technology focused on unlocking oil reserves in oil shale deposits. EcoShale extracts oil with relatively low energy consumption, low emissions and low water utilization when compared with other oil shale technologies currently deployed in the world.

In March 2015, Red Leaf announced the suspension of construction of the Early Production System ("EPS") in order to re-engineer the design. In May 2016, Red Leaf's partner, Total E&P USA Oil Shale, LLC ("Total"), notified Red Leaf that it did not want to proceed with the EPS project. Red Leaf and Total continue to be engaged in discussions to find a mutually acceptable resolution.

Dundee Corporation holds a 2% common equity interest and it holds US$10.0 million of the Series A preferred shares in Red Leaf that were acquired in 2010. The Corporation has determined that the fair value of its investment in Red Leaf, including both the common and the preferred shares, was $14.3 million at December 31, 2016. Additional information regarding Red Leaf may be accessed at *www.redleafinc.com*.

*Investment in Pan African Minerals ("Pan African")*

Pan African is a privately held, mineral exploration and development company focused on the acquisition, exploration and development of mineral assets in western Africa. Pan African's principal assets are currently comprised of the 90%-owned Tambao manganese project in Burkina Faso and the 70%-owned Mount Klahoyo magnetite iron ore project in Ivory Coast. Pan African also has uranium exploration licenses in Niger. The government of Burkina Faso has suspended the activities of Pan African at its Tambao facility and Pan African is currently in mediation regarding re-establishing development activities.

The Corporation has subsequently downgraded the valuation of Pan African to $0.2 million pending resolution of the license issues.

*Investment in $17.5 Million Subordinated Loan Advanced to Eight Capital (formerly Dundee Capital Partners)*

On December 2, 2016, Dundee Securities completed a transaction whereby it sold all of the assets and liabilities related to its capital markets division to Eight Capital, a partnership formed by a consortium of individuals that were previously key employees of Dundee Securities' capital markets division. As part of the transaction, the Corporation provided a subordinated loan in the amount of $17.5 million to Eight Capital, at an annual interest rate of 10%. Subsequent to December 31, 2016, $2.5 million of the subordinated loan was repaid.

In connection with the subordinated loan, the Corporation entered into a royalty agreement with Eight Capital pursuant to which Eight Capital will pay a revenue-based royalty payment to the Corporation, ranging between 1% and 6.5% of revenues generated by Eight Capital over a five-year period commencing in the calendar year ending December 31, 2017, and reducing to between 1% and 2% in each of 2022 and 2023. Under the terms of the royalty agreement, royalty payments will cease, subject to a final royalty payment, if the subordinated loan made by the Corporation to Eight Capital is repaid in full, and in any case, will cease effective December 31, 2023.

## OTHER CONSOLIDATED BALANCES AND CAPITAL STRUCTURE

**General and Administrative Expenses**

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. In 2016, the Corporation reported head office general and administrative expenses before non-cash stock based compensation of $21.6 million, a decrease of 10% when compared with general and administrative expenses of $24.1 million incurred in the prior year.

| *For the years ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Direct compensation | $ | 10,749 | $ | 12,910 |
| Corporate and professional fees | | 4,528 | | 5,961 |
| Other | | 6,334 | | 5,278 |
| | | 21,611 | | 24,149 |
| Stock based compensation arrangements | | 1,409 | | (2,568) |
| | $ | 23,020 | $ | 21,581 |

Stock based compensation added a further $1.4 million to general and administrative expenses in 2016. This compares with a recovery of stock based compensation costs of $2.6 million in 2015. In connection with a transaction completed in 2013, the Corporation has determined that certain stock based compensation arrangements constitute a liability to the Corporation, the amount of which will vary in correlation to the market price of a class A subordinate voting share of DREAM, with changes in the market price reported in net earnings or loss. These arrangements are more fully described in note 26 to the 2016 Audited Consolidated Financial Statements.

**Corporate Interest Expense**

Corporate interest expense was $12.3 million during 2016, a $2.4 million increase from the $9.9 million of interest expense incurred in the prior year. Included in interest expense is $3.6 million relating to the Corporation's credit facilities (2015 – $4.2 million) and dividends of $7.2 million (2015 – $5.4 million) incurred on the Corporation's preference shares that are classified as debt. Lower interest amounts paid on credit facilities reflect lower average amounts borrowed during the respective periods, offset by a higher dividend rate paid on the Corporation's preference shares classified as debt following a reorganization of the Corporation's preference shares outstanding in early 2016 (see "*Share Capital – Preference Shares*" below).

**Income Tax Recovery**

The Corporation's effective income tax recovery rate was 11.2% for 2016 (2015 – 9.5%). This effective income tax recovery rate is significantly different from the statutory combined federal and provincial tax rate of 26.5%, primarily due to operating losses incurred by certain subsidiaries, the benefit of which was not recognized in the 2016 Audited Consolidated Financial Statements, and non-tax deductible items including impairment of goodwill and preference share dividends that are classified as interest expense for accounting purposes.

**Net Deferred Income Tax Assets**

The Corporation's net deferred income tax assets at December 31, 2016 were $43.0 million and represent deferred income tax assets of $100.1 million, offset by deferred income tax liabilities of $57.1 million. This compares to net deferred income tax assets of $22.1 million at December 31, 2015. Net deferred income tax assets increased as a result of impairments in the resource segment and losses incurred by equity accounted investments. Components of the Corporation's net deferred income tax assets are detailed in note 28 to the 2016 Audited Consolidated Financial Statements.

The Corporation's aggregate income tax loss carry forwards at December 31, 2016 were $556.1 million (2015 – $588.1 million). Included in the Corporation's deferred income tax balances is a tax benefit of $72.4 million (2015 – $77.0 million) in respect of these tax losses.

**Corporate Debt**

| | Corporate* | Dundee Energy | Blue Goose | Dundee 360 | Total |
|---|---|---|---|---|---|
| Balance, December 31, 2015 | $ 73,639 | $ 58,802 | $ 41,936 | $ 746 | $ 175,123 |
| Draws (Repayments) | (19,065) | (1,402) | 46,944 | (607) | 25,870 |
| Balance, December 31, 2016 | $ 54,574 | $ 57,400 | $ 88,880 | $ 139 | $ 200,993 |

* *In addition, the Corporation has issued letters of credit in the amount of $3.4 million that may be drawn under certain circumstances.*

The Corporation has established a revolving term credit facility with a syndicate of Canadian Schedule I Chartered Banks. At December 31, 2016, borrowings under the facility bear interest at a rate per annum equal to the prime lending rate for loans plus 1.50% (2015 – 0.60%) or, at the Corporation's option, at the prevailing bankers' acceptance rate or London Interbank Offered Rate plus 2.50% (2015 – 1.60%). Unused amounts available under the facility are subject to an annual standby fee of 0.625%. The Corporation has granted a first ranking security over all of its assets as security against amounts borrowed under these arrangements.

In addition to restrictions customary to these types of arrangements, including restrictions on the existence of other secured indebtedness, the Corporation's revolving term credit facility requires the maintenance of certain financial ratios relating to the fair value of certain of the Corporation's investments relative to amounts borrowed. Therefore, the Corporation's borrowing availability will increase or decrease, reflecting corresponding increases or decreases in the fair value of certain of the Corporation's investments. At the end of 2016, the Corporation had drawn $54.6 million against its available credit facility, and it had issued letters of credit to support certain of its equity accounted investments for an additional amount of €2.4 million ($3.4 million Canadian dollars). At December 31, 2016, the Corporation had cash and bank debt availability of $45.7 million in its corporate and portfolio holdings segment.

On November 14, 2016, the Corporation extended the maturity date of its credit facility to March 14, 2017, and on March 8, 2017, it further extended the credit facility to April 14, 2017. The terms and conditions of the credit facility remain essentially unchanged as a result of the extension of the maturity date, other than that the Corporation agreed to reduce its borrowing capacity to $100.0 million, consistent with the Corporation's borrowing history and projected cash requirements.

In March 2017, the Corporation received an indicative term sheet from members of its lending syndicate which will provide the Corporation with further proposed longer-term extension to its current credit facility. The proposed extension will require that the Corporation reduce amounts available pursuant to the credit facility to $80 million. There are no other significant changes in the terms of the extension. The extension is subject to final approval by the lending syndicate, which the Corporation expects it will receive in early April. However, there can be no assurance that the terms and conditions, as presented in the proposed extension terms, will be approved without amendment by the members of the lending syndicate.

**Debt of Subsidiaries**

A more detailed discussion of corporate debt in each of the Corporation's business segments is presented under "*Segmented Results of Operations*".

**Share Capital**

*Preference Shares*

At December 31, 2016, the Corporation's outstanding preference share arrangements were as follows:

| Trade Symbol | Series | # of Shares Outstanding | Face Value per Share | Total Face Value | Coupon Rate | Carrying Value |
|---|---|---|---|---|---|---|
| DC.PR.B | Series 2 | 3,479,385 | $25.00 | $86,985 | 5.688% – 5-year fixed rate | $84,053 equity instrument |
| DC.PR.D | Series 3 | 1,720,615 | $25.00 | $43,015 | 4.56% to 4.65% – quarterly floating rate | $43,015 equity instrument |
| DC.PR.E | Series 5 | 3,598,203 | $25.00 | $89,955 | 7.50% – fixed rate | $87,436 debt instrument |

A full description of the terms of the Corporation's preference shares is provided in note 21 to the 2016 Audited Consolidated Financial Statements.

*Warrants*

On February 12, 2016, and in connection with the reorganization of certain of the Corporation's preference shares (see note 21 to the 2016 Audited Consolidated Financial Statements), the Corporation issued 1,421,374 warrants, each whole warrant entitling the holder thereof to purchase one Class A subordinate voting share of the Corporation at a cost of $6.00 per share at any time prior to or on June 30, 2019. During 2016, holders of the Corporation's warrants exercised 250 warrants for $1,500. At December 31, 2016, there were 1,421,124 warrants outstanding.

*Common Shares*

As at December 31, 2016, there were 55,621,546 Class A subordinate voting shares and 3,114,936 Class B common shares outstanding. At March 30, 2017, the number of outstanding shares had increased to 55,675,994 Class A outstanding subordinate voting shares, and there were 3,114,873 outstanding Class B common shares.

On June 13, 2016, the Corporation announced that it had received regulatory approval for the renewal of its normal course issuer bid from June 15, 2016 to June 14, 2017. Subject to certain conditions, the Corporation may purchase up to a maximum of 4,324,560 of its Class A subordinate voting shares pursuant to these arrangements, representing approximately 10% of its public float at the time approval for the normal course issuer bid was granted. In 2015, the Corporation acquired 57,000 Class A subordinate voting shares for cancellation pursuant to these arrangements, at a total cost of $0.6 million, representing a cost of $9.68 per share. There were no further transactions under the Corporation's normal course issuer bid during 2016.

During 2016, the Corporation issued 91,199 Class A subordinate shares under the terms of its share incentive arrangements, including 63,749 Class A subordinate shares issued in settlement of deferred share unit awards and 27,450 Class A subordinate voting shares in settlement of vested share bonus awards. Outstanding awards under the Corporation's share incentive arrangements at December 31, 2016 included 200,054 share bonus awards, 780,000 performance share unit awards, 1,343,192 deferred share unit awards and 1,221,099 deferred share unit awards that track the value of a class A subordinate voting share of DREAM. A comprehensive summary of the terms of the Corporation's share incentive awards is provided in note 26 to the 2016 Audited Consolidated Financial Statements.

## CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

On a consolidated basis, the Corporation reported cash of $75.6 million at December 31, 2016, compared with cash of $233.7 million at December 31, 2015, including cash of $21.8 million that was classified as held-for-sale. The following tables illustrate the Corporation's consolidated cash flow on a segmented basis, including net cash flow movements between Dundee Corporation and each of its operating segments.

| For the year ended December 31, 2016 | Opening Cash | Operating Activities | Investing Activities | Financing Activities | Intersegment | Closing Cash |
|---|---|---|---|---|---|---|
| *Corporate and other portfolio holdings* | $ 49,190 | $ (27,279) | $ 10,048 | $ (45,434) | $ 15,095 | $ 1,620 |
| | | | | | | |
| *Asset management and capital markets* | | | | | | |
| Goodman & Company, Investment Counsel Inc. | 1,273 | (10,637) | (1,500) | - | 11,711 | 847 |
| Dundee Securities Ltd. | 171,519 | 150,585 | (205,556) | - | (61,161) | 55,387 |
| | | | | | | |
| *Resource industry* | | | | | | |
| Dundee Energy Limited | 86 | 2,487 | (686) | (1,402) | 1,020 | 1,505 |
| United Hydrocarbon International Corp. | 2,716 | (13,055) | (264) | 2,174 | 14,122 | 5,693 |
| Dundee Sustainable Technologies Inc. | 1,679 | (1,613) | - | - | 460 | 526 |
| Eurogas International Inc. | 26 | (368) | - | - | 342 | - |
| | | | | | | |
| *Agriculture industry* | | | | | | |
| Blue Goose Capital Corp. | 992 | 29,799 | (83,882) | 48,517 | 10,547 | 5,973 |
| AgriMarine Holdings Inc. | 731 | (2,558) | (563) | - | 2,665 | 275 |
| | | | | | | |
| *Real estate industry* | | | | | | |
| Dundee 360 Real Estate Corporation | 5,475 | (7,786) | 943 | (42) | 5,199 | 3,789 |
| | 233,687 | 119,575 | (281,460) | 3,813 | - | 75,615 |
| Less: Assets held for sale | (21,786) | - | - | - | - | - |
| | $ 211,901 | $ 119,575 | $ (281,460) | $ 3,813 | $ - | $ 75,615 |

| For the year ended December 31, 2015 | Opening Cash | Operating Activities | Investing Activities | Financing Activities | Intersegment | Closing Cash |
|---|---|---|---|---|---|---|
| *Corporate and other portfolio holdings* | $ 24,457 | $ (22,824) | $ 146,513 | $ (13,115) | $ (85,841) | $ 49,190 |
| | | | | | | |
| *Asset management and capital markets* | | | | | | |
| Goodman & Company, Investment Counsel Inc. | 418 | (10,295) | (508) | - | 11,658 | 1,273 |
| Dundee Securities Ltd. | 198,368 | (25,581) | (3,005) | - | 1,737 | 171,519 |
| | | | | | | |
| *Resource industry* | | | | | | |
| Dundee Energy Limited | 829 | 2,829 | 122 | (2,291) | (1,403) | 86 |
| United Hydrocarbon International Corp. | 9,781 | (32,781) | (22,997) | - | 48,713 | 2,716 |
| Dundee Sustainable Technologies Inc. | 290 | (6,792) | 5,006 | 935 | 2,240 | 1,679 |
| Eurogas International Inc. | 349 | (758) | - | - | 435 | 26 |
| | | | | | | |
| *Agriculture industry* | | | | | | |
| Blue Goose Capital Corp. | 2,033 | 21,655 | (24,576) | (3,109) | 4,989 | 992 |
| AgriMarine Holdings Inc. | 1,174 | (7,416) | (3,052) | (180) | 10,205 | 731 |
| | | | | | | |
| *Real estate industry* | | | | | | |
| Dundee 360 Real Estate Corporation | 8,104 | (4,311) | (2,802) | (2,783) | 7,267 | 5,475 |
| | 245,803 | (86,274) | 94,701 | (20,543) | - | 233,687 |
| Less: Assets held for sale | - | - | - | - | - | (21,786) |
| | $ 245,803 | $ (86,274) | $ 94,701 | $ (20,543) | $ - | $ 211,901 |

Included in the Corporation's consolidated cash balance is $56.2 million of cash used in the operating businesses of the Corporation's wealth management and brokerage subsidiaries. These subsidiaries function in regulated environments and are therefore required to maintain levels of capital in liquid assets, in accordance with such 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. At December 31, 2016 and 2015, the Corporation's regulated subsidiaries exceeded their minimum regulatory capital requirements.

A more detailed discussion of significant transactions affecting cash flows in 2016 and 2015 is provided below.

*Significant Cash Flows – Operating Activities*

| *For the years ended December 31,* | Corporate | Dundee Securities | UHIC | Blue Goose | Dundee 360 | Other | Total 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Operating activities: | | | | | | | | |
| Adjusted net loss* | $ (30,679) | $ (3,380) | $ (11,107) | $ (6,783) | $ (9,174) | $ (21,435) | $ (82,558) | $ (110,091) |
| Changes in client account balances | - | 156,263 | - | - | - | 725 | 156,988 | (17,943) |
| Changes in agricultural inventory | - | - | - | 35,045 | - | (94) | 34,951 | 35,232 |
| Changes in other working capital amounts | 3,191 | (1,744) | (1,948) | 1,641 | 1,065 | 8,043 | 10,248 | 10,451 |
| Changes in income taxes | 209 | (554) | - | (104) | 323 | 72 | (54) | (3,923) |
| Cash provided from (used in) operating activities | $ (27,279) | $ 150,585 | $ (13,055) | $ 29,799 | $ (7,786) | $ (12,689) | $ 119,575 | $ (86,274) |

* *Adjusted net earnings or loss are equal to net earnings or loss adjusted for items not affecting cash and other adjustments.*

- Changes in cash related to the Corporation's brokerage activities, including changes in client account balances and brokerage securities owned and sold short will vary significantly on a day-to-day basis to reflect the underlying business activities undertaken in that period and do not necessarily reflect any meaningful change in the subsidiaries' financial position. Changes in these balances through 2016 resulted in net cash inflows of $156.3 million. During 2015, client account balances resulted in cash outflows of $17.9 million, including $5.0 million related to brokerage activities. As well, during 2015, the Corporation completed the winding down of its banking operations conducted in the Cayman Islands. As part of that process, client account balances, including client cash balances, were transferred to other financial institutions, resulting in a net cash outflow of $13.1 million.
- During 2016, changes in the balances of agricultural inventory in Blue Goose resulted in net cash inflows of $35.0 million (2015 – $37.3 million).

*Significant Cash Flows – Investing Activities*

| *For the years ended December 31,* | Corporate | Dundee Securities | UHIC | Blue Goose | Dundee 360 | Other | Total 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Investing activities: | | | | | | | | |
| Net proceeds from (acquisitions) dispositions of portfolio investments | $ 9,214 | $ - | $ - | $ - | $ 1,009 | $ (1,500) | $ 8,723 | $ 153,134 |
| Net investment in resource properties | - | - | 126 | - | - | (686) | (560) | (22,489) |
| Net investment in livestock and other agricultural assets | - | - | - | (38,432) | - | - | (38,432) | (41,414) |
| Net investment in real estate | - | - | - | - | - | - | - | (573) |
| Cash (used in) generated from business combinations | - | (205,303) | - | (42,782) | (2) | (819) | (248,906) | 23,997 |
| Other investment activities | 834 | (253) | (390) | (2,668) | (64) | 256 | (2,285) | (17,954) |
| Cash (used in) provided from investing activities | $ 10,048 | $ (205,556) | $ (264) | $ (83,882) | $ 943 | $ (2,749) | $ (281,460) | $ 94,701 |

- During 2016, approximately $248.9 million of net cash was transferred to (or received from) third parties under business combination transactions. In the prior year, the Corporation received cash of $24.0 million from the sale of certain non-core assets, primarily in respect of its agricultural division. The following table illustrates the effect on changes in cash from each respective business combination completed during 2016.

| | For the year ended December 31, 2016 Changes in cash resulting from: | | | |
|---|---|---|---|---|
| | Transfers on divestitures | Consideration in divestitures | Consideration in acquisition | Total |
| Divestiture of Dundee Securities' retail division | $ (206,790) | $ 9,305 | $ - | $ (197,485) |
| Divestiture of Dundee Securities' capital markets division | (10,076) | 2,258 | - | (7,818) |
| Divestiture of Blue Goose's feed division | - | 16,218 | - | 16,218 |
| Acquisition of Tender Choice by Blue Goose | - | - | (59,000) | (59,000) |
| Other transactions | (821) | - | - | (821) |
| | $ (217,687) | $ 27,781 | $ (59,000) | $ (248,906) |

- During 2016, the Corporation generated proceeds of $84.7 million from its corporate portfolio, including $38.0 million from the sale of 6.1 million class A subordinate voting shares of DREAM, $12.0 million from the sale of its position in Newfoundland Capital Corporation and $8.6 million from the wind-up and distribution of the net assets of Goodman Gold Trust. Approximately $71.7 million of the proceeds were reinvested, including $43.2 million invested into the

Corporation's Parq casino and resort development project and $17.5 million in a subordinated loan provided to Eight Capital. Cash required or derived from trading in the Corporation's investment portfolio, including equity accounted investments, will vary from period to period and is dependent on trading activity and strategies that may evolve in response to global market conditions or otherwise. During the prior year, portfolio trading activities generated cash inflows of $153.1 million.

- In an effort to expand its inventory of livestock and meet demand, Blue Goose invested $38.4 million in agricultural assets during 2016, compared with $41.4 million in the prior year.
- During 2016, the Corporation expended $0.6 million on its resource properties, compared with $22.5 million invested in the prior year. The reduction reflects the curtailment of expenditures in response to current economic conditions and volatility in the price of oil and natural gas.

*Significant Cash Flows – Financing Activities*

| *For the years ended December 31,* | Corporate | Dundee Securities | UHIC | Blue Goose | Dundee 360 | Other | Total 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Financing activities: | | | | | | | | |
| Change in corporate debt | $ (19,065) | $ - | $ - | $ 48,461 | $ (42) | $ (1,402) | $ 27,952 | $ (26,121) |
| Issuance of Class A subordinate shares, net of issue costs | 2 | - | - | - | - | - | 2 | 11,587 |
| Acquisition of Class A subordinate shares, net of costs | - | - | - | - | - | - | - | (552) |
| Redemption of Preference Shares, series 4 | (5,504) | - | - | - | - | - | (5,504) | - |
| Redemption of Preference Shares, series 5 | (11,474) | - | - | - | - | - | (11,474) | - |
| Issue costs, Preference Shares, series 5 | (2,457) | - | - | - | - | - | (2,457) | - |
| Dividends paid on Preference Shares, series 2 and series 3 | (6,936) | - | - | - | - | - | (6,936) | (6,972) |
| Net cash from transactions with non-controlling interests | - | - | 2,174 | 56 | - | - | 2,230 | 1,515 |
| Cash provided from (used in) financing activities | $ (45,434) | $ - | $ 2,174 | $ 48,517 | $ (42) | $ (1,402) | $ 3,813 | $ (20,543) |

- Net amounts drawn against credit facilities available to the Corporation and to its subsidiaries during 2016 were $28.0 million (2015 – $26.1 million repaid), including amounts drawn by Blue Goose pursuant to credit facility arrangements established in order to facilitate the acquisition of Tender Choice.
- During the prior year, the Corporation received proceeds from the exercise of options of $11.6 million.
- During 2016, the Corporation paid $5.5 million to retire Preference Shares, series 4 under dissent arrangements.
- On June 30, 2016, the Corporation redeemed 458,969 Preference Shares, series 5, at a cost of $25.00 per share or a total of $11.5 million in aggregate.
- Cash outflows during 2016 include dividends of $6.9 million (2015 – $7.0 million) paid by the Corporation on its outstanding Preference Shares, series 2 and Preference Shares, series 3. The Corporation has not paid dividends on its Class A subordinate voting shares or on its common shares.

**Cash Requirements**

The Corporation's capital management and funding objectives include ensuring that the Corporation is compliant with all of its ongoing obligations, including compliance with all applicable debt covenants, and ensuring that the Corporation is able to meet its financial obligations as they become due. In determining its capital allocation, the Corporation considers relevant regulatory capital requirements in order to effectively manage its wealth management strategies, and resources required for the development of resource, agricultural and real estate opportunities. The Corporation'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 Corporation regularly assesses the allocation of its capital resources in response to changing economic conditions.

The Corporation's intention is to meet short-term liquidity requirements through funds from operations, working capital reserves and operating debt facilities. Capital may also be generated through dispositions of investments.

The Corporation believes that its operating cash flow, combined with available lines of credit and its portfolio of investments provide sufficient resources for the Corporation to conduct its operations for the foreseeable future, including the development of its wealth management strategy, supporting the capital requirements of its regulated subsidiaries, funding the payment of dividends and interest payments on preference shares and debt obligations, and supporting growth initiatives of its subsidiaries, if the need arises. On an ongoing basis, the Corporation may require cash to develop its energy, resource, agricultural and real estate initiatives or to invest in other opportunities, including growth opportunities related to its portfolio of investments. If required, the Corporation may consider alternative financing options for certain investment initiatives, including possible debt or equity issuances.

# RESULTS OF OPERATIONS

**Three months ended December 31, 2016 compared with the three months ended December 31, 2015**

## Consolidated Net Earnings

During the fourth quarter of 2016, the Corporation incurred a net loss attributable to owners of Dundee Corporation of $106.9 million, or a loss of $1.85 per share. This compares with a loss of $54.9 million or $0.97 per share incurred during the same quarter of the prior year. Losses in the market value of the Corporation's portfolio of investments that have been classified as investments at FVTPL were $102.7 million in the fourth quarter of 2016, compared with losses of $37.8 million in the same period of 2015. During the fourth quarter of the current year, the Corporation recognized losses from its equity accounted investments of $3.0 million. In the fourth quarter of the prior year, the Corporation's share of earnings from its equity accounted investments exceeded $41.7 million.

| *For the three months ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Net (loss) earnings before income taxes from: | | | | |
| Goodman & Company, Investment Counsel Inc. | $ | (3,084) | $ | (3,399) |
| Dundee Securities Ltd. | | 1,333 | | (15,720) |
| Dundee Energy Limited | | (9,254) | | (5,120) |
| United Hydrocarbon International Corp. | | (3,134) | | (5,775) |
| Dundee Sustainable Technologies Inc. | | (344) | | (2,013) |
| Eurogas International Inc. | | (164) | | (281) |
| Blue Goose Capital Corp. | | 2,452 | | 1,714 |
| AgriMarine Holdings Inc. | | (1,258) | | (1,793) |
| Dundee 360 Real Estate Corporation | | (15,262) | | (12,047) |
| | | (28,715) | | (44,434) |
| Adjusted for the corporate and other portfolio holdings segment: | | | | |
| Changes in the market value of investments: | | | | |
| Dundee Precious Metals Inc. | | (36,382) | | (31,569) |
| DREAM Unlimited Corp. | | (14,490) | | 5,193 |
| Other portfolio investments | | (51,808) | | (11,389) |
| Share of (loss) earnings from equity accounted investments | | (2,976) | | 41,723 |
| Other items in the corporate and other portfolio holdings segment | | (6,375) | | (10,765) |
| Income tax recovery (expense) | | 29,187 | | (12,694) |
| Net loss for the period | **$** | **(111,559)** | **$** | **(63,935)** |
| Net loss attributable to: | | | | |
| Owners of the parent | $ | (106,937) | $ | (54,928) |
| Non-controlling interest | | (4,622) | | (9,007) |
| | **$** | **(111,559)** | **$** | **(63,935)** |

## Segmented Results of Operations

### GOODMAN & COMPANY, INVESTMENT COUNSEL INC.

During the three months ended December 31, 2016, GCIC incurred a net loss of $3.1 million (three months ended December 31, 2015 – $3.4 million) attributable to owners of Dundee Corporation. Consistent with year-to-date results, and despite increases in management fee revenues, current quarter operating performance reflects higher general and administrative expenses, indicative of GCIC's initiatives as it continues to execute on its strategy of expanding its wealth management business. Approximately $1.5 million of general and administrative costs were incurred by DGIM (2015 – $2.8 million).

*RESULTS OF OPERATIONS*

| *For the three months ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Revenues | | | | |
| Management and performance fees | $ | 905 | $ | 447 |
| Financial services | | 4 | | - |
| Interest, dividends and other | | 114 | | 1 |
| | | 1,023 | | 448 |
| Other items in net loss before taxes | | | | |
| Depreciation | | (2) | | (2) |
| General and administrative | | (4,105) | | (3,845) |
| Interest expense | | - | | - |
| Net loss before taxes, Goodman & Company, Investment Counsel Inc. | **$** | **(3,084)** | **$** | **(3,399)** |
| **Net loss before taxes, Goodman & Company, Investment Counsel Inc., attributable to:** | | | | |
| Owners of Dundee Corporation | $ | (3,084) | $ | (3,399) |
| Non-controlling interest | | - | | - |
| Net loss before taxes, Goodman & Company, Investment Counsel Inc. | **$** | **(3,084)** | **$** | **(3,399)** |

## DUNDEE SECURITIES LTD.

*RESULTS OF OPERATIONS*

| | Capital Markets | | | | Retail & Other | | | | TOTAL | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *For the three months ended December 31,* | | 2016 | | 2015 | | 2016 | | 2015 | | 2016 | | 2015 |
| Revenues | | | | | | | | | | | | |
| Management fees | $ | - | $ | - | $ | - | $ | 2,442 | $ | - | $ | 2,442 |
| Financial services | | | | | | | | | | | | |
| Investment banking | | 8,832 | | 2,657 | | - | | - | | 8,832 | | 2,657 |
| Commissions | | 3,288 | | 4,678 | | 967 | | 4,397 | | 4,255 | | 9,075 |
| Principal trading | | (1,420) | | 583 | | 530 | | (22) | | (890) | | 561 |
| Foreign exchange trading | | - | | - | | (17) | | 57 | | (17) | | 57 |
| Interest, dividends and other | | 354 | | 301 | | 1,442 | | 2,065 | | 1,796 | | 2,366 |
| | | 11,054 | | 8,219 | | 2,922 | | 8,939 | | 13,976 | | 17,158 |
| Cost of sales | | | | | | | | | | | | |
| Variable compensation | | (5,227) | | (4,738) | | (618) | | (4,699) | | (5,845) | | (9,437) |
| Other items in net earnings (loss) | | | | | | | | | | | | |
| Depreciation | | (177) | | (94) | | (68) | | (2,280) | | (245) | | (2,374) |
| General and administrative | | | | | | | | | | | | |
| - direct | | (2,605) | | (6,523) | | (2,173) | | (10,508) | | (4,778) | | (17,031) |
| - allocated | | (1,154) | | (1,556) | | (426) | | (2,561) | | (1,580) | | (4,117) |
| Interest expense | | (12) | | (20) | | (34) | | (22) | | (46) | | (42) |
| Foreign exchange (loss) gain | | (129) | | 80 | | (20) | | 43 | | (149) | | 123 |
| Net earnings (loss) attributable to Dundee Securities Ltd. | **$** | **1,750** | **$** | **(4,632)** | **$** | **(417)** | **$** | **(11,088)** | **$** | **1,333** | **$** | **(15,720)** |
| **Net earnings (loss) before taxes, Dundee Securities Ltd. attributable to:** | | | | | | | | | | | | |
| Owners of Dundee Corporation | $ | 1,750 | $ | (4,632) | $ | (417) | $ | (11,088) | $ | 1,333 | $ | (15,720) |
| Non-controlling interest | | - | | - | | - | | - | | - | | - |
| Net earnings (loss) before taxes, Dundee Securities Ltd. | **$** | **1,750** | **$** | **(4,632)** | **$** | **(417)** | **$** | **(11,088)** | **$** | **1,333** | **$** | **(15,720)** |

### The Capital Markets Division

*Revenues from Activities in the Capital Markets Division*

Results of the capital markets division of Dundee Securities during the fourth quarter of 2016 include results until December 2, 2016, the effective day of the divestiture of the associated net assets of this division.

During the three months ended December 31, 2016, the capital markets division generated revenues of $11.1 million, a 35% increase from revenues of $8.2 million earned during the same three months of the prior year. The increase results primarily from increased investment banking revenue. Revenue from new issues and advisory services fees was $8.8 million during the fourth quarter of 2016, compared with $2.7 million earned in the same period of the prior year. Institutional commissions generated decreased to $3.3 million in the three months ended December 31, 2016, compared with $4.7 million earned in the same period of 2015.

Principal trading losses were $1.4 million in the fourth quarter of 2016 and include facilitation trading losses of $1.3 million. In comparison, during the fourth quarter of 2015, facilitation trading losses were $0.8 million offset by gains of $1.4 million in the market value of securities held.

*Variable Compensation Expense*

During the fourth quarter of 2016, variable compensation expense was $5.2 million (three months ended December 31, 2015 – $4.7 million), and represented approximately 49% (three months ended December 31, 2015 – 60%) of related financial services revenue, resulting in contribution margins of 51% (three months ended December 31, 2015 – 40%).

*General and Administrative Expenses*

Dundee Capital Markets incurred general and administrative expenses of $3.8 million in the three months ended December 31, 2016, compared with $8.1 million in the same period of the prior year. The decrease is partially a result of decreased activity following the divestiture of the net assets of this division to Eight Capital, as well as cost savings initiatives implemented during 2015 that have resulted in lower employment, trade related and travel expenses.

**The Retail Division and Other Activities**

Reflective of the sale of substantially all of the retail division of Dundee Securities to Echelon in April of the current year, revenues fell to $2.9 million in the fourth quarter of 2016, compared with $8.9 million in the same period of the prior year. Correspondingly, variable compensation expense in the current period decreased to $0.6 million (three months ended December 31, 2015 – $4.7 million), representing approximately 42% (three months ended December 31, 2015 – 65%) of related financial services and management fee revenue, resulting in contribution margins of 58% (three months ended December 31, 2015 – 35%). Reflective of reduced business activity, general and administrative expenses were $2.6 million in the fourth quarter of this year, compared with $13.1 million in the same period of the prior year.

## DUNDEE ENERGY LIMITED

During the quarter ended December 31, 2016, Dundee Energy incurred a net loss attributable to the owners of the parent of $6.4 million, including an impairment loss of $6.9 million related to certain exploration and evaluation properties and a loss of $1.4 million associated with its derivative financial instruments. This compares with a loss attributable to the owners of the parent of $3.4 million in the fourth quarter of the prior year during which Dundee Energy recognized an impairment loss of $0.9 million related to certain oil properties.

*RESULTS OF OPERATIONS*

| *For the three months ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Revenues | | | | |
| Oil and gas sales | $ | 5,933 | $ | 4,974 |
| Interest and dividends | | 24 | | 34 |
| | | 5,957 | | 5,008 |
| Cost of sales | | | | |
| Production expenditures | | (2,448) | | (3,407) |
| Other items in net loss before taxes | | | | |
| Depreciation and depletion | | (9,138) | | (3,723) |
| General and administrative | | (1,190) | | (1,927) |
| Loss on derivative financial instruments | | (1,360) | | (21) |
| Interest expense | | (1,133) | | (1,074) |
| Foreign exchange gain | | 58 | | 24 |
| Net loss before taxes, Dundee Energy Limited | **$** | **(9,254)** | **$** | **(5,120)** |
| **Net loss before taxes, Dundee Energy Limited attributable to:** | | | | |
| Owners of Dundee Corporation | $ | (6,356) | $ | (3,439) |
| Non-controlling interest | | (2,898) | | (1,681) |
| Net loss before taxes, Dundee Energy Limited | **$** | **(9,254)** | **$** | **(5,120)** |

*Field Level Cash Flows and Field Netbacks*

| *For the three months ended December 31,* | | | | | | 2016 | | | | | | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Natural Gas | | Oil and Liquids | | Total | | Natural Gas | | Oil and Liquids | | Total |
| Total sales | $ | 4,342 | $ | 2,661 | $ | 7,003 | $ | 3,403 | $ | 2,461 | $ | 5,864 |
| Royalties | | (663) | | (407) | | (1,070) | | (510) | | (380) | | (890) |
| Production expenditures | | (1,589) | | (859) | | (2,448) | | (2,272) | | (1,135) | | (3,407) |
| | | 2,090 | | 1,395 | | 3,485 | | 621 | | 946 | | 1,567 |
| Realized loss on derivative financial instruments | | (184) | | - | | (184) | | - | | - | | - |
| **Field level cash flows** | **$** | **1,906** | **$** | **1,395** | **$** | **3,301** | **$** | **621** | **$** | **946** | **$** | **1,567** |

| *For the three months ended December 31,* | | | | | | 2016 | | | | | | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Natural Gas | | Oil and Liquids | | Total | | Natural Gas | | Oil and Liquids | | Total |
| | | $/Mcf | | $/bbl | | $/boe | | $/Mcf | | $/bbl | | $/boe |
| Total sales | $ | 4.32 | $ | 62.41 | $ | 33.32 | $ | 3.28 | $ | 51.62 | $ | 26.56 |
| Royalties | | (0.66) | | (9.54) | | (5.09) | | (0.49) | | (7.98) | | (4.03) |
| Production expenditures | | (1.58) | | (20.14) | | (11.65) | | (2.19) | | (23.81) | | (15.43) |
| | | 2.08 | | 32.73 | | 16.58 | | 0.60 | | 19.83 | | 7.10 |
| Realized loss on derivative financial instruments | | (0.18) | | - | | (0.88) | | - | | - | | - |
| **Field netbacks** | **$** | **1.90** | **$** | **32.73** | **$** | **15.70** | **$** | **0.60** | **$** | **19.83** | **$** | **7.10** |

Improved prices for commodities, before the effect of Dundee Energy's derivative financial instruments, increased field level cash flows to $3.5 million in the fourth quarter of 2016, essentially 2.2 times field level cash flows of $1.6 million generated in the fourth quarter of the prior year. Combined with efficiencies in production expenditures, field netbacks in the fourth quarter of 2016 increased to $16.58/boe before the effect of a realized loss on derivative financial instruments, compared with $7.10/boe in the fourth quarter of the prior year.

## DUNDEE SUSTAINABLE TECHNOLOGIES INC.

Operating losses incurred by Dundee Technologies during the fourth quarter of 2016 were $0.3 million. Operating results in the fourth quarter of 2016 include $0.4 million of revenues associated with the sale of a resource property that Dundee Technologies had previously impaired. This compares with operating losses of $2.0 million incurred during the fourth quarter of the prior year.

The majority of operating losses relate to general and administrative costs, including research and development costs incurred to advance the operations of the demonstration plant. On a net-of-assistance basis, research and development costs incurred during the fourth quarter of 2016 were $0.2 million (three months ended December 31, 2015 – $1.4 million).

*RESULTS OF OPERATIONS*

| *For the three months ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Revenues | | | | |
| Technical services | $ | 34 | $ | - |
| Interest, dividends and other | | 400 | | 10 |
| | | 434 | | 10 |
| Cost of sales | | (53) | | - |
| Other items in net loss before taxes | | | | |
| Depreciation and depletion | | - | | (15) |
| General and administrative | | (601) | | (1,946) |
| Interest expense | | (123) | | (58) |
| Foreign exchange loss | | (1) | | (4) |
| Net loss before taxes, Dundee Sustainable Technologies Inc. | **$** | **(344)** | **$** | **(2,013)** |
| **Net loss before taxes, Dundee Sustainable Technologies Inc. attributable to:** | | | | |
| Owners of Dundee Corporation | $ | (142) | $ | (1,239) |
| Non-controlling interest | | (202) | | (774) |
| Net loss before taxes, Dundee Sustainable Technologies Inc. | **$** | **(344)** | **$** | **(2,013)** |

## BLUE GOOSE CAPITAL CORP.

During the fourth quarter of 2016, Blue Goose generated net earnings attributable to owners of Dundee Corporation of $1.6 million, consistent with $1.6 million of net earnings generated in the same period of the prior year. Net earnings in the fourth quarter of 2016 include a $6.5 million gain from the disposal of Blue Goose's feed division in October 2016, offset by increases in certain expenses which include the operating expenses of Tender Choice.

*RESULTS OF OPERATIONS*

| *For the three months ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Revenues | | | | |
| Sales | $ | 21,691 | $ | 13,706 |
| Interest and dividends | | 609 | | 308 |
| Gain on sale of Fischer Feeds | | 6,508 | | - |
| | | 28,808 | | 14,014 |
| Cost of sales | | (24,394) | | (17,428) |
| Other items in net earnings before taxes | | | | |
| Depreciation and depletion | | (1,748) | | (916) |
| General and administrative | | | | |
| Foreign currency translation adjustment | | - | | 2,976 |
| Other general and administrative | | (4,489) | | (1,618) |
| Fair value changes in livestock | | 5,701 | | 5,099 |
| Interest expense | | (1,410) | | (415) |
| Foreign exchange (loss) gain | | (16) | | 2 |
| Net earnings before taxes, Blue Goose Capital Corp. | **$** | **2,452** | **$** | **1,714** |
| **Net earnings before taxes, Blue Goose Capital Corp. attributable to:** | | | | |
| Owners of Dundee Corporation | $ | 1,619 | $ | 1,617 |
| Non-controlling interest | | 833 | | 97 |
| Net earnings before taxes, Blue Goose Capital Corp. | **$** | **2,452** | **$** | **1,714** |

Revenues in the fourth quarter of 2016 were $21.7 million, compared with revenues of $13.7 million earned in the fourth quarter of the prior year. The Tender Choice acquisition contributed $15.8 million of revenues since its acquisition in October, offset by decreased revenues of $6.7 million from the disposition of Blue Goose's feed business. The remaining revenues from Blue Goose's other conventional business lines were $5.9 million in the fourth quarter, a decrease of approximately $1.1 million from revenues of $7.0 million earned in the same period of the prior year.

*Contribution Margins*

| *For the three months ended December 31* | Beef | Fish | Chicken | Processor | Feed | Other | 2016 Total |
|---|---|---|---|---|---|---|---|
| Sales | $ 2,800 | $ 328 | $ 2,800 | $ 15,763 | $ - | $ - | $ 21,691 |
| Cost of sales, period cost | (2,833) | (1,041) | (2,722) | (15,915) | - | (80) | (22,591) |
| | (33) | (713) | 78 | (152) | - | (80) | (900) |
| Fair value changes | | | | | | | |
| Fair value changes in livestock | 4,325 | 1,376 | - | - | - | - | 5,701 |
| Cost of sales, fair value harvested | (1,458) | (345) | - | - | - | - | (1,803) |
| | 2,867 | 1,031 | - | - | - | - | 3,898 |
| Margin | $ 2,834 | $ 318 | $ 78 | $ (152) | $ - | $ (80) | $ 2,998 |
| Margin % | 39.8% | 18.7% | 2.8% | (1.0%) | - | n/a | 10.9% |

| *For the three months ended December 31* | Beef | Fish | Chicken | Processor | Feed | Other | 2015 Total |
|---|---|---|---|---|---|---|---|
| Sales | $ 2,936 | $ 807 | $ 3,256 | $ - | $ 6,707 | $ - | $ 13,706 |
| Cost of sales, period cost | (3,362) | (1,341) | (3,113) | - | (6,357) | (981) | (15,154) |
| | (426) | (534) | 143 | - | 350 | (981) | (1,448) |
| Fair value changes | | | | | | | |
| Fair value changes in livestock | 4,646 | 453 | - | - | - | - | 5,099 |
| Cost of sales, fair value harvested | (1,593) | (681) | - | - | - | - | (2,274) |
| | 3,053 | (228) | - | - | - | - | 2,825 |
| Margin | $ 2,627 | $ (762) | $ 143 | $ - | $ 350 | $ (981) | $ 1,377 |
| Margin % | 34.6% | (60.5%) | 4.4% | - | 5.2% | n/a | 7.3% |

Revenue from sales of beef decreased marginally to $2.8 million in the fourth quarter of 2016, compared with $2.9 million of revenue generated in the same period of the prior year. During the three months ended December 31, 2016, period costs associated with the beef division were $2.8 million, compared with period costs of $3.4 million in the same period of the prior year.

Revenue from fish sales decreased to $0.3 million during the fourth quarter of 2016, compared with revenue of $0.8 million in the same period of the prior year. Consistent with annual results, the decrease in revenues resulted from Blue Goose’s revised harvest plan as climate related issues lowered available biomass. Consistent with lower sales volumes, period costs associated with the fish division were $1.0 million in the three months ended December 31, 2016, compared with $1.3 million in the same period of the prior year.

During the three months ended December 31, 2016, revenue from the sale of chicken products was $2.8 million, a decrease from revenues of $3.3 million generated in the same period of the prior year. Period costs associated with the chicken division were $2.7 million during the quarter ended December 31, 2016, compared with $3.1 million in the same period of the prior year.

## AGRIMARINE HOLDINGS INC.

During the fourth quarter of 2016, AgriMarine incurred a net loss of $1.3 million attributable to owners of Dundee Corporation, compared with a net loss of $1.8 million attributable to owners of Dundee Corporation incurred during the same period of 2015.

*RESULTS OF OPERATIONS*

| *For the three months ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Revenues | | | | |
| Sales | $ | 2,820 | $ | 2,605 |
| Interest, dividends and other | | 3 | | 1 |
| | | 2,823 | | 2,606 |
| Cost of sales | | (3,075) | | (3,195) |
| Other items in net loss before taxes | | | | |
| Depreciation and depletion | | - | | (579) |
| General and administrative | | (1,007) | | (939) |
| Fair value changes in livestock | | - | | 269 |
| Interest expense | | 1 | | (6) |
| Foreign exchange gain | | - | | 51 |
| Net loss before taxes, AgriMarine Holdings Inc. | **$** | **(1,258)** | **$** | **(1,793)** |
| **Net loss before taxes, AgriMarine Holdings Inc. attributable to:** | | | | |
| Owners of Dundee Corporation | $ | (1,258) | $ | (1,793) |
| Non-controlling interest | | - | | - |
| Net loss before taxes, AgriMarine Holdings Inc. | **$** | **(1,258)** | **$** | **(1,793)** |

Following steps that AgriMarine implemented earlier in 2016 to control maturities and mortalities, during the three months ended December 31, 2016, AgriMarine generated revenue of $2.8 million and a negative contribution margin of $0.3 million. At West Coast Fishculture, the volume of fish harvested during the fourth quarter of 2016 was approximately 408,000 kilograms, of which approximately 376,000 kilograms were sold at an average selling price of $7.60 per kilogram. This represents a yield in excess of 92%.

*Contribution Margins*

| *For the three months ended December 31,* | | 2016 | | 2015 |
|---|---|---|---|---|
| Revenues | $ | 2,820 | $ | 2,605 |
| Cost of sales | | (3,075) | | (3,000) |
| Contribution margin before fair value changes and writedowns | | (255) | | (395) |
| Fair value changes in livestock | | - | | 269 |
| Writedowns | | - | | (195) |
| | $ | (255) | $ | (321) |

## DUNDEE 360 REAL ESTATE CORPORATION

During the three months ended December 31, 2016, Dundee 360 incurred a net loss attributable to the owners of Dundee Corporation of $13.5 million (three months ended December 31, 2015 – $12.0 million).

*RESULTS OF OPERATIONS*

| *For the three months ended December 31, 2016* | | Sales and Marketing | | Hospitality and Asset Management | | Real Estate Developments | | Other | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | | | |
| Gross commission income | $ | 18,637 | $ | - | $ | - | $ | - | $ | 18,637 |
| Consulting and management fees | | 4 | | 85 | | 1,044 | | - | | 1,133 |
| Sales and marketing fees | | 131 | | - | | 446 | | - | | 577 |
| Other revenue | | 2,093 | | - | | 15 | | 33 | | 2,141 |
| Interest, dividends and other | | 195 | | 4 | | 80 | | 3 | | 282 |
| | | 21,060 | | 89 | | 1,585 | | 36 | | 22,770 |
| Cost of sales | | (16,991) | | - | | - | | - | | (16,991) |
| Other items in net loss before taxes | | | | | | | | | | |
| Depreciation and depletion | | (256) | | (14) | | (8,225) | | (29) | | (8,524) |
| General and administrative | | (4,333) | | (424) | | (1,260) | | (1,752) | | (7,769) |
| Share of loss from real estate joint ventures | | - | | - | | (4,716) | | - | | (4,716) |
| Finance expense | | (23) | | - | | (7) | | (2) | | (32) |
| Net loss before taxes, Dundee 360 Real Estate Corporation | **$** | **(543)** | **$** | **(349)** | **$** | **(12,623)** | **$** | **(1,747)** | **$** | **(15,262)** |
| **Net loss before taxes, Dundee 360 Real Estate Corporation attributable to:** | | | | | | | | | | |
| Owners of Dundee Corporation | $ | (543) | $ | (349) | $ | (10,822) | $ | (1,747) | $ | (13,461) |
| Non-controlling interest | | - | | - | | (1,801) | | - | | (1,801) |
| Net loss before taxes, Dundee 360 Real Estate Corporation | **$** | **(543)** | **$** | **(349)** | **$** | **(12,623)** | **$** | **(1,747)** | **$** | **(15,262)** |

| *For the three months ended December 31, 2015* | | Sales and Marketing | | Hospitality and Asset Management | | Real Estate Developments | | Other | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | | | |
| Gross commission income | $ | 15,364 | $ | - | $ | - | $ | - | $ | 15,364 |
| Consulting and management fees | | - | | 672 | | 1,185 | | - | | 1,857 |
| Sales and marketing fees | | 372 | | - | | - | | - | | 372 |
| Other revenue | | 1,480 | | 1 | | 18 | | 4 | | 1,503 |
| Interest, dividends and other | | 117 | | 41 | | 44 | | 196 | | 398 |
| | | 17,333 | | 714 | | 1,247 | | 200 | | 19,494 |
| Cost of sales | | (14,155) | | - | | - | | - | | (14,155) |
| Other items in net loss before taxes | | | | | | | | | | |
| Depreciation and depletion | | (645) | | (275) | | (4,111) | | (99) | | (5,130) |
| General and administrative | | (3,572) | | (807) | | (4,884) | | (2,669) | | (11,932) |
| Share of loss from real estate joint ventures | | - | | - | | (324) | | - | | (324) |
| Finance expense | | - | | - | | - | | - | | - |
| Net loss before taxes, Dundee 360 Real Estate Corporation | **$** | **(1,039)** | **$** | **(368)** | **$** | **(8,072)** | **$** | **(2,568)** | **$** | **(12,047)** |
| **Net loss before taxes, Dundee 360 Real Estate Corporation attributable to:** | | | | | | | | | | |
| Owners of Dundee Corporation | $ | (1,039) | $ | (368) | $ | (8,008) | $ | (2,568) | $ | (11,983) |
| Non-controlling interest | | - | | - | | (64) | | - | | (64) |
| Net loss before taxes, Dundee 360 Real Estate Corporation | **$** | **(1,039)** | **$** | **(368)** | **$** | **(8,072)** | **$** | **(2,568)** | **$** | **(12,047)** |

During the three months ended December 31, 2016, Sotheby's sold over $923 million worth of residential real estate, compared with $827 million in the same period of the prior year. Gross commission revenues for the fourth quarter of 2016 were $18.6 million (three months ended December 31, 2015 – $15.4 million). Associated commissions paid to brokers and agents were $17.0 million (three months ended December 31, 2015 – $14.2 million), resulting in a net contribution margin of $1.6 million or 9%, compared with $1.2 million or 8% in the same period of the prior year.

Following the June 30, 2016 sale of Dundee 360's principal subsidiary in the hospitality division, revenues from hospitality and asset management activities decreased to $0.1 million in the fourth quarter of 2016, compared with $0.7 million earned in the same period of the prior year. Correspondingly, general and administrative expenses decreased from $0.8 million in the fourth quarter of the prior year to $0.4 million in the current quarter.

Revenues from real estate development activities increased to $1.6 million in the fourth quarter of 2016, compared with $1.2 million earned in the same period of the prior year, with a significant decrease in general and administrative expenses of $3.6

million. The variances are mainly attributable to fees and costs no longer being incurred from the development management agreement associated with the Parq Resort, and from better performance in project management and procurement activities. Included in the net loss of the real estate development division of Dundee 360 is $8.0 million of depreciation charges on its assets in Croatia and a $4.6 million loss from equity accounted investments related to its Cuban assets.

As a result of restructuring and cost reduction initiatives, Dundee 360 incurred $1.8 million in general and administrative costs from other activities, a decrease when compared with general and administrative costs of $2.7 million in the same period of the prior year.

## CONSOLIDATED QUARTERLY BUSINESS TRENDS

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| *For the three months ended* | 31-Dec | 30-Sept | 30-Jun | 31-Mar | 31-Dec | 30-Sept | 30-Jun | 31-Mar |
| Net (loss) gain from investments | $ (102,680) | $ 7,948 | $ 52,216 | $ 51,112 | $ (37,765) | $ (90,665) | $ (135,620) | $ (15,525) |
| Share of (loss) earnings from equity accounted investments | (7,692) | (3,640) | 1,243 | (114) | 41,399 | (7,358) | (513) | 2,237 |
| Other items in net loss attributable to owners of the parent | 3,435 | (20,738) | (66,121) | (57,066) | (58,562) | (137,875) | (5,133) | (13,738) |
| Net loss attributable to owners of the parent | $ (106,937) | $ (16,430) | $ (12,662) | $ (6,068) | $ (54,928) | $ (235,898) | $ (141,266) | $ (27,026) |
| Loss per share | | | | | | | | |
| Basic and diluted | $ (1.85) | $ (0.31) | $ (0.25) | $ (0.13) | $ (0.97) | $ (4.05) | $ (2.44) | $ (0.50) |

- Operating results in the fourth quarter of 2016 include impairment charges of $6.9 million incurred by Dundee Energy in respect of certain of its exploration and evaluation resource properties. In the same quarter, Dundee 360 incurred an impairment of $8.0 million against its Croatian real estate assets, and a further $4.6 million impairment on its Cuban assets.
- Operating results during the second quarter of 2016 include accelerated depreciation charges of $23.8 million relating to Dundee 360, including depreciation of goodwill and other assets associated with the Parq casino and resort development project, as well as the depreciation following the sale of certain hospitality services arrangements. In the same quarter, Dundee Energy recognized an impairment of $5.0 million against certain natural gas properties in southern Ontario.
- Operating results during the third quarter of 2015 include an impairment charge of $215.2 million against resource properties associated with the Corporation’s investment in UHIC.
- Included in net earnings or loss are amounts reflecting changes in the fair value of the Corporation’s direct investments in public and private securities. As previously noted, changes in the fair value of investments are determined by equity and credit markets and are expected to result in significant fluctuations in net earnings or loss. The Corporation believes that equity and credit markets do not necessarily correctly reflect the underlying value of certain assets. As a consequence, management of the Corporation believes that the amount of unrealized gains or losses that will be included in net earnings or loss in any given period typically provides little analytical or predictive value to the readers of the Corporation’s financial information.
- The Corporation’s share of earnings or losses from equity accounted investments is included in the Corporation’s net earnings or loss for each quarter. As with changes in the fair value of the Corporation’s investment portfolio, earnings or losses from each equity accounted investee and dilution gains and losses from these investments will fluctuate from period to period and may depend on market forces or other operating conditions that are not necessarily under the Corporation’s direct control.

## OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, the Corporation executes agreements that provide for indemnification to third parties in transactions such as business combinations. The Corporation has also agreed to indemnify its directors and officers and those of certain of its subsidiaries to the extent permitted under corporate law, against costs and damages that may be incurred by such individuals as a result of lawsuits or any other proceedings in which they are sued as a result of their services. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation could be required to pay third parties, as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the

Corporation has not made any payments under such indemnification agreements. No amounts have been recorded in the 2016 Audited Consolidated Financial Statements with respect to these indemnifications.

The Corporation and its operating subsidiaries may become liable under guarantees that are issued in the normal course of business (see *"Commitments and Contingencies"*), and with respect to litigation and claims that may arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the 2016 Audited Consolidated Financial Statements of the Corporation.

## COMMITMENTS AND CONTINGENCIES

Commitments and contingencies are detailed in note 33 to the 2016 Audited Consolidated Financial Statements. The following table summarizes payments due for the next five years and thereafter in respect of the Corporation's contractual obligations and the obligations of its subsidiaries.

| | Expected Payments Schedule | | | | |
|---|---|---|---|---|---|
| | 2017 | 2018 to 2019 | 2020 to 2021 | Thereafter | Total |
| Accounts payable and accrued liabilities | $ 94,729 | $ - | $ - | $ - | $ 94,729 |
| Credit facility, Dundee Corporation (i) | 54,574 | - | - | - | 54,574 |
| Demand revolving credit facility, Dundee Energy Limited (i) | 57,400 | - | - | - | 57,400 |
| Credit facilities, Blue Goose Capital Corp. (i) | 53,433 | 9,664 | 27,730 | - | 90,827 |
| Debt facilities, Dundee 360 Real Estate Corporation (i) | 44 | 88 | 7 | - | 139 |
| Decommissioning liabilities (undiscounted) (ii) | 2,996 | 3,172 | 11,945 | 72,319 | 90,432 |
| Leases and other commitments (iii) | 13,227 | 21,563 | 18,197 | 23,885 | 76,872 |
| Preference Shares, series 5 (iv) | 6,747 | 98,450 | - | - | 105,197 |
| Settlement of outstanding derivatives | 2,275 | - | - | - | 2,275 |
| Interest on Blue Goose Capital Corp.'s credit facilities (v) | 4,282 | 3,607 | 4,611 | - | 12,500 |
| | $ 289,707 | $ 136,544 | $ 62,490 | $ 96,204 | $ 584,945 |

*(i) A detailed description of the terms and conditions associated with the Corporation's revolving term credit facility is presented under the heading "Other Consolidated Balances and Capital Structure" in this MD&A. A more detailed discussion of corporate debt in each of the Corporation's operating subsidiaries is presented under "Segmented Results of Operations – Changes in Financial Condition" in this MD&A and in respect of each operating subsidiary.*

*(ii) Represents estimated costs of site abandonment and restoration activities.*

*(iii) Operating lease obligations include minimum lease commitments to landlords, suppliers and service providers. Several of these leases oblige the Corporation or its subsidiaries to pay additional amounts if usage or transaction activity exceeds specified levels.*

*(iv) See note 21 to the 2016 Audited Consolidated Financial Statements for terms and conditions of the Corporation's Preference Shares, series 5.*

*(v) Interest amounts exclude interest amounts due on demand revolving facilities.*

### *Decommissioning Liabilities*

In connection with resource properties in southern Ontario, Dundee Energy is committed to certain site restoration and reclamation activities. At December 31, 2016, the obligation associated with these commitments was estimated at $98.6 million on an undiscounted basis, of which approximately $3.0 million is expected to be incurred in 2017. In addition, and in connection with resource properties in the Republic of Chad, UHIC is also committed to certain site restoration and reclamation activities. At December 31, 2016, the obligation associated with these commitments was estimated at $3.0 million on an undiscounted basis, and is not expected to be incurred until the termination of the associated PSC.

### *Commitments*

In addition to lease commitments for rental property and equipment that have been entered into by the Corporation in the normal course of business, and which have been included as "Leases and other commitments" in the above table, the Corporation and its subsidiaries have entered into the following commitments:

- Under the terms of its PSC with the Republic of Chad, UHIC is required to make certain annual payments for the training of Chadian nationals and employees of the Ministry of Energy and Petroleum, for audits of the state and for the presentation of annual reports to the state. In addition, and under the terms of its PSC, UHIC has the option to apply for a three-year

extension, which extension is subject to the approval of the Chadian authorities. The extension of the PSC will require the relinquishment of 50% of the current exploration area, and will encompass a minimum work commitment of US$5 million.
- Under its master franchise agreement for the use of the "*Sotheby's International Realty*" name, Dundee 360 pays the franchisor a franchise fee of 6% of gross commission income earned by its agents, with a minimum annual requirement of US$1.1 million.

*Contingencies*
- In order to support the $5.0 million investment by Investissement Quebec into Dundee Technologies, the Corporation has guaranteed $1.5 million of debt under these arrangements.
- In connection with the founding of, and its sponsorship of Dundee Acquisition, the Corporation has executed a make-whole agreement and undertaking in favour of Dundee Acquisition, whereby the Corporation has agreed to indemnify Dundee Acquisition in certain limited circumstances where funds held in escrow by Dundee Acquisition for purposes of any redemption of its class A restricted voting shares are reduced to below $10.00 per class A restricted voting share. In addition, the Corporation has committed to providing Dundee Acquisition with up to $1.0 million in additional financing to support any shortfall in its working capital.
- In accordance with the terms of a royal decree issued by the Spanish authorities in respect of Escal's underground gas storage project in Spain, shareholders of Escal, including ultimate parent shareholders, remain responsible for any possible flaws or defects in the facilities associated with the underground gas storage project that become apparent during the 10 years following the issuance of the royal decree issued in October 2014. Dundee Corporation is the parent company of Dundee Energy. Dundee Energy is the parent of Castor UGS Limited Partnership, which is a 33% shareholder of Escal.
- To facilitate the acquisition of Tender Choice, Blue Goose established a real property loan facility for $10.0 million. Dundee Agricultural Corporation, a wholly-owned subsidiary of the Corporation, has provided a full guarantee in respect of the loan. The lender does not have recourse to Dundee Corporation in respect of this guarantee.
- In the normal course of its business, the Corporation may invest in structures or investment products that require an upfront commitment, in expectation that the Corporation will fund its commitment in the future on a drawdown basis. The Corporation does not record these obligations, but rather, amounts drawn are subsequently recorded as incurred.
- The Corporation may commit to providing credit facilities to investee companies. Generally, the Corporation's commitments under these types of arrangements are short term in nature and are extended to provide temporary bridge financing arrangements to investee companies in expectation of future equity or debt issuances.

## RELATED PARTY TRANSACTIONS

The Corporation has not entered into any transactions with related parties, other than as disclosed in note 34 to the 2016 Audited Consolidated Financial Statements.

## ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The 2016 Audited Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board, and with interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting. A summary of the more significant accounting policies applied in the preparation of the 2016 Audited Consolidated Financial Statements is included in note 3 to the 2016 Audited Consolidated Financial Statements. Note 3 to the 2016 Audited Consolidated Financial Statements also provides information regarding accounting standards, interpretations and amendments to existing standards that are not yet effective.

The preparation of the Corporation's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and other items in net earnings or loss and the related disclosure of contingent assets and liabilities. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain.

The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and other items in net earnings that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant judgments and estimates made by management in the preparation of its financial information is provided in note 4 to the 2016 Audited Consolidated Financial Statements.

## CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer of the Corporation are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting, as defined in the Canadian Securities Administrators' National Instrument 52-109, "*Certification of Disclosure in Issuers' Annual and Interim Filing*s".

Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, have assessed the effectiveness of the Corporation's internal control over financial reporting as at December 31, 2016, based on the criteria set out in the "*Internal Control – Integrated Framework (2013)*" issued by *The Committee of Sponsoring Organizations of the Treadway Commission (COSO)* and concluded that it was effective as of that date. Management also assessed the effectiveness of disclosure controls and procedures. Based on these assessments, the Chief Executive Officer and the Chief Financial Officer concluded that, as at December 31, 2016, the Corporation's internal control over financial reporting and its disclosure controls and procedures were effective.

The Chief Executive Officer and the Chief Financial Officer of the Corporation have also assessed whether there were any changes to the Corporation's internal control over financial reporting during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect the Corporation's internal control over financial reporting. Subject to the limitation on scope as outlined below, there were no changes identified during their assessment.

**Limitation on Scope of Design**

The Chief Executive Officer and Chief Financial Officer have limited the scope of the design of disclosure controls and procedures and the design of internal control over financial reporting to exclude controls, policies and procedures of Blue Goose as they relate to the operations of Tender Choice, the results of which have been included in the 2016 Audited Consolidated Financial Statements since its acquisition in October 2016. The scope of limitation is in accordance with Section 3.3 of National Instrument 52-109, which permits an issuer to limit its design of disclosure controls and procedures, and the design of internal control over financial reporting to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates. A summary of the financial information for Blue Goose's acquisition of Tender Choice is provided under the sections entitled *"Segmented Results of Operations – Blue Goose Capital Corp"*.

## MANAGING RISK

The risks faced by the Corporation are described in the Corporation's 2016 Annual Information Form under "Risk Factors" which is available on SEDAR at *www.sedar.com*. These business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

## CAUTIONARY NOTE REGARDING 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 applicable securities laws. Forward looking statements may include, but are not limited to, statements about anticipated future events or results including comments with respect to the Corporation's objectives and priorities for 2017 and beyond, and strategies or further actions with respect to the Corporation, 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 Corporation's management and inherently involve numerous risks and uncertainties, known and unknown, including economic factors and those affecting the financial services, energy, resources, agriculture and real estate 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 "Risk Factors" in the Corporation's Annual Information Form, which include, but are not limited to, general economic and market conditions; the Corporation's ability to execute strategic plans including the ability to complete acquisitions and dispositions effectively; the Corporation's ability to meet financial obligations; the performance of the Corporation's principal subsidiaries; the Corporation's ability and the ability of its investee companies to raise additional capital; the availability of equity and debt financing and/or refinancing on acceptable terms; risks relating to trading activities and investments; competition faced by the Corporation; regulation of the Corporation's businesses; successful integration of the Corporation with acquired businesses and the realization of any anticipated synergies; risks associated with the Corporation's operating businesses and the Corporation's investment holdings in general, including risks associated with oil and gas and mining exploration, risks of operating in foreign jurisdictions; 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 Corporation and its subsidiaries; maintenance of minimum regulatory capital requirements for certain of the Corporation's subsidiaries; potential liability of the Corporation and its subsidiaries under securities laws and for violations of investor suitability requirements; and the ability of the Corporation 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 at March 30, 2017.

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, energy, resource, agriculture and real estate sectors, the Corporation considered historical economic data provided by the Canadian government and its agencies, and market and general economic conditions, which factors are unpredictable and may impact the Corporation'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 Corporation considers reasonable, actual events and results could differ materially from those expressed or implied by forward looking statements made by the Corporation. Prospective investors are cautioned to consider these and other factors carefully when making decisions with respect to the Corporation and not place undue reliance on forward looking statements. Circumstances affecting the Corporation may change rapidly. Except as may be required by applicable law, the Corporation 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 Corporation's Annual Information Form, may be found on SEDAR at *www.sedar.com* and the Corporation's website at *www.dundeecorp.com*.

Toronto, Ontario
March 30, 2017