



DUALEX
ENERGY INTERNATIONAL INC.



THREE MONTHS ENDED
MARCH 31, 2007

Q1

**DUALEX ENERGY INTERNATIONAL
INC.**

Interim Report

For the three months ended March 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim financial statements of DualEx Energy International Inc. ("DualEx" or the "Company") for the three months ended March 31, 2007 and the audited financial statements and MD&A for the year ended December 31, 2006. All figures have been prepared in accordance with Canadian generally accepted accounting principles and are reported in Canadian dollars unless otherwise stated. DualEx is an international company engaged in the exploration for and development of petroleum and natural gas properties internationally, with a primary focus in the greater Mediterranean area. The Company currently holds working interests in Hungary, Syria, Portugal and a royalty interest in Wyoming.

Where amounts are expressed on a barrel of oil equivalent (boe) basis, natural gas has been converted at a ratio of six thousand cubic feet to one boe. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet to one barrel is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward looking statements

Certain disclosure in this MD&A contains forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by the Company at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated in the statements made. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Such risks and uncertainties include, but are not limited to, risk associated with operations, loss of market, regulatory matters, fluctuations in commodity prices and foreign exchange rates, environmental and political risks, industry competition, and ability to access sufficient capital from internal and external sources.

Additional information related to the Company, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com.

This MD&A has been prepared as of May 25, 2007.

RESULTS OF OPERATIONS

Revenue

The Company has a gross overriding royalty interest in coal bed methane production in the United States. The Company earned \$22,812 for the three months ended March 31, 2007 compared to \$26,766 in the previous quarter. The Company currently has no production from its other oil and gas interests.

During the three months ended March 31, 2007 the Company earned \$59,486 (\$79,920 in the 4th quarter 2006) in interest income on its cash balances.

General and administrative

During the three months ended March 31, 2007 general and administrative expenses were \$252,009 compared to \$222,602 in the 4th quarter of 2006. The increase is primarily from an increase in office costs as the Company moved office locations in the first quarter. A summary of the Company's general and administrative expenses is as follows:

	Three months ended 31-Mar-07
Salaries and benefits	\$ 109,877
Office Costs	56,013
Consulting fees	33,576
Legal and accounting	22,674
Insurance	20,285
Travel	9,584
	<u>\$ 252,009</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Stock based compensation

Stock-based compensation costs for the three months ended March 31, 2007 amounted to \$20,159 compared to \$16,818 in the previous quarter. Stock-based compensation costs attributable to share options granted were measured at their fair value at the grant date and amortized over the vesting period with a corresponding increase to contributed surplus. The fair value of the stock options were calculated using the Black-Scholes option pricing method for all stock options granted during the period.

Foreign exchange loss

A large portion of the Company's receivables during the three months ended March 31, 2007 were denominated in US dollars. As the US dollar weakened against the Canadian dollar during the period this resulted in a foreign exchange loss of \$17,111.

Current taxes

Current taxes of \$6,844 are withholding taxes paid on the royalty interest in the United States.

Capital expenditures

During the three months ended March 31, 2007, the Company expended \$112,168 on its petroleum and natural gas properties. A breakdown of the petroleum and natural gas expenditures by country is as follows:

	<u>Hungary</u>	<u>Syria</u>	<u>Portugal</u>	<u>Total</u>
Balance December 31, 2006	<u>\$ 3,475,565</u>	<u>\$ 966,080</u>	<u>\$ 2,625,836</u>	<u>\$ 7,067,481</u>
Additions during the period				
Acquisition payments	-	-	-	-
Drilling	-	-	-	-
Technical and administrative	<u>15,500</u>	<u>89,311</u>	<u>7,357</u>	<u>112,168</u>
	<u>15,500</u>	<u>89,311</u>	<u>7,357</u>	<u>112,168</u>
Add other items				
Asset retirement obligations	-	-	-	-
Balance March 31, 2007	<u>\$ 3,491,065</u>	<u>\$ 1,055,391</u>	<u>\$ 2,633,193</u>	<u>\$ 7,179,649</u>

Hungary

In December 2006 the Company elected to participate in two option wells under the PetroHungaria Agreement. Drilling of the first option well, PEN-102, commenced on April 26, 2007, and has been suspended pending further operations. The well was drilled to the planned total depth of 1,500 meters approximately six kilometers west of DualEx's PEN-104 discovery and 1.5 kilometres east of the PEN-12 well drilled in 1989 and which tested gas at rates up to 1.36 MMcf/d from Miocene volcanics, but has not yet been placed on production. Drilling and logging results at PEN-102 indicated that the well had intercepted a fault system and consequently the target Miocene tuffaceous formations were encountered 38 meters low to prognosis. Gas was not present in this deeper section of the reservoir. To accurately define the orientation of the fault system, an offset vertical seismic profile survey (VSP) was recorded in the well. The purpose of this survey is to enable a sidetrack well to be planned with the objective of entering the Miocene gas reservoir in a structurally more favorable position. The drilling rig has now moved to the second option well, VAM-1, and commenced drilling on May 23, 2007. VAM-1 will test exploration targets in the Miocene and Pannonian sections, both of which are gas-bearing in the area. DualEx's 75% share of the costs associated with these two options wells is budgeted at \$2.3 million (1.5M Euros). Upon completion of the option wells, the Company will have earned a 37.5% working interest in the Nyirseg

MANAGEMENT'S DISCUSSION AND ANALYSIS

Permits, containing approximately 614,000 gross acres (approximately 230,000 net acres). In addition to the four prospects in the current test well / option well program, the Company and its partners have over ten additional prospects currently identified on the Nyirseg Permits, as well as recompletion candidates in the Penészlek area.

PEN-104 has been temporarily suspended for future production while the partners formulate the development/production plan, commencing with the finalization of a feasibility study aimed at having PEN-104 and two existing gas discoveries, PEN-9 and PEN-12, tied into existing area infrastructure in the winter of 2007/2008.

Syria

In 2006 DualEx, along with its partners, increased the proposed work program on Block 17 from a minimum of 625 line kilometres of new 2D seismic data to approximately 1,138 line kilometres of new 2D data. Field recording of this seismic program commenced in mid-March 2007, and is approximately 53% complete. In addition, DualEx and its partners have undertaken the reprocessing and interpretation of a total of 2,338 line kilometres of legacy 2D seismic data. The results of the new seismic acquisition and the reprocessed legacy data, once integrated with the geologic / petrophysical review and existing well data, will be used to rank prospects for drilling in 2008. DualEx's 31.67% working interest share of the geophysical program and associated costs is approximately \$3.0 million (\$US 2.7 million). The Company has until June 2009 to meet its commitment to drill one exploratory well in Syria. The Company estimates the exploratory well may cost between \$1 million - \$3 million net to DualEx (\$US 0.9 million – \$US 2.7 million).

Portugal

DualEx has earned, pursuant to a farm-in agreement, a 10% undivided working interest in two onshore concessions located in the Lusitanian Basin of Portugal that collectively encompass approximately 450,000 gross acres. The Torres Vedras-2 Concession encompasses 156,620 gross acres, and the Aljubarrota-2 Concession encompasses slightly over 300,000 gross acres.

Pursuant to the Concession Agreements, DualEx and its partners are required to relinquish 50% of the acreage in each of the Aljubarrota-2 and Torres Vedras-2 Concessions in 2007. However, in April 2007 the partners submitted new Concession applications ("Aljubarrota-3" and "Torres Vedras-3") to the Portuguese authorities, which will increase the acreage in each concession; in the case of Aljubarrota-3 to 1260 km² (311,353 acres), and for Torres Vedras-3 to 1300 km² (321,257 acres). The annual work commitments will remain essentially unchanged.

The operator of the two Lusitanian Basin concessions continues to make progress in the planning of an exploration program which consists of two 3D seismic surveys, the deepening of two wells and the drilling of a third well. This program is anticipated to commence in late 2007. The Company projects its share of the costs of this program to be approximately \$1.7 million (\$US 1.5 million), once the equipment has been sourced.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2007 the Company had working capital of \$7.0 million including a joint venture receivable of \$1.3 million for the seismic work program in Syria. Subsequent to March 31, 2007 the Company has spent \$4.0M on capital expenditures in Hungary and Syria and has committed to spend an additional \$1.3M on capital expenditures for the remainder of 2007. Following these expenditures, the Company will have a remaining commitment to drill one exploratory well in Syria prior to June 2009. Existing royalty and interest income will not be sufficient to fund future capital expenditure programs; therefore the Company will need to rely on a combination of existing cash balances, farm-outs, joint ventures, and future financings to fund its near-term business and capital programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Share capital

A total of 44,038,582 common shares of the Company are outstanding as of the date hereof. In addition, the Company has 15,000,000 Warrants, 2,671,250 Agent Options, and 1,085,000 Stock Options outstanding as of the date hereof.

SUMMARY OF QUARTERLY INFORMATION

The following table summarizes quarterly financial information for the previous quarters:

	Quarter Ended			
	Mar 31 2007	Dec 31 2006	Sep 30 2006	June 30 2006
Total Revenue	\$ 82,298	\$ 109,043	\$ 135,093	\$ 33,164
Net loss	(221,847)	(90,911)	(58,934)	(39,819)
per share - basic and diluted	(0.01)	-	-	-

During the quarter ended March 31, 2007, revenue declined as a result of reduced interest income as the Company used a portion of its cash balances to fund its drilling program. Net loss in the quarter increased over the previous quarter primarily due to a reduction in revenue, an increase in general and administrative costs and a foreign exchange loss of \$17,111 compared to a foreign exchange gain in the previous quarter of \$55,463.

CHANGES IN ACCOUNTING POLICES

Effective January 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants section 1506 "Accounting Changes," section 1530, "Comprehensive Income," section 3251 "Equity," section 3855, "Financial Instruments – Recognition and Measurement," section 3861 "Financial Instruments - Disclosure and Presentation," and section 3865 "Hedges." See Note 3 to the Consolidated Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES

The Company has established certain disclosure controls and procedures to provide a reasonable level of assurance that the financial and other information required to be disclosed under applicable securities laws is accurately prepared and disclosed within the time periods required. The Company's Chief Executive Officer and Chief Financial Officer have evaluated these controls and procedures and concluded that they were effective for the period ended March 31, 2007.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the design of the Company's internal control over financial reporting that occurred during the most recent interim period ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



DUALEX
ENERGY INTERNATIONAL INC.



THREE MONTHS ENDED
MARCH 31, 2007

Q1

**DUALEX ENERGY INTERNATIONAL
INC.**

**Interim Consolidated Financial
Statements**

For the three months ended March 31, 2007

DUALEX ENERGY INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2007 AND DECEMBER 31, 2006
UNAUDITED

<u>ASSETS</u>	<u>31-Mar-07</u>	<u>31-Dec-2006</u>
CURRENT		
Cash and cash equivalents	\$ 5,063,972	\$ 6,905,285
Accounts receivable	648,987	661,087
Joint venture receivable (note 4)	1,292,289	-
Prepaid expenses and deposits	50,616	33,690
	7,055,864	7,600,062
PETROLEUM AND NATURAL GAS PROPERTIES (note 5)	7,179,649	7,067,481
OTHER ASSETS (note 6)	79,055	39,504
	\$ 14,314,568	\$ 14,707,047
<u>LIABILITIES & SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 90,180	\$ 283,828
ASSET RETIREMENT OBLIGATIONS (note 7)	122,413	119,556
	212,593	403,384
SHARE CAPITAL (note 8)	14,033,856	14,033,856
CONTRIBUTED SURPLUS (note 10)	479,630	459,471
DEFICIT	(411,511)	(189,664)
	14,101,975	14,303,663
	\$ 14,314,568	\$ 14,707,047

See accompanying notes

DUALEX ENERGY INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2007
UNAUDITED

REVENUE

Royalty revenue	\$ 22,812
Interest and other	59,486
	<u>82,298</u>

EXPENSES

General and administrative	252,009
Stock based compensation	20,159
Depletion, depreciation and accretion	8,022
	<u>280,190</u>

LOSS FROM OPERATIONS	(197,892)
Foreign exchange loss	<u>(17,111)</u>

NET LOSS BEFORE TAXES	(215,003)
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Current taxes	<u>6,844</u>
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NET LOSS AND COMPREHENSIVE LOSS	(221,847)
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DEFICIT, beginning of period	(189,664)
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DEFICIT, end of period	<u>\$ (411,511)</u>
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NET LOSS PER SHARE

Basic and diluted	<u>\$ (0.01)</u>
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See accompanying notes

DUALEX ENERGY INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2007
UNAUDITED

OPERATING ACTIVITIES

Net loss	\$ (221,847)
Add items not requiring cash	
Depletion, depreciation and accretion	8,022
Stock based compensation	20,159
Unrealized foreign exchange loss	16,292
	<u>(177,374)</u>
 Change in non-cash working capital items (note 11)	 <u>(23,838)</u>
	<u>(201,212)</u>

FINANCING ACTIVITIES

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INVESTING ACTIVITIES

Acquisition of petroleum and natural gas properties	(112,168)
Acquisition of other assets	(44,716)
Change in non-cash working capital items (note 11)	(1,482,249)
	<u>(1,639,133)</u>

Foreign exchange loss on cash and cash equivalents held in a foreign currency	<u>(968)</u>
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DECREASE IN CASH

AND CASH EQUIVALENTS (1,841,313)

CASH AND CASH EQUIVALENTS,
BEGINNING OF PERIOD 6,905,285

CASH AND CASH EQUIVALENTS, END OF PERIOD \$ 5,063,972

See accompanying notes

DUALEX ENERGY INTERNATIONAL INC.

Notes to the March 31, 2007 Interim Consolidated Financial Statements

All amounts in Canadian dollars unless otherwise stated (unaudited)

1. DESCRIPTION OF BUSINESS

DualEx Energy International Inc. ("DualEx or "the Company") was incorporated on March 20, 2006 and commenced operations on May 31, 2006. Thus, the Company has not presented comparable financial information for the period ended March 31, 2006. DualEx is an international company engaged in the exploration for and development of petroleum and natural gas properties internationally, with a primary focus in the greater Mediterranean area. The Company currently holds working interests in Hungary, Syria, Portugal and a royalty interest in Wyoming. The Company considers itself to be in the development stage as it is in the process of exploring its petroleum and natural gas properties and has not yet determined whether they contain reserves that are economically recoverable.

2. ACCOUNTING POLICIES

The interim consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada, which were the same accounting policies and methods of computation as the consolidated financial statements as at December 31, 2006, except as described in Note 3 below. The Company follows the Canadian full cost method of accounting for petroleum and natural gas properties. The disclosure which follows is incremental to the disclosure included in the annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 2006.

3. CHANGES IN ACCOUNTING POLICIES

(a) Financial Instruments

Effective January 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants ("CICA") section 1530 "Comprehensive Income," section 3251 "Equity," section 3855 "Financial Instruments – Recognition and Measurement," section 3861 "Financial Instruments - Disclosure and Presentation," and section 3865 "Hedges." These standards have been adopted prospectively.

i) Financial Instruments

Section 3855 establishes a framework for classifying and measuring financial instruments. Under this section all financial instruments must be initially recognized at their fair value on the balance sheet. In accordance with section 3855, the Company has classified each of its financial instruments into one of the five categories set out in the standard: Financial assets and liabilities held for trading, financial assets held to maturity, loans and receivables, financial assets available for sale, and other liabilities. Measurement of each of these items is contingent upon initial classification. The classification does not change subsequent to initial recognition.

Unrealized gains and losses on financial instruments classified as held for trading are recognized in earnings in the period incurred. Gains and losses on assets available for sale are recognized in other comprehensive income, when a decline in fair value is determined to be other than temporary, the cumulative loss included in accumulated other comprehensive income is removed and recognized in other income. Financial assets classified as held to maturity are accounted for at amortized cost using the effective interest rate method. Loans and receivables and other liabilities are accounted for at amortized cost.

DUALEX ENERGY INTERNATIONAL INC.

Notes to the March 31, 2007 Interim Consolidated Financial Statements

All amounts in Canadian dollars unless otherwise stated (unaudited)

ii) Derivative Instruments and Hedging

The Company may use derivative instruments to manage its exposure to the volatility in commodity prices. These derivatives are recorded on the balance sheet at fair value. Gains and losses on these instruments are charged to income in the period that they occur. Fair values of the derivatives are based on quoted market prices. The fair values of forward contracts are based on forward market prices. If a forward price is not available, a forward market price is estimated.

iii) Embedded Derivatives

Derivatives may be embedded in other financial and non-financial instruments or contracts ("host contracts"). Under the new standards, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not designated as held for trading or accounted for at fair value. These embedded derivatives are measured at fair value and gains and losses are charged to income in the period that they occur.

iv) Comprehensive Income

Comprehensive income is the change in equity of the Company from net earnings and other comprehensive income ("OCI"). OCI consists of the change in fair value of any financial instruments classified as available for sale. Amounts recognized in OCI must eventually be reclassified to income when the related gains or losses are realized.

(b) Accounting Changes

Beginning January 1, 2007 the Company adopted Section 1506 "Accounting Changes" the only impact of which is to provide disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. This is the case with Section 3862 "Financial Instruments Disclosures" and Section 3863 "Financial Instruments Presentation" which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt these standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

4. JOINT VENTURE RECEIVABLE

The joint venture receivable as at March 31, 2007 relates to a cash call paid to our partner for the seismic work program in Syria.

5. PETROLEUM AND NATURAL GAS PROPERTIES

	<u>31-Mar-07</u>	<u>31-Dec-06</u>
Hungary	\$ 3,491,065	\$ 3,475,565
Portugal	2,633,193	2,625,836
Syria	1,055,391	966,080
	<u>\$ 7,179,649</u>	<u>\$ 7,067,481</u>

DUALEX ENERGY INTERNATIONAL INC.

Notes to the March 31, 2007 Interim Consolidated Financial Statements

All amounts in Canadian dollars unless otherwise stated (unaudited)

6. OTHER ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value 31-Mar-07</u>	<u>Net Book Value 31-Dec-06</u>
Furniture and computer equipment	<u>\$ 87,571</u>	<u>\$ (8,516)</u>	<u>\$ 79,055</u>	<u>\$ 39,504</u>

7. ASSET RETIREMENT OBLIGATIONS

The following table summarizes changes in future asset retirement obligations:

	<u>Three months ended 31-Mar-07</u>	<u>From incorporation to 31-Dec-06</u>
Asset retirement obligations, beginning of period	\$ 119,556	\$ -
Liabilities incurred	-	116,566
Accretion expense	2,857	2,990
Asset retirement obligations, end of period	<u>\$ 122,413</u>	<u>\$ 119,556</u>

The undiscounted amount of the estimated future cash flows required to settle the obligations is \$203,000. These obligations are expected to be paid over the next several years with a weighted average life of approximately 8 years. The estimated future cash flows have been discounted at a credit-adjusted risk free rate of 9%.

DUALEX ENERGY INTERNATIONAL INC.

Notes to the March 31, 2007 Interim Consolidated Financial Statements

All amounts in Canadian dollars unless otherwise stated (unaudited)

8. SHARE CAPITAL

Authorized

Unlimited number of common shares

Unlimited number of first preferred shares

Issued

Common Shares	Number of Shares	Stated Value
Shares Issued	44,038,582	\$ 12,879,606
Warrants		1,154,250
Balance - December 31, 2006 and March 31, 2007	<u>44,038,582</u>	<u>\$ 14,033,856</u>

Reserved for Issuance

Stock Options

	Number of Options	Weighted Average Exercise Price
Outstanding - December 31, 2006	1,000,000	\$ 0.40
Granted	85,000	0.68
Outstanding - March 31, 2007	<u>1,085,000</u>	<u>\$ 0.42</u>

Warrants

	Number of Warrants	Exercise Price
Outstanding - December 31, 2006	15,000,000	\$ 0.55
Exercised	-	-
Outstanding - March 31, 2007	<u>15,000,000</u>	<u>\$ 0.55</u>

Agent Options ¹

	Number of Agent Options	Exercise Price
Outstanding - December 31, 2006	2,671,250	\$ 0.40
Exercised	-	-
Outstanding - March 31, 2007	<u>2,671,250</u>	<u>0.40</u>

¹ Each agent option entitles the holder to acquire one common share at a price of \$0.40 per share and one-half of a Warrant. Each whole warrant entitles the holder to acquire one voting common share at a price of \$0.55 per share.

DUALEX ENERGY INTERNATIONAL INC.

Notes to the March 31, 2007 Interim Consolidated Financial Statements

All amounts in Canadian dollars unless otherwise stated (unaudited)

9. STOCK-BASED COMPENSATION

The Company accounts for its stock options granted to employees, officers and directors using the fair value method for valuing stock option grants. In accordance with the Company's incentive stock plan, these options have an exercise price equal to the fair value of the security at the date of grant. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following assumptions have been used:

Risk free rate ranging from 3.5% - 4.3%
Expected life - 5 years
Expected volatility ranging from 50% - 94%
Expected dividend - 0%

The fair value of the stock options in the Quarter ended March 31, 2007 was \$241,886 or \$0.22 per option which will be recognized as an expense over the related vesting period.

10. CONTRIBUTED SURPLUS

The following table summarizes changes in contributed surplus for the periods ended March 31, 2007 and December 31, 2006.

	Three months ended 31-Mar-07	From incorporation to 31-Dec-06
Contributed surplus, beginning of period	\$ 459,471	\$ -
Stock based compensation	20,159	33,826
Agent options	-	425,645
Contributed surplus, end of period	<u>\$ 479,630</u>	<u>\$ 459,471</u>

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	For the three months ended 31-Mar-07
Change in non-cash working capital related to operating activities	
Accounts receivable	\$ 13,680
Prepaid expenses and deposits	(16,926)
Accounts payable and accrued liabilities	(20,592)
	<u>\$ (23,838)</u>
Change in non-cash working capital related to investing activities	
Accounts receivable	\$ (16,904)
Joint venture receivable	(1,292,289)
Accounts payable and accrued liabilities	(173,056)
	<u>\$ (1,482,249)</u>

DUALEX ENERGY INTERNATIONAL INC.

Notes to the March 31, 2007 Interim Consolidated Financial Statements

All amounts in Canadian dollars unless otherwise stated (unaudited)

12. SEGMENTED INFORMATION

The Company operates in the oil and gas industry. Its reportable segments are identified on a geographic basis. The Company has operations in Syria, Portugal and Hungary and a royalty interest in the United States. Gross revenue and net income (loss) for the period ended March 31, 2007 and capital assets as at March 31, 2007 are summarized on a country basis below:

	United States	Syria	Portugal	Hungary	Corporate	Total
	\$	\$	\$	\$	\$	\$
Revenue	22,812	-	-	-	59,486	82,298
Net Income (Loss)	15,968	-	(143)	5,146	(242,818)	(221,847)
Capital assets	-	1,055,391	2,633,193	3,491,065	79,055	7,258,704

13. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2007, the Company incurred \$14,700 in legal fees to a law firm, of which one of the directors of the Corporation is a partner, for legal services rendered in respect to general corporate matters. The legal fees charged were based on commercially acceptable hourly rates and time charges based on the work performed. At March 31, 2007 there was a net payable of \$15,300.

14. FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

The Company's financial instruments recognized in the consolidated balance sheet consists of cash and cash equivalents, accounts receivable, joint venture receivable, deposits, and accounts payable and accrued liabilities. The carrying value of these balances approximates their fair value. Cash and cash equivalents is classified as held for trading. Accounts receivable, joint venture receivable, and deposits are classified as loans and receivables. Accounts payable and accrued liabilities is classified as other liabilities.

(b) Concentration Risk

The Company's joint venture receivable is to 1 joint venture partner. The fair value of the joint venture receivable is equal to its carrying value due to its short term nature.

CORPORATE INFORMATION

OFFICERS

Garry T. Hides P. Land
President & Chief Executive Officer

Kenneth M. Tompson P. Geol
Executive Vice President & Chief Operating Officer

Lorne A. Morozoff, CA
VP Finance & Chief Financial Officer

DIRECTORS

Garry T. Hides, P. Land
Chestermere, AB
President & Chief Executive Officer
DualEx Energy International Inc.

Kenneth M. Tompson, P. Geol
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Executive Vice President and
Chief Operating Officer
DualEx Energy International Inc.

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