



THREE AND SIX MONTHS ENDED
JUNE 30, 2007

Q2

**DUALEX ENERGY INTERNATIONAL
INC.**

Interim Report

**For the three and six months ended June
30, 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 and six months ended June 30, 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 August 24, 2007.

RESULTS OF OPERATIONS

As the Company commenced operations May 31, 2006, the comparative numbers for the three and six months ended June 30, 2006 represent transactions from May 31, 2006 to June 30, 2006.

Revenue

The Company has a gross overriding royalty interest in coal bed methane production in the United States. The Company earned \$17,195 for the three months ended June 30, 2007 and \$40,007 for the six months ended June 30, 2007. The Company's royalty revenue for the three and six months ended June 30, 2006 was \$5,500. The Company currently has no production from its other oil and gas interests.

During the three and six months ended June 30, 2007 the Company earned \$27,820 and \$87,306 respectively in interest income on its cash balances compared to \$27,664 for the three and six months ended June 30, 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS

General and administrative

During the three months ended June 30, 2007 general and administrative expenses were \$224,448 consistent with the first quarter expenditures of \$252,309. General and administrative expenses for the three and six months ended June 30, 2006 amounted to \$67,897. A comparative summary of the Company's general and administrative expenses is as follows:

	Three months ended		Six months ended	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
Salaries and benefits	\$ 107,402	\$ 12,422	\$ 217,279	\$ 12,422
Office Costs	61,674	35,358	117,687	35,358
Consulting fees	8,824	3,953	42,400	3,953
Legal and accounting	21,732	4,620	44,406	4,620
Insurance	19,376	3,102	39,961	3,102
Travel	5,440	8,442	15,024	8,442
	<u>\$ 224,448</u>	<u>\$ 67,897</u>	<u>\$ 476,757</u>	<u>\$ 67,897</u>

Stock based compensation

Stock-based compensation costs for the three and six months ended June 30, 2007 amounted to \$20,156 and \$40,315 respectively (\$5,019 for the three and six months ended June 30, 2006). Stock-based compensation costs attributable to share options granted were measured at their fair value at the grant date and are being 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 and six months ended June 30, 2007 were denominated in US dollars. The US dollar weakened against the Canadian dollar during these periods resulting in a foreign exchange loss of \$165,233 for the three months ended June 30, 2007 (\$182,344 for the six months ended June 30, 2007). For the three and six months ended June 30, 2006 the Company did not incur any foreign exchange gains or losses.

Depletion, depreciation and accretion

Depletion, depreciation and accretion amounted to \$7,482 for the three months ended June 30, 2007 and \$15,504 for the six months ended June 30, 2007. This is made up of depreciation on the Company's furniture and computer equipment plus accretion on the Company's asset retirement obligations. The Company has not recorded depletion on petroleum and natural gas properties as there has been no production. Depletion, depreciation and accretion was \$67 for the three and six months ended June 30, 2006.

Current taxes

Current taxes of \$5,158 for the three months ended June 30, 2007 and \$12,002 for the six months ended June 30, 2007 are withholding taxes paid on the royalty interest in the United States.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital expenditures

During the six months ended June 30, 2007, the Company expended \$4,795,057 on its petroleum and natural gas properties with \$4,682,889 being spent in the second quarter. 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	\$ 3,475,565	\$ 966,080	\$ 2,625,836	\$ 7,067,481
Additions during the period				
Seismic Activities	-	1,900,325	-	1,900,325
Drilling	2,602,884	-	-	2,602,884
Technical and administrative	41,053	238,430	12,365	291,848
	<u>2,643,937</u>	<u>2,138,755</u>	<u>12,365</u>	<u>4,795,057</u>
Less other items				
Asset retirement obligations	(76,890)	-	-	(76,890)
Balance June 30, 2007	<u>\$ 6,042,612</u>	<u>\$ 3,104,835</u>	<u>\$ 2,638,201</u>	<u>\$ 11,785,648</u>

Hungary

The Company has now completed its earning obligations pursuant to the PetroHungaria Farmin Agreement, with the final two option (earning) wells having been drilled during the quarter. The first well, PEN-102, commenced on April 26, 2007, and has been suspended pending further operations. 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. Further seismic acquisition and interpretation to accurately define the orientation of the fault system, including an offset vertical seismic profile survey (VSP), will be used to determine the viability of sidetracking this well, with the objective of entering the Miocene gas reservoir in a structurally more favorable position. The second option well, VAM-1, commenced drilling on May 23, 2007, and, despite gas shows in the target Miocene, DualEx and its partners abandoned the well. Further exploration potential remains in this underexplored region of the Permits.

The Company has a 37.5% working interest in the Nyirseg Permits, containing approximately 614,000 gross acres (approximately 230,000 net acres). The partners are planning a development centred on the PEN-104 gas discovery (announced November 2006) and incorporating the PEN-9 and PEN-12 discovery wells. The re-development of the previously productive Penészlek field will be considered as an addition to this development. The operator is proceeding with these various development initiatives at Penészlek, which include pipeline integrity testing on the existing gathering system; the necessary wellbore permitting and regulatory approvals for the re-entry of PEN-9 and PEN-12; and the negotiation of natural gas processing and transportation arrangements with the operator of the area infrastructure. The Company's PEN-104 discovery, together with PEN-9 and PEN-12, in aggregate tested over 7.5 MMcf/day of gas from both the basal Miocene volcanoclastic section and the overlying Pannonian section. DualEx and its partners are working towards having natural gas production on stream at Penészlek this coming winter.

Syria

Field recording of the Company's 1,138 km 2D seismic program on Block 17 commenced in mid-March 2007, and has now been completed, significantly ahead of schedule. 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. 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 0.95 million – \$US 2.85 million). DualEx has a 31.67% working interest in the 1.248 million acre Block 17.

Portugal

DualEx has a 10% working interest in the Torres Vedras and Aljubarrota Concessions, which have now been re-issued as "Torres Vedras-3" and "Aljubarrota-3", and contain 321,000 acres and 311,000 acres respectively. These new concessions have an eight year initial term, and essentially the same work commitments as the previous concessions. However the state share has been revised with respect to natural gas and condensate to reflect a sliding scale carried interest, post payout of all capital investment and operating costs, of between 2% and 7%, depending on cumulative field production. In the previous concession agreements, there were no state burdens on natural gas or condensate.

The currently planned exploration program consists of two 3D seismic surveys, the deepening of two wells and the drilling of a third (exploration) well. This program is scheduled to commence in the fall of 2007, and be completed in Q2 2008. The Company projects its share of the costs of this program to be approximately \$1.6 million (\$US 1.5 million).

The deepening of the two wells, Lapaducos-2 and Aljubarrota-4, is scheduled to commence this fall with the operator having now executed a contract with a UK based drilling company. The contracted rig is in the final stages of construction and scheduled for arrival in Portugal in late September, and is expected to re-initiate drilling operations on the Lapaducos-2 well in October. This operation involves deepening the well to 1500 m in order to evaluate Upper Jurassic fractured Montejunto carbonate and Middle Jurassic Candieiros limestone targets. The rig will then be mobilized to the Aljubarrota-4 location, which will be deepened by 400 m into the lower portion of the fractured Brenha Carbonate zone and underlying Brenha carbonate grainstone zone. The third well in the program, Carascal (a Triassic subsalt test), will be drilled subsequent to the below referenced Aljubarrota 3D survey.

A geophysical company has been contracted to undertake the two 3D seismic programs. Surveying and permitting has commenced on the first program, located within the Torres Vedras Concession, with field acquisition anticipated to commence in late September. This 117 sq km 3D survey will be recorded to follow up on a well drilled by DualEx's predecessor on a Jurassic reef prospect utilizing older 2D seismic. That well missed the reef although indications from the well data suggest proximity to a reef buildup. Several additional reef prospects (mapped with the older 2D data) will also be imaged by this survey. The second 3D survey (130 sq km) will be located within the Aljubarrota Concession, and will be used to pick the Carascal well location, anticipated to be drilled in Q1 2008.

Asset Retirement Obligations

The asset retirement obligations decreased for the three months ended June 30, 2007 from \$122,413 as at March 31, 2007 to \$46,235 due to a change in estimate regarding the FGY-2 well in Hungary which was abandoned partially offset by the increase in the liability for wells drilled in Hungary during the three months ended June 30, 2007.

PROPOSED TRANSACTION

On July 17, 2007 the Company entered into an arrangement agreement to effect a business combination with Winslow Resources Inc. ("Winslow"), whereby the Company will acquire all of the outstanding common shares of Winslow in exchange for DualEx Units. Pursuant to the arrangement agreement, Winslow shareholders will receive 0.44 units of DualEx for each Winslow common share held, with each full unit being comprised of 1.0 common share of DualEx and one-half of one share purchase warrant of DualEx, each whole share purchase warrant being exercisable for one common share of DualEx at a price of \$0.30 per share for a period of 18 months from the date of issue, provided that, after 12 months DualEx can force the exercise of the warrants if DualEx's common shares trade at \$0.40 or higher for twenty consecutive trading days.

Shareholders and warrant holders of Winslow are scheduled to vote on the Plan of Arrangement (the "Plan") at a meeting of securityholders scheduled for August 30, 2007. The Plan will require the approval of 66 2/3% of the votes cast by the shareholders and warrant holders, voting together as a single class, and the approval of the Court of Queen's Bench of Alberta and certain regulatory agencies. Should the Winslow securityholders approve the Plan and regulatory and court approvals are obtained, the Plan will

MANAGEMENT'S DISCUSSION AND ANALYSIS

become effective on August 31, 2007. For further information please refer to the August 2, 2007 information circular filed under Winslow Resources Inc. on SEDAR located at www.sedar.com.

The business combination will provide DualEx with additional capital of approximately 2.8M for its international exploration and development program, provide domestic development drilling opportunities, along with cashflow associated with production of approximately 20 boe/d to partially offset the Company's Canadian G&A expenses.

LIQUIDITY AND CAPITAL RESOURCES

During the quarter ended June 30, 2007, the Company had a cash outflow from operating activities of \$0.4M, In addition, the Company spent \$4.7M in capital expenditures offset by a change in non-cash working capital items of \$2.3M for a net cash outflow of 2.8M for the quarter. The majority of the company's cash and cash equivalents is invested in an investment account with the Canadian Imperial Bank of Commerce. The Company does not have any cash or cash equivalents invested in asset backed commercial paper.

The Company plans to spend an additional \$0.4M in Hungary, \$0.4M in Syria and \$0.9M in Portugal in 2007. Following these expenditures, the Company will have a remaining commitment to drill one exploratory well in Syria prior to June 2009, and complete the balance of the drilling program in Portugal in 2008. Should the above mentioned Winslow plan of arrangement be approved, the Company will have sufficient funds to meet its capital commitments. Should the plan of arrangement not be approved, the Company has sufficient resources to carry out its 2007 capital program, but would need to carry out some form of financing or other transaction to raise sufficient funds to complete all of its remaining capital commitments scheduled for completion in 2008.

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. Should the above mention plan of arrangement be approved the Company anticipates a total of 64,772,966 common shares outstanding. In addition, the Company anticipates there to be 25,491,467 warrants, 2,671,250 agent options, and 1,085,000 stock options outstanding.

SUMMARY OF QUARTERLY INFORMATION

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

	Quarter Ended				
	Jun 30 2007	Mar 31 2007	Dec 31 2006	Sep 30 2006	June 30 2006
Total Revenue	\$ 45,015	\$ 82,298	\$ 109,043	\$ 135,093	\$ 33,164
Net loss	(377,762)	(221,847)	(90,911)	(58,934)	(39,819)
per share - basic and diluted	(0.01)	(0.01)	-	-	-

During the quarter ended June 30, 2007, revenue declined as a result of reduced interest income as the Company used its cash balances to fund its exploration program. Net loss in the quarter increased over the previous quarter primarily due to a reduction in revenue and increase in foreign exchange losses. Foreign exchange losses amounted to \$165,822 for the three months ended June 30, 2007 compared to \$17,111 in the previous quarter.

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 June 30, 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 June 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



THREE AND SIX MONTHS ENDED
JUNE 30, 2007

Q2

**DUALEX ENERGY INTERNATIONAL
INC.**

**Interim Consolidated Financial
Statements**

**For the three and six months ended June
30, 2007**

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of DualEx Energy International Inc. for the three and six months ended June 30, 2007 have been prepared by management and approved by the Board of Directors of the Company. These financial statements have not been reviewed by the Company's auditor.

Dated August 27, 2007

On behalf of DualEx Energy International Inc.

Signed "Garry Hides"
Garry Hides
President and Chief Executive Officer

Signed "Lorne Morozoff"
Lorne Morozoff
VP Finance and Chief Financial Officer

DUALEX ENERGY INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2007 AND DECEMBER 31, 2006
UNAUDITED

<u>ASSETS</u>	<u>June 30, 2007</u>	<u>December 31, 2006</u>
CURRENT		
Cash and cash equivalents	\$ 2,231,476	\$ 6,905,285
Accounts receivable	24,814	661,087
Joint venture receivable (note 4)	380,013	-
Prepaid expenses and deposits	89,669	33,690
	2,725,972	7,600,062
PETROLEUM AND NATURAL GAS PROPERTIES (note 5)	11,785,648	7,067,481
OTHER ASSETS (note 6)	72,335	39,504
	\$ 14,583,955	\$ 14,707,047
<u>LIABILITIES & SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 23,658	\$ 283,828
Joint venture payable (note 7)	769,643	-
	793,301	283,828
ASSET RETIREMENT OBLIGATIONS (note 8)	46,285	119,556
	839,586	403,384
SHARE CAPITAL (note 9)	14,033,856	14,033,856
CONTRIBUTED SURPLUS (note 11)	499,786	459,471
DEFICIT	(789,273)	(189,664)
	13,744,369	14,303,663
	\$ 14,583,955	\$ 14,707,047

See accompanying notes

DUALEX ENERGY INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT
FOR THE THREE AND SIX MONTHS ENDED JUNE 30
UNAUDITED

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
REVENUE				
Royalty revenue	\$ 17,195	\$ 5,500	\$ 40,007	\$ 5,500
Interest and other	27,820	27,664	87,306	27,664
	<u>45,015</u>	<u>33,164</u>	<u>127,313</u>	<u>33,164</u>
EXPENSES				
General and administrative	224,748	67,897	476,757	67,897
Stock based compensation	20,156	5,019	40,315	5,019
Depletion, depreciation and accretion	7,482	67	15,504	67
	<u>252,386</u>	<u>72,983</u>	<u>532,576</u>	<u>72,983</u>
LOSS FROM OPERATIONS	(207,371)	(39,819)	(405,263)	(39,819)
Foreign exchange loss	<u>(165,233)</u>	<u>-</u>	<u>(182,344)</u>	<u>-</u>
NET LOSS BEFORE TAXES	(372,604)	(39,819)	(587,607)	(39,819)
Current taxes	<u>5,158</u>	<u>-</u>	<u>12,002</u>	<u>-</u>
NET LOSS AND COMPREHENSIVE LOSS	(377,762)	(39,819)	(599,609)	(39,819)
DEFICIT, beginning of period	(411,511)	-	(189,664)	-
DEFICIT, end of period	<u>\$ (789,273)</u>	<u>\$ (39,819)</u>	<u>\$ (789,273)</u>	<u>\$ (39,819)</u>
NET LOSS PER SHARE				
Basic and diluted	<u>\$ (0.01)</u>	<u>-</u>	<u>\$ (0.01)</u>	<u>-</u>

See accompanying notes

DUALEX ENERGY INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30
UNAUDITED

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
OPERATING ACTIVITIES				
Net loss	\$ (377,762)	\$ (39,819)	\$ (599,609)	\$ (39,819)
Add items not requiring cash				
Depletion, depreciation and accretion	7,482	67	15,504	67
Stock based compensation	20,156	5,019	40,315	5,019
Unrealized foreign exchange loss	11,134	-	27,426	-
	<u>(338,990)</u>	<u>(34,733)</u>	<u>(516,364)</u>	<u>(34,733)</u>
Change in non-cash working capital items (note 12)	<u>(76,893)</u>	<u>(18,072)</u>	<u>(100,731)</u>	<u>(18,072)</u>
	<u>(415,883)</u>	<u>(52,805)</u>	<u>(617,095)</u>	<u>(52,805)</u>
FINANCING ACTIVITIES				
Proceeds from private placement, net of share issue costs	-	11,149,601	-	11,149,601
Change in non-cash working capital items (note 12)	-	117,075	-	117,075
	<u>-</u>	<u>11,266,676</u>	<u>-</u>	<u>11,266,676</u>
INVESTING ACTIVITIES				
Additions to petroleum and natural gas properties	(4,682,889)	(27,654)	(4,795,057)	(27,654)
Additions to other assets	-	-	(44,716)	-
Change in non-cash working capital items (note 12)	2,281,006	22,462	798,757	22,462
	<u>(2,401,883)</u>	<u>(5,192)</u>	<u>(4,041,016)</u>	<u>(5,192)</u>
Foreign exchange loss on cash and cash equivalents held in a foreign currency	<u>(14,730)</u>	<u>-</u>	<u>(15,698)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,832,496)	11,208,679	(4,673,809)	11,208,679
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,063,972	-	6,905,285	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,231,476</u>	<u>\$ 11,208,679</u>	<u>\$ 2,231,476</u>	<u>\$ 11,208,679</u>

See accompanying notes

DUALEX ENERGY INTERNATIONAL INC.

Notes to the June 30, 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. 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 been able to assign reserves to its discovery in Hungary as there is insufficient test data at this time.

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 those used to prepare 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 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 June 30, 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 June 30, 2007 relates to a cash call paid to our partner for drilling in Hungary.

5. PETROLEUM AND NATURAL GAS PROPERTIES

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Hungary	\$ 6,042,612	\$ 3,475,565
Portugal	2,638,201	2,625,836
Syria	3,104,835	966,080
	<u>\$ 11,785,648</u>	<u>\$ 7,067,481</u>

DUALEX ENERGY INTERNATIONAL INC.

Notes to the June 30, 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 June 30, 2007</u>	<u>Net Book Value December 31, 2006</u>
Furniture and computer equipment	<u>\$ 87,571</u>	<u>\$ (15,236)</u>	<u>\$ 72,335</u>	<u>\$ 39,504</u>

7. JOINT VENTURE PAYABLE

The joint venture payable at June 30, 2007 relates to amounts owing to our partner for seismic expenditures in Syria.

8. ASSET RETIREMENT OBLIGATIONS

The following table summarizes changes in future asset retirement obligations:

	<u>Six months ended June 30, 2007</u>	<u>From incorporation to December 31, 2006</u>
Asset retirement obligations, beginning of period	\$ 119,556	\$ -
Liabilities incurred	18,853	116,566
Change in estimate	(95,743)	
Accretion expense	3,619	2,990
Asset retirement obligations, end of period	<u>\$ 46,285</u>	<u>\$ 119,556</u>

The undiscounted amount of the estimated future cash flows required to settle the obligations is \$161,000. These obligations are expected to be paid over the next several years with a weighted average life of approximately 15 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 June 30, 2007 Interim Consolidated Financial Statements

All amounts in Canadian dollars unless otherwise stated (unaudited)

9. 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 June 30, 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 - June 30, 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 - June 30, 2007	<u>15,000,000</u>	<u>\$ 0.55</u>

The warrants expire May 31, 2008

Agent Options ¹	Number of Agent Options	Exercise Price
Outstanding - December 31, 2006	2,671,250	\$ 0.40
Exercised	-	-
Outstanding - June 30, 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 until May 18, 2008. 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 June 30, 2007 Interim Consolidated Financial Statements

All amounts in Canadian dollars unless otherwise stated (unaudited)

10. 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 granted was \$241,886 or \$0.22 per option which will be recognized as an expense over the related vesting period.

11. CONTRIBUTED SURPLUS

The following table summarizes changes in contributed surplus for the periods ended June 30, 2007 and December 31, 2006.

	Six months ended June 30, 2007	From incorporation to December 31, 2006
Contributed surplus, beginning of period	\$ 459,471	\$ -
Stock based compensation	40,315	33,826
Agent options	-	425,645
Contributed surplus, end of period	<u>\$ 499,786</u>	<u>\$ 459,471</u>

12. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	For the three months ended June 30, 2007	For the six months ended June 30, 2007	For the three and six months ended June 30, 2006
Change in non-cash working capital related to operating activities			
Accounts receivable	\$ 21,649	\$ 35,329	\$ (46,878)
Prepaid expenses and deposits	(39,053)	(55,979)	(72,134)
Accounts payable and accrued liabilities	(59,489)	(80,081)	100,940
	<u>\$ (76,893)</u>	<u>\$ (100,731)</u>	<u>\$ (18,072)</u>
Change in non-cash working capital related to financing activities			
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,075</u>
Change in non-cash working capital related to investing activities			
Accounts receivable	\$ 580,887	\$ 563,983	\$ -
Joint venture receivable	912,276	(380,013)	-
Accounts payable and accrued liabilities	18,200	(154,856)	22,462
Joint venture payable	769,643	769,643	-
	<u>\$ 2,281,006</u>	<u>\$ 798,757</u>	<u>\$ 22,462</u>

DUALEX ENERGY INTERNATIONAL INC.

Notes to the June 30, 2007 Interim Consolidated Financial Statements

All amounts in Canadian dollars unless otherwise stated (unaudited)

13. 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 three and six months ended June 30, 2007 and capital assets as at June 30, 2007 are summarized on a country basis below:

	United States	Syria	Portugal	Hungary	Corporate	Total
	\$	\$	\$	\$	\$	\$
For the three months ended June 30, 2007						
Revenue	17,195	-	-	-	27,820	45,015
Net Income (Loss)	12,037	(1,699)	(1,682)	(10,336)	(376,082)	(377,762)
For the six months ended June 30, 2007						
Revenue	40,007	-	-	-	87,306	127,313
Net Income (Loss)	28,005	(1,699)	(1,825)	(5,190)	(618,900)	(599,609)
As at June 30, 2007						
Capital assets	-	3,104,835	2,638,201	6,042,612	72,335	11,857,983

14. RELATED PARTY TRANSACTIONS

During the three and six month periods ended June 30, 2007, the Company incurred \$14,900 and \$29,600 respectively 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 the law firm's hourly rates and time charges based on the work performed. At June 30, 2007 there was a net payable of \$4,500 to this law firm.

15. 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, accounts payable and accrued liabilities, and joint venture payable. 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 and joint venture payable is classified as other liabilities.

(b) Concentration Risk

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

DUALEX ENERGY INTERNATIONAL INC.

Notes to the June 30, 2007 Interim Consolidated Financial Statements

All amounts in Canadian dollars unless otherwise stated (unaudited)

16. SUBSEQUENT EVENT

On July 17, 2007 the Company entered into an arrangement agreement to effect a business combination with Winslow Resources Inc. ("Winslow"), whereby the Company will acquire all of the outstanding common shares of Winslow in exchange for DualEx Units. Pursuant to the arrangement agreement, Winslow shareholders will receive 0.44 units of DualEx for each Winslow common share held, with each full unit being comprised of 1.0 common share of DualEx and one-half of one share purchase warrant of DualEx, each whole share purchase warrant being exercisable for one common share of DualEx at a price of \$0.30 per share for a period of 18 months from the date of issue, provided that, after 12 months DualEx can force the exercise of the warrants if DualEx's common shares trade at \$0.40 or higher for twenty consecutive trading days.

Shareholders and warrant holders of Winslow are scheduled to vote on the Plan of Arrangement (the "Plan") at a meeting of securityholders scheduled for August 30, 2007. The Plan will require the approval of 66 2/3% of the votes cast by the shareholders and warrant holders, voting together as a single class, and the approval of the Court of Queen's Bench of Alberta and certain regulatory agencies. Should the Winslow securityholders approve the Plan and regulatory and court approvals are obtained, the Plan will become effective on August 31, 2007.

The business combination will provide DualEx with additional capital of approximately 2.8M for its international exploration and development program, provide domestic development drilling opportunities, along with cashflow associated with production of approximately 20 boe/d to partially offset the Company's Canadian G&A expenses.

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
Calgary, AB
Executive Vice President and
Chief Operating Officer
DualEx Energy International Inc.

David J. Rain, CA
Calgary, AB
Director and CFO
Caribou Capital Corp.

Roy H. Hudson, LLB
Calgary, AB
Partner
Davis LLP

HEAD OFFICE

200, 521 - 3rd Avenue SW
Calgary, Alberta T2P 3T3
Main (403) 265-8011
Fax (403) 265-8022
www.dualexen.com
info@dualexen.com

STOCK LISTING

TSX Venture Exchange
Trading Symbol "DXE"

AUDITORS

Deloitte & Touche LLP
3000, 700 - 2nd Street SW
Calgary, Alberta T2P 0S7

LEGAL COUNSEL

Davis LLP
3000 Shell Centre
400 4th Avenue S.W.
Calgary, Alberta T2P 0J4

BANKERS

Canadian Imperial Bank of Commerce
309 – 8th Avenue S.W.
Calgary, Alberta T2P 2P2

REGISTRAR AND TRANSFER AGENT

Olympia Trust Company
2300, 125 -9th Avenue SW
Calgary, Alberta T2G OP6



DualEx Energy International Inc.
200, 521 - 3rd Avenue SW
Calgary, Alberta T2P 3T3

Telephone: (403) 265-8011
Fax: (403) 265-8022
Email: info@dualexen.com
Website: www.dualexen.com