



THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2011

Q3

DUALEX ENERGY INTERNATIONAL INC.

Interim Report

***For the three and nine months ended
September 30, 2011***

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 nine months ended September 30, 2011 and the audited financial statements and MD&A for the year ended December 31, 2010. The interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Previous GAAP"). The adoption of International Financial Reporting Standards ("IFRS") has not had an impact on the Company's operations or strategic decisions. All figures have been prepared in accordance with IFRS and are reported in Canadian dollars unless otherwise stated.

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

Management uses "cash flow from operations" to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments. Cash flow from operations has been defined by the Company as "cash flow from operating activities excluding the change in non-cash working capital related to operating activities and settlement of decommissioning liabilities".

Additional information related to the Company can be found on SEDAR at www.sedar.com.

This MD&A has been prepared as of November 23, 2011.

CHANGE IN ACCOUNTING POLICIES

On January 1, 2011, the Company adopted IFRS for financial reporting purposes, using a transition date of January 1, 2010. The Condensed Consolidated Interim Financial Statements ("Financial Statements") for the three and nine months ended September 30, 2011, including the required comparative information, have been prepared in accordance with IFRS 1 "First-Time Adoption of IFRS", and with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board (IASB). Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Previous GAAP. Further information on the IFRS impacts is provided in the Critical Accounting Policies and Estimates section of this MD&A, including reconciliations between Previous GAAP and IFRS.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Production and Petroleum and Natural Gas Sales

The following table outlines the Company's production volumes and operating netback for the periods indicated:

	Three months ended September 30					
	2011			2010		
	Hungary	North America	Total	Hungary	North America	Total
Gas production (mcf)	49,474	5,152	54,626	109,323	5,573	114,896
Mcf/d	538	56	594	1,188	61	1,249
Total Natural Gas sales	\$ 669,744	\$ 18,708	\$ 688,452	\$ 1,176,262	\$ 18,836	\$ 1,195,098
Netback (\$/mcf)						
Revenue	13.54	3.63	12.60	10.76	3.38	10.40
Royalties	(2.58)	(0.28)	(2.36)	(1.21)	(0.15)	(1.16)
Operating	(2.98)	(1.57)	(2.85)	(1.69)	(2.77)	(1.74)
Operating Netback	7.98	1.78	7.39	7.86	0.46	7.50

	Nine months ended September 30					
	2011			2010		
	Hungary	North America	Total	Hungary	North America	Total
Gas production (mcf)	209,604	16,072	225,676	169,875	18,553	188,428
Mcf/d	768	59	827	622	68	690
Total Natural Gas sales	\$ 2,497,473	\$ 58,570	\$ 2,556,043	\$ 1,826,581	\$ 76,124	\$ 1,902,705
Netback (\$/mcf)						
Revenue	11.92	3.64	11.33	10.75	4.10	10.10
Royalties	(2.51)	(0.27)	(2.35)	(1.26)	(0.38)	(1.17)
Operating	(2.52)	(1.59)	(2.45)	(2.39)	(1.57)	(2.31)
Operating Netback	6.89	1.78	6.53	7.10	2.15	6.62

For the three months ended September 30, 2011, petroleum and natural gas production averaged 594 mcf/d compared to 1,249 mcf/d in the comparative period. The decrease is a result of production declines in Hungary. Production in Hungary for the month of October 2011 was approximately 450 mcf/d. During the nine months ended September 30, 2011 production averaged 827 mcf/d compared to 690 mcf/d in the comparative period. The increase in production is a result of gas production in Hungary being on for the entire period in 2011 compared to 2010 where gas production commenced in March for PEN-105 and June for PEN-101A.

During the three months ended September 30, 2011 the Company generated \$688,452 in petroleum and natural gas sales compared to \$1,195,098 in the comparative period due to a decrease in production partially offset by an increase in price in the quarter. Gas pricing in Hungary is based on a formula which references European gas/oil and heavy fuel oil for preceding periods. European gas/oil and heavy fuel oil prices have increased during these preceding periods thereby increasing the price received for natural gas in Hungary.

For the nine months ended September 30, 2011 the Company generated \$2,556,043 in petroleum and natural gas sales (nine months ended September 30, 2010 - \$1,902,705). The increase over the comparative period is a combination of higher production, in the first six months of the current period, and higher prices in Hungary as European gas/oil and heavy fuel oil prices increased during the current period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Royalties

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Total	\$ 129,155	\$ 132,922	\$ 530,885	\$ 220,865
Percentage of revenue	19%	11%	21%	12%
Per mcfe	\$ 2.36	\$ 1.16	\$ 2.35	\$ 1.17

Royalties as a percentage of revenue increased during the three months and nine months ended September 30, 2011 primarily due to higher prices received in Hungary.

The base royalty rate in Hungary is 12% plus 3% when Brent crude is trading above \$US80 per barrel plus another 3% when Brent crude is trading above \$90 per barrel to a maximum of 18%. The Company's effective royalty rate in Hungary may vary from period to period as the price received for natural gas sales is based on historical prices for European gas/oil and heavy fuel oil whereas the royalty paid is based on the average price of Brent crude for the month. During the three and nine months ended September 30, 2010, Brent crude on average traded below \$US80 per barrel resulting in a 12% royalty rate. During the three and nine months ended September 30, 2011, Brent crude on average traded above \$US90 per barrel resulting in an 18% royalty rate. In addition, the average price of Brent crude over the period was above the historical prices the Company received for its natural gas sales which increased the effective royalty rate from 18% to 21% for the nine months ended September 30, 2011.

Operating Costs

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Total	\$ 155,559	\$ 200,086	\$ 553,857	\$ 435,336
Percentage of revenue	23%	17%	22%	23%
Per mcfe	\$ 2.85	\$ 1.74	\$ 2.45	\$ 2.31

The increase in operating costs during the nine months ended September 30, 2011 is a result of increased production in Hungary during the period. The operating costs are lower for the three months ended September 30, 2011 also as a result of lower production compared to the comparative period. On an mcfe basis operating costs are higher during the three and nine months ended September 30, 2011 compared to the prior periods primarily due to higher marketing costs in Hungary during these periods and also due to fixed costs being spread over lower volumes for the third quarter 2011.

General and administrative

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Gross general and administrative	\$ 264,556	\$ 228,294	\$ 908,644	\$ 787,580
less capitalized	(652)	(3,480)	(13,302)	(59,273)
General and administrative	\$ 263,904	\$ 224,814	\$ 895,342	\$ 728,307

Gross general and administrative costs increased for the three and nine months ended September 30, 2011 compared to the prior periods by \$36,262 and \$121,064 respectively, primarily due to increased accounting expenditures as a result of the IFRS conversion, and increased travel and office costs.

During the three and nine months ended September 30, 2011 the Company's capitalized general and administrative expenses decreased compared to the comparative periods as more time was devoted to operating activities in Hungary and less time was incurred on capital activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Stock based compensation

Stock-based compensation costs for the three months and nine months ended September 30, 2011 amounted to \$17,229 and \$62,789 respectively (three months ended September 30, 2010 – \$18,717, nine months ended September 30, 2010 - \$58,097). 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 stock options granted was calculated using the Black-Scholes option pricing method.

Depletion, and depreciation

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Total	\$ 107,582	\$ 419,737	\$ 434,455	\$ 668,665

Depletion and depreciation decreased during the nine months ended September 30, 2011 due to a lower depletion rate as estimated recoverable reserves increased in 2011 compared to 2010. The decrease in depletion and depreciation during three months ended September 30, 2011 is a result of the previously explained lower depletion rate along with lower production for the three months ended September 30, 2011.

Impairment of exploration and evaluation

In Hungary, during the nine months ended September 30, 2010 the Company abandoned the PEN-106 and PEN-104AA well and recorded an impairment on the suspended PEN-102 well. Total impairments amounted to \$3,112,979 for the nine months ended September 30, 2010.

Foreign exchange

A portion of the Company's working capital is denominated in US dollars, Euros, and Hungarian Forints. The fluctuating exchange rate between these currencies and the Canadian dollar created exchange losses during the period. During the three months ended September 30, 2011 the Company recorded a foreign exchange loss of \$6,772 (2010 - \$137,822 gain). During the nine months ended September 30, 2011 the Company recorded a foreign exchange loss of \$38,518 (2010 – \$173,921). The losses are primarily a result of the strengthening of the Canadian dollar against the US dollar during the periods.

Gain on sale of investment

During the period the Company recorded a gain on sale of investment as a result of an adjustment to the sales price on the Company's disposition of a 12.5% equity interest in a Hungarian company in November 2010.

Current taxes

The current tax relates to withholding taxes paid on the royalty income earned in the United States.

Discontinued operations

During the three months ended March 31, 2010, following the unsuccessful testing program and subsequent abandonment of the Al-Tayr 101 well in Syria, the Company and its partners elected not to continue the production sharing contract and have surrendered the block. The expenditures incurred on the production sharing contract have been treated as discontinued operations resulting in a loss from discontinued operations for the three and nine months ended September 30, 2010 of \$47,295 and \$1,577,340 respectively.

Decommissioning liabilities

The decommissioning liabilities increased from \$171,764 as at December 31, 2010 to \$189,019 as at September 30, 2011, primarily as a result of changes in the risk free rate used to discount the future obligations and foreign exchange translation adjustments.

PROJECT UPDATES

Tunisia

Located in the western region of the Pelagian Basin of north eastern Tunisia, DualEx's Bouhajla Permit comprises 416 km² (105,000 acres). DualEx, through its wholly-owned subsidiary DualEx Tunisia Inc., holds 100% of the Contractor interest in the Permit. The permit carries a three year initial term which commenced on April 30, 2010 with two optional additional exploration periods of three years each. During the initial term, DualEx is committed to recording 100 line kilometres of new 2D seismic and drilling one exploration well to a depth sufficient to test the Upper Cretaceous Abiod formation. The Production Sharing Contract and associated documents governing the permit contain a cost oil/profit oil arrangement incorporating an "R" factor calculation. The work commitment is secured by a \$US1.0 million letter of guarantee underwritten by Export Development Canada.

The primary objective underlying the Bouhajla Permit is the Upper Cretaceous (Maastrichtian) Abiod formation at a depth of approximately 2200 metres. The Abiod is a recognized producer within the Pelagian Basin and constitutes the producing zone in the Sidi el Kilani field immediately east of the Bouhajla Permit. Secondary targets at Bouhajla include the Eocene El Gueria nummulitic limestone and the Birsa sandstone, both at shallower depths than the Abiod. Like the Abiod, both of these secondary zones are represented in the list of producing horizons within the Pelagian Basin.

In addition to the Bouhajla North prospect which will be the initial focus of DualEx's exploration effort, two other prospects have been developed; Bouhajla Northeast and Bouhajla Southeast, each involving structures related to salt diapirism.

Notwithstanding the Company's commitment to record 2D seismic, it has determined that 3D seismic will be a more effective tool in imaging the Bouhajla North structure, and does meet the contractual requirements. The Company has gone through a tendering process and is currently in discussions with contractors.

On November 4, 2011 the Company announced it has entered into a farmout agreement with a Canadian based private oil and gas exploration company (the "Farmee") with respect to the Bouhajla Exploration Permit. The Farmee will fund the first US \$7,250,000 (the "Earning Funds") towards the initial exploration program on the Permit, consisting of a 55 km² 3D seismic survey and an exploration well on the Bouhajla North Prospect, in exchange for 47.5% of the contractor share in the Bouhajla Production Sharing Contract ("PSC"), subject to the approval of the Tunisian authorities and to the assignment provisions contained in the PSC. DualEx will remain the operator of the project, with 52.5% of the contractor share. The Farmee has also paid DualEx US \$450,000 for a portion of DualEx's costs incurred to date on the project. The first tranche of the Earning Funds will be paid into escrow by November 30, 2011, and the balance within sixty days of completion of the Bouhajla North 3D seismic survey.

Hungary

DualEx owns 40.44% of PetroHungaria kft, which in turn holds a 100% interest in the Penészlek II Mining Plot (production concession), encompassing an area of 43.37 km², where gas is currently produced from Miocene aged volcanoclastic reservoirs, namely from the PEN-105 well (40.44% interest), which commenced production in March 2010 and the PEN-101A well (42.826% interest), which commenced production in June 2010. The structure on which PEN-105 is located is bisected by a fault which effectively splits the accumulation into two parts. The Company anticipates drilling a sidetrack from the

MANAGEMENT'S DISCUSSION AND ANALYSIS

PEN-105 well to access that part of the reservoir not currently being drained. It is expected that this operation will be undertaken during 2012 once existing production from PEN-105 has been fully depleted.

The PEN-9 project in the northern part of the Mining Plot is still under consideration. PEN-9 tested gas when it was originally drilled and suspended in 1985. The Company continues its efforts to gain access to the existing wellbore, which is currently owned by a state agency, with the intention of re-entering and further testing.

LIQUIDITY AND CAPITAL RESOURCES

During the three and nine months ended September 30, 2011 the Company generated cash flow from operations of \$85,103 and \$585,143 respectively. As at the date of this report the Company has working capital of approximately \$2.1 million (which includes \$US450,000 received from the Farmee). The Company anticipates the \$2.1 million working capital together with the recently announced farmout and future Hungary operating cashflows will provide the necessary funds to meet the Company's remaining 2011 and 2012 capital expenditure program which includes 55 km² of 3D seismic and the drilling of an exploration well on the Bouhajla North Prospect in Tunisia as well as the PEN-105 sidetrack in Hungary.

The Company's operating cash requirements including amounts projected to complete the Company's existing capital expenditure program are continuously monitored and adjusted as variables change. These variables include but are not limited to, oil and natural gas production, commodity prices, and expenditures on capital projects. Management has planned its 2011 and 2012 operations based on their best estimates of projected business activity and estimated future cash flows. Depending on a number of factors, including future operating cashflows and changes to its estimates of capital expenditure amounts and timing, the Company may need to carry out some form of financing or other transaction to ensure the Company has the capital resources necessary to carry out its planned activities. The Company may also choose to defer some portion of its planned activities until such time as it has sufficient capital resources to execute on them.

Share capital

A total of 85,818,337 common shares of the Company are outstanding as of the date hereof. In addition, the Company has 3,720,000 stock options (average exercise price \$0.17) outstanding as of the date hereof.

SUMMARY OF QUARTERLY INFORMATION

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

	Quarter ended							
	Sep 30 2011	Jun 30 2011	Mar 31 2011	Dec 31 2010	Sep 30 2010	June 30 2010	Mar 31 2010	Dec 31 ¹ 2009
Total revenue	561,364	\$ 619,278	\$ 856,320	\$ 831,565	\$ 1,062,791	\$ 584,538	\$ 36,381	\$ 27,421
Net income (loss) from continuing operations	36,851	(73,721)	112,312	(130,707)	335,521	(1,769,661)	(2,065,525)	(92,487)
Net Income (Loss) from discontinued operations	-	-	-	27,756	(47,295)	(83,536)	(1,446,509)	(8,794,939)
Net income (loss)	36,851	(73,721)	112,312	(102,951)	288,226	(1,853,197)	(3,512,034)	(8,887,426)
per share - basic and diluted								
Net (Loss) income from continuing operations	-	-	-	-	-	(0.02)	(0.02)	-
Loss from discontinued operations	-	-	-	-	-	-	(0.02)	(0.13)
Net (loss) income	-	-	-	-	-	(0.02)	(0.04)	(0.13)

¹ 2009 comparative figures are prepared in accordance with Previous GAAP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The revenue during the last three quarters of 2010 and the first nine months of 2011 is primarily a result of production from the PEN-105 and PEN-101A wells in Hungary.

The loss from continued operations of \$2.1 million and \$1.8 million in the quarters ended March 31, 2010 and June 30, 2010 respectively is primarily a result of impairments of exploration wells in Hungary. PEN-104AA was written off in the first quarter 2010 and PEN-102 and PEN-106 were written off in the second quarter of 2010.

The Company incurred a \$8.8 million loss from discontinued operations during the quarter ended December 31, 2009 and a \$1.4M loss during the quarter ended March 31, 2010 as a result of the property writedown in Syria.

IFRS

The 2011 reporting period is the Company's first under IFRS. The Company's accounting policies have been adjusted to comply with IFRS beginning with the balance sheet as at January 1, 2010. A summary of all the significant changes is presented in note 16 of the Company's Financial Statements.

The adoption of IFRS increased the previously reported Company's net loss from continuing operations for the three and nine months ended September 30, 2010 as follows:

	Three months ended September 30, 2010	Nine months ended September 30, 2010
2010 net loss from continuing operations under Previous GAAP	\$ (111,633)	\$ (651,837)
Petroleum and natural gas sales	(114,130)	(114,130)
Royalties	13,975	13,975
Operating costs	34,648	34,648
General and administrative expense	11,051	(79,352)
Stock based compensation	4,581	12,725
Depletion and depreciation	439,749	530,388
Accretion expense	(229)	(922)
Impairment of exploration and evaluation	-	(3,112,979)
Foreign exchange gain (loss)	57,509	(132,181)
Net increase	447,154	(2,847,828)
2010 net income (loss) from continuing operations under IFRS	\$ 335,521	\$ (3,499,665)

The significant accounting adjustments impacting net loss from continuing operations due to IFRS conversion were; impairment of exploration and evaluation assets which were previously capitalized under Previous GAAP as the Company followed "full cost accounting"; lower depletion due to the lower depletable base as a result of the impairments mentioned above; different foreign exchange gains (losses) as IFRS requires translation gains or losses of each entity of a consolidated group be determined separately; and lower petroleum and natural gas sales, royalties and operating costs as under Previous GAAP the Company recorded its share of revenue and expenses on a 12.5% equity interest in an entity which represented a 12.5% interest on a producing well. Under IFRS this equity interest is treated as a non-controlling investment in an entity and accounted for using the cost method.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Significant estimates and judgments made by Management in the preparation of these Financial Statements are summarized below.

Amounts recorded for depletion and depreciation, and amounts recorded for impairment calculations are based on estimates of natural gas and liquids reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty.

Oil and natural gas assets are aggregated into cash-generating units based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company's cash-generating units is subject to Management's judgment.

The decision to transfer assets from exploration and evaluation to property, plant and equipment is based on the estimated proved reserves used in the determination of an area's technical feasibility and commercial viability. As such there is judgment in determining the timing of these transfers.

Amounts recorded for decommissioning liabilities and the related accretion expense requires the use of estimates with respect to the amount and timing of asset retirements, site remediation, legal requirements and related cash flows. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Compensation costs accrued for long-term stock-based compensation plans are subject to the estimation of what the ultimate value will be using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility of the Company's common share price, expected term and forfeitures.

Using different assumptions in making any of these determinations would result in different values than those recorded, and could be materially different.

Forward looking statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to expected production, capital expenditure programs and cashflows from operations.

With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things: the legislative and regulatory environment; commodity prices; estimated recoverable reserves; costs related to development of oil and gas properties will remain consistent with historical experience; equipment and crew availability; joint venture partner financial capability; and the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward looking-statements as a result of the risk factors set forth below and elsewhere in this MD&A; changes in oil and natural gas prices; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; reservoir performance; labour, equipment and material costs; access to capital markets; interest and currency exchange rates; and political and economic conditions.

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



THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2011

Q3

DUALEX ENERGY INTERNATIONAL INC.

Interim Report

***For the three and nine months ended
September 30, 2011***

Notice of No Auditor Review of Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited interim financial statements as at and for the three and nine months ended September 30, 2011 and 2010.

DUALEX ENERGY INTERNATIONAL INC.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(UNAUDITED, expressed in Canadian dollars)

<u>ASSETS</u>	As at <u>September 30, 2011</u>	As at <u>December 31, 2010</u>
CURRENT		
Cash	\$ 1,678,230	\$ 1,405,778
Accounts receivable	413,579	678,359
Prepaid expenses and deposits	<u>65,480</u>	<u>65,318</u>
	2,157,289	2,149,455
EXPLORATION AND EVALUATION (note 4)	1,145,103	934,260
PROPERTY, PLANT AND EQUIPMENT (note 5)	1,737,245	2,057,596
	<u>\$ 5,039,637</u>	<u>\$ 5,141,311</u>
<u>LIABILITIES & SHAREHOLDERS' EQUITY</u>		
CURRENT		
Accounts payable and accrued liabilities	\$ 450,315	\$ 877,457
DECOMMISSIONING LIABILITIES (note 6)	<u>189,019</u>	<u>171,764</u>
	<u>639,334</u>	<u>1,049,221</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL AND WARRANTS (note 7)	23,285,853	23,285,853
CONTRIBUTED SURPLUS	2,686,971	2,624,182
ACCUMULATED OTHER COMPREHENSIVE LOSS	(70,215)	(240,197)
DEFICIT	<u>(21,502,306)</u>	<u>(21,577,748)</u>
	4,400,303	4,092,090
	<u>\$ 5,039,637</u>	<u>\$ 5,141,311</u>
Commitments and Guarantees (note 8)		
Subsequent Event (note 17)		

See accompanying notes

DUALEX ENERGY INTERNATIONAL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED, expressed in Canadian dollars)

	Number of shares	Share Capital and Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
Balance January 1, 2010	85,818,337	\$ 23,285,853	\$ 2,544,136	\$ -	\$ (16,397,792)	\$ 9,432,197
Stock based compensation	-	-	58,097	-	-	58,097
Foreign currency translation adjustment	-	-	-	(239,059)	-	(239,059)
Net loss for the period	-	-	-	-	(5,077,005)	(5,077,005)
Balance September 30, 2010	<u>85,818,337</u>	<u>\$ 23,285,853</u>	<u>\$ 2,602,233</u>	<u>(239,059)</u>	<u>(21,474,797)</u>	<u>4,174,230</u>
Stock based compensation	-	-	21,949	-	-	21,949
Foreign currency translation adjustment	-	-	-	(1,138)	-	(1,138)
Net loss for the period	-	-	-	-	(102,951)	(102,951)
Balance December 31, 2010	<u>85,818,337</u>	<u>23,285,853</u>	<u>2,624,182</u>	<u>(240,197)</u>	<u>(21,577,748)</u>	<u>4,092,090</u>
Stock based compensation	-	-	62,789	-	-	62,789
Foreign currency translation adjustment	-	-	-	169,982	-	169,982
Net income for the period	-	-	-	-	75,442	75,442
Balance September 30, 2011	<u><u>85,818,337</u></u>	<u><u>\$ 23,285,853</u></u>	<u><u>\$ 2,686,971</u></u>	<u><u>\$ (70,215)</u></u>	<u><u>\$ (21,502,306)</u></u>	<u><u>\$ 4,400,303</u></u>

See accompanying notes

DUALEX ENERGY INTERNATIONAL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME (LOSS) AND DEFICIT
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30
(UNAUDITED, expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
REVENUE				
Petroleum and natural gas sales	\$ 688,452	\$ 1,195,098	\$ 2,556,043	\$ 1,902,705
Royalties	(129,155)	(132,922)	(530,885)	(220,865)
Interest and other	2,067	615	11,804	1,870
	<u>561,364</u>	<u>1,062,791</u>	<u>2,036,962</u>	<u>1,683,710</u>
EXPENSES				
Operating costs	155,559	200,086	553,857	435,336
General and administrative	263,904	224,814	895,342	728,307
Stock based compensation (note 7e)	17,229	18,717	62,789	58,097
Depletion and depreciation (note 5)	107,582	419,737	434,455	668,665
Accretion of decommissioning liabilities (note 6)	15	229	808	922
Impairment of exploration and evaluation (note 4)	-	-	-	3,112,979
Foreign exchange loss (gain)	6,772	(137,822)	38,518	173,921
	<u>551,061</u>	<u>725,761</u>	<u>1,985,769</u>	<u>5,178,227</u>
NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES AND OTHER	10,303	337,030	51,193	(3,494,517)
OTHER ITEM				
Gain on sale of investment	27,474	-	27,474	-
NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES	37,777	337,030	78,667	(3,494,517)
Current taxes (note 9b)	926	1,509	3,225	5,148
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	36,851	335,521	75,442	(3,499,665)
LOSS FROM DISCONTINUED OPERATIONS (note 12)	-	(47,295)	-	(1,577,340)
NET INCOME (LOSS)	36,851	288,226	75,442	(5,077,005)
DEFICIT, beginning of period	(21,539,157)	(21,763,023)	(21,577,748)	(16,397,792)
DEFICIT, end of period	<u>\$ (21,502,306)</u>	<u>\$ (21,474,797)</u>	<u>\$ (21,502,306)</u>	<u>\$ (21,474,797)</u>
NET INCOME (LOSS) PER SHARE, Basic and diluted (note 7f)				
Loss per share from continuing operations	\$ -	\$ -	\$ -	\$ (0.04)
Loss per share from discontinued operations	-	-	-	(0.02)
Loss per share	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.06)</u>

See accompanying notes

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30
(UNAUDITED, expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
NET INCOME (LOSS)	\$ 36,851	\$ 288,226	\$ 75,442	\$ (5,077,005)
Other Comprehensive Income (loss)				
Foreign Currency Translation Adjustment	16,380	99,217	169,982	(239,059)
COMPREHENSIVE INCOME (LOSS)	<u>\$ 53,231</u>	<u>\$ 387,443</u>	<u>\$ 245,424</u>	<u>\$ (5,316,064)</u>

See accompanying notes

DUALEX ENERGY INTERNATIONAL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30
(UNAUDITED, expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
OPERATING ACTIVITIES				
Net income (loss) from continuing operations	\$ 36,851	\$ 335,521	\$ 75,442	\$ (3,499,665)
Add (deduct) items not requiring cash				
Depletion and depreciation	107,582	419,737	434,455	668,665
Accretion of decommissioning liabilities	15	229	808	922
Stock based compensation	17,229	18,717	62,789	58,097
Impairment of exploration and evaluation	-	-	-	3,112,979
Unrealized foreign exchange loss (gain)	(76,574)	(96,589)	11,649	145,871
	<u>85,103</u>	<u>677,615</u>	<u>585,143</u>	<u>486,869</u>
Settlement of decommissioning liabilities (note 6)	-	-	-	(201,725)
Change in non-cash working capital items (note 9)	<u>(49,836)</u>	<u>(83,898)</u>	<u>29,233</u>	<u>(697,905)</u>
Cashflow from (used in) continuing operations	<u>35,267</u>	<u>593,717</u>	<u>614,376</u>	<u>(412,761)</u>
INVESTING ACTIVITIES				
Exploration and evaluation expenditures	(16,279)	(38,128)	(157,803)	(2,113,568)
Additions to property, plant and equipment	(5,091)	(10,658)	(15,289)	(319,603)
Decrease in restricted cash	-	-	-	662,916
Change in non-cash working capital items (note 9)	<u>14,715</u>	<u>(1,081,021)</u>	<u>(190,087)</u>	<u>309,476</u>
Cashflow used in continuing operations	<u>(6,655)</u>	<u>(1,129,807)</u>	<u>(363,179)</u>	<u>(1,460,779)</u>
Cashflow used in discontinued operations (note 12)	<u>-</u>	<u>(47,295)</u>	<u>-</u>	<u>(1,577,340)</u>
	<u>(6,655)</u>	<u>(1,177,102)</u>	<u>(363,179)</u>	<u>(3,038,119)</u>
Foreign exchange gain (loss) on cash held in a foreign currency	<u>46,905</u>	<u>(3,993)</u>	<u>21,255</u>	<u>44</u>
INCREASE (DECREASE) IN CASH	75,517	(587,378)	272,452	(3,450,836)
CASH, BEGINNING OF PERIOD	1,602,713	1,756,667	1,405,778	4,620,125
CASH, END OF PERIOD	<u>\$ 1,678,230</u>	<u>\$ 1,169,289</u>	<u>\$ 1,678,230</u>	<u>\$ 1,169,289</u>

See accompanying notes

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

1. GENERAL INFORMATION

DualEx Energy International Inc. (“DualEx”, the “Company” or the “Group”) is engaged in the exploration for and development and production of petroleum and natural gas properties internationally, with primary focus in the greater Mediterranean area. The Company currently holds working interests in Hungary, Tunisia and North America. The Company was incorporated under the Alberta Business Corporations Act on March 20, 2006. The Company’s head office is located at Suite 200, 521 – 3rd Avenue S.W., Calgary, Alberta T2P 3T3. The registered office of the Company is located at 1000, 250 - 2nd Street S.W., Calgary, Alberta T2P 0C1.

2. BASIS OF PREPARATION

a) Statement of compliance

In conjunction with the Company’s first annual audited consolidated financial statements to be issued under International Financial Reporting Standards (“IFRS”) for the year ended December 31, 2011, these condensed consolidated interim financial statements include results of operations and financial position as at and for the three and nine month periods ending September 30, 2011, including 2010 comparative periods (the “Financial Statements”). These Financial Statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) and do not contain all the disclosures required for full annual financial statements. Prior to 2011, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Previous GAAP”).

The preparation of these Financial Statements resulted in selected changes to the Company’s accounting policies as compared to those disclosed in the Company’s annual audited Consolidated Financial Statements for the period ended December 31, 2010 issued under Previous GAAP. A summary of the significant changes to the Company’s accounting policies, along with reconciliations presenting the impact of the transition to IFRS for the comparative periods as at January 1, 2010, are disclosed in Note 3 of the Company’s first IFRS financial statements for the three months ended March 31, 2011 as filed by the Company on www.SEDAR.com. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1. These Financial Statements should be read in conjunction with the Company’s first quarter financial statements for the three months ended March 31, 2011.

b) Basis of measurement

The Financial Statements have been prepared using the historical cost basis. The comparative figures presented in these consolidated financial statements are in accordance with IFRS.

These Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

c) Functional and presentation currency

The Financial Statements are presented in Canadian dollars, which is the functional currency of DualEx Energy International Inc. The functional currency of the Company’s foreign subsidiaries are US dollars except for DualEx Nyirseg Inc. whose functional currency is Euros and Petrohungaria kft whose functional currency is Hungarian Forints.

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

2. BASIS OF PREPARATION (continued)

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Significant estimates and judgments made by Management in the preparation of these Financial Statements are summarized below:

Amounts recorded for depreciation, depletion and amortization and amounts recorded for impairment calculations are based on estimates of natural gas and liquids reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty.

Oil and natural gas assets are aggregated into cash-generating units based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company's cash-generating units is subject to Management's judgment.

The decision to transfer assets from exploration and evaluation to property, plant and equipment is based on the estimated recoverable reserves used in the determination of an area's technical feasibility and commercial viability. As such there is judgment in determining the timing of these transfers.

Amounts recorded for decommissioning liabilities and the related accretion expense requires the use of estimates with respect to the amount and timing of asset retirements, site remediation, legal requirements and related cash flows. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Compensation costs accrued for long-term stock-based compensation plans are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield, expected term and forfeitures.

Using different assumptions in making any of these determinations would result in different values than those recorded, and could be materially different.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

The company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the company:

i) IAS 28 Investments in Associates and Joint Ventures ("IAS 28")

IAS 28 was amended in 2011 which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The company is currently evaluating the impact of this amendment to IAS 28 on its consolidated financial statements.

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

3. FUTURE ACCOUNTING PRONOUNCEMENTS (continued)

ii) IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued in November 2009 and is the first step to replace current IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

iii) IFRS 10 Consolidated Financial Statements ("IFRS 10")

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation—Special Purpose Entities" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The company is currently evaluating the impact of this standard on its consolidated financial statements.

iv) IFRS 11 Joint Arrangements ("IFRS 11")

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31 "Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The company is currently evaluating the impact of this standard on its consolidated financial statements.

v) IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The company is currently evaluating the impact of this standard on its consolidated financial statements.

vi) IFRS 13 Fair Value Measurements ("IFRS 13")

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The company is currently evaluating the impact of this standard on its consolidated financial statements.

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

3. FUTURE ACCOUNTING PRONOUNCEMENTS (continued)

vii) IAS 1 Presentation of Items of Other Comprehensive Income

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to split items of other comprehensive income (OCI) between those that are reclassified to income and those that do not. The standard is required to be adopted for periods beginning on or after July 1, 2012. We are evaluating the impact that this standard may have on our results of operations and financial position.

4. EXPLORATION AND EVALUATION ASSETS

	<u>Hungary</u>	<u>Tunisia</u>	<u>Corporate & Other</u>	<u>Total</u>
Balance January 1, 2010	\$ 3,068,128	\$ 514,850	\$ 5,408	\$ 3,588,386
Capital expenditures	1,970,597	264,406	153	2,235,156
Transfers to property, plant and equipment (note 5)	(1,371,802)	-	-	(1,371,802)
Impairment of exploration and evaluation	(3,112,979)	-	(5,561)	(3,118,540)
Foreign exchange loss	<u>(366,211)</u>	<u>(32,729)</u>	<u>-</u>	<u>(398,940)</u>
As at December 31, 2010	187,733	746,527	-	934,260
Capital expenditures	-	157,803	-	157,803
Foreign exchange gain	9,190	43,850	-	53,040
As at September 30, 2011	<u>\$ 196,923</u>	<u>\$ 948,180</u>	<u>\$ -</u>	<u>\$ 1,145,103</u>

During 2010, the Company determined certain properties in Hungary were technically feasible and commercially viable. Accordingly, \$1,371,802 of accumulated exploration and evaluation costs were transferred to property, plant and equipment.

During 2010, the Company determined certain exploration and evaluation costs to be unsuccessful and not recoverable. Accordingly \$3,118,540 of capitalized costs were recognized as an impairment of exploration and evaluation in the year ended December 31, 2010 (3,112,979 in the nine months ended September 30, 2011).

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

	Hungary	North America	Equipment and furniture	Total
Cost or deemed cost:				
Balance January 1, 2010	\$ 1,206,055	\$ 44,099	\$ 11,411	\$ 1,261,565
Capital expenditures	404,849	(502)	7,065	411,412
Divestitures	-	(14,284)	-	(14,284)
Transfer in from exploration and evaluation (note 4)	1,371,802	-	-	1,371,802
Foreign exchange loss	(114,699)	-	(230)	(114,929)
Balance at December 31, 2010	2,868,007	29,313	18,246	2,915,566
Capital expenditures	13,069	-	2,220	15,289
Foreign exchange gain	89,411	-	97	89,508
Change in estimate of decommissioning liabilities (note 6)	6,515	2,792	-	9,307
Balance at September 30, 2011	<u>\$ 2,977,002</u>	<u>\$ 32,105</u>	<u>\$ 20,563</u>	<u>\$ 3,029,670</u>
Depletion, depreciation and impairment				
Balance January 1, 2010	\$ -	\$ -	\$ -	\$ -
Depletion and depreciation	(841,962)	(6,234)	(9,774)	(857,970)
Balance at December 31, 2010	(841,962)	(6,234)	(9,774)	(857,970)
Depletion and depreciation	(424,990)	(4,366)	(5,099)	(434,455)
Balance at September 30, 2011	<u>\$ (1,266,952)</u>	<u>\$ (10,600)</u>	<u>\$ (14,873)</u>	<u>\$ (1,292,425)</u>
Net Book Value				
Balance at January 1, 2010	\$ 1,206,055	\$ 44,099	\$ 11,411	\$ 1,261,565
Balance at December 31, 2010	<u>\$ 2,026,045</u>	<u>\$ 23,079</u>	<u>\$ 8,472</u>	<u>\$ 2,057,596</u>
Balance at September 30, 2011	<u>\$ 1,710,050</u>	<u>\$ 21,505</u>	<u>\$ 5,690</u>	<u>\$ 1,737,245</u>

The depletion expense calculation for the nine months ended September 30, 2011 reflected \$981,000 (2010 - \$928,000) for estimated future development costs associated with estimated recoverable reserves in Hungary.

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

6. DECOMMISSIONING LIABILITIES

	Nine months ended September 30, 2011	Year ended December 31, 2010
Decommissioning liabilities, beginning of period	\$ 171,764	\$ 352,271
Liabilities incurred	-	49,901
Liabilities discharged with disposed properties	-	(14,284)
Liabilities settled	-	(201,725)
Change in estimated future cash outflows	9,307	(3,334)
Accretion	808	1,337
Foreign exchange loss (gain)	7,140	(12,402)
Decommissioning liabilities, end of period	<u>\$ 189,019</u>	<u>\$ 171,764</u>

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas assets. The decommissioning liabilities are estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells, and the estimated timing of the costs to be incurred in future years. The undiscounted amount of the estimated future cash flows required to settle the obligations as at September 30, 2011 is \$230,000. These liabilities are expected to be paid in the future with an average life of approximately 6 years. The estimated future cash flows have been discounted at a risk free rate of 1.9% - 2.7% (December 31, 2010, 2.9% - 3.5%) and reflect an inflation rate of 2%.

7. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of common shares with no par value and an unlimited number of first preferred shares with no par value. The first preferred shares may be issued in series, with the directors determining the terms of the preferred shares on a series by series basis.

(b) Issued and outstanding

	Number of Shares	Stated Value
Common Shares		
Balance - January 1, 2010, December 31, 2010 and September 30, 2011	<u>85,818,337</u>	<u>\$ 22,131,653</u>
Prospectus Warrants		
Balance - January 1, 2010, December 31, 2010 and September 30, 2011	<u>-</u>	<u>1,154,200</u>
Balance - January 1, 2010, December 31, 2010 and September 30, 2011	<u>85,818,337</u>	<u>\$ 23,285,853</u>

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

7. SHARE CAPITAL (continued)

(c) Prospectus Warrants

	Number of Warrants	Exercise Price	Expiry
Outstanding - January 1, 2010, December 31, 2010 and September 30, 2011	<u>7,213,750</u>	<u>\$ 0.60</u>	10-Nov-11

Subsequent to period end the Prospectus Warrants expired unexercised.

(d) Agent Options

	Number of Agent Options	Exercise Price	Expiry
Outstanding - January 1, 2010, December 31, 2010 and September 30, 2011	<u>1,009,925</u>	<u>\$ 0.40</u>	10-Nov-11

Subsequent to period end the Agent Options expired unexercised.

(e) Stock based compensation

The Company has a stock option plan under which options to purchase common shares may be granted to officers, directors, employees and consultants. The Board has approved a policy of reserving up to 10% of the outstanding common shares for issuance to eligible participants. Under the plan, all options have a maximum term of five years. All options awarded to date vest 1/3 per year on the anniversary date of the grant for the next three years.

	Number of Options	Weighted Average Exercise Price
Outstanding - January 1, 2010	2,300,000	\$ 0.34
Granted	<u>2,320,000</u>	0.10
Outstanding - December 31, 2010	4,620,000	0.22
Expired	<u>(900,000)</u>	(0.40)
Outstanding - September 30, 2011	<u>3,720,000</u>	\$ 0.17

The following summarizes outstanding stock options as at September 30, 2011.

Date of Grant	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Options Exercisable
1-Jan-07	85,000	\$ 0.68	0.25	85,000
4-Sep-07	605,000	\$ 0.24	0.92	605,000
11-Sep-08	355,000	\$ 0.30	1.92	355,000
11-Aug-09	355,000	\$ 0.30	2.83	236,667
23-Aug-10	<u>2,320,000</u>	\$ 0.10	3.83	<u>773,256</u>
	<u>3,720,000</u>			<u>1,281,667</u>

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

7. SHARE CAPITAL (continued)

Using the fair value method for stock based compensation, the Company calculated stock based compensation expense for the three and nine months ended September 30, 2011 as \$17,229 and \$62,789 respectively (three months ended September 30, 2010 - \$18,717, nine months ended September 30, 2010 - \$58,097).

The Company determined these amounts using the Black-Scholes option pricing model with the following assumptions:

	<u>2010</u>	<u>2009</u>
Risk free rate	2.1%	2.5%
Expected life	5 years	5 years
Expected volatility	100%	100%
Expected dividend	0%	0%
Forfeiture rate	10%	10%

(f) Net income (loss) per share

The weighted average number of shares outstanding for the period is 85,818,337. Stock options, Prospectus Warrants, and Agent Options which were outstanding during the three and nine months ended September 30, 2011 and three months ended September 30, 2010 were not included in the computation of diluted earnings per share because their respective exercise prices were greater than the average market price of the common shares. Due to the loss in the nine months ended September 30, 2010 no options or warrants were included in the computation of diluted loss per share as they have an anti-dilutive effect on loss per share.

8. COMMITMENTS AND GUARANTEES

- a) In Tunisia, the Company holds a 100% interest in a production sharing contract ("PSC") with the Entreprise Tunisienne d'Activites Petrolieres, the Tunisian national oil company. The initial term of the PSC is three years commencing April 30, 2010 with a work commitment consisting of a minimum of 100 kilometres of 2D seismic and one exploration well. The Company has provided a \$US1.0 million letter of guarantee in respect of the above mentioned work commitment. This letter is secured by a guarantee granted by Export Development Canada (See note 17).
- b) During 2009, the Company entered into a lease agreement which was revised in 2011 whereby the Company will lease office space until May 31, 2012. The Company has committed to future payments under this lease agreement of \$21,000 for the remainder of 2011 and \$35,000 in 2012.

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

9. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
<i>Change in non-cash working capital related to operating activities</i>				
Accounts receivable	\$ 101,233	\$ (259,561)	\$ 268,431	\$ (848,635)
Prepaid expenses and deposits	17,164	18,916	(162)	4,048
Accounts payable and accrued liabilities	(168,233)	156,747	(239,036)	146,682
	<u>\$ (49,836)</u>	<u>\$ (83,898)</u>	<u>\$ 29,233</u>	<u>\$ (697,905)</u>
<i>Change in non-cash working capital related to investing activities</i>				
Accounts receivable	\$ -	\$ -	\$ -	\$ 86,949
Accounts payable and accrued liabilities	14,715	(1,081,021)	(190,087)	222,527
	<u>\$ 14,715</u>	<u>\$ (1,081,021)</u>	<u>\$ (190,087)</u>	<u>\$ 309,476</u>

b) Other cash flow information

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
Taxes paid	<u>\$ 926</u>	<u>\$ 1,509</u>	<u>\$ 3,225</u>	<u>\$ 5,148</u>

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

10. SEGMENTED INFORMATION

The primary segmented reporting format is determined to be the geographical segment according to the location of the asset. Management considers the Company to have a single class of business, being the exploration for, development and production of oil and gas reserves. Accordingly no secondary segmented reporting information is presented. There are four geographic reporting segments. Hungary, Tunisia, and North America are involved in exploration and development and Corporate is the home of the head office. Revenue, expenses and net income (loss) for the three and nine months ended September 30, 2011 and September 30, 2010 are summarized below on a geographic basis below. In addition, assets as at September 30, 2011 and December 31, 2010 are summarized on a geographic basis.

For the three months ended September 30, 2011

	North America	Hungary	Tunisia	Corporate	Total
Revenue					
Petroleum and natural gas sales	\$ 18,708	\$ 669,744	\$ -	\$ -	\$ 688,452
Royalties	(1,464)	(127,691)	-	-	(129,155)
Interest and other	-	1,884	-	183	2,067
	<u>17,244</u>	<u>543,937</u>	<u>-</u>	<u>183</u>	<u>561,364</u>
Expenses					
Operating Costs	8,095	147,464	-	-	155,559
General and administrative	2,750	65,080	52,039	144,035	263,904
Stock based compensation	-	-	-	17,229	17,229
Depletion and depreciation	1,536	104,389	555	1,102	107,582
Accretion of decommissioning liabilities	52	(37)	-	-	15
Gain on sale of investment	-	(27,474)	-	-	(27,474)
Foreign exchange loss (gain)	-	(25,716)	133	32,355	6,772
Current taxes	926	-	-	-	926
	<u>13,359</u>	<u>263,706</u>	<u>52,727</u>	<u>194,721</u>	<u>524,513</u>
Net income (loss)	<u>\$ 3,885</u>	<u>\$ 280,231</u>	<u>\$ (52,727)</u>	<u>\$ (194,538)</u>	<u>\$ 36,851</u>

For the three months ended September 30, 2010

	North America	Hungary	Tunisia	Corporate	Total
Revenue					
Petroleum and natural gas sales	\$ 18,836	\$ 1,176,262	\$ -	\$ -	\$ 1,195,098
Royalties	(832)	(132,090)	-	-	(132,922)
Interest and other	28	284	-	303	615
	<u>18,032</u>	<u>1,044,456</u>	<u>-</u>	<u>303</u>	<u>1,062,791</u>
Expenses					
Operating Costs	15,413	184,673	-	-	200,086
General and administrative	2,709	55,170	22,666	144,269	224,814
Stock based compensation	-	-	-	18,717	18,717
Depletion and depreciation	1,556	416,258	588	1,335	419,737
Accretion of decommissioning liabilities	89	140	-	-	229
Impairment of exploration and evaluation	-	-	-	-	-
Foreign exchange loss (gain)	-	(325,718)	(61)	187,957	(137,822)
Current taxes	1,509	-	-	-	1,509
	<u>21,276</u>	<u>330,523</u>	<u>23,193</u>	<u>352,278</u>	<u>727,270</u>
Net income (loss) from continuing operations	<u>\$ (3,244)</u>	<u>\$ 713,933</u>	<u>\$ (23,193)</u>	<u>\$ (351,975)</u>	<u>\$ 335,521</u>

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

10. SEGMENTED INFORMATION (continued)

For the nine months ended September 30, 2011

	North America	Hungary	Tunisia	Corporate	Total
Revenue					
Petroleum and natural gas sales	\$ 58,570	\$ 2,497,473	\$ -	\$ -	\$ 2,556,043
Royalties	(4,316)	(526,569)	-	-	(530,885)
Interest and other	-	11,096	-	708	11,804
	<u>54,254</u>	<u>1,982,000</u>	<u>-</u>	<u>708</u>	<u>2,036,962</u>
Expenses					
Operating Costs	25,529	528,328	-	-	553,857
General and administrative	8,961	184,711	159,387	542,283	895,342
Stock based compensation	-	-	-	62,789	62,789
Depletion and depreciation	4,366	424,990	1,661	3,438	434,455
Accretion of decommissioning liabilities	260	548	-	-	808
Gain on sale of investment	-	(27,474)	-	-	(27,474)
Foreign exchange loss	-	27,847	392	10,279	38,518
Current taxes	3,225	-	-	-	3,225
	<u>42,341</u>	<u>1,138,950</u>	<u>161,440</u>	<u>618,789</u>	<u>1,961,520</u>
Net income (loss)	<u>\$ 11,913</u>	<u>\$ 843,050</u>	<u>\$ (161,440)</u>	<u>\$ (618,081)</u>	<u>\$ 75,442</u>

For the nine months ended September 30, 2010

	North America	Hungary	Tunisia	Corporate	Total
Revenue					
Petroleum and natural gas sales	\$ 76,124	\$ 1,826,581	\$ -	\$ -	\$ 1,902,705
Royalties	(7,127)	(213,738)	-	-	(220,865)
Interest and other	57	910	-	903	1,870
	<u>69,054</u>	<u>1,613,753</u>	<u>-</u>	<u>903</u>	<u>1,683,710</u>
Expenses					
Operating Costs	29,048	406,288	-	-	435,336
General and administrative	8,768	229,183	102,560	387,796	728,307
Stock based compensation	-	-	-	58,097	58,097
Depletion and depreciation	5,543	655,923	1,759	5,440	668,665
Accretion of decommissioning liabilities	314	608	-	-	922
Impairment of exploration and evaluation	-	3,112,979	-	-	3,112,979
Foreign exchange loss	-	43,153	862	129,906	173,921
Current taxes	5,148	-	-	-	5,148
	<u>48,821</u>	<u>4,448,134</u>	<u>105,181</u>	<u>581,239</u>	<u>5,183,375</u>
Net income (loss) from continuing operations	<u>\$ 20,233</u>	<u>\$ (2,834,381)</u>	<u>\$ (105,181)</u>	<u>\$ (580,336)</u>	<u>\$ (3,499,665)</u>

DUALEX ENERGY INTERNATIONAL INC.

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10. SEGMENTED INFORMATION (continued)

	North America	Hungary	Tunisia	Corporate	Total
Assets as at September 30, 2011					
Current assets	\$ 66,179	\$ 985,219	\$ 7,785	\$ 1,098,106	\$ 2,157,289
Exploration and evaluation	-	196,923	948,180	-	1,145,103
Property plant and equipment	21,505	1,710,050	2,940	2,750	1,737,245
	<u>\$ 87,684</u>	<u>\$ 2,892,192</u>	<u>\$ 958,905</u>	<u>\$ 1,100,856</u>	<u>\$ 5,039,637</u>
Assets as at December 31, 2010					
Current assets	\$ 55,923	\$ 694,038	\$ 6,213	\$ 1,393,281	\$ 2,149,455
Exploration and evaluation	-	187,733	746,527	-	934,260
Property plant and equipment	23,079	2,026,045	4,504	3,968	2,057,596
	<u>\$ 79,002</u>	<u>\$ 2,907,816</u>	<u>\$ 757,244</u>	<u>\$ 1,397,249</u>	<u>\$ 5,141,311</u>

11. JOINTLY CONTROLLED CORPORATION

The Company conducts the majority of its business in Hungary through a jointly controlled corporation. The Company owns 40.44% of the jointly controlled corporation, which in turn holds a 100% interest in the permit which includes the Pen-105 and Pen-101A well. The Company's working interest in the Pen-105 well is 40.44%. The Company's interest in the Pen-101A well increased from 40.44% to 42.83% as a result of a farm-in. The Company accounts for its interest in this jointly controlled corporation using the proportionate consolidation method. The following amounts relate to the Company's interest in this corporation:

	September 30, 2011	December 31, 2010
Current assets	\$ 985,219	\$ 694,038
Long-term assets	1,906,973	2,213,778
Current liabilities	241,669	370,673
Long term liabilities	158,674	144,474
Nine months ended		
	September 30, 2011	September 30, 2010
Revenue	1,982,000	1,613,753
Expenses	1,046,770	4,248,957
Three months ended		
	September 30, 2011	September 30, 2010
Revenue	543,937	1,044,456
Expenses	343,157	538,809

12. DISCONTINUED OPERATIONS

During the year ended December 31, 2010 following the unsuccessful testing program and subsequent abandonment of the Al-Tayr 101 well in Syria, the Company and its partners elected not to continue the production sharing contract and have surrendered the block, thereby ending all operations in Syria. The expenditures incurred on the production sharing contract have been treated as discontinued operations resulting in a loss from discontinued operations of \$1,577,340 for the nine months ended September 30, 2010 (three months ended September 30, 2010 – \$47,295).

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13. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong capital structure and financial flexibility so it can continue to meet its financial obligations and to finance the planned execution of its exploration and development programs. To facilitate the Company's objective, management prepares and updates its capital and operating budget on a regular basis to forecast future cash flows to determine if any additional capital will be required to meet the Company's obligations. The Company is not subject to any externally imposed covenant requirements. If required, the Company may need to carry out some form of equity or debt financing or other transaction to meet its financial and/or contractual obligations. The Board of Directors has not established a definitive return on capital criteria for management.

The Company defines and computes its capital as follows:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Shareholders' Equity	<u>\$ 4,400,303</u>	<u>\$ 4,092,090</u>

14. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

a) Credit Risk

Credit risk relates to the risk of loss if a partner, or counterparty to a financial instrument fails to meet its contractual obligations. This risk is related to the Company's accounts receivable, cash and deposits. Over 90% of the Company's accounts receivable is with one company which is a leading integrated oil and gas company in central and eastern Europe with annual sales in excess of \$15 billion. The maximum credit risk corresponds to the carrying value of these financial assets. Virtually all of the Company's receivables are with customers and partners engaged in the energy industry and are subject to normal industry credit risk. The Company has historically not experienced any collection issues with its partners or counterparties and considers any amounts outstanding greater than 90 days to be past due. As at September 30, 2011 the Company has \$6,000 in accounts receivable past due. The Company has recorded an allowance for this amount. The Company minimizes the credit risk of cash by depositing only with reputable institutions.

b) Liquidity Risk

Liquidity risk relates to the risk that a company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. As at September 30, 2011, the Company has \$1.7 million of working capital available to meet its obligations which together with expected cash flows and the farmout of the Bouhajla block is projected to be sufficient to meet the Company's 2011 and 2012 commitments.

DUALEX ENERGY INTERNATIONAL INC.

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14. FINANCIAL RISK MANAGEMENT (continued)

The Company prepares and regularly updates its capital and operating budget to forecast future cash flows to ensure, as far as possible, the Company has the appropriate liquidity in place to meet its obligations.

c) Market Risk

Market risk for the Company is the risk that changes in commodity prices and foreign exchange rates will affect the Company's net earnings or the value of its financial instruments.

Commodity Price Risk

Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. The Company is subject to the risk of changes in commodity prices, primarily the price received for its natural gas production in Hungary. The Company has no commodity price-based derivative financial instruments as at September 30, 2011.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's financial statements are presented in Canadian dollars. To the extent the Company generates cashflows or maintains assets or liabilities denominated in other currencies, it is exposed to foreign currency exchange risk. The majority of the Company's assets are located outside of Canada and accordingly portions of the Company's current assets and liabilities, revenue, expenses and capital expenditures are denominated in Canadian dollars, US dollars, Euros and Hungarian Forints.

In Hungary, revenue and royalties are denominated in US dollars and settled in Hungarian Forints. Operating expenses are denominated and settled in Hungarian Forints. Capital expenditures in Hungary are denominated and settled in either Euros or Hungarian Forints. The Company's general and administrative expenditures are primarily denominated in Canadian dollars. In Tunisia, expenditures are primarily denominated in US dollars.

The Company is subject to risk of fluctuating exchange rates amongst the Canadian dollar, US dollar, Euro and Hungarian Forint. The Company mitigates this by monitoring changes to exchange rates and maintaining cash balances in currencies to assist in meeting its obligations denominated in these currencies. As at September 30, 2011 the Company had working capital denominated in the following foreign currencies:

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
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14. FINANCIAL RISK MANAGEMENT (continued)

	<u>\$US</u>	<u>Euros</u>	<u>Hungarian Forints (HUF)</u>
Cash	366,210	607,438	8,504,145
Accounts receivable	-	-	91,237,291
Accounts payable	<u>(194,130)</u>	<u>-</u>	<u>(50,665,941)</u>
Net working capital	<u>172,080</u>	<u>607,438</u>	<u>49,075,495</u>
Canadian dollar equivalent	<u>\$ 177,242</u>	<u>\$ 848,652</u>	<u>\$ 234,139</u>

As at September 30, 2011, assuming all other variables remain constant a strengthening of the Canadian dollar against the US dollar of 5% would result in a decrease in the value of the Company's net financial instruments of approximately \$9,000. A strengthening of the Canadian dollar against the Euro of 5% would result in a decrease in the value of the Company's net financial instruments of approximately \$42,000. A strengthening of the Canadian dollar against the Hungarian Forint of 5% would result in a decrease in the value of the Company's net financial instruments of approximately \$12,000.

d) Fair Value of Financial Instruments

The Company's financial instruments recognized in the consolidated balance sheet consist of cash, restricted cash, accounts receivable, deposits, and accounts payable and accrued liabilities. Cash and restricted cash is classified as held for trading. Accounts receivable and deposits are classified as loans and receivables. Accounts payable and accrued liabilities is classified as other liabilities. The Company's financial instruments that are held for trading have been classified as Level 1 in the fair value hierarchy. Level 1 is determined by reference to quoted prices in active markets for identical assets and liabilities.

Carrying value and fair value of financial assets and liabilities are summarized as follows:

	<u>September 30, 2011</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>
Financial assets held-for-trading	\$ 1,678,230	\$ 1,678,230
Loans and receivables	436,300	436,300
Other liabilities	450,315	450,315

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
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15. SIGNIFICANT SUBSIDIARIES

Details of the Company's subsidiaries and jointly controlled entities as at September 30, 2011 were as follows:

<u>Name of Company</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>% of share capital held</u>
DualEx International Inc.	Holding Company	Bahamas	100
DualEx Nyirsege Inc.	Holding Company	Bahamas	100
DualEx Tunisia Inc.	Oil and Gas Exploration	Bahamas	100
DualEx Syria Inc.	Oil and Gas Exploration	Bahamas	100
DualEx Portugal Inc.	Inactive	Bahamas	100
Petrohungaria kft	Oil and Gas Exploration	Hungary	40.44
Winslow Resources Inc.	Oil and Gas Exploration	Canada	100

16. TRANSITION TO IFRS

As disclosed in Note 2, these Financial Statements represent the Company's presentation of the financial results of operations and financial position under IFRS for the three and nine months ended September 30, 2011 in conjunction with the Company's annual audited Consolidated Financial Statements to be issued under IFRS as at and for the year ended December 31, 2011. As a result, these Financial Statements have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with IAS 34, "Interim Financial Reporting", as issued by the IASB. Previously, the Company prepared its interim and annual Consolidated Financial Statements in accordance with Previous GAAP.

IFRS 1, required the presentation of comparative information as at the January 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRSs. The significant exemptions applied under IFRS 1 in preparing these Financial Statements are set out in Note 18 of the Company's first quarter financial statements for the three months ended March 31, 2011.

The following reconciliations present the adjustments made to the Company's Previous GAAP financial results of operations and financial position to comply with IFRS 1. A summary of the significant accounting policy changes and applicable exemptions are discussed following the reconciliations. Reconciliations include the Company's consolidated balance sheets as at September 30, 2010 and December 31, 2010, and consolidated statements of net income (loss), and consolidated statement of comprehensive income for the three and nine months ended September 30, 2010 and for the year ended December 31, 2010.

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

16. TRANSITION TO IFRS (continued)

Presented below are reconciliations to IFRS of the consolidated statements of financial position of the Company from the amounts previously reported under Previous GAAP.

Consolidated Balance Sheet As at September 30, 2010

	<i>Note</i>	<i>Previous GAAP</i>	<i>Effect of transition to IFRS</i>	<i>IFRS</i>
<u>ASSETS</u>				
CURRENT				
Cash		\$ 1,169,289	\$ -	\$ 1,169,289
Restricted Cash		-	-	-
Accounts receivable	b	953,257	(64,920)	888,337
Prepaid expenses and deposits		73,802	-	73,802
		<u>2,196,348</u>	<u>(64,920)</u>	<u>2,131,428</u>
EXPLORATION AND EVALUATION PROPERTY, PLANT AND EQUIPMENT INVESTMENT	a,g a,b,g b,g	- 6,340,205 -	904,107 (4,089,620) 116,405	904,107 2,250,585 116,405
		<u>\$ 8,536,553</u>	<u>(3,134,028)</u>	<u>\$ 5,402,525</u>
<u>LIABILITIES & SHAREHOLDERS' EQUITY</u>				
CURRENT				
Accounts payable and accrued liabilities	b	\$ 1,051,642	\$ (6,600)	\$ 1,045,042
DECOMMISSIONING LIABILITIES	c,g	139,881	43,372	183,253
		<u>1,191,523</u>	<u>36,772</u>	<u>1,228,295</u>
SHAREHOLDERS' EQUITY				
SHARE CAPITAL AND WARRANTS		23,285,853	-	23,285,853
CONTRIBUTED SURPLUS	d	2,574,599	27,634	2,602,233
ACCUMULATED OTHER COMPREHENSIVE LOSS	g	-	(239,059)	(239,059)
DEFICIT	c,d	(18,515,422)	(2,959,375)	(21,474,797)
		<u>7,345,030</u>	<u>(3,170,800)</u>	<u>4,174,230</u>
		<u>\$ 8,536,553</u>	<u>\$ (3,134,028)</u>	<u>\$ 5,402,525</u>

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
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16. TRANSITION TO IFRS (continued)

Consolidated Balance Sheet
As at December 31, 2010

<u>ASSETS</u>	<u>Note</u>	<u>Previous GAAP</u>	<u>Effect of transition to IFRS</u>	<u>IFRS</u>
CURRENT				
Cash		\$ 1,405,778	\$ -	\$ 1,405,778
Accounts receivable	b	766,814	(88,455)	678,359
Prepaid expenses and deposits		65,318	-	65,318
		<u>2,237,910</u>	<u>(88,455)</u>	<u>2,149,455</u>
EXPLORATION AND EVALUATION				
PROPERTY, PLANT AND EQUIPMENT	a,g a,b,g	-	934,260	934,260
		5,548,800	(3,491,204)	2,057,596
		<u>\$ 7,786,710</u>	<u>\$ (2,645,399)</u>	<u>\$ 5,141,311</u>
 <u>LIABILITIES & SHAREHOLDERS' EQUITY</u>				
CURRENT				
Accounts payable and accrued liabilities	b	\$ 883,831	\$ (6,374)	\$ 877,457
DECOMMISSIONING LIABILITIES				
	c,g	<u>113,905</u>	<u>57,859</u>	<u>171,764</u>
		<u>997,736</u>	<u>51,485</u>	<u>1,049,221</u>
SHAREHOLDERS' EQUITY				
SHARE CAPITAL AND WARRANTS		23,285,853	-	23,285,853
CONTRIBUTED SURPLUS	d	2,596,966	27,216	2,624,182
ACCUMULATED OTHER COMPREHENSIVE INCOME	g	-	(240,197)	(240,197)
DEFICIT	c,d	<u>(19,093,845)</u>	<u>(2,483,903)</u>	<u>(21,577,748)</u>
		6,788,974	(2,696,884)	4,092,090
		<u>\$ 7,786,710</u>	<u>\$ (2,645,399)</u>	<u>\$ 5,141,311</u>

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16. TRANSITION TO IFRS (continued)

CONSOLIDATED STATEMENTS OF NET (LOSS) INCOME AND DEFICIT THREE MONTHS ENDED SEPTEMBER 30, 2010

	<u>Note</u>	<u>Previous GAAP</u>	<u>Effect of transition to IFRS</u>	<u>IFRS</u>
REVENUE				
Petroleum and natural gas sales	b	\$ 1,309,228	\$ (114,130)	\$ 1,195,098
Royalties	b	(146,897)	13,975	(132,922)
Interest and other		615	-	615
		<u>1,162,946</u>	<u>(100,155)</u>	<u>1,062,791</u>
EXPENSES				
Operating costs	b	234,734	(34,648)	200,086
General and administrative	e	235,865	(11,051)	224,814
Stock based compensation	d	23,298	(4,581)	18,717
Depletion and depreciation	f	859,486	(439,749)	419,737
Accretion of decommissioning liabilities	c	-	229	229
Impairment of exploration and evaluation	a	-	-	-
Foreign exchange gain	g	(80,313)	(57,509)	(137,822)
		<u>1,273,070</u>	<u>(547,309)</u>	<u>725,761</u>
NET (LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE TAXES		(110,124)	447,154	337,030
Current taxes		1,509	-	1,509
NET (LOSS) INCOME FROM CONTINUING OPERATIONS LOSS FROM DISCONTINUED OPERATIONS	g	(111,633) <u>(47,295)</u>	447,154 <u>-</u>	335,521 <u>(47,295)</u>
NET (LOSS) INCOME		(158,928)	447,154	288,226
DEFICIT, beginning of period		<u>(18,356,494)</u>	<u>(3,406,529)</u>	<u>(21,763,023)</u>
DEFICIT, end of period		<u>\$ (18,515,422)</u>	<u>\$ (2,959,375)</u>	<u>\$ (21,474,797)</u>
NET LOSS PER SHARE, Basic and diluted				
Net loss per share from continuing operations		\$ -	\$ -	\$ -
Net loss per share from discontinued operations		-	-	-
Net loss per share		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS THREE MONTHS ENDED SEPTEMBER 30, 2010

	<u>Note</u>	<u>Previous GAAP</u>	<u>Effect of transition to IFRS</u>	<u>IFRS</u>
Net Loss		\$ (158,928)	\$ 447,154	\$ 288,226
Other Comprehensive loss				
Foreign Currency Translation Adjustment	g	-	99,217	99,217
Comprehensive (loss) income		<u>\$ (158,928)</u>	<u>\$ 546,371</u>	<u>\$ 387,443</u>

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16. TRANSITION TO IFRS (continued)

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT NINE MONTHS ENDED SEPTEMBER 30, 2010

	<i>Note</i>	<i>Previous GAAP</i>	<i>Effect of transition to IFRS</i>	<i>IFRS</i>
REVENUE				
Petroleum and natural gas sales	b	\$ 2,016,835	(114,130)	\$ 1,902,705
Royalties	b	(234,840)	13,975	(220,865)
Interest and other		1,870	-	1,870
		<u>1,783,865</u>	<u>(100,155)</u>	<u>1,683,710</u>
EXPENSES				
Operating costs	b	469,984	(34,648)	435,336
General and administrative	e	648,955	79,352	728,307
Stock based compensation	d	70,822	(12,725)	58,097
Depletion and depreciation	f	1,199,053	(530,388)	668,665
Accretion of decommissioning liabilities	c	-	922	922
Impairment of exploration and evaluation	a	-	3,112,979	3,112,979
Foreign exchange loss	g	41,740	132,181	173,921
		<u>2,430,554</u>	<u>2,747,673</u>	<u>5,178,227</u>
NET LOSS FROM CONTINUING OPERATIONS BEFORE TAXES		(646,689)	(2,847,828)	(3,494,517)
Current taxes		5,148	-	5,148
NET LOSS FROM CONTINUING OPERATIONS LOSS FROM DISCONTINUED OPERATIONS	g	<u>(651,837)</u> <u>(1,569,209)</u>	<u>(2,847,828)</u> <u>(8,131)</u>	<u>(3,499,665)</u> <u>(1,577,340)</u>
NET LOSS		(2,221,046)	(2,855,959)	(5,077,005)
DEFICIT, beginning of period		\$ (16,294,376)	\$ (103,416)	\$ (16,397,792)
DEFICIT, end of period		<u>\$ (18,515,422)</u>	<u>\$ (2,959,375)</u>	<u>\$ (21,474,797)</u>
NET LOSS PER SHARE, Basic and diluted				
Net loss per share from continuing operations		\$ (0.01)	\$ (0.03)	\$ (0.04)
Net loss per share from discontinued operations		(0.02)	-	(0.02)
Net loss per share		<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS NINE MONTHS ENDED SEPTEMBER 30, 2010

	<i>Note</i>	<i>Previous GAAP</i>	<i>Effect of transition to IFRS</i>	<i>IFRS</i>
Net Loss		\$ (2,221,046)	\$ (2,855,959)	\$ (5,077,005)
Other Comprehensive loss				
Foreign Currency Translation Adjustment	g	-	(239,059)	(239,059)
Comprehensive loss		<u>\$ (2,221,046)</u>	<u>\$ (3,095,018)</u>	<u>\$ (5,316,064)</u>

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16. TRANSITION TO IFRS (continued)

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT YEAR ENDED DECEMBER 31, 2010

	<i>Note</i>	<i>Previous GAAP</i>	<i>Effect of transition to IFRS</i>	<i>IFRS</i>
REVENUE				
Petroleum and natural gas sales	b	\$ 3,046,832	\$ (149,090)	\$ 2,897,742
Royalties	b	(404,059)	19,142	(384,917)
Interest and other		2,450	-	2,450
		<u>2,645,223</u>	<u>(129,948)</u>	<u>2,515,275</u>
EXPENSES				
Operating costs	b	606,626	(36,563)	570,063
General and administrative	e	1,077,177	93,188	1,170,365
Stock based compensation	d	93,189	(13,143)	80,046
Depletion and depreciation	f	1,963,855	(1,105,885)	857,970
Accretion of decommissioning liabilities	c	-	1,337	1,337
Impairment of exploration and evaluation	a	-	3,118,540	3,118,540
Foreign exchange loss	g	112,748	253,898	366,646
		<u>3,853,595</u>	<u>2,311,372</u>	<u>6,164,967</u>
NET LOSS BEFORE TAXES AND OTHER		(1,208,372)	(2,441,320)	(3,649,692)
OTHER ITEMS				
Gain on sale of investment	b	-	68,964	68,964
NET LOSS BEFORE TAXES		(1,208,372)	(2,372,356)	(3,580,728)
Current taxes		49,644	-	49,644
NET LOSS FROM CONTINUING OPERATIONS		(1,258,016)	(2,372,356)	(3,630,372)
LOSS FROM DISCONTINUED OPERATIONS	g	(1,541,453)	(8,131)	(1,549,584)
NET LOSS		(2,799,469)	(2,380,487)	(5,179,956)
DEFICIT, beginning of year		(16,294,376)	(103,416)	(16,397,792)
DEFICIT, end of year		<u>\$ (19,093,845)</u>	<u>\$ (2,483,903)</u>	<u>\$ (21,577,748)</u>
NET LOSS PER SHARE, Basic and diluted				
Net loss per share from continuing operations		\$ (0.01)	\$ (0.03)	\$ (0.04)
Net loss per share from discontinued operations		(0.02)	-	(0.02)
Net loss per share		<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS YEAR ENDED DECEMBER 31, 2010

	<i>Note</i>	<i>Previous GAAP</i>	<i>Effect of transition to IFRS</i>	<i>IFRS</i>
Net Loss		\$ (2,799,469)	\$ (2,380,487)	\$ (5,179,956)
Other Comprehensive loss				
Foreign Currency Translation Adjustment	g	-	(240,197)	(240,197)
Comprehensive loss		<u>\$ (2,799,469)</u>	<u>\$ (2,620,684)</u>	<u>\$ (5,420,153)</u>

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

16. TRANSITION TO IFRS (continued)

Notes to the IFRS reconciliations

The following discussion explains the significant differences between the Company's Previous GAAP accounting policies and those applied by the Company under IFRS. IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

IFRS adjustments

a) Exploration and Evaluation ("E&E")

Under Previous GAAP, E&E costs were capitalized as property, plant and equipment ("PP&E") in accordance with the CICA's full cost accounting guidelines. Under IFRS the Company capitalizes these costs as E&E assets. Once technical feasibility and commercial viability has been determined, the capitalized costs are transferred from E&E assets to PP&E.

During the nine months ended September 30, 2010 the Company impaired \$3,112,979 of E&E assets. During the year ended December 31, 2010, the Company transferred \$1,371,802 of E&E assets to PP&E and impaired \$3,118,540 of capitalized E&E assets. This increase resulted from the impairment required under IFRS on a cash generating unit basis versus on a cost center basis as was required under Previous GAAP.

b) Investment

Under Previous GAAP the Company's shares in a foreign corporation representing a 12.5% working interest in an oil and gas well was recorded as an oil and gas asset in PP&E. The Company also recorded its 12.5% share of the decommissioning liabilities on the well. Under IFRS the shares of the foreign corporation, representing a 12.5% equity interest are treated as a non-controlling investment in an entity and accounted for using the cost method. The development costs relating to this investment were allocated to the investment based on the recoverable reserves of the remaining properties included in PP&E, after removing the E&E asset as explain in (a) above. In addition the decommissioning liabilities for the Company's 12.5% share of the well was removed and credited to investment.

Under Previous GAAP the Company accrued its share of revenue and expenses from gas production in the well which started producing in August 2010. This resulted in a net receivable to the Company of \$64,920 for the nine months ended September 30, 2010 (\$88,455 for the year ended December 31, 2010) for its share of production from this well. In addition, the Company accrued its remaining share of capital expenditures of \$6,600 for the nine months ended September 30, 2010 (\$6,374 for the year ended December 31, 2010) in respect of this well. Under IFRS, using the cost method, the Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits from the investment. As a result the accounts receivable and accounts payable were removed along with the related revenues and expenses.

In October 2010 the Company sold its shares of the foreign corporation for cash and recorded a gain of \$68,964. Under Previous GAAP the sale proceeds were treated as a credit to PP&E.

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
(Unaudited, All amounts in Canadian dollars unless otherwise stated)

16. TRANSITION TO IFRS (continued)

c) Decommissioning liabilities

Under Previous GAAP, the decommissioning liabilities were measured at the estimated fair value of the retirement and decommissioning expenditures expected to be incurred. Liabilities were not remeasured to reflect period end discount rates.

Under IFRS, the decommissioning liabilities are measured as the best estimate of the expenditure to be incurred and requires that the decommissioning liabilities be remeasured using the period end discount rate. In conjunction with the IFRS 1 exemption relating to oil and gas assets, the Company was required to remeasure its decommissioning liabilities upon transition to IFRS and recognize the difference in retained earnings.

Under Previous GAAP decommissioning liabilities were discounted at a credit adjusted risk free rate of 9%. Under IFRS the estimated cash flow to abandon and remediate the obligations has been risk adjusted; therefore the provision is discounted at a risk free rate of 4%. Upon transition to IFRS this resulted in an increase in the decommissioning liabilities with a corresponding decrease in retained earnings.

In addition, under IFRS changes in estimates are recognized prospectively, with the corresponding adjustments to the provision and the associated asset.

d) Share based payments

Under Previous GAAP, the Company recognized an expense related to its share-based payments on a straight-line basis through the date of full vesting and did not incorporate a forfeiture rate at the grant date. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate at the date of grant. The impact on transition was an increase in contributed surplus of \$40,359 with a corresponding decrease in retained earnings. During the three and nine months ended September 30, 2010 stock based compensation expense decreased \$4,581 and \$12,725, respectively. For the year ended December 31, 2010 stock based compensation decreased \$13,143.

e) Capitalized costs

Under IFRS, employee costs included in general and administrative charges and share-based payments are capitalized only to the extent they are directly attributable to PP&E and E&E. For the nine months ended September 30, 2010, \$79,352 of employee costs were expensed under IFRS that were previously capitalized under Previous GAAP. For the year ended December 31, 2010, \$93,188 of costs were expensed under IFRS.

f) Depletion policy

Upon transition to IFRS, the Company adopted a policy of depleting its oil properties on a unit of production basis over the Company's best estimate of recoverable reserves. The depletion policy under Previous GAAP was based on units of production over proved reserves.

DUALEX ENERGY INTERNATIONAL INC.

Notes to the September 30, 2011 Condensed Consolidated Interim Financial Statements
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16. TRANSITION TO IFRS (continued)

For the three months ended September 30, 2010, depleting the oil properties over the Company's best estimate of recoverable reserves resulted in a decrease to depletion of \$439,749 (nine months ended September 30 - \$530,388). For the year ended December 31, 2010, depletion and depreciation decreased by \$1,105,885.

g) Foreign Currency Translation

Under Previous GAAP all foreign currency translation gains or losses, were recorded in the consolidated statement of net income (loss). IFRS requires that the functional currency of each entity in a consolidated group be determined separately and the translation gain or loss be recorded in the entity.

For consolidation purposes each entity whose functional currency is different from the presentation currency is translated as follows. Assets and liabilities are translated at the current period end rate and revenue and expenses are translated at the period average rate. The resulting translation gains or losses are recorded as a separate item in shareholders' equity and included in the consolidated statement of comprehensive income (loss). Under Previous GAAP non-monetary assets and liabilities denominated in a foreign currency were translated using historical rates.

17. SUBSEQUENT EVENT

On November 4, 2011 the Company announced it has entered into a farmout agreement with a Canadian based private oil and gas exploration company (the "Farmee") with respect to the Bouhajla Exploration Permit. The Farmee will fund the first US \$7,250,000 (the "Earning Funds") towards the initial exploration program on the Permit, consisting of a 55 km² 3D seismic survey and an exploration well on the Bouhajla North Prospect, in exchange for 47.5% of the contractor share in the Bouhajla Production Sharing Contract ("PSC"), subject to the approval of the Tunisian authorities and to the assignment provisions contained in the PSC. DualEx will remain the operator of the project, with 52.5% of the contractor share. The Farmee has also paid DualEx US \$450,000 for a portion of DualEx's costs incurred to date on the project. The first tranche of the Earning Funds will be paid into escrow by November 30, 2011, and the balance within sixty days of completion of the Bouhajla North 3D seismic survey.

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