EUROGAS INTERNATIONAL INC.

2010 FIRST QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eurogas International Inc. ("Eurogas International" or the "Corporation") is an independent oil and gas company, incorporated under the *Companies Act* (Barbados), engaged in exploration and evaluation on its extensive landholdings offshore Tunisia, targeting large scale oil and natural gas reserves. The Corporation holds a 45% working interest, and is the non-operating partner, in the Sfax offshore permit (the "Sfax Permit") covering 908,425 acres located in the shallow Mediterranean waters in the Gulf of Gabes, offshore Tunisia and southeast of the city of Sfax. The Corporation's common shares are traded on the Canadian National Stock Exchange ("CNSX") under the symbol EI.

This interim management's discussion and analysis has been prepared with an effective date of April 26, 2010 and provides an update on matters discussed in, and should be read in conjunction with the audited financial statements of the Corporation, including the notes thereto, as at and for the year ended December 31, 2009 ("2009 Audited Financial Statements") and the unaudited interim financial statements as at and for the three months ended March 31, 2010 (the "March 2010 Interim Financial Statements"). All amounts are in Canadian dollars unless otherwise specified. Financial data has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), unless otherwise specified.

FORWARD-LOOKING STATEMENTS

Certain information set forth in this document, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, the ability to access sufficient capital from internal and external sources, and other risk factors discussed or referred to in the section entitled "Business Risks" in the Corporation's management's discussion and analysis accompanying its 2009 Audited Financial Statements and other documents filed from time to time with the securities administrators, all of which may be accessed at *www.sedar.com*. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Corporation's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what resulting benefits the Corporation will derive. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

BUSINESS DEVELOPMENTS

Sfax Offshore Exploration Permit

Eurogas International is currently conducting exploration and evaluation programs for oil and natural gas offshore Tunisia in the Gulf of Gabes, where it holds its interests in the Sfax permit.

The Corporation is a non-operating partner in the permit. In order to carry out its business activities, the Corporation entered into a joint operating agreement with Atlas Petroleum Exploration Worldwide Ltd. ("APEX"), pursuant to which the Corporation and APEX agreed to undertake exploration, evaluation and extraction operations pursuant to the working interest awarded to them in the 1.0 million acre Sfax Offshore Exploration Permit (the "Sfax Permit"). APEX is the operating partner in the joint venture arrangement.

The Sfax Permit lies within a hydrocarbon fairway that trends from offshore Libya, through the Gulf of Gabes, to onshore Tunisia and includes major oil and gas fields. The Sfax Permit is surrounded by producing oil and gas fields to the west, north and east, including the 330 million barrel Ashtart oil field that lies along the southeast boundary. Previous operators drilled and flow tested oil from three separate structures on the permit at daily equivalent rates of 612, 1,200 and 1,800 barrels of oil per day. At that time, these structures were considered sub-economic to those operators and the wells were abandoned.

Following the granting of the Sfax Permit in 2004, the Corporation and APEX acquired a new 3-D seismic program over approximately 340 km^2 of the permit, which included the known Ras-El-Besh and Jawhara prospects that tested oil. The seismic data provided an improved understanding of the geology.

During 2005, the Sfax Permit was converted to an exploration permit under the terms of a production sharing contract. The four year permit commenced December 9, 2005 and included a commitment to undertake seismic work, which has been completed, and to drill one exploration well prior to December 9, 2009. The Ras-El-Besh well (see “Ras-El-Besh Concession”) was the commitment well for the Sfax Permit. On January 19, 2009, the Tunisian Hydrocarbon Committee approved a two-year extension to the Sfax Permit, which will extend the primary term to December 8, 2011. As a condition of the extension, the Corporation and its joint venture partner committed to drill an additional exploration well on the Sfax Permit during the extension period.

The Corporation, on behalf of the joint venture, is overseeing the reprocessing of four 3-D seismic surveys on the Sfax Permit. The 340 km^2 Sfax program over the Ras-El-Besh and Jawhara oil prospects was completed and mapping has commenced. The 60 km^2 and 460 km^2 programs for Salloum and the Kerkennah Banks, respectively, and a portion of the older Ashtart 3-D survey are currently being reprocessed. Selected 2-D seismic lines will also be reprocessed to support the mapping of prospects and leads on the permit. Once completed, the Corporation, together with its joint venture partner, will use the reprocessed data to remap the prospects and leads in order to determine a future course of action with respect to the drilling of an exploration well to satisfy the outstanding drilling obligation.

Ras-El-Besh Concession

In December 2005, the Corporation and APEX applied for a development concession over the Ras-El-Besh (“REB-3”) prospect within the Sfax Permit. The application was accepted by the Hydrocarbon Committee of the Tunisian government in July 2006 and the concession was gazetted on September 5, 2008 following commencement of drilling the REB-3 well on June 16, 2008. The REB-3 well is recognized by the Tunisian government as the commitment well under the initial term of the Sfax Permit, which ended on December 9, 2009.

The REB-3 well reached total depth of 2,204 metres. Well logs and formation pressure tests identified the presence of oil in a high quality, 10-metre thick carbonate interval in the Reineche formation, which was subsequently confirmed by down-hole sampling. The well was plugged back and drilled horizontally to 3,284 metres. The sidetrack intercepted the top of the Reineche formation in a lower fault block approximately 1,000 metres to the northwest of the REB-3 well, then drilled horizontally through 400 metres of porous formation. The horizontal section was tested and produced over 1,000 barrels per day of fluid with a 10% cut of 27° API oil. Oil has now been tested at two locations 1,000 metres apart.

Upon completion of drilling and testing the REB-3 well, the joint venture partners requested and received approval from the Tunisian government to temporarily suspend the well and release the drilling rig, both of which were done. Agreement by the Tunisian government was subject to the reinterpretation and remapping of seismic data, after which the joint venture partners must decide to either reenter or abandon the well. This assessment is currently being conducted. In the event of abandonment, the total cost to the joint venture is estimated at between US$6.5 million to US$10 million. Actual costs will depend on factors such as the mobilization and demobilization cost of the rig and prevailing rates.

Mobile Offshore Production Unit
The Corporation holds an interest in a mobile offshore production unit ("MOPU") through its 45% investment in Innovative Production Services Ltd., which was acquired with the expectation of producing, processing and transporting oil on certain development concessions on the Sfax Permit. During the three months ended March 31, 2010, the Corporation expended $545,141 to renovate and upgrade the MOPU. The joint venture partners are currently evaluating alternative usage of the MOPU, including the monetization of the asset through a possible sale or lease arrangements.

Agreement with Delta Hydrocarbons B.V.
On April 7, 2008, the Corporation and APEX entered into a farmout agreement with Delta Hydrocarbons B.V. ("Delta") whereby Delta acquired a 50% participation in the Sfax Permit, including the Ras-El-Besh development concession as well as a 50% interest in the MOPU, subject to a commitment to spend US$125 million, including a cash payment to the Corporation of $11,161,266.

In May 2009, Delta expressed a desire to exit from the farmout agreement. Under a settlement agreement, Delta reassigned its 50% participating interest to APEX and the Corporation. In exchange, Delta is entitled to a portion of certain payments, if and when received by the joint venture, including a share of the proceeds from the cost oil portion of any future production revenues from the Sfax Permit and a share of the proceeds from any sale or lease of the MOPU, to a maximum of US$20 million. Delta's entitlement pursuant to the settlement agreement is conditional on Delta meeting its obligations as defined in the settlement agreement, including Delta's commitment to fund 50% of any costs associated with certain asset retirement obligations until December 9, 2011, as well as to fund its pro-rata share of ongoing costs associated with the Seawolf Litigation (see below).

Capital expenditures, during the period of the farmout agreement, were funded directly by Delta pursuant to its spending commitment. Subsequent to the reassignment of Delta's participating interest, the Corporation's participating interest in the Sfax Permit, the Ras-El-Besh development concession and the MOPU was 45% and APEX's participating interest was 55%. Accordingly, the Corporation is responsible for 45% of ongoing capital expenditures related to these activities.

The Seawolf Litigation
APEX, as operator under the Sfax joint venture, commenced arbitration proceedings against Seawolf Oilfield (Cyprus) Limited and Seawolf Oilfield Services Limited (collectively, "Seawolf") under the rules of the London Court of International Arbitration ("LCIA"). APEX, on behalf of the joint venture, filed a statement of case seeking damages for misrepresentations and breach of a drilling contract in respect of the REB-3 well, as well as payment of indemnities under the contract. Seawolf responded by filing a counterclaim. In April 2010, the parties reached an agreement in principle for a proposed settlement of the arbitration proceedings. The settlement provides for the payment, by Seawolf to the joint venture, of up to a maximum of approximately US$12 million, which is to be secured by a bank guarantee from a recognized international bank. The settlement remains subject to the parties receiving an executed formal settlement agreement and bank guarantee. The Corporation's interest in any settlement proceeds is subject to final determination under its joint venture agreement with APEX and the joint venture's farmout and settlement agreements with Delta, but will be no less than 22.5%.

2010 Expenditures - Tunisian Asset Pool

All costs associated with the Sfax Permit are capitalized as part of the pre-production phase of operations. During the three months ended March 31, 2010, an aggregate of $1.2 million (three months ended March 31, 2009 - $0.3 million) was capitalized to the Tunisian asset pool.

		Three months ended 31-Mar-10
Opening balance	$	21,175,897
Transactions during the period		
Sfax Permit		434,612
Ras-El-Besh expenditures, net		245,255
Mobile offshore production unit "Ocean Patriot"		545,141
Closing balance	$	22,400,905

Work Program for 2010

The estimated budget for the Sfax Permit and the Ras-El-Besh development concession during the remainder of 2010, including costs associated with the Seawolf Litigation, is US$3.3 million, of which Eurogas International is responsible for its net share of US$1.5 million.

Following the results of the REB-3 well and the exit of Delta, the joint venture partners focused on reevaluating the Ras-El-Besh concession area and north of it covering both the Reineche and the El Garia formations. Initially, this entailed geological studies and the reprocessing of four existing 3-D seismic programs and selected 2-D seismic lines. The work program includes geophysical evaluation of the satellite structures to the 330 million barrel Ashtart oil field adjacent to the eastern boundary of the Sfax Permit.

The work program for the remainder of 2010 includes feasibility studies to evaluate the Salloum oil prospect as a future drilling candidate on the Sfax Permit. An exploration well, (SAM 1) located 1.5 kilometres off the east coast of Tunisia, was drilled in 1991 by a previous operator and tested 1800 bpd of 42° API oil with no water from Bireno limestones. This structure is located in the northeast corner of the Sfax Permit in shallow waters adjacent to the city of Sfax and is adjacent to two producing oil fields that produce from the same targeted formation. In 2007, the Corporation and APEX acquired 60 km^2 of shallow water 3-D seismic over this prospect. Revised mapping based on the 3-D seismic program acquired in 2007 and older 2-D seismic suggests the Salloum structure extends toward the shoreline and could be drilled from an onshore location, the viability of which will be an aspect of the feasibility study.

The Corporation continues to supervise the reprocessing of the 2007 3-D program and will remap the Salloum structure to determine a drillable location.

RESULTS OF OPERATIONS

The Corporation's current energy project is in the exploration stage and therefore, the Corporation does not generate operating revenues.

The three months ended March 31, 2010 compared with the three months ended March 31, 2009

The Corporation incurred a net loss during the three months ended March 31, 2010 of $1.0 million compared with a net loss of $0.7 million in the same period of the prior year.

Revenues in the first quarter of 2010 were $2,944 and consisted primarily of interest revenue earned on the Corporation's cash and short term investments. Revenues in the same period of the prior year were $48,572. The decrease in revenues reflects both lower levels of cash and short term investments as well as a decrease in the average interest rate earned thereon.

Expenses incurred during the three months ended March 31, 2010 were $1.0 million (three months ended March 31, 2009 - $0.8 million), including $0.3 million (three months ended March 31, 2009 - $0.3 million) associated with the Corporation's Series A Preference Shares outstanding.

General and administrative expenses incurred during the first quarter of 2010 were $0.6 million, an increase of $0.2 million over general and administrative expenses of $0.4 million in the same period of 2009. The increase reflects higher professional fees, including legal and consulting fees, incurred in the first quarter of 2010 compared with the same period of 2009. Professional fees in the first quarter of 2010 include $0.4 million relating to the Corporation's ongoing involvement in the Seawolf Litigation (see above).

Depreciation and accretion expense during the three months ended March 31, 2010 was $22,894 (three months ended March 31, 2009 - $147,987) and included amounts related to the MOPU and to the reclamation costs associated with the REB-3 well.

As a result of changes in foreign currency rates on the U.S. dollar, the Corporation incurred a foreign exchange transaction gain of $45,722 in the first quarter of the prior year, compared with a foreign exchange loss of $8,127 in the first quarter of the current year.

SUMMARY OF QUARTERLY RESULTS

	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
Interest income	$ 2,944	$ 4,273	$ 22,805	$ 47,893
Net loss	959,416	1,215,629	1,062,975	868,837
Capital expenditures	1,225,008	267,381	955,258	1,856,847

	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Interest income	$ 48,572	$ 55,211	$ 76,008	$ 7,396
Net loss	732,952	378,194	153,432	208,845
Capital expenditures	277,080	1,706,133	325,687	93,067

LIQUIDITY AND CAPITAL RESOURCES

Cash Resource Availability

At March 31, 2010, the Corporation had cash and short term investments of $2.1 million compared with cash and deposits of $4.2 million at December 31, 2009.

The partners in the joint venture are pursuing a significant exploration, evaluation and drilling program. The primary plans for the Sfax Permit are to explore and evaluate and, if the evaluation results in economically viable reserves, to develop the prospect and leads. In addition, if the results of the horizontal well at Ras-El-Besh indicate potential for development of the Reineche formation, additional Reineche structures within the Sfax Permit could be targeted for further evaluation.

The Corporation currently has working capital of approximately $1.8 million. At a 45% ownership interest, this amount would cover expenditures of $4.0 million towards the remainder of the 2010 Work Program, which is estimated at US$3.3 million. In the event that the joint venture partners decide to abandon the REB-3 well, the 2010 Work Program will be adjusted accordingly. Management believes that working capital is sufficient to meet the Corporation's current requirements. Any additional funding requirements would have to be accessed through debt or equity financings, farmout arrangements and/or bank borrowings. There can be no assurance that such funding or borrowing would be available to the Corporation.

Outstanding Share Data

As at April 26, 2010, there were 31,143,635 common shares and 32,150,000 Series A Preference Shares outstanding.

COMMITMENTS

As part of the Tunisian Hydrocarbon Committee's approval of a two-year extension on the Sfax Permit, which extends the primary term to December 8, 2011, the Corporation is committed to drilling one new exploration well during the extension period. The Corporation has not completed its estimate of the costs to meet this commitment as the costs are partially contingent on the selection of the prospect and location within the Sfax Permit.

RELATED PARTY TRANSACTIONS

Other than as described in Note 9 to the March 2010 Interim Financial Statements, there have been no significant changes in the nature and scope of related party transactions to those described in Note 11 to the 2009 Audited Financial Statements and the accompanying management's discussion and analysis.

BUSINESS RISKS

The Corporation is currently in the exploratory and evaluation stage in Tunisia and therefore capitalizes all associated costs. The recovery of the recorded costs is contingent on the existence of economically recoverable reserves and future profitable production. The business and operations of the Corporation may require substantial additional capital in order to execute any further exploration and development work.

There are a number of other inherent risks associated with the Corporation's activities and with its current stage of exploration. These risks were detailed in the section entitled "Business Risks" in the Corporation's management's discussion and analysis accompanying its 2009 Audited Financial Statements. The Corporation has not identified any material changes to the risk factors affecting our business and our approach to managing those risks from those discussed in the document referred to above.

ACCOUNTING POLICIES AND ESTIMATES

Certain accounting policies are critical to understanding the Corporation's results of operations and financial condition. The preparation of financial statements in accordance with Canadian GAAP requires management to make judgements and estimates on matters that are uncertain. These estimates affect the reported amounts of assets and liabilities as well as revenues and expenses. Changes to these estimates may result in material changes to the Corporation's results of operations or financial condition. The March 2010 Interim Financial Statements follow the same accounting principles and methods of application as those described in Note 2 to the Corporation's 2009 Audited Financial Statements. A summary of the more significant judgements and estimates made by management is provided in the section entitled "Accounting Policies and Estimates" in the Corporation's management's discussion and analysis accompanying the 2009 Audited Financial Statements.

FUTURE ACCOUNTING DEVELOPMENTS

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board (the "Canadian AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there may be differences on recognition, measurement and disclosure that may materially impact the Corporation's financial statements. The implementation of IFRS will apply to the Corporation's interim and annual financial statements beginning on January 1, 2011, including the restatement of comparative amounts for 2010.

The Corporation is participating in the IFRS implementation committee of its parent company, whose mandate is to oversee the conversion process of all of its subsidiaries, including any impact that the conversion may have on business practices, systems and internal controls over financial reporting. The Corporation's senior management from accounting and finance are members of the committee.

The primary focus of the conversion program to date has been the identification and analysis of key differences between IFRS and the Corporation's current accounting policies, which included a preliminary assessment of the various accounting alternatives offered by IFRS and the consideration of related changes to business processes and internal controls. The committee also facilitates various education and training sessions designed to support the personnel involved in the conversion process and those with ongoing financial reporting responsibilities.

Analysis of IFRS Accounting Policies Affecting the Corporation

While the following does not represent a comprehensive list of the accounting policies being addressed, these standards have been selected based on the significance of their potential impact on the Corporation's financial statements.

IFRS 1: First-time Adoption of IFRS

IFRS 1 provides the framework for the first time adoption of IFRS and specifies that, in general, an entity shall apply the principles under IFRS retrospectively. IFRS 1 also specifies that the adjustments that arise on retrospective conversion to IFRS from Canadian GAAP should be directly recognized in retained earnings. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1. Transition exemptions that are expected to be relevant to the Corporation include the option to use the Canadian GAAP full-cost accounting guidance as the basis for initial measurement of oil and gas assets and the option to limit the restatement of share-based payment transactions. The Corporation expects to have its analysis of IFRS 1 exemptions and exceptions completed by June 30, 2010.

IFRS 6: Exploration for and Evaluation of Mineral Resources and Oil and Gas Prospects

Under Canadian GAAP, the Corporation follows the full-cost method of accounting for exploration and evaluation of oil and gas prospects, as well as associated development expenditures, whereby all costs related to these activities are accumulated in separate country-by-country cost centres. Although IFRS provides some guidance on accounting for exploration and evaluation activities, IFRS does not currently provide specific guidance on development activities. The Corporation is currently assessing the implications of current IFRS as it applies to its oil and gas prospects. IFRS 1 provides an optional exemption that will allow the Corporation to use its oil and gas asset balances, as determined under Canadian full cost accounting, as the basis for initial IFRS measurement at the transition date. However, if the Corporation elects to rely on this exemption, its oil and gas assets must be tested for impairment at the transition date, using impairment guidance as provided under the IAS 36 model (see below), which focuses on a more granular level of asset aggregation than impairment testing under the Canadian GAAP full-cost method of accounting. The Corporation expects to have completed its analysis of impairment on its oil and gas properties by September 30, 2010.

IAS 36: Impairment of Assets

The Corporation is currently assessing its impairment testing models to comply with the requirements of IAS 36. This includes reviewing the organizational structure and sources of cash inflows to define the Corporation's cash generating units ("CGUs") and revising its impairment models to reflect the IAS 36 concept of recoverable amount. The Corporation expects to have completed this analysis by September 30, 2010.

IFRS 2: Share-based Payments

Equity-settled share-based payments are measured at grant-date fair value under both IFRS and Canadian GAAP. However, there are differences related to the timing of expense recognition under the respective standards that impact the Corporation's share-based payment programs. The Corporation has identified the specific differences in accounting for share-based payments under IFRS and is currently amending its share-based payment models in order to quantify the impact upon transition. The Corporation expects to have completed this analysis by June 30, 2010.

Other

In addition to the accounting standards listed above, the International Accounting Standards Board has a number of ongoing projects on its agenda that could potentially have an effect on the Corporation's financial reporting. While the Corporation continues to monitor these projects, the Corporation currently expects that changes will not be finalized prior to the January 1, 2011 transition date. Therefore, these projects are expected to impact the Corporation's financial statements only after the transition date.

Internal Controls

In accordance with the Corporation's approach to the certification of internal controls required under Canadian Securities Administrators' National Instrument 52-109, all entity level, information technology, disclosure and business process controls will require updating and testing to reflect changes arising from the Corporation's conversion to IFRS. Where material changes are identified, these changes will be mapped and tested to ensure that no material deficiencies exist as a result of the Corporation's conversion to these new accounting standards.

The impact on internal controls is currently being assessed in light of changes in both transaction-level accounting policies and changes in financial reporting disclosure requirements. Additionally, specific controls are being established in relation to the IFRS changeover process. IFRS changeover process controls relate to such items as the selection and approval of IFRS accounting policies and the recognition and measurement of transition date journal entries. Internal control related activities will be ongoing throughout the remainder of the conversion process.

Information Technology Systems

The Corporation has not yet completed its assessment of the information technology and data system impacts of the conversion project.

Financial Reporting Expertise

The Corporation, through its participation in its parent's conversion committee, facilitated a number of formal education and training sessions designed to support the personnel involved in the conversion process and those with ongoing financial reporting responsibilities. The committee anticipates that these sessions will continue throughout 2010.

Additionally, the committee had facilitated IFRS information sessions with the Audit Committee of the Board of Directors during which management provided the Audit Committee with a review of the conversion project, including an overview of the project structure and the timeline for IFRS implementation, as well as an overview of the key areas of potential financial reporting impact. The Audit Committee will continue to receive quarterly presentations and project status updates from management.

Next Steps

In addition to the areas of focus outlined above, the Corporation is prioritizing certain IFRS conversion related activities that should be completed within a reasonable time period following January 1, 2010 in order to ensure that comparative information provided throughout 2011 is in accordance with IFRS. The Corporation will continue to work on its assessment of the impact of IFRS adoption on the Corporation's accounting policies and related processes in the second quarter of 2010. Concurrent with this effort, the conversion committee will complete its assessment of IFRS impacts on business activities and begin to implement a communication strategy, as appropriate, aimed at all stakeholders, including employees, rating agencies, and shareholders, to assist in their understanding of its transition to IFRS.

The Corporation will continue to monitor results from the existing conversion plan, as well as ongoing changes to IFRS, and adjust our transition and implementation plans accordingly. The Corporation's transition remains aligned to our implementation schedule and it is on track to meet the timelines essential to the changeover.

CONTROLS AND PROCEDURES

In accordance with the Canadian Securities Administrators' National Instrument 52-109, the Corporation has filed certificates signed by the Chief Executive Officer and Chief Financial Officer certifying that, among other things, the design of disclosure controls and procedures and the design of internal control over financial reporting are adequate. The financial disclosure controls and procedures provide reasonable assurance that material financial information has been duly disclosed by the Corporation. Furthermore, internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its compliance with Canadian GAAP in its financial statements.

The Chief Executive Officer and Chief Financial Officer of the Corporation have also evaluated whether there were changes to the Corporation's internal control over financial reporting during the three months ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect the Corporation's internal control over financial reporting. No changes were identified during their evaluation.

It should be noted that while the Corporation's Chief Executive Officer and Chief Financial Officer believe that the Corporation's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") at *www.sedar.com.*

EUROGAS INTERNATIONAL INC.
Balance Sheets
(Unaudited)

As at		March 31, 2010		December 31, 2009
ASSETS				
Current				
Cash	$	101,892	$	185,901
Short term investments (Note 3)		2,007,992		4,005,040
Accounts receivable		300,974		57,461
Prepaids		102,538		77,653
		2,513,396		4,326,055
Oil and natural gas properties (Note 4)		22,400,905		21,175,897
	$	24,914,301	$	25,501,952
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	438,604	$	554,163
Payable to Eurogas Corporation (Note 9)		296,737		150,882
		735,341		705,045
Asset retirement obligation (Note 5)		1,625,485		1,602,591
Accrued dividends on Series A Preference Shares (Note 6)		2,126,631		1,809,536
Series A Preference Shares (Note 6)		32,150,000		32,150,000
		36,637,457		36,267,172
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 7)		1		1
Contributed surplus (Note 7)		10,767		9,287
Deficit		(11,733,924)		(10,774,508)
		(11,723,156)		(10,765,220)
	$	24,914,301	$	25,501,952

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

EUROGAS INTERNATIONAL INC.
Statements of Operations and Comprehensive Loss
For the three months ended March 31, 2010 and 2009
(Unaudited)

		2010		2009
REVENUE				
Interest and other	$	2,944	$	48,572
EXPENSES				
General and administrative		613,208		365,327
Dividends on Series A Preference Shares (Note 6)		317,095		313,573
Depreciation and accretion		22,894		147,987
Interest expense		1,036		359
Foreign exchange loss (gain)		8,127		(45,722)
		962,360		781,524
LOSS FROM OPERATIONS		(959,416)		(732,952)
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	$	(959,416)	$	(732,952)
NET LOSS PER COMMON SHARE				
Basic and diluted net loss per share (Note 8)	$	(0.03)	$	(0.02)

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

EUROGAS INTERNATIONAL INC.
Statements of Changes in Shareholders' Deficiency
(Unaudited)

	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2008	$ 1	$ -	$ (6,894,115)	$ (6,894,114)
Stock based compensation	-	9,287	-	9,287
Net loss for the year	-	-	(3,880,393)	(3,880,393)
Balance, December 31, 2009	1	9,287	(10,774,508)	(10,765,220)
Stock based compensation (Note 7)	-	1,480	-	1,480
Net loss for the period	-	-	(959,416)	(959,416)
Balance, March 31, 2010	$ 1	$ 10,767	$ (11,733,924)	$ (11,723,156)

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

EUROGAS INTERNATIONAL INC.
Statements of Cash Flows
For the three months ended March 31, 2010 and 2009
(Unaudited)

	2010	2009
OPERATING ACTIVITIES		
Loss from operations	$ (959,416)	$ (732,952)
Non-cash items in operations		
Depreciation and accretion	22,894	147,987
Stock based compensation	1,480	-
	(935,042)	(584,965)
Changes in non-cash working capital:		
Accounts receivable	(243,513)	(334)
Prepaids	(24,885)	-
Accounts payable and accrued liabilities	(115,559)	25,768
	(1,318,999)	(559,531)
FINANCING ACTIVITIES		
Changes in amounts due to Eurogas Corporation	145,855	304,988
Non-cash changes in accrued dividends on Series A Preference Shares	317,095	313,573
	462,950	618,561
INVESTING ACTIVITIES		
Net proceeds from short term investments	1,997,048	-
Investment in oil and natural gas properties	(1,225,008)	(91,343)
	772,040	(91,343)
DECREASE IN CASH	(84,009)	(32,313)
CASH, BEGINNING OF PERIOD	185,901	1,435,653
CASH, END OF PERIOD	$ 101,892	$ 1,403,340

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

EUROGAS INTERNATIONAL INC.
Notes to the Financial Statements
As at and for the three months ended March 31, 2010
(Unaudited)

1. NATURE OF OPERATIONS

Eurogas International Inc. ("Eurogas International" or the "Corporation") is incorporated under the *Companies Act* (Barbados), and is an independent oil and gas company engaged in the exploration and evaluation of its landholdings offshore Tunisia, targeting large-scale oil and natural gas reserves.

The recoverability of amounts expended by the Corporation on its Tunisian landholdings is dependent upon the discovery of economically recoverable reserves, obtaining exploitation concessions for those reserves identified, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

The Corporation's ability to continue its operations and realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. These interim financial statements have been prepared on the basis that the Corporation will, in the foreseeable future, be able to meet its commitments, continue operations, realize its assets and discharge its liabilities in the normal course of business.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These interim financial statements of Eurogas International have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All amounts are in Canadian dollars unless otherwise specified.

These interim financial statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the Corporation's audited financial statements as at and for the year ended December 31, 2009 ("2009 Audited Financial Statements"). The Corporation's interim financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and accordingly, should be read in conjunction with the 2009 Audited Financial Statements.

The preparation of interim financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities, the disclosure of contingencies as at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are made based on information available as at the date of issuance of these interim financial statements. Actual results could differ from those estimates.

Comparative Figures
Certain comparative figures have been reclassified to conform with current period financial statement presentation.

3. SHORT TERM INVESTMENTS

Guaranteed Investment Certificates		Par Value	Weighted Average Interest Rate	Weighted Average Days to Maturity
Balance, December 31, 2009	$	4,005,040	0.40%	259
Transactions during the period ended March 31, 2010				
Redemptions		(2,000,000)	0.40%	n/a
Fair value adjustments		2,952	n/a	n/a
Balance, March 31, 2010	$	2,007,992	0.40%	169

At March 31, 2010, the Corporation held guaranteed investment certificates ("GICs") from a Canadian Schedule I Chartered Bank with a par value of $2,000,000. Unrealized appreciation in the fair value of short term investments at March 31, 2010 was $7,992 (December 31, 2009 – $5,040).

4. OIL AND NATURAL GAS PROPERTIES

		Three months ended 31-Mar-10		Year ended 31-Dec-09
Opening balance	$	21,175,897	$	17,819,331
Transactions during the period				
Sfax Permit		434,612		1,880,051
Ras-El-Besh expenditures, net		245,255		(81,615)
Mobile offshore production unit "Ocean Patriot"		545,141		1,558,130
Closing balance	$	22,400,905	$	21,175,897

Aggregate capital expenditures in respect of the Corporation's exploration and evaluation activities on its Tunisian oil and gas properties during the three months ended March 31, 2010 amounted to $1,225,008 (three months ended March 31, 2009 - $277,080).

During 2008, Eurogas International, together with its joint venture partner, Atlas Petroleum Exploration Worldwide Ltd. ("APEX"), entered into a Farmout option agreement with Delta Hydrocarbons B.V. ("Delta"), pertaining to the Farmout of the Sfax Permit and the Ras-El-Besh ("REB-3") concession in Tunisia. Under the Farmout option agreement, Delta had acquired a 50% interest in the Sfax joint venture and related contracts in exchange for expending US$125 million. Capital expenditures during the period of the Farmout option agreement were substantially funded by Delta pursuant to its spending commitment.

In May of 2009, Delta expressed a desire to exit from the joint venture and the Farmout option arrangement. Under a settlement agreement, Delta reassigned its 50% interest in the Sfax joint venture and related contracts, in exchange for a portion of certain payments, if and when received by the joint venture, to a maximum of US$20 million.

Payments to Delta pursuant to the settlement agreement may include a share of the proceeds from the cost oil portion of any future production revenues realized from the Sfax Permit and the Ras-El-Besh development concession and a share of the proceeds from any sale or lease of the mobile offshore production unit. Furthermore, Delta remains committed to fund 50% of any costs associated with certain retirement obligations until December 9, 2011.

5. ASSET RETIREMENT OBLIGATION

		Three months ended 31-Mar-10		Year ended 31-Dec-09
Opening balance	$	1,602,591	$	1,202,068
Revisions to estimated cash flows		-		313,897
Accretion		22,894		86,626
Closing balance	$	1,625,485	$	1,602,591

Upon completion of drilling and testing the REB-3 well within the Ras-El-Besh prospect and the associated development concession, the joint venture partners requested and received approval from the Tunisian government to temporarily suspend the well and release the drilling rig. The joint venture must either abandon or re-enter the REB-3 well within certain timeframes as outlined by the Tunisian government. The joint venture has estimated that the aggregate costs required in the event of abandonment of the REB-3 well is between US$6.5 million and US$10 million. The Corporation recorded an asset retirement obligation in respect of its share of the potential obligation in the event of abandonment of the REB-3 well.

The key assumptions for the carrying amount of the asset retirement obligation included:

- Total estimated undiscounted cash flows at March 31, 2010 of $1,790,978 (December 31, 2009 - $1,790,978)
- Expected settlement in fiscal 2011; and
- Credit adjusted risk free rate at which the estimated payments have been discounted of 5.7% (December 31, 2009 – 5.7%).

6. PREFERENCE SHARES

During the three months ended March 31, 2010, the Corporation recognized an expense of $317,095 (three months ended March 31, 2009 - $313,573) in net earnings, representing the dividends accrued on the Series A Preference Shares.

The holder of the Series A Preference Shares has indicated to the Corporation that it does not intend to exercise its redemption entitlement until December 2011, and it has also agreed to accept the deferral of the payment of cumulative dividends thereon until December 2011.

7. SHARE CAPITAL

	Number of Shares		Capital		Contributed Surplus
Outstanding, December 31, 2008	31,143,635	$	1	$	-
Transactions during the year ended December 31, 2009					
Stock based compensation	-		-		9,287
Outstanding, December 31, 2009	31,143,635	$	1	$	9,287
Transactions during the three months ended March 31, 2010					
Stock based compensation	-		-		1,480
Outstanding, March 31, 2010	31,143,635	$	1	$	10,767

At March 31, 2010, the Corporation had 31,143,635 common shares issued and outstanding. The Corporation is authorized to issue an unlimited number of common shares.

Stock Based Compensation

In prior periods, the Corporation issued 600,000 stock options with an exercise price of $0.10 per option, to directors of the Corporation. One third of the options vested immediately at issuance with the remaining options vesting as to 50% on each of June 15, 2010 and June 15, 2011. The options expire on June 15, 2014. On March 31, 2010, all 600,000 options remained outstanding, including 200,000 options which have vested.

Aggregate stock based compensation expense in respect of these stock option awards during the three months ended March 31, 2010 was $1,480 (three months ended March 31, 2009 - $nil).

8. NET LOSS PER SHARE

For the three months ended March 31,		2010		2009
Net loss attributable to shareholders	$	(959,416)	$	(732,952)
Weighted average number of common shares outstanding		31,143,635		31,143,635
Basic and diluted net loss per share	$	(0.03)	$	(0.02)

9. RELATED PARTY TRANSACTIONS

The $296,737 (December 31, 2009 - $150,882) payable to Eurogas Corporation, the holder of the Corporation’s Series A Preference Shares, is due on demand, is unsecured and is non-interest bearing.

During the first quarter of the prior year, the Corporation entered into a services arrangement with Dundee Resources Limited, a wholly owned subsidiary of Dundee Corporation. Dundee Corporation is the principal shareholder of the Corporation. The services agreement with Dundee Resources Limited provides the Corporation with administrative support services as well as geophysical, geological and engineering consultation with regard to the Corporation’s activities. In the three months ended March 31, 2010, the Corporation incurred costs of $105,357 (three months ended March 31, 2009 - $98,934), in respect of these arrangements.

10. COMMITMENTS

There have been no substantive changes to the description and nature of commitments from those described in Note 12 to the Corporation's 2009 Audited Financial Statements.

11. FINANCIAL INSTRUMENTS

Detailed disclosures on the Corporation's financial instruments are included in Note 13 to the 2009 Audited Financial Statements.

Fair Value of Financial Instruments

At March 31, 2010, the Corporation's investment in GICs was the only financial instrument carried on the balance sheet at fair value. The investment is short term in nature and is accordingly valued at cost plus accrued interest, which approximates fair value. The valuation methodology used by the Corporation in its assessment of fair value includes an assessment of assets in quoted markets with similar interest rates and terms to maturity.

Risk Management

The Corporation's financial instruments are exposed to financial risks due to the nature of the Corporation's business and the financial assets and liabilities that the Corporation holds. A detailed description of the nature of these risks is provided in Note 13 to the 2009 Audited Financial Statements. In general, for every 50 basis point increase in market interest rates, net earnings before income taxes would increase by approximately $4,000 and conversely, a 50 basis point decrease in market interest rates would decrease net earnings before income taxes by $3,000.

12. FUTURE ACCOUNTING DEVELOPMENTS

Implementation of International Financial Reporting Standards

In February 2008, the AcSB affirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011. The implementation of IFRS will apply to the Corporation's interim and annual financial statements beginning on January 1, 2011, including the restatement of comparative amounts for 2010. As a result, the Corporation will publish its first financial statements, prepared in accordance with IFRS, for the quarter ended March 31, 2011.

While IFRS standards are premised on a conceptual framework similar to Canadian GAAP, there are differences in the areas of recognition, measurement and disclosure that may materially impact the Corporation's financial statements. The Corporation is participating in the IFRS implementation committee of its parent company and it has completed an assessment to identify the key accounting differences between Canadian GAAP and IFRS. The impact of these differences to the Corporation's financial results at the time of transition and on implementation is currently being assessed. Based on existing IFRS standards, significant differences to Canadian GAAP that may materially impact the Corporation's financial results include, but are not limited to, accounting for oil and gas assets and impairment of assets. The impact of IFRS to the Corporation at the transition will depend on the IFRS standards in effect at the time, accounting elections that have not yet been made, and the prevailing business and economic facts and circumstances.

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