EUROGAS INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2012

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Eurogas International Inc. ("Eurogas International" or the "Corporation") is an independent oil and natural gas company, incorporated under the *Companies Act* (Barbados), and is 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 exploration 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 Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of April 30, 2012 and provides an update on matters discussed in, and should be read in conjunction with the Corporation's audited financial statements as at and for the year ended December 31, 2011 (the "2011 Audited Financial Statements") and the unaudited interim financial statements of the Corporation as at and for the three months ended March 31, 2012 (the "March 2012 Interim Financial Statements") prepared under International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars 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, risks associated with foreign operations, currency fluctuations, exploration and development risks, reliance on key personnel and management, the ability to access sufficient capital from internal and external sources, risks relating to the abandonment of operations, risks of not being able to obtain or renew permits and licenses, environmental risks, competition from other industry participants, and other risk factors discussed or referred to in the section entitled *"Business Risks"* in this MD&A 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.

GOING CONCERN ASSUMPTIONS

The Corporation's ability to continue its exploration and evaluation activities and to 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. The 2011 Audited Financial Statements and the March 2012 Interim Financial Statements do not give effect to any adjustments which would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business. The amounts the Corporation may realize on the disposition of its assets or the discharging of its liabilities other than in the normal course of its business may be significantly different than the carrying value of these assets and liabilities as reflected in the 2011 Audited Financial Statements and the March 2012 Interim Financial Statements.

DECLARATION OF FORCE MAJEURE

As a result of political uncertainty and civil unrest in Tunisia, on January 18, 2011, the Corporation announced that, together with its joint venture partner, Atlas Petroleum Exploration Worldwide Ltd. ("APEX"), it had declared a condition of Force Majeure with respect to the Sfax Permit and the Ras El Besh development concession. The Corporation believes that the declaration of Force Majeure allowed the Corporation and APEX to suspend their activities, while the conditions resulting in the Force Majeure continued.

BUSINESS DEVELOPMENTS

Eurogas International is conducting exploration and evaluation programs for oil and natural gas in the shallow Mediterranean waters offshore Tunisia, where it holds a 45% working interest in the Sfax Permit. In 2003, the Corporation entered into a joint operating agreement with APEX, a production sharing agreement with the Tunisian state oil company and a prospecting permit with the Tunisian government. Pursuant to these arrangements, the Corporation and APEX agreed to undertake exploration, evaluation and extraction operations on the Sfax Permit. APEX is the operating partner in the joint venture arrangement.

The Offshore Sfax Exploration Permit

The Sfax Permit is located within a prolific hydrocarbon fairway extending from offshore Libya, through the Gulf of Gabes, to onshore Tunisia. It is surrounded by producing oil and natural gas fields to the west, north and east, including the producing Ashtart oil field that lies along the southeast boundary. In 2005, the joint venture partners obtained an exploration permit under the terms of a production sharing contract, the terms of which provide that the joint venture partners share any future hydrocarbon production with the government agency, ETAP (Entreprise Tunisienne d'Activités Pétrolières). The original four year exploration permit commenced on December 9, 2005 and included a commitment to undertake seismic work and to drill an exploration well prior to December 9, 2009. The seismic work was completed and the drilling commitment was fulfilled by the drilling of the REB-3 well on the Ras El Besh prospect. On January 19, 2009, the Tunisian government approved an extension to the Sfax Permit, extending the original term to December 8, 2011. As a condition of the extension, the joint venture partners committed to drill an exploration well to a required depth during the extension period. On June 23, 2011, the Tunisian government further extended the period of the Sfax Permit to December 8, 2012, with no additional commitment.

The Corporation, on behalf of the joint venture, has directed the reprocessing of approximately 1,280 km^2 of 3-D seismic surveys over the Sfax Permit. Select 2-D seismic lines were also reprocessed, providing the joint venture partners with a combined seismic project that encompasses the entire Sfax Permit. The interpretation and mapping over each of the Ras El Besh, Jawhara, Salloum and Ashtart prospects within the Sfax Permit were completed in the spring of 2011. APEX continues to direct the interpretation and mapping over the Kerkennah Banks. The Corporation and its joint venture partner will use the reprocessed seismic data to evaluate possible courses of action with respect to the drilling of an exploration well to satisfy the drilling obligation associated with the Sfax Permit, which will only be undertaken if the conditions, which resulted in the declaration of Force Majeure in January 2011, are alleviated.

2012 Expenditures

	Exploration and Evaluation Properties (Sfax Permit)
Carrying value, December 31, 2010	$ 4,665,001
Transactions during the three months ended March 31, 2011	
Investments	328,220
Carrying value, March 31, 2011	4,993,221
Transactions from April 1, 2011 to December 31, 2011	
Investments	882,702
Carrying value, December 31, 2011	5,875,923
Transactions during the three months ended March 31, 2012	
Investments	253,399
Carrying value, March 31, 2012	$ 6,129,322

During the three months ended March 31, 2012, the Corporation invested $253,399 (three months ended March 31, 2011 - $328,220) in the Sfax Permit. These expenditures included certain geological and geophysical work deemed necessary to advance the prospects for the Sfax Permit.

Agreement with Delta Hydrocarbons B.V.
In prior years, the Corporation and APEX had entered into a farmout option agreement with Delta Hydrocarbons B.V. ("Delta"), pertaining to the farmout of a 50% working interest in the joint venture arrangements relating to the Sfax Permit and the Ras El Besh development concession. Delta subsequently expressed a desire to exit from the farmout option agreement and, under a settlement arrangement, Delta forfeited its 50% working interest option in exchange for a portion of certain payments, if and when received by the joint venture partners, to a maximum of US$20 million. Payments to Delta pursuant to the settlement arrangement 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 MOPU (see *"Mobile Offshore Production Unit"*).

The Seawolf Litigation
In prior years, the joint venture partners 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, seeking damages for misrepresentations and breach of contract in respect of the drilling of the REB-3 well. In May 2010, the joint venture partners reached a settlement with Seawolf that provided for a US$12 million payment to the joint venture partners over an 18-month period ended October 2011. The Corporation's share of the settlement proceeds was US$3.6 million, including US$1.5 million received in 2011. At March 31, 2012, settlement proceeds receivable were US$31,083.

Work Program for 2012
As part of the Tunisian government's approval to extend the expiry date on the Sfax Permit to December 8, 2012, the joint venture is committed to drilling an exploration well with depth to a specified geological zone prior to such expiry date (see "*Commitments*"). The Corporation has temporarily suspended certain aspects of its 2012 planned business activities pending resolution of the political and civil unrest in Tunisia that caused the declaration of Force Majeure in early 2011. The Corporation's ability to proceed with exploration and evaluation activities, including its drilling commitment, is also significantly dependent on securing the necessary financial resources. The Corporation's current cash resources are insufficient to meet its drilling commitment before the expiry date of the Sfax Permit. The Corporation is considering alternative financing options, including farmout arrangements, debt or equity issuances, or the monetization of certain assets. There can be no assurance that the Corporation will be successful in these initiatives.

Ras El Besh Development Concession
In December 2005, the joint venture partners applied for a development concession over the Ras El Besh prospect within the Sfax Permit. The application was accepted by the Hydrocarbon Commission of the Tunisian government in July 2006. Following commencement of the drilling of the REB-3 well in June 2008, the development concession was gazetted on September 5, 2008. The REB-3 well is recognized by the Tunisian government as the commitment well under the initial term of the Sfax Permit.

During the fourth quarter of 2010, the joint venture partners determined that sufficient reserves had not been discovered to give commercial viability to the Ras El Besh prospect and therefore concluded that it was appropriate to abandon the REB-3 well and pursue other opportunities within the Sfax Permit. Final approval to proceed with abandonment and site restoration activities was obtained from the Tunisian authorities in December 2011, following which the Corporation and its joint venture partners finalized procurement contracts, secured the necessary operating equipment and commenced the abandonment process. These abandonment and site restoration activities were substantially completed in the first quarter of 2012. During the three months ended March 31, 2012, the Corporation incurred costs of US$930,696 in respect of these activities, including US$550,534 that had been funded during the prior year in expectation of advancement of the project.

Mobile Offshore Production Unit

The Corporation holds a 45% joint interest in Innovative Production Services Ltd. ("IPS"). IPS holds title to a mobile offshore production unit ("MOPU"), which was originally acquired with the expectation of producing, processing and transporting oil on certain development concessions within the Sfax Permit. The Corporation may consider alternative usage of the MOPU, including the possible monetization of the asset through sale or lease arrangements.

RESULTS OF OPERATIONS

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

Comparison of the three months ended March 31, 2012 with the three months ended March 31, 2011

During the first three months of 2012, the Corporation incurred a net loss of $574,319, or a loss of approximately $0.02 per share. This compares with a net loss of $676,779 in the same period of 2011.

The Corporation incurred exploration and evaluation expenditures of $40,919 during the first quarter of 2012 (three months ended March 31, 2011 - $85,688). These expenditures are not deferred, as management's current view is that they are not likely to result in the discovery of commercially viable reserves.

As part of the completion of the abandonment and restoration of the REB-3 well site, the Corporation recognized additional estimated costs of $98,363 above its estimate at December 31, 2011. These amounts have been reported in the March 2012 Interim Financial Statements as a loss from changes in estimate of decommissioning liability (three months ended March 31, 2011 – gain of $32,930).

General and administrative expenses incurred during the three months ended March 31, 2012 were $111,858, a decrease of $133,923 from general and administrative expenses of $245,781 incurred in the same period of the prior year. The decrease includes approximately $55,000 of decreased geological and geophysical activities following the Corporation's declaration of Force Majeure as well as a decrease of $35,000 in associated legal costs. Also included in the decrease is approximately $12,000 of legal expenses incurred in the same period of the prior year relating to the Corporation's litigation with Seawolf.

During the three months ended March 31, 2012, the Corporation incurred $319,743 of dividend expense associated with the Corporation's Series A Preference Shares outstanding (three months ended March 31, 2011 - $317,095).

Interest expense was $8,189 in the three months ended March 31, 2012 compared with $6,896 incurred during the same period of the prior year. Included in interest expense during the first quarter of 2012 is $7,309 associated with the Corporation's credit facility established with Dundee Corporation (*see "Liquidity and Capital Resources – Cash Resource Availability"*).

During the three months ended March 31, 2012, the Corporation recognized a foreign exchange gain of $4,753. In the same period of the prior year, the Corporation incurred a foreign exchange loss of $54,270. The Corporation's primary exposure to foreign exchange risk is related to amounts receivable in respect of the litigation with Seawolf. This exposure will be substantially reduced throughout 2012 as the Corporation has received substantially all settlement proceeds.

Summary of Quarterly Results

	2012	2011				2010		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Net (loss) earnings	$ (574,319)	$ (302,359)	$ (509,060)	$ (526,538)	$ (676,779)	$ 2,603,141	$ (588,913)	$ (877,214)
Capital expenditures	253,399	284,619	351,788	429,263	357,742	780,599	440,933	681,375

LIQUIDITY AND CAPITAL RESOURCES

Cash Resource Availability

At March 31, 2012, the Corporation had cash of $3,357 compared with cash and short term investments of $99,550 at December 31, 2011. The Corporation's current cash resources are insufficient to meet its planned 2012 business activities. The Corporation is considering alternative financing options, including farmout arrangements, possible debt or equity issuances or the monetization of certain assets. There can be no assurance that the Corporation will be successful in any of these alternatives.

On January 31, 2012, the Corporation established a $2.5 million revolving term credit facility with Dundee Corporation, the Corporation's principal shareholder, to temporarily provide the necessary operating funds to complete abandonment and site restoration costs and meet certain ongoing general and administrative expenses. Borrowings under the facility bear interest at a rate per annum equal to the prime lending rate for loans as set out by a Canadian Schedule I Chartered Bank, plus 1.25%, and are due on demand. Amounts previously classified as payable to Dundee Corporation were transferred to, and form part of, amounts owed by the Corporation pursuant to this credit facility. At March 31, 2012, the Corporation had drawn $1,502,486 against this facility.

As lender to the Corporation, Dundee Corporation may, at its discretion, require the Corporation to convert all of the amounts outstanding pursuant to the credit facility, including interest thereon, into common shares of the Corporation, at a conversion price that is based on the fair value of the common shares defined as the closing price of the common shares of the Corporation at the time of such conversion, subject to a minimum conversion price of $0.05 per common share. Any issuance of common shares by the Corporation pursuant to these arrangements will require customary approvals, including regulatory approvals.

Series A Preference Shares

The Corporation has issued 32,150,000 Series A Preference Shares with a face value of $32.15 million. The Series A Preference Shares are held by Dundee Energy Limited ("Dundee Energy"), a subsidiary of Dundee Corporation. The Series A Preference Shares issued by the Corporation rank in priority to the common shares of the Corporation as to the payment of dividends and the distribution of assets on dissolution, liquidation or winding-up of the Corporation and entitle Dundee Energy to a fixed preferential cumulative dividend at the rate of 4% per annum. Dundee Energy may reinvest any such dividends received into common shares of the Corporation, subject to obtaining the necessary approvals. The Series A Preference Shares may be redeemed, at the option of either the Corporation or Dundee Energy, at any time, at a price equal to their face value of $32.15 million.

Dundee Energy has not advised the Corporation of its intent with respect to exercising its right to the redemption of the Series A Preference Shares and its entitlement to demand payment of the associated cumulative dividends outstanding. The terms of the Series A Preference Shares and, specifically, the right of retraction by Dundee Energy, expose the Corporation to significant liquidity risk.

The Series A Preference Shares are non-voting except in the event that the Corporation fails to pay the cumulative 4% dividend for eight quarters. Thereafter, but so long as any dividends on the Series A Preference Shares remain in arrears for more than eight quarters, Dundee Energy is entitled, voting exclusively and separately as a series, to elect a majority of the members of the Board of Directors of the Corporation. At March 31, 2012, cumulative dividends outstanding on the Series A Preference Shares were $4.7 million (December 31, 2011 - $4.4 million), representing outstanding dividends for more than eight quarters. However, at March 31, 2012, Dundee Energy had not exercised its entitlement to elect a majority of the Board of Directors of the Corporation.

Common Shares

As at April 30, 2012, there are 31,143,635 common shares outstanding.

COMMITMENTS

As part of the Tunisian government's approval of extensions on the Sfax Permit to December 8, 2012, the joint venture partners are committed to drilling an exploration well, with depth to a specified geological zone, during the extension period. The actual cost for an exploration well will depend on the selection of the prospect and location within the Sfax Permit. Based on current information, the Corporation estimates that its share of the cost to meet this commitment ranges between US$6 million and US$9 million.

In the event that this work commitment is not completed, a compensatory payment of up to US$12 million will be payable to the Tunisian government by the joint venture partners, less any amounts previously incurred by the joint venture partners in respect of the furtherance of its obligation.

RELATED PARTY TRANSACTIONS

Other than as described in Note 13 to the March 2012 Interim Financial Statements, there have been no significant changes in the nature and scope of the related party transactions to those described in Note 15 to the 2011 Audited Financial Statements and the accompanying MD&A.

BUSINESS RISKS

The Corporation is currently in the exploration and evaluation stage of its landholdings in Tunisia and, in accordance with accounting requirements, expenditures incurred in these activities are deferred, subject to impairment testing, until such time as the Corporation discovers commercially viable reserves for development and production. The recovery of deferred costs is contingent on the discovery of such commercially viable reserves and future profitable production. The business activities of the Corporation will require substantial amounts of capital in order to execute future exploration and evaluation work.

The Corporation currently has $3,357 in cash. During the first quarter of, 2012, the Corporation established a $2.5 million demand credit facility with its principal shareholder, Dundee Corporation. Any additional funding required by the Corporation would have to be accessed through debt or equity financings and/or bank borrowings, or through farmout option arrangements. There can be no assurance that such financings or other arrangements would be available to the Corporation. Raising funds by equity financing would result in dilution, possibly substantial, to present and prospective shareholders of the Corporation. Bank borrowings that might be made available to the Corporation are typically determined in part by the borrowing base of the Corporation. The Corporation currently has no revenue sources.

There are a number of other inherent risks associated with the Corporation's activities and with its current and future stages of development. These risks were detailed in the section entitled "Business Risks" in the Corporation's MD&A accompanying its 2011 Audited Financial Statements. The Corporation has not identified any material changes to the risk factors affecting its business and its approach to managing those risks from those discussed in the document referred to above.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no changes to the accounting policies applied in the preparation of the Corporation's March 2012 Interim Financial Statements from those detailed in Note 3 to the Corporation's 2011 Audited Financial Statements. A summary of the more significant judgments and estimates made by management in the preparation of its financial information is provided in Note 4 to the 2011 Audited Financial Statements. There have been no significant changes in these judgments and estimates during the three months ended March 31, 2012.

CONTROLS AND PROCEDURES

In connection with exemption orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer and the Chief Financial Officer of the Corporation will file a Venture Issuer Basic Certificate with respect to the financial information contained in the March 2012 Interim Financial Statements and in the accompanying MD&A.

In contrast to the certificate that would be issued in accordance with the Canadian Securities Administrators' National Instrument 52-109, the Venture Issuer Basic Certification includes a "Note to Reader" stating that the Chief Executive Officer and Chief Financial Officer do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109.

Notwithstanding the filing of a Venture Issuer Basic Certificate, the Corporation makes significant efforts to maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In addition, the Chief Executive Officer and Chief Financial Officer have designed controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in compliance with IFRS. The Chief Executive Officer and Chief Financial Officer have evaluated whether there were any changes to the Corporation's control over financial reporting during the three months ended March 31, 2012, that have materially affected, or are reasonably likely to materially affect the Corporation's internal control over financial reporting. There were no changes identified during their evaluation.

It should be noted that while the Corporation's Chief Executive Officer and the Chief Financial Officer believe that the Corporation's disclosure controls and procedures provide a reasonable level of assurance that they are effective, there are inherent limitations in all internal control systems and no disclosure controls and procedures or internal control over financial reporting will provide complete assurance that no future errors or fraud will occur. 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*.