EUROGAS INTERNATIONAL INC.

2015 FIRST QUARTER REPORT

EUROGAS INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Eurogas International Inc. ("Eurogas International" or the "Corporation") is an independent oil and natural gas exploration company targeting oil and natural gas reserves. Eurogas International is incorporated under the *Companies Act* (Barbados), and its common shares trade on the Canadian Securities Exchange ("CSE") under the symbol EI. At March 31, 2015, Dundee Corporation, the principal shareholder of the Corporation, controlled 53% of the issued and outstanding common shares of the Corporation.

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of April 30, 2015 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, 2014 (the "2014 Audited Financial Statements") and the unaudited condensed interim financial statements of the Corporation as at and for the three months ended March 31, 2015 (the "March 2015 Interim Financial Statements") prepared under International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars, unless otherwise specified.

GOING CONCERN ASSUMPTION

The Corporation's ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, obtaining exploitation concessions for any such economically recoverable reserves, the ability to raise the necessary capital to finance development and settle current obligations of the Corporation, and the working capital from future profitable production or proceeds from the disposition of assets. The 2014 Audited Financial Statements and the March 2015 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 in other than the normal course of its business may be significantly different than the carrying value of these assets and liabilities as reflected in the 2014 Audited Financial Statements and the March 2015 Interim Financial Statements.

SFAX OFFSHORE EXPLORATION PERMIT

The Sfax Offshore Exploration Permit ("Sfax Permit")

The Corporation has entered into a joint operating arrangement with Atlas Petroleum Exploration Worldwide Ltd., ("APEX") pursuant to which the Corporation and APEX (jointly, the "Original Contractors") agreed to undertake exploration, appraisal and extraction operations on the Sfax Permit. The Corporation holds a 45% interest in the joint venture arrangement, with APEX holding the remaining 55% interest.

In January 2014, the Original Contractors completed a farmout agreement with DNO Tunisia AS ("DNO" and the "DNO Agreement") with respect to the Sfax Permit. DNO is a wholly-owned subsidiary of DNO International ASA, an Oslo-listed company with significant expertise in the oil and gas industry across the Middle East and Africa. Under the terms of the DNO Agreement, DNO acquired an 87.5% working interest in the Sfax Permit in exchange for an upfront, non-refundable cash payment of US$6 million to the Original Contractors, of which the Corporation's proportionate share was US$2.7 million.

During the three months ended March 31, 2015, DNO completed the drilling of the Jawhara-3 well, the first exploration and appraisal well undertaken by DNO on the Sfax Permit. The Jawhara-3 well was vertically drilled to a total depth of 2,815 metres. The Douleb and Bireno fractured carbonates formations proved to be water bearing in the compartment of the principal structure targeted by the well and therefore, DNO concluded that further analysis of the well's logging and testing results would be required in order to re-evaluate the Jawhara prospect. In view of these results, DNO is currently assessing its work plan for the remainder of 2015, taking into consideration the implications of its obligations and commitments, against the approaching maturity of the current permit renewal period which expires on December 8, 2015.

Given the significant downturn and volatility in the market price of oil during late 2014 and early 2015, as well as the unfavourable results of recent drilling activities as outlined above, during the fourth quarter of the prior year, the Corporation recognized an impairment loss of $6.2 million in respect of the Sfax Permit, reducing its carrying value to $nil.

		Exploration and Evaluation Properties (Sfax Permit)
Carrying value, December 31, 2013	$	8,998,774
Transactions during the three months ended March 31, 2014		
Investment in exploration and evaluation properties		54,317
Proceeds received as consideration for farmout agreement of Sfax Permit		(2,871,720)
Carrying value, March 31, 2014		6,181,371
Transactions from April 1, 2014 to December 31, 2014		
Impairment		(6,181,371)
Carrying value, March 31, 2015 and December 31, 2014	$	-

Agreement with Delta Hydrocarbons B.V. ("Delta")

In prior years, the Original Contractors had entered into a farmout option agreement with Delta pertaining to the farmout of a 50% working interest in the Sfax Permit. Delta subsequently exited from the farmout option agreement and under a settlement agreement, Delta forfeited its 50% working interest option in exchange for a portion of certain payments, if and when received by the Original Contractors, 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 or cost gas portion of any future production revenues realized from the Sfax Permit.

INNOVATIVE PRODUCTION SERVICES, LTD. ("IPS")

The Corporation currently holds a 45% interest in IPS. The sole business activity of IPS is the ownership and continuing maintenance of a mobile offshore production unit (the "MOPU), which was acquired by IPS in May 2007 in expectation of leasing the equipment to affiliated companies to facilitate their producing, processing and transporting of oil and natural gas. The Corporation accounts for its investment in IPS using the equity method of accounting. During the three months ended March 31, 2015, the Corporation's share of costs associated with the care and maintenance of the MOPU was $90,937 (three months ended March 31, 2014 – $46,216).

RESULTS OF OPERATIONS

Comparison of the Three Months Ended March 31, 2015 with the Three Months Ended March 31, 2014

During the three months ended March 31, 2015, the Corporation incurred a net loss of $522,935, or a loss of approximately $0.02 per share. This compares to a net loss of $599,113 or a loss of approximately $0.02 per share incurred by the Corporation during the same period of 2014.

The Corporation's net loss during the three months ended March 31, 2015 includes $317,096 (three months ended March 31, 2014 – $317,096) of interest expense associated with dividends payable on the Corporation's Series A Preference Shares outstanding (see *"Liquidity and Capital Resources – Series A Preference Shares")*.

General and administrative expenses incurred during the three months ended March 31, 2015 were $93,432, compared with general and administrative expenses of $226,584 incurred during the same period of the prior year. General and administrative expenses in the prior year included costs associated with the negotiation and completion of the DNO agreement as previously discussed.

Interest expense was $43,528 during the three months ended March 31, 2015, compared with $47,002 incurred in the same period of the prior year. Included in interest expense during the three months ended March 31, 2015 is $43,186 (three months ended

March 31, 2014 – $46,693) associated with the Corporation's $5.0 million credit facility provided by Dundee Corporation (see *"Liquidity and Capital Resources – Cash Resource Availability")*.

Summary of Quarterly Results

	2015	2014				2013		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Net loss	$ (522,935)	$ (7,822,636)	$ (545,352)	$ (617,456)	$ (599,113)	$ (486,281)	$ (518,990)	$ (555,388)
Capital expenditures	-	-	-	-	54,317	345,961	319,411	437,103

LIQUIDITY AND CAPITAL RESOURCES

Cash Resource Availability

At March 31, 2015, the Corporation had cash of $315,259, compared with $349,216 at December 31, 2014. The Corporation's current cash resources are insufficient to meet its current obligations, including its obligations pursuant to the terms of the Series A Preference Shares and associated dividends as outlined below. The Corporation is considering its future business strategies and assessing the possibility of alternative financing options, including 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.

The Corporation has established a $5.0 million revolving demand credit facility with Dundee Corporation to provide the necessary operating funds to 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. At March 31, 2015, the Corporation had drawn $4.1 million 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 a 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 only 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, 2015, cumulative dividends outstanding on the Series A Preference Shares were $8.6 million (December 31, 2014 – $8.2 million), representing outstanding dividends for more than eight quarters.

However, at March 31, 2015, 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, 2015, there were 31,143,635 common shares outstanding.

COMMITMENTS

In prior years, the Corporation and APEX had entered into a farmout option agreement with Delta that was subsequently terminated. The Corporation and APEX are obligated to make certain payments to Delta if and when proceeds are received by the Corporation and APEX, to a maximum of US$20 million. Payments to Delta may include a share of the proceeds from the cost oil or cost gas portion of any future production revenues realized from the Sfax Permit.

RELATED PARTY TRANSACTIONS

Other than as described in Note 13 to the March 2015 Interim Financial Statements, there have been no significant changes in the nature and scope of related party transactions to those described in Note 14 to the 2014 Audited Financial Statements and the accompanying MD&A.

BUSINESS RISKS

There are a number of 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 2014 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, and amounts in net operating income or loss, 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 values of assets and liabilities and the reported amounts of net operating income or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

A summary of the Corporation's significant accounting policies is provided in Note 3 to the 2014 Audited Financial Statements and a summary of critical accounting judgments, estimates and assumptions made by the Corporation are provided in Note 4 to the 2014 Audited Financial Statements. There have been no significant changes to the Corporation's significant accounting policies or to the judgments, estimates and assumptions made by the Corporation in the preparation of the March 2015 Interim Financial Statements from those significant accounting policies and judgments, estimates and assumptions made by the Corporation in the preparation of its 2014 Audited Financial Statements.

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 2015 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, 2015, 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.

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 risk that the Corporation is unable to access sufficient capital from internal and external sources, exploration, development and production risks, risks associated with foreign operations, risks of not being able to obtain or renew permits and licenses, environmental risks, the impact of general economic conditions, currency fluctuations, reliance on key personnel and management, 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.

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***.

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED CONDENSED INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements of Eurogas International Inc. ("Eurogas International" or the "Corporation") as at and for the three months ended March 31, 2015 (the "March 2015 Interim Financial Statements") are the responsibility of the management and Board of Directors of the Corporation.

The March 2015 Interim Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in note 3 to the Corporation's audited annual financial statements as at and for the year ended December 31, 2014. In preparing the March 2015 Interim Financial Statements, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the statement of financial position. In the opinion of management, the March 2015 Interim Financial Statements of the Corporation have been prepared within acceptable limits of materiality and are in compliance with International Accounting Standard 34, "*Interim Financial Reporting*".

Management has established processes which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the March 2015 Interim Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated, or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the March 2015 Interim Financial Statements; and (ii) the March 2015 Interim Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as at the date of and for the periods presented by the March 2015 Interim Financial Statements.

The Board of Directors is responsible for reviewing and approving the March 2015 Interim Financial Statements, together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibility. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee has met with management to review the financial reporting process and other financial information of the Corporation, including the March 2015 Interim Financial Statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial disclosure of the Corporation, including the March 2015 Interim Financial Statements, for issuance to the Corporation's shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)	(signed)
M. Jaffar Khan	Christopher Hope
Chief Executive Officer	Chief Financial Officer

Toronto, Canada
April 30, 2015

NOTICE TO READER

The March 2015 Interim Financial Statements have been prepared by and are the responsibility of management. These financial statements have not been reviewed by the Corporation's independent external auditor.

EUROGAS INTERNATIONAL INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(unaudited)

(expressed in Canadian dollars)

	Note	As at March 31, 2015	As at December 31, 2014
ASSETS			
Current			
Cash		$ 315,259	$ 349,216
Prepaid amounts		4,125	6,188
		319,384	355,404
Non-current			
Equity accounted investment	4	418,776	418,776
		$ 738,160	$ 774,180
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 276,832	$ 135,236
Amounts due to Dundee Corporation	6	4,148,903	4,120,680
Accrued dividends on Series A Preference Shares	9	8,556,632	8,239,536
Series A Preference Shares	9	32,150,000	32,150,000
		45,132,367	44,645,452
SHAREHOLDERS' DEFICIENCY			
Share capital	10	1	1
Contributed surplus		18,000	18,000
Deficit		(44,412,208)	(43,889,273)
		(44,394,207)	(43,871,272)
		$ 738,160	$ 774,180

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

Going Concern Assumption (Note 1)

Commitments (Note 14)

EUROGAS INTERNATIONAL INC.
CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)

(expressed in Canadian dollars, except per share amounts)

	Note	For the three months ended March 31, 2015	March 31, 2014
ITEMS IN NET LOSS			
General and administrative expenses	11	$ (93,432)	$ (226,584)
Dividends on Series A Preference Shares	9	(317,096)	(317,096)
Other interest expense	6	(43,528)	(47,002)
Foreign exchange gain		22,058	37,785
LOSS BEFORE SHARE OF LOSS FROM EQUITY ACCOUNTED INVESTMENT		(431,998)	(552,897)
Share of loss from equity accounted investment	4	(90,937)	(46,216)
NET AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (522,935)	$ (599,113)
NET LOSS PER COMMON SHARE			
Basic and diluted net loss per common share	12	$ (0.02)	$ (0.02)

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

EUROGAS INTERNATIONAL INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(unaudited)

(expressed in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2013	$ 1	$ 18,000	$ (34,304,716)	$ (34,286,715)
Transactions for the three months ended March 31, 2014				
Net loss for the period	-	-	(599,113)	(599,113)
Balance, March 31, 2014	1	18,000	(34,903,829)	(34,885,828)
Transactions from April 1, 2014 to December 31, 2014				
Net loss for the period	-	-	(8,985,444)	(8,985,444)
Balance, December 31, 2014	1	18,000	(43,889,273)	(43,871,272)
Transactions for the three months ended March 31, 2015				
Net loss for the period	-	-	(522,935)	(522,935)
Balance, March 31, 2015	$ 1	$ 18,000	$ (44,412,208)	$ (44,394,207)

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

EUROGAS INTERNATIONAL INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOW
(unaudited)

(expressed in Canadian dollars)

	Note	For the three months ended March 31, 2015	March 31, 2014
OPERATING ACTIVITIES			
Net loss for the period		$ (522,935)	$ (599,113)
Non-cash items in net loss:			
Share of loss from equity accounted investment	4	90,937	46,216
Non-cash changes in accrued dividends on Series A Preference Shares	9	317,096	317,096
Other		-	1,518
		(114,902)	(234,283)
Changes in non-cash working capital:			
Prepaid amounts		2,063	1,313
Accounts payable and accrued liabilities		141,596	100,440
Reclamation expenditures	7	-	(34,936)
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		28,757	(167,466)
FINANCING ACTIVITIES			
Changes in amounts due to Dundee Corporation		28,223	(1,518,915)
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		28,223	(1,518,915)
INVESTING ACTIVITIES			
Investment in equity accounted investment	4	(90,937)	(46,216)
Proceeds received as consideration for farmout arrangement of Sfax Permit	5	-	2,871,720
Investment in exploration and evaluation properties	5	-	(191,283)
CASH (USED IN) PROVIDED FROM INVESTING ACTIVITIES		(90,937)	2,634,221
NET (DECREASE) INCREASE IN CASH DURING THE PERIOD		(33,957)	947,840
CASH, BEGINNING OF PERIOD		349,216	5,137
CASH, END OF PERIOD		$ 315,259	$ 952,977

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

EUROGAS INTERNATIONAL INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(unaudited)

For the three months ended March 31, 2015 and 2014

(In Canadian dollars, unless otherwise specified)

1. NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

Eurogas International Inc. ("Eurogas International" or the "Corporation") is incorporated under the Companies Act (Barbados), and is an independent oil and gas exploration company, targeting oil and natural gas reserves. The Corporation is domiciled in Barbados and its registered office is c/o George Walton Payne & Company, Suites 205-207 Dowell House, Roebuck & Palmetto Streets, City of Bridgetown, Barbados.

The common shares of the Corporation are listed on the Canadian Securities Exchange ("CSE") under the symbol "EI". At March 31, 2015, Dundee Corporation, the principal shareholder of the Corporation, controlled 53% of the issued and outstanding common shares of the Corporation.

These unaudited condensed interim financial statements have been prepared using accounting principles applicable to a going concern. The going concern basis assumes that the Corporation will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at March 31, 2015, the Corporation had negative working capital of $44,812,983 (December 31, 2014 – $$44,290,048) and during the three months then ended, it incurred a net loss of $522,935 (three months ended March 31, 2014 – $599,113). The Corporation's ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, obtaining exploitation concessions for any such economically recoverable reserves, the ability to raise the necessary capital to finance development and settle current obligations of the Corporation, and working capital from future profitable production or proceeds from disposition of assets. There can be no assurance that the Corporation will be successful in achieving these initiatives. These material uncertainties may cast significant doubt upon the Corporation's ability to continue as a going concern and the ultimate appropriateness of using accounting principles applicable to a going concern.

These unaudited condensed interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern. If the Corporation is not able to continue as a going concern, the Corporation may be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements. These differences could be material.

2. BASIS OF PREPARATION

These unaudited condensed interim financial statements of the Corporation as at and for the three months ended March 31, 2015 ("March 2015 Interim Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "*Interim Financial Reporting*". The March 2015 Interim Financial Statements should be read in conjunction with the Corporation's audited financial statements as at and for the year ended December 31, 2014 ("2014 Audited Financial Statements") which were prepared in accordance with IFRS as applicable for annual financial statements. The March 2015 Interim Financial Statements were approved by the Board of Directors of the Corporation for issue on April 30, 2015.

The March 2015 Interim Financial Statements follow the same accounting principles and methods of application as those disclosed in note 3 to the 2014 Audited Financial Statements.

Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective

IAS 1, "Presentation of Financial Statements" ("IAS 1")
In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statement of operations and comprehensive income or loss, and providing additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendments to IAS 1 may be applied immediately, and become mandatory for annual periods beginning on or after January 1, 2016. The Corporation has yet to assess the impact of the amendments to IAS 1 to its financial statements.

IFRS 9, "*Financial Instruments" ("IFRS 9")*
IFRS 9, published in July 2014, replaces IAS 39, *"Financial Instruments: Recognition and Measurement"* ("IAS 39"). IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new model for the impairment of financial assets and requires an economic relationship between the hedged item and hedging instrument. This standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation does not expect that the implementation of IFRS 9 will have a material effect on the Corporation's financial statements.

IFRS 11, "*Joint Arrangements" ("IFRS 11")*
In May 2014, the IASB issued amendments to IFRS 11 to address the accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, "*Business Combinations*". The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Corporation is in the process of evaluating the impact of adopting this amendment to its financial statements.

IAS 16, "*Property, Plant and Equipment" ("IAS 16")* and *IAS 38, "Intangible Assets" ("IAS 38")*
In May 2014, the IASB issued amendments to IAS 16 and IAS 38 to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Corporation does not expect that these amendments will have a significant impact to the Corporation's financial statements.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these unaudited condensed interim financial statements in accordance with IFRS requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, and amounts in net operating income or loss, and the related disclosure of contingent assets and liabilities included in the Corporation's financial statements. 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 amounts of items in net operating income or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of the March 2015 Interim Financial Statements from those judgments, estimates and assumptions disclosed in note 4 to the 2014 Audited Financial Statements.

4. EQUITY ACCOUNTED INVESTMENT

The Corporation accounts for its 45% joint venture interest in Innovative Production Services, Ltd. ("IPS") using the equity method. IPS' sole business activity is the ownership and continuing maintenance of a mobile offshore production unit (the "MOPU"), which is currently located in Louisiana, United States of America and which was originally acquired by IPS in expectation of leasing the equipment to affiliated companies to facilitate their producing, processing and transporting of oil and natural gas.

The following table provides a continuity of the Corporation's investment in IPS during the three months ended March 31, 2015 and 2014.

		Investment in IPS
Carrying value, December 31, 2013	$	1,618,776
Transactions during the three months ended March 31, 2014		
Investment in equity accounted investment		46,216
Share of loss from equity accounted investment		(46,216)
Carrying value, March 31, 2014		1,618,776
Transactions from April 1, 2014 to December 31, 2014		
Investment in equity accounted investment		120,893
Share of loss from equity accounted investment		(120,893)
Impairment		(1,200,000)
Carrying value, December 31, 2014		418,776
Transactions during the three months ended March 31, 2015		
Investment in equity accounted investment		90,937
Share of loss from equity accounted investment		(90,937)
Carrying value, March 31, 2015	$	418,776

During the fourth quarter of 2014, management of the Corporation determined that, given the significant downturn and volatility in the market price of oil and the associated curbing of exploration and production activities in the oil and natural gas sector, the Corporation's resources would be better directed to alternative projects. As such, IPS recognized an impairment loss of approximately $2,700,000, reducing the carrying value of the MOPU to its estimated recoverable amount of approximately $930,613. The Corporation's proportionate share in the impairment loss was $1,200,000.

5. EXPLORATION AND EVALUATION PROPERTIES

The Corporation has entered into a joint operating arrangement with Atlas Petroleum Exploration Worldwide Ltd. ("APEX") pursuant to which the Corporation and APEX agree to undertake exploration, evaluation and extraction activities on the Sfax offshore permit, located offshore Tunisia (the "Sfax Permit"), targeting oil and natural gas reserves. The Corporation holds a 45% working interest in the joint operating arrangement, while APEX holds the remaining 55% working interest.

In January 2014, the Corporation and APEX entered into a farmout agreement with DNO Tunisia AS ("DNO"), a wholly owned subsidiary of DNO International ASA. Pursuant to the farmout agreement, DNO acquired an 87.5% working interest in the Sfax Permit in exchange for an upfront cash payment of US$6,000,000 and the subsequent carrying of 100% of all future costs, including development and production related costs associated with the Sfax Permit. DNO is currently the operator of the Sfax Permit and has assumed all drilling and other obligations associated with the Sfax Permit.

During the three months ended March 31, 2014, the Corporation received $2,871,720 (US$2,700,000), representing its 45% interest in the upfront cash payment made by DNO to secure its interest in the farmout agreement. Amounts received by the Corporation in respect of the farmout agreement were deducted from the carrying value of the Corporation's exploration and evaluation properties. The Corporation has retained a 5.625% working interest in the Sfax Permit, subject to certain cumulative revenue thresholds and priority recovery of expenditures by DNO.

		Exploration and Evaluation Properties (Sfax Permit)
Carrying value, December 31, 2013	$	8,998,774
Transactions during the three months ended March 31, 2014		
Investment in exploration and evaluation properties		54,317
Proceeds received as consideration for farmout agreement of Sfax Permit		(2,871,720)
Carrying value, March 31, 2014		6,181,371
Transactions from April 1, 2014 to December 31, 2014		
Impairment		(6,181,371)
Carrying value, March 31, 2015 and December 31, 2014	$	-

Given the significant downturn and volatility in the market price of oil during late 2014, as well as unfavourable results of recent drilling activities on the Sfax Permit, the Corporation's expected cash flows from its joint operating interest in the Sfax Permit are subject to significant uncertainties. As such, during the fourth quarter of 2014, the Corporation recognized an impairment of $6,181,371 in respect of the Sfax Permit, reducing the carrying value to $nil.

6. AMOUNTS DUE TO DUNDEE CORPORATION

The Corporation has established a $5,000,000 revolving demand credit facility with Dundee Corporation. Borrowings under the revolving demand credit 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%. As lender to the Corporation, Dundee Corporation may, at its discretion and subject to the necessary regulatory approvals, require the Corporation to convert all of the amounts outstanding pursuant to the revolving demand 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. At March 31, 2015, the Corporation had drawn $4,148,903 (December 31, 2014 – $4,120,680) against the revolving demand credit facility. Interest expense incurred on the revolving demand credit facility during the three months ended March 31, 2015 was $43,186 (three months ended March 31, 2014 – $46,693).

7. DECOMMISSIONING LIABILITY

During the three months ended March 31, 2014, the Corporation completed the removal of the ocean-floor template relating to a previously drilled well within the boundaries of the Sfax Permit at a cost of $34,936. There were no reclamation costs incurred during the three months ended March 31, 2015.

8. INCOME TAXES

The Corporation's activities are subject to income taxation in Barbados at a rate of 2.5%. After consideration of estimated future taxable income and potential tax planning strategies, the Corporation has determined that the benefit of loss carry forwards should not be recognized. Accordingly, the Corporation has not recorded an income tax recovery amount or a deferred income tax asset in respect of its operating losses.

9. PREFERENCE SHARES

The Corporation is authorized to issue an unlimited number of preference shares without nominal or par value. The preference shares may be issued in one or more series.

Series A Preference Shares
At March 31, 2015, the Corporation had issued 32,150,000 Series A Preference Shares with a face value of $32,150,000. The Series A Preference Shares are held by Dundee Energy Limited ("Dundee Energy"), a subsidiary of Dundee Corporation. The terms of the Corporation's Series A Preference Shares are summarized in note 10 to the 2014 Audited Financial Statements.

During the three months ended March 31, 2015, the Corporation recognized an expense of $317,096 (three months ended March 31, 2014 – $317,096), representing the dividends accrued on the Series A Preference Shares. At March 31, 2015, cumulative dividends outstanding were $8,556,632 (December 31, 2014 – $8,239,536).

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. Accordingly, at March 31, 2015 and December 31, 2014, the Corporation has classified these obligations as current obligations. At March 31, 2015, Dundee Energy had not exercised its entitlement to elect a majority of the members of the Board of Directors of the Corporation.

10. SHARE CAPITAL

	Number of Shares	Share Capital	Contributed Surplus
Outstanding, March 31, 2015 and December 31, 2014	31,143,635	$ 1	$ 18,000

Stock Based Compensation
A detailed description of the Corporation's stock based compensation arrangements is provided in note 11 to the 2014 Audited Financial Statements. There are currently no awards granted to eligible participants under the Corporation's stock based compensation arrangements.

11. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

For the three months ended		March 31, 2015		March 31, 2014
Salary and salary-related	$	22,458	$	37,226
Corporate and professional fees		66,312		158,642
General office		4,662		30,716
	$	93,432	$	226,584

12. NET LOSS PER COMMON SHARE

For the three months ended		March 31, 2015		March 31, 2014
Net loss from operations attributable to shareholders	$	(522,935)	$	(599,113)
Weighted average number of common shares outstanding		31,143,635		31,143,635
Basic and diluted net loss per common share	$	(0.02)	$	(0.02)

13. RELATED PARTY TRANSACTIONS

The Corporation has entered into a services arrangement with Dundee Resources Limited, a wholly owned subsidiary of Dundee Corporation. The services arrangement 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. During the three months ended March 31, 2015, the Corporation incurred costs of $27,278 (three months ended March 31, 2014 – $55,327), in respect of these arrangements.

Key Management Compensation

Compensation and other fees paid to members of the Board of Directors of the Corporation and to the President and Chief Executive Officer of the Corporation during the three months ended March 31, 2015 and 2014 are shown below.

For the three months ended		March 31, 2015		March 31, 2014
Directors' fees and consulting arrangements	$	38,083	$	67,776
Benefits		-		700
	$	38,083	$	68,476

14. COMMITMENTS

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 Sfax Permit and the related 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 Corporation and APEX, to a maximum of US$20 million. Payment obligations 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 by the Corporation and APEX from the Sfax Permit and the Ras El Besh development concession.

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