EUROGAS INTERNATIONAL INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013

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

(expressed in Canadian dollars)

	Note	As at June 30, 2013	As at December 31, 2012
ASSETS			
Current			
Cash		$ 3,399	$ 7,962
Accounts receivable		-	30,924
Prepaids		33,939	20,055
		37,338	58,941
Non-current			
Equity accounted investment	4	1,618,776	1,618,776
Exploration and evaluation properties	5	8,333,402	7,424,960
		$ 9,989,516	$ 9,102,677
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 616,867	$ 106,725
Amounts due to Dundee Corporation	6	4,133,089	3,358,117
Decommissioning liability	7	65,753	33,578
Accrued dividends on Series A Preference Shares	9	6,305,251	5,667,536
Series A Preference Shares	9	32,150,000	32,150,000
		43,270,960	41,315,956
SHAREHOLDERS' DEFICIENCY			
Share capital	10	1	1
Contributed surplus	10	18,000	18,000
Deficit		(33,299,445)	(32,231,280)
		(33,281,444)	(32,213,279)
		$ 9,989,516	$ 9,102,677

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)

		For the three months ended		For the six months ended	
	Note	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
ITEMS IN NET LOSS					
Loss from changes in estimate of decommissioning liability	5,7	$ (29,776)	$ -	$ (29,776)	$ (98,363)
General and administrative expenses	11	(101,891)	(114,600)	(206,732)	(215,314)
Dividends on Series A Preference Shares	9	(320,619)	(319,743)	(637,715)	(639,486)
Other interest expense	6	(41,213)	(17,445)	(77,768)	(25,634)
Foreign exchange loss		(13,612)	(6,588)	(18,528)	(1,835)
LOSS BEFORE SHARE OF LOSS FROM EQUITY ACCOUNTED INVESTMENT		(507,111)	(458,376)	(970,519)	(980,632)
Share of loss from equity accounted investment	4	(48,277)	(45,319)	(97,646)	(97,382)
NET AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (555,388)	$ (503,695)	$ (1,068,165)	$ (1,078,014)
NET LOSS PER COMMON SHARE					
Basic and diluted net loss per common share	12	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.03)

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, 2011	$ 1	$ 18,000	$ (30,158,209)	$ (30,140,208)
Transactions for the six months ended June 30, 2012				
Net loss for the period	-	-	(1,078,014)	(1,078,014)
Balance, June 30, 2012	1	18,000	(31,236,223)	(31,218,222)
Transactions from July 1, 2012 to December 31, 2012				
Net loss for the period	-	-	(995,057)	(995,057)
Balance, December 31, 2012	1	18,000	(32,231,280)	(32,213,279)
Transactions for the six months ended June 30, 2013				
Net loss for the period	-	-	(1,068,165)	(1,068,165)
Balance, June 30, 2013	$ 1	$ 18,000	$ (33,299,445)	$ (33,281,444)

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 six months ended June 30, 2013	June 30, 2012
OPERATING ACTIVITIES			
Net loss for the period		$ (1,068,165)	$ (1,078,014)
Non-cash items in net loss:			
Share of loss from equity accounted investment	4	97,646	97,382
Non-cash changes in accrued dividends on Series A Preference Shares	9	637,715	639,486
Loss from changes in estimate of decommissioning liability	5,7	29,776	98,363
Other		1,280	(3,534)
		(301,748)	(246,317)
Changes in non-cash working capital:			
Accounts receivable		(47)	8,286
Prepaids		18,206	40,208
Accounts payable and accrued liabilities		107,346	42,846
Reclamation expenditures	7	-	(447,124)
CASH USED IN OPERATING ACTIVITIES		(176,243)	(602,101)
FINANCING ACTIVITIES			
Changes in amounts due to Dundee Corporation		774,972	1,082,625
CASH PROVIDED FROM FINANCING ACTIVITIES		774,972	1,082,625
INVESTING ACTIVITIES			
Investment in equity accounted investment	4	(97,646)	(97,382)
Investment in exploration and evaluation properties	5	(505,646)	(476,270)
CASH USED IN INVESTING ACTIVITIES		(603,292)	(573,652)
NET DECREASE IN CASH DURING THE PERIOD		(4,563)	(93,128)
CASH, BEGINNING OF PERIOD		7,962	99,550
CASH, END OF PERIOD		$ 3,399	$ 6,422

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

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 company engaged in the exploration and evaluation of its landholdings offshore Tunisia, 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 National Stock Exchange ("CNSX") under the symbol "EI". At June 30, 2013, 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 June 30, 2013, the Corporation had negative working capital of $43,233,622 (December 31, 2012 – negative working capital of $41,257,015) and, during the six months then ended, it had incurred a net loss of $1,068,165 (six months ended June 30, 2012 – net loss of $1,078,014). The Corporation's ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, obtaining exploitation concessions for such identified reserves, the ability to raise the necessary capital to finance development, and future profitable production or proceeds from disposition. There can be no assurance that the Corporation will be successful in achieving these initiatives. These material uncertainties 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. In such case, 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 unaudited condensed interim financial statements. These differences could be material.

2. BASIS OF PRESENTATION

These unaudited condensed interim financial statements of the Corporation as at and for the three and six months ended June 30, 2013 ("June 2013 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 Handbook of Canadian Institute of Chartered Accountants, as applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The June 2013 Interim Financial Statements should be read in conjunction with the Corporation's audited financial statements as at and for the year ended December 31, 2012 ("2012 Audited Financial Statements") which were prepared in accordance with IFRS as applicable for annual financial statements. The June 2013 Interim Financial Statements were authorized for issuance by the Board of Directors on July 30, 2013.

The June 2013 Interim Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 3 to the 2012 Audited Financial Statements, except as described below.

Changes in Accounting Policies Implemented During the Six Months Ended June 30, 2013

The Corporation has adopted the following new and revised accounting standards, including any consequential amendments thereto, effective January 1, 2013. Changes in accounting policies adopted by the Corporation were made in accordance with the applicable transitional provisions as provided in those standards and amendments.

IFRS 11, "Joint Arrangements" ("IFRS 11")

IFRS 11 supersedes IAS 31, *"Interests in Joint Ventures"* and SIC-13, *"Jointly Controlled Entities—Non-monetary Contributions by Venturers"*. IFRS 11 requires the classification of joint arrangements as either joint ventures or joint operations, reflecting the underlying contractual rights and obligations of each investor that jointly controls the arrangement. Joint arrangements that are classified as joint operations are accounted for using the proportionate consolidation method whereby the Corporation recognizes its share of the assets, liabilities, revenues and expenses of the joint operations. Joint arrangements classified as joint ventures are accounted for using the equity method as set out in IAS 28, *"Investments in Associates and Joint Ventures" (amended in 2011)*. Under previous IFRS, entities had the choice to proportionately consolidate or equity account for interests in joint ventures.

The Corporation holds a 45% joint interest in Innovative Production Services, Ltd. ("IPS"). IPS holds title to a mobile offshore production unit (the "MOPU") which was acquired by IPS in expectation of producing, processing and transporting oil and natural gas. The Corporation previously accounted for its investment in IPS using the proportionate consolidation method, thereby recognizing its proportionate interest in the MOPU as *"property, plant and equipment"* and its proportionate share of operating costs as *"general and administrative expenses"* in its 2012 Audited Financial Statements. The Corporation has determined that its interest in IPS should be classified as a joint venture and, accordingly, it should be accounted for using the equity method of accounting subsequent to January 1, 2012 in accordance with IFRS 11. The adjustments for each financial statement line item affected by the implementation of IFRS 11 are presented in the tables below.

Adjustments to Statements of Financial Position

	As at	
	June 30, 2013	December 31, 2012
Shareholders' deficiency, before implementation of IFRS 11	$ (33,281,444)	$ (32,213,279)
Decrease in property, plant and equipment	(1,618,776)	(1,618,776)
Increase in equity accounted investment	1,618,776	1,618,776
Shareholders' deficiency, after implementation of IFRS 11	$ (33,281,444)	$ (32,213,279)

Adjustments to Statements of Operations and Comprehensive Loss

	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net and comprehensive loss for the period, before implementation of IFRS 11	$ (555,388)	$ (503,695)	$ (1,068,165)	$ (1,078,014)
Decrease in general and administrative expenses	48,277	45,319	97,646	97,382
Increase in share of loss from equity accounted investment	(48,277)	(45,319)	(97,646)	(97,382)
Net and comprehensive loss for the period, after implementation of IFRS 11	$ (555,388)	$ (503,695)	$ (1,068,165)	$ (1,078,014)

Adjustments to Statements of Cash Flow

	For the six months ended	
	June 30, 2013	June 30, 2012
Net change in cash flow for the period, before implementation of IFRS 11	$ (4,563)	$ (93,128)
Changes in cash provided from operating activities	97,646	97,382
Changes in cash used in investing activities	(97,646)	(97,382)
Net change in cash flow for the period, after implementation of IFRS 11	$ (4,563)	$ (93,128)

The Corporation previously assessed whether its investment in IPS was impaired as at January 1, 2012 and determined no impairment existed.

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12")
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, equity accounted investments, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosure and also introduces significant additional disclosure requirements that address the nature of, and risks associated with an entity's interests in other entities. The Corporation adopted IFRS 12 on January 1, 2013. The adoption of this disclosure standard did not have an impact on the Corporation's June 2013 Interim Financial Statements, but is expected to result in additional disclosure in the Corporation's annual financial statements as at and for the year ending December 31, 2013.

IFRS 13, "Fair Value Measurement" ("IFRS 13")
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard requires that the measurement of the fair value of an asset or liability be based on assumptions that market participants would use when pricing the asset or liability under market conditions existing as of the date of the statement of financial position, including assumptions relating to risk. The Corporation adopted IFRS 13 on January 1, 2013, on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective
Other accounting standards, interpretations and amendments to existing standards that are not yet effective are outlined in Note 3 to the 2012 Audited Financial Statements. The Corporation has not completed its assessment of the impact that the new and amended standards will have on its financial statements, or whether to early adopt any of the new requirements.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the June 2013 Interim Financial Statements requires management to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Corporation's reported amounts of assets, liabilities, revenues and other items in net earnings (loss), and the related disclosure of contingent assets and liabilities, if any. 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 other items in net earnings (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 June 2013 Interim Financial Statements from those judgments, estimates and assumptions disclosed in Note 4 to the 2012 Audited Financial Statements.

4. EQUITY ACCOUNTED INVESTMENT

The Corporation accounts for its 45% interest in IPS using the equity method. The following table provides a continuity of the Corporation's investment in IPS during the six months ended June 30, 2013 and 2012.

		Investment in IPS
Carrying value, December 31, 2011	$	1,618,776
Transactions during the six months ended June 30, 2012		
Investment in equity accounted investment		97,382
Share of loss from equity accounted investment		(97,382)
Carrying value, June 30, 2012		1,618,776
Transactions from July 1, 2012 to December 31, 2012		
Investment in equity accounted investment		95,520
Share of loss from equity accounted investment		(95,520)
Carrying value, December 31, 2012		1,618,776
Transactions during the six months ended June 30, 2013		
Investment in equity accounted investment		97,646
Share of loss from equity accounted investment		(97,646)
Carrying value, June 30, 2013	$	1,618,776

5. EXPLORATION AND EVALUATION PROPERTIES

The Corporation is engaged in exploration and evaluation activities on the Sfax Offshore Permit (the "Sfax Permit") located offshore Tunisia, targeting oil and natural gas reserves.

		Exploration and Evaluation Properties (Sfax Permit)
Carrying value, December 31, 2011	$	5,875,923
Transactions during the six months ended June 30, 2012		
Investment in exploration and evaluation properties		714,680
Carrying value, June 30, 2012		6,590,603
Transactions from July 1, 2012 to December 31, 2012		
Investment in exploration and evaluation properties		834,357
Carrying value, December 31, 2012		7,424,960
Transactions during the six months ended June 30, 2013		
Investment in exploration and evaluation properties		908,442
Carrying value, June 30, 2013	$	8,333,402

The Corporation has entered into a joint venture arrangement with Atlas Petroleum Exploration Worldwide Ltd. ("APEX") pursuant to which the Corporation and APEX agreed to undertake exploration, evaluation and extraction activities on the Sfax Permit. The Corporation owns a 45% working interest in the joint venture arrangement and APEX is the operating partner.

On November 2, 2012, the Corporation and its joint venture partner received approval from the Tunisian regulatory authorities for the first renewal of the Sfax Permit to December 8, 2015 (the "First Renewal Period"). As previously established under the terms of the Sfax Permit, the First Renewal Period will carry a one-well drilling obligation. Furthermore, as part of the renewal process, the Tunisian authorities permitted the Corporation to defer a drilling obligation associated with the initial period of the Sfax Permit to the First Renewal Period (Note 14).

During the six months ended June 30, 2013, the Corporation invested $908,442 (June 30, 2012 – $714,680) on the Sfax Permit, primarily in respect of geological and geophysical work required for the proper determination of its next drilling prospect, and includes an allocation of direct general and administrative expenses.

Farmout Agreement with DNO Tunisia AS
On June 4, 2013, the Corporation, together with its joint venture partner, announced that it had entered into a farmout agreement with DNO Tunisia AS ("DNO"), a wholly-owned subsidiary of DNO International ASA, with respect to the Sfax Permit (the "DNO Agreement"). The DNO Agreement provides for the acquisition by DNO of an 87.5% participating interest in the Sfax Permit in exchange for a US$6 million cash payment and the carrying of 100% of all costs, including development and production related costs associated with the Sfax Permit. The Corporation's share of the cash payment to be made by DNO is US$2.7 million. As part of the DNO Agreement, DNO would become the operating partner in the Sfax Permit.

Completion of the DNO Agreement, which is expected during the third quarter of the current year, is subject to the satisfaction of the following conditions: i) the approval by the Tunisian authorities; ii) the approval by Entreprise Tunisienne d'Activités Pétrolières ("ETAP") of DNO assuming the obligations of operatorship; iii) the removal of the ocean-floor template relating to a previously drilled well within the boundaries of the Sfax Permit; and iv) there having been no event which materially and adversely affects the working interest of the joint venture partners or their ability to conduct operations in the normal course (Note 7). Following completion of the DNO Agreement, the Corporation will retain a 5.625% participating interest in the Sfax Permit, subject to certain cumulative revenue thresholds.

Subsequent to June 30, 2013, the Corporation completed the removal of the ocean-floor template.

6. AMOUNTS DUE TO DUNDEE CORPORATION

During 2012, the Corporation established a $5.0 million 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 June 30, 2013, the Corporation had drawn $4,133,089 (December 31, 2012 – $3,358,117) against the revolving demand credit facility. Interest expense incurred on the revolving demand credit facility during the three and six months ended June 30, 2013 was $40,710 and $76,920 respectively (three and six months ended June 30, 2012 – $17,027 and $24,336 respectively).

7. DECOMMISSIONING LIABILITY

The carrying amount of the Corporation's decommissioning liability is comprised of the expected future abandonment and site restoration costs of removing an ocean-floor template associated with a previously drilled well within the boundaries of the Sfax Permit. During the second quarter of 2013, and in order to satisfy certain conditions relating to the DNO Agreement (Note 5), the Corporation increased its estimate of the cost of abandonment and site restoration activities by US$28,800.

		As at and for the six months ended June 30, 2013		As at and for the year ended December 31, 2012
Undiscounted future obligations, beginning of period (US dollars)	$	33,750	$	930,696
Adjustments to estimates		28,800		98,875
Liabilities settled on transfer of prepaid amounts		-		(550,534)
Liabilities settled in cash		-		(445,287)
Undiscounted future obligations, end of period (US dollars)	$	62,550	$	33,750
Foreign exchange rate		1.0512		0.9949
	$	65,753	$	33,578

		As at and for the six months ended June 30, 2013		As at and for the year ended December 31, 2012
Discount rates applied to future obligations		*1.68%*		*1.68%*
Discounted future obligations, beginning of period	$	33,578	$	946,518
Liabilities settled on transfer of prepaid amounts		-		(559,893)
Liabilities settled in cash		-		(447,124)
Adjustments to estimates		29,776		98,363
Effect of changes in foreign exchange rates		2,399		(4,286)
Discounted future obligations, end of period	$	65,753	$	33,578

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 June 30, 2013, 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 2012 Audited Financial Statements.

During the three and six months ended June 30, 2013, the Corporation recognized an expense of $320,619 and $637,715 respectively (three and six months ended June 30, 2012 – $319,743 and $639,486 respectively), representing the dividends accrued on the Series A Preference Shares. At June 30, 2013, cumulative dividends outstanding were $6,305,251 (December 31, 2012 – $5,667,536).

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 June 30, 2013 and December 31, 2012, the Corporation has classified these obligations as current obligations. At June 30, 2013, 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, June 30, 2013 and December 31, 2012	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 2012 Audited Financial Statements.

Share Option Plan

At June 30, 2013, the Corporation had 600,000 outstanding options (December 31, 2012 – 600,000 options) with a weighted average exercise price of $0.10 per option, of which 600,000 options (December 31, 2012 – 600,000 options) had met the vesting requirements and were available for exercise. The options have a weighted average remaining contractual life at June 30, 2013 of 0.96 years. The Corporation did not recognize any stock based compensation expense during the three and six months ended June 30, 2013 (three and six months ended June 30, 2012 - $nil), as the options were fully vested.

Deferred Share Unit Plan

There are currently no units granted to eligible participants under the Corporation's deferred share unit plan.

11. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Salary and salary-related	$ 44,777	$ 47,777	$ 92,602	$ 97,054
Corporate and professional fees	277,603	172,262	459,034	323,441
General office	11,592	18,757	26,592	43,861
Capitalization of general and administrative costs	(232,081)	(124,196)	(371,496)	(249,042)
	$ 101,891	$ 114,600	$ 206,732	$ 215,314

12. NET LOSS PER SHARE

	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net loss from operations attributable to shareholders	$ (555,388)	$ (503,695)	$ (1,068,165)	$ (1,078,014)
Weighted average number of common shares outstanding	31,143,635	31,143,635	31,143,635	31,143,635
Basic and diluted net loss per common share	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.03)

The Corporation has issued stock options pursuant to stock based compensation arrangements (Note 10). The dilutive effect of options has not been included in the determination of the weighted average number of common shares outstanding as the inclusion thereof would be anti-dilutive to the net loss per share.

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 and six months ended June 30, 2013, the Corporation incurred costs of $57,129 and $111,027 respectively (three and six months ended June 30, 2012 – $79,391 and $154,673 respectively), 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 and six months ended June 30, 2013 and 2012 are shown below.

	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Directors' fees and consulting arrangements	$ 75,375	$ 78,374	$ 153,750	$ 158,249
Benefits	652	652	1,352	1,304
	$ 76,027	$ 79,026	$ 155,102	$ 159,553

14. COMMITMENTS

Drilling Obligations

As part of the initial term of the Sfax Permit, the joint venture partners committed to drilling an exploration well, with depth to a specified geological zone (the "Initial Well Obligation"). The Corporation did not meet its obligation during the initial term of the Sfax Permit. However, as part of the granting of the First Renewal Period (Note 5), the Initial Well Obligation was transferred to the First Renewal Period. The actual cost for the Initial Well Obligation 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 costs to meet this commitment ranges between US$6 million and US$9 million.

The First Renewal Period carries an additional one-well drilling obligation ("First Renewal Well Obligation") which requires drilling to a sufficient depth to enable an appropriate assessment of potential reserves. The Corporation has not yet completed its assessment of the costs associated with the First Renewal Well Obligation.

In the event that the Corporation's drilling commitments are not completed prior to the expiry of the First Renewal Period, a compensatory payment of up to US$8 million per well will be payable to the Tunisian government by the joint venture partners, less any amounts incurred by the joint venture partners in respect of the completion of these obligations.

Subject to obtaining the necessary approvals to complete the DNO Agreement (Note 5), the terms of the DNO Agreement provide that DNO will assume responsibility for the drilling obligations as outlined above. In the event that the DNO Agreement is not completed, the Corporation has obtained a commitment from Dundee Corporation to provide the Corporation with the necessary financial resources to enable it to complete the Initial Well Obligation, subject to certain conditions.

Farmout Arrangements with Delta Hydrocarbons B.V. ("Delta")

In prior years, the Corporation and APEX had entered into a farmout option agreement with 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 joint venture partners, 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 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.