EUROGAS INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013

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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). The Corporation is currently engaged in exploration and evaluation activities through its 45% working interest in the Sfax offshore exploration permit (the "Sfax Permit"), located offshore Tunisia, and covering approximately 797,655 acres in the shallow Mediterranean waters in the Gulf of Gabes, southeast of the city of Sfax. The Corporation's common shares trade 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 July 30, 2013 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, 2012 (the "2012 Audited Financial Statements") and the unaudited condensed interim financial statements of the Corporation as at and for the three and six months ended June 30, 2013 (the "June 2013 Interim Financial Statements") prepared under International Financial Reporting Standards ("IFRS"). All amounts in this MD&A 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 risk that the Corporation is unable to access sufficient capital from internal and external sources, risks associated with foreign operations, risks of not being able to obtain or renew permits and licenses, the impact of general economic conditions, currency fluctuations, exploration and development risks, reliance on key personnel and management, risks relating to the abandonment of operations, 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 obtaining additional financing, the continued support of its shareholders, the discovery of economically recoverable reserves, obtaining exploitation concessions for identified reserves, and generating revenues sufficient to cover its operating costs. The 2012 Audited Financial Statements and the June 2013 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 2012 Audited Financial Statements and the June 2013 Interim Financial Statements.

NEW ACCOUNTING STANDARDS ADOPTED IN 2013

Effective January 1, 2013, the Corporation adopted the requirements of IFRS 11, "*Joint Arrangements*" ("IFRS 11"). IFRS 11 requires a joint venturer to classify its interest in a joint arrangement as either a joint venture or as joint operations. Joint ventures must be accounted for using the equity method of accounting. Joint operations, however, are accounted for using proportionate consolidation whereby the joint venturer recognizes its share of the assets, liabilities, revenues and expenses of joint operations. Under previous IFRS, entities could elect to proportionately consolidate or equity account for interests in joint ventures.

The Corporation has determined that its 45% interest in Innovative Production Services, Ltd. ("IPS") meets the definition of a joint venture and, accordingly, it should be accounted for using the equity method of accounting subsequent to January 1, 2012. Included in Note 2 to the June 2013 Interim Financial Statements is a detailed analysis of each financial statement line item affected by the implementation of IFRS 11.

BUSINESS DEVELOPMENTS

The Offshore Sfax Exploration Permit

Eurogas International entered into a joint operating agreement with Atlas Petroleum Exploration Worldwide Ltd. ("APEX"), effective June 12, 2003, pursuant to which the Corporation and APEX agreed to undertake exploration, appraisal and extraction operations in the working interests awarded to them pursuant to the Sfax Permit (the "Joint Venture"). The Corporation holds a 45% working interest in the Joint Venture. APEX holds the remaining 55% working interest, and is the operator of the Joint Venture.

On November 2, 2012, the Tunisian authorities approved an application made by the Joint Venture to renew the initial term of the Sfax Permit from December 9, 2012 to December 8, 2015 (the "First Renewal Period"). As part of the renewal, the Tunisian authorities agreed to the transfer of the Corporation's obligation to drill one exploration well, with depth to a specified geological zone (the "Initial Well Obligation") to the First Renewal Period. In addition to the Initial Well Obligation, the First Renewal Period carries an additional one-well drilling obligation (the "First Renewal Well Obligation"), with sufficient depth to enable an appropriate assessment of potential reserves.

Farmout Agreement with DNO Tunisia AS ("DNO")

In June 2013, the Corporation announced that, together with its joint venture partner, it had entered into a farmout agreement with DNO with respect to the Sfax Permit and the associated Ras El Besh development concession (the "DNO Agreement"). 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.

The DNO Agreement provides DNO with an 87.5% participating interest in the Sfax Permit in exchange for (i) a US$6 million cash payment to the Joint Venture, the Corporation's share of which approximates US$2.7 million; and (ii) the carrying of 100% of all future costs associated with the Sfax Permit, including the Corporation's commitments pursuant to the Initial Well Obligation and the First Renewal Well Obligation as noted above. As part of these arrangements, DNO will assume all obligations of operatorship.

The completion of the DNO Agreement is conditional on the approval by the relevant Tunisian authorities of the terms of the DNO Agreement, including the appointment of DNO as the operator, and is subject to other normal conditions of closing, including the absence of a material adverse change. Completion is expected in the third quarter of the current year. In addition, and as a condition of the completion of the DNO Agreement, the Joint Venture has committed to complete the removal of an ocean-floor template previously assembled as part of the Ras El Besh development concession within the Sfax Permit. Removal costs approximate US$278,000 of which the Corporation's share is US$62,500. The Corporation has adjusted the carrying value of its decommissioning liability accordingly, and the work required to remove the template was completed subsequent to June 30, 2013.

Following completion of the DNO Agreement, the Corporation will retain a 5.625% participating interest in the Sfax Permit until gross revenues to the Corporation from the profit oil component of production reaches US$56.2 million. Thereafter, and until such time as gross revenues from the profit oil component of production reaches US$90.0 million, the Corporation will be entitled to a 2.8% participating interest. In addition, the Corporation will receive up to US$9.0 million from the cost oil component of production.

Investment in the Sfax Permit During 2013

During the six months ended June 30, 2013, the Corporation invested $908,442 (six months ended June 30, 2012 – $714,680) in the Sfax Permit. These expenditures continue to include certain geological and geophysical work deemed necessary to advance the prospects for the Sfax Permit. In addition, capitalized expenditures during the first six months of 2013 include legal costs of approximately $0.2 million related to the DNO Agreement.

		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

Innovative Production Services, Ltd.

In May 2007, IPS, a company in which the Corporation owns a 45% interest, purchased an oil production mobile offshore production platform (the "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. In accordance with the implementation of IFRS 11 (See "*New Accounting Standards Adopted in 2013")*, the Corporation's share of aggregate costs associated with the MOPU has been included in the June 2013 Interim Financial Statements as an "*Equity accounted investment*". During the six months ended June 30, 2013, the Corporation's share of costs incurred by IPS was $97,646 (six months ended June 30, 2012 – $97,382). Costs incurred relate primarily to the care and maintenance of the MOPU. These costs have been included as *"Share of loss from equity accounted investment"* in the Corporation's statements of operations and comprehensive loss.

RESULTS OF OPERATIONS

Comparison of the six months ended June 30, 2013 with the six months ended June 30, 2012

During the first half of 2013, the Corporation incurred a net loss of $1.1 million, or a loss of approximately $0.03 per share. The net loss is consistent with a net loss of $1.1 million or a loss of approximately $0.03 per share incurred by the Corporation during the same period of 2012. The Corporation's net loss during the first half of 2013 includes $0.6 million of interest expense associated with dividends payable on the Corporation's Series A Preference Shares outstanding (six months ended June 30, 2012 – $0.6 million).

Included in the Corporation's net loss during the first half of 2013 is $29,776 relating to changes in the Corporation's estimate of its decommissioning liabilities. This compares with a net loss of $98,363 realized from changes in estimates of decommissioning liabilities recognized during the first half of the prior year.

General and administrative expenses incurred during the six months ended June 30, 2013 were $206,732, representing a minor decrease of $8,582 from general and administrative expenses of $215,314 incurred in the same period of the prior year.

Interest expense was $77,768 during the six months ended June 30, 2013, compared with $25,634 incurred during the same period of the prior year. Included in interest expense during the first half of 2013 is $76,920 (six months ended June 30, 2012 – $24,336) associated with the Corporation's $5.0 million credit facility provided by Dundee Corporation (see *"Liquidity and Capital Resources – Cash Resource Availability")*.

Comparison of the three months ended June 30, 2013 with the three months ended June 30, 2012

During the three months ended June 30, 2013, the Corporation incurred a net loss of $0.6 million, or a loss of $0.02 per share. This compares with a net loss of $0.5 million or a loss of $0.02 per share during the same period of the prior year.

Included in operating results for the second quarter of 2013 is $29,776 relating to changes in the Corporation's estimate of decommissioning liabilities. There were no changes in the estimate of decommissioning liabilities realized in the second quarter of the prior year.

General and administrative expenses incurred during the second quarter of 2013 were $101,891, representing an 11% decrease from general and administrative expenses of $114,600 incurred during the second quarter of the prior year. The decrease in general and administrative expenses was offset by an increase of $23,768 in interest expense during the second quarter of 2013 to $41,213 from $17,445 incurred during the same period of the prior year. Consistent with year-to-date results, the increase reflects additional borrowings by the Corporation pursuant to the credit facility established with Dundee Corporation.

Summary of Quarterly Results

	2013		2012				2011	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Net loss	$ (555,388)	$ (512,777)	$ (508,043)	$ (487,014)	$ (503,695)	$ (574,319)	$ (302,359)	$ (509,060)
Capital expenditures	437,103	471,339	426,370	407,987	461,281	253,399	284,619	351,788

LIQUIDITY AND CAPITAL RESOURCES

Cash Resource Availability

At June 30, 2013, the Corporation had cash of $3,399 compared with $7,962 at December 31, 2012. The Corporation's current cash resources are insufficient to meet its planned 2013 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, or that the Corporation will obtain the necessary regulatory or governmental approvals.

During 2012, the Corporation 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 June 30, 2013, 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.

In addition to the revolving demand credit facility, and in the event that the DNO Agreement is not completed (see *"Business Developments – Farmout Agreement with DNO Tunisia AS")* Dundee Corporation has committed, subject to certain conditions, to provide the necessary financial resources to the Corporation to enable it to complete its share of the Initial Well Obligation.

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 June 30, 2013, cumulative dividends outstanding on the Series A Preference Shares were $6.3 million (December 31, 2012 – $5.7 million), representing outstanding dividends for more than eight quarters. However, at June 30, 2013, Dundee Energy had not exercised its entitlement to elect a majority of the Board of Directors of the Corporation.

Common Shares

As at July 30, 2013, there were 31,143,635 common shares outstanding.

COMMITMENTS

The Joint Venture is committed to the Initial Well Obligation and the First Renewal Well Obligation. The actual cost for each drilling obligation will depend on the selection of the prospect and the location within the Sfax Permit. In the event that these work commitments are not completed prior to the expiry of the First Renewal Period, a compensatory payment of up to US$8 million per undrilled well will be payable to the Tunisian government by the Joint Venture, less any amounts previously incurred by the Joint Venture in respect of the furtherance of these obligations. If the Corporation is successful in completing the DNO Agreement, the drilling obligation and the associated compensatory payment for non-compliance will be assumed by DNO.

In prior years, the Corporation and APEX had entered into a farmout option agreement with Delta Hydrocarbons B.V. ("Delta") which was subsequently terminated. The Corporation is obligated to make certain payments to Delta if and when received by the Joint Venture, to a maximum of US$20 million. Payments to Delta may include a share of the proceeds from the cost oil portion of any future production revenues realized from the Sfax Permit, and a share of the proceeds from any sale or lease of the MOPU.

RELATED PARTY TRANSACTIONS

Other than as described in Note 13 to the June 2013 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 2012 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.

At June 30, 2013, the Corporation had cash of $3,399 compared with $7,962 at December 31, 2012. During 2012, the Corporation established a $5.0 million demand credit facility with its principal shareholder, Dundee Corporation. At June 30, 2013, $4,133,089 million had been drawn against this facility. 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, or that such arrangements would receive the appropriate regulatory or governmental approvals. Raising funds by equity financings would result in dilution, possibly substantial, to present 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 to provide a borrowing base.

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 2012 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 values 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.

Other than as outlined in Note 2 to the June 2013 Interim Financial Statements, there have been no other material changes to the accounting policies applied in the preparation of the Corporation's June 2013 Interim Financial Statements from those detailed in Note 3 to the Corporation's 2012 Audited Financial Statements. A summary of critical judgments, estimates and assumptions made by the Corporation are provided in Note 4 to the 2012 Audited Financial Statements. There have been no significant changes in these judgments and estimates during the six months ended June 30, 2013.

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 June 2013 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 six months ended June 30, 2013, 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*.