EUROGAS INTERNATIONAL INC.

2013 THIRD 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 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 October 25, 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 nine months ended September 30, 2013 (the "September 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 September 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 September 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 September 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. 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. Work required to remove the template was completed in the third quarter of 2013. The DNO Agreement is subject to cancellation if the conditions as outlined above are not completed prior to December 31, 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 nine months ended September 30, 2013, the Corporation invested $1,227,853 (nine months ended September 30, 2012 – $1,122,667) 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 nine months ended September 30, 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 nine months ended September 30, 2012		
Investment in exploration and evaluation properties		1,122,667
Carrying value, September 30, 2012		6,998,590
Transactions from October 1, 2012 to December 31, 2012		
Investment in exploration and evaluation properties		426,370
Carrying value, December 31, 2012		7,424,960
Transactions during the nine months ended September 30, 2013		
Investment in exploration and evaluation properties		1,227,853
Carrying value, September 30, 2013	$	8,652,813

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. 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 September 2013 Interim Financial Statements as an "*Equity accounted investment*". During the nine months ended September 30, 2013, the Corporation's share of costs incurred by IPS was $141,426 (nine months ended September 30, 2012 – $150,531). 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.

The Corporation is assessing alternative usage of the MOPU, including the possible monetization of the asset through sale or lease arrangements.

RESULTS OF OPERATIONS

Comparison of the nine months ended September 30, 2013 with the nine months ended September 30, 2012

During the nine months ended September 30, 2013, the Corporation incurred a net loss of $1.6 million, or a loss of approximately $0.05 per share. The net loss is consistent with a net loss of $1.6 million or a loss of approximately $0.05 per share incurred by the Corporation during the same period of 2012. The Corporation's net loss during the nine months ended September 30, 2013 includes $1.0 million of interest expense associated with dividends payable on the Corporation's Series A Preference Shares outstanding (nine months ended September 30, 2012 – $1.0 million).

Included in the Corporation's net loss during the nine months ended September 30, 2013 is a $29,776 increase in the Corporation's decommissioning liability. The increase reflects work completed in the third quarter of 2013 to remove the ocean-floor template previously assembled as part of the Ras El Besh development concession within the Sfax Permit, as required pursuant to the conditions for completion of the DNO Agreement (see *"Farmout Agreement with DNO Tunisia AS"*). During the same period of the prior year, the Corporation increased its estimated decommissioning liability by $98,363 upon initiating abandonment and restoration of the REB-3 well site.

General and administrative expenses incurred during the nine months ended September 30, 2013 were $311,563, representing a minor increase of $6,593 from general and administrative expenses of $304,970 incurred in the same period of the prior year.

Interest expense was $124,740 during the nine months ended September 30, 2013, compared with $49,946 incurred during the same period of the prior year. Included in interest expense during the nine months ended September 30, 2013 is $123,421 (nine months ended September 30, 2012 – $48,272) 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 September 30, 2013 with the three months ended September 30, 2012

During the three months ended September 30, 2013, the Corporation incurred a net loss of $0.5 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.

General and administrative expenses incurred during the third quarter of 2013 were $104,831, representing a 17% increase from general and administrative expenses of $89,656 incurred during the third quarter of the prior year. The increase relates primarily to head office overhead costs, including costs associated with regulatory compliance requirements and certain transaction costs related to possible future opportunities.

Interest expense during the third quarter of 2013 was $46,972 compared to $24,312 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-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Net loss	$ (518,990)	$ (555,388)	$ (512,777)	$ (508,043)	$ (487,014)	$ (503,695)	$ (574,319)	$ (302,359)	$ (509,060)
Capital expenditures	319,411	437,103	471,339	426,370	407,987	461,281	253,399	284,619	351,788

LIQUIDITY AND CAPITAL RESOURCES

Cash Resource Availability

At September 30, 2013, the Corporation had cash of $19,936 compared with $7,962 at December 31, 2012. The Corporation's current cash resources are insufficient to meet its planned 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 September 30, 2013, the Corporation had drawn $4.8 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 September 30, 2013, cumulative dividends outstanding on the Series A Preference Shares were $6.6 million (December 31, 2012 – $5.7 million), representing outstanding dividends for more than eight quarters. However, at September 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 October 25, 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 September 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 September 30, 2013, the Corporation had cash of $19,936 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 September 30, 2013, $4.8 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 September 2013 Interim Financial Statements, there have been no other material changes to the accounting policies applied in the preparation of the Corporation's September 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 nine months ended September 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 September 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 nine months ended September 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*.

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

(expressed in Canadian dollars)

	Note	As at September 30, 2013	As at December 31, 2012
ASSETS			
Current			
Cash		$ 19,936	$ 7,962
Accounts receivable		-	30,924
Prepaids		-	20,055
		19,936	58,941
Non-current			
Equity accounted investment	4	1,618,776	1,618,776
Exploration and evaluation properties	5	8,652,813	7,424,960
		$ 10,291,525	$ 9,102,677
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 453,567	$ 106,725
Amounts due to Dundee Corporation	6	4,826,588	3,358,117
Decommissioning liability	7	32,411	33,578
Accrued dividends on Series A Preference Shares	9	6,629,393	5,667,536
Series A Preference Shares	9	32,150,000	32,150,000
		44,091,959	41,315,956
SHAREHOLDERS' DEFICIENCY			
Share capital	10	1	1
Contributed surplus	10	18,000	18,000
Deficit		(33,818,435)	(32,231,280)
		(33,800,434)	(32,213,279)
		$ 10,291,525	$ 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 nine months ended	
	Note	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
ITEMS IN NET LOSS					
Loss from changes in estimate of decommissioning liability	5,7	$ -	$ -	$ (29,776)	$ (98,363)
General and administrative expenses	11	(104,831)	(89,656)	(311,563)	(304,970)
Dividends on Series A Preference Shares	9	(324,142)	(323,257)	(961,857)	(962,743)
Other interest expense	6	(46,972)	(24,312)	(124,740)	(49,946)
Foreign exchange (loss) gain		735	3,360	(17,793)	1,525
LOSS BEFORE SHARE OF LOSS FROM EQUITY ACCOUNTED INVESTMENT		(475,210)	(433,865)	(1,445,729)	(1,414,497)
Share of loss from equity accounted investment	4	(43,780)	(53,149)	(141,426)	(150,531)
NET AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (518,990)	$ (487,014)	$ (1,587,155)	$ (1,565,028)
NET LOSS PER COMMON SHARE					
Basic and diluted net loss per common share	12	$ (0.02)	$ (0.02)	$ (0.05)	$ (0.05)

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 nine months ended September 30, 2012				
Net loss for the period	-	-	(1,565,028)	(1,565,028)
Balance, September 30, 2012	1	18,000	(31,723,237)	(31,705,236)
Transactions from October 1, 2012 to December 31, 2012				
Net loss for the period	-	-	(508,043)	(508,043)
Balance, December 31, 2012	1	18,000	(32,231,280)	(32,213,279)
Transactions for the nine months ended September 30, 2013				
Net loss for the period	-	-	(1,587,155)	(1,587,155)
Balance, September 30, 2013	$ 1	$ 18,000	$ (33,818,435)	$ (33,800,434)

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 nine months ended September 30, 2013	September 30, 2012
OPERATING ACTIVITIES			
Net loss for the period		$ (1,587,155)	$ (1,565,028)
Non-cash items in net loss:			
Share of loss from equity accounted investment	4	141,426	150,531
Non-cash changes in accrued dividends on Series A Preference Shares	9	961,857	962,743
Loss from changes in estimate of decommissioning liability	5,7	29,776	98,363
Other		(66)	(3,629)
		(454,162)	(357,020)
Changes in non-cash working capital:			
Accounts receivable		47	8,286
Prepaids		3,938	41,521
Accounts payable and accrued liabilities		64,922	49,130
Reclamation expenditures	7	-	(447,124)
CASH USED IN OPERATING ACTIVITIES		(385,255)	(705,207)
FINANCING ACTIVITIES			
Changes in amounts due to Dundee Corporation		1,468,471	1,805,843
CASH PROVIDED FROM FINANCING ACTIVITIES		1,468,471	1,805,843
INVESTING ACTIVITIES			
Investment in equity accounted investment	4	(141,426)	(150,531)
Investment in exploration and evaluation properties	5	(929,816)	(1,041,093)
CASH USED IN INVESTING ACTIVITIES		(1,071,242)	(1,191,624)
NET INCREASE (DECREASE) IN CASH DURING THE PERIOD		11,974	(90,988)
CASH, BEGINNING OF PERIOD		7,962	99,550
CASH, END OF PERIOD		$ 19,936	$ 8,562

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 and nine months ended September 30, 2013 and 2012

(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 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 September 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 September 30, 2013, the Corporation had negative working capital of $44,072,023 (December 31, 2012 – negative working capital of $41,257,015) and, during the nine months then ended, it had incurred a net loss of $1,587,155 (nine months ended September 30, 2012 – net loss of $1,565,028). 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 nine months ended September 30, 2013 ("September 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 September 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 September 2013 Interim Financial Statements were authorized for issuance by the Board of Directors on October 25, 2013.

The September 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 Nine Months Ended September 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	
	September 30, 2013	December 31, 2012
Shareholders' deficiency, before implementation of IFRS 11	$ (33,800,434)	$ (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	$ (33,800,434)	$ (32,213,279)

Adjustments to Statements of Operations and Comprehensive Loss

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net and comprehensive loss for the period, before implementation of IFRS 11	$ (518,990)	$ (487,014)	$ (1,587,155)	$ (1,565,028)
Decrease in general and administrative expenses	43,780	53,149	141,426	150,531
Increase in share of loss from equity accounted investment	(43,780)	(53,149)	(141,426)	(150,531)
Net and comprehensive loss for the period, after implementation of IFRS 11	$ (518,990)	$ (487,014)	$ (1,587,155)	$ (1,565,028)

Adjustments to Statements of Cash Flow

	For the nine months ended	
	September 30, 2013	September 30, 2012
Net change in cash flow for the period, before implementation of IFRS 11	$ 11,974	$ (90,988)
Changes in cash provided from operating activities	141,426	150,531
Changes in cash used in investing activities	(141,426)	(150,531)
Net change in cash flow for the period, after implementation of IFRS 11	$ 11,974	$ (90,988)

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 September 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 September 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 September 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 nine months ended September 30, 2013 and 2012.

		Investment in IPS
Carrying value, December 31, 2011	$	1,618,776
Transactions during the nine months ended September 30, 2012		
Investment in equity accounted investment		150,531
Share of loss from equity accounted investment		(150,531)
Carrying value, September 30, 2012		1,618,776
Transactions from October 1, 2012 to December 31, 2012		
Investment in equity accounted investment		42,371
Share of loss from equity accounted investment		(42,371)
Carrying value, December 31, 2012		1,618,776
Transactions during the nine months ended September 30, 2013		
Investment in equity accounted investment		141,426
Share of loss from equity accounted investment		(141,426)
Carrying value, September 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 nine months ended September 30, 2012		
Investment in exploration and evaluation properties		1,122,667
Carrying value, September 30, 2012		6,998,590
Transactions from October 1, 2012 to December 31, 2012		
Investment in exploration and evaluation properties		426,370
Carrying value, December 31, 2012		7,424,960
Transactions during the nine months ended September 30, 2013		
Investment in exploration and evaluation properties		1,227,853
Carrying value, September 30, 2013	$	8,652,813

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 nine months ended September 30, 2013, the Corporation invested $1,227,853 (September 30, 2012 – $1,122,667) 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 is subject to the satisfaction of the following outstanding conditions: i) approval of the DNO Agreement by the Tunisian authorities; ii) the approval by Entreprise Tunisienne d'Activités Pétrolières ("ETAP") of DNO assuming the obligations of directorship; and iii) 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. If conditions are not met, the DNO Agreement expires on December 31, 2013.

Completion of the DNO Agreement is also conditional on the removal of the ocean-floor template relating to a previously drilled well within the boundaries of the Sfax Permit, which was completed during the three months ended September 30, 2013 (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.

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 September 30, 2013, the Corporation had drawn $4,826,588 (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 nine months ended September 30, 2013 was $46,501 and $123,421 respectively (three and nine months ended September 30, 2012 – $23,936 and $48,272 respectively).

7. DECOMMISSIONING LIABILITY

		As at and for the nine months ended September 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		(31,037)		(550,534)
Liabilities settled in cash		-		(445,287)
Undiscounted future obligations, end of period (US dollars)	$	31,513	$	33,750
Foreign exchange rate		1.0285		0.9949
	$	32,411	$	33,578

	As at and for the nine months ended September 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	(32,090)	(559,893)
Liabilities settled in cash	-	(447,124)
Adjustments to estimates	29,776	98,363
Effect of changes in foreign exchange rates	1,147	(4,286)
Discounted future obligations, end of period	$ 32,411	$ 33,578

During the three months ended September 30, 2013, the Corporation completed the removal of the ocean-floor template relating to a previously drilled well within the boundaries of the Sfax Permit. The Corporation's decommissioning liability at September 30, 2013 represents the Corporation's estimate of unpaid costs related to these activities. Included in the Corporation's net and comprehensive loss for the nine months ended September 30, 2013 is an amount of $29,776, representing an increase in the estimated cost associated with the removal of the ocean-floor template from estimates accrued at December 31, 2012.

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 September 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 nine months ended September 30, 2013, the Corporation recognized an expense of $324,142 and $961,857 respectively (three and nine months ended September 30, 2012 – $323,257 and $962,743 respectively), representing the dividends accrued on the Series A Preference Shares. At September 30, 2013, cumulative dividends outstanding were $6,629,393 (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 September 30, 2013 and December 31, 2012, the Corporation has classified these obligations as current obligations. At September 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, September 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 September 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 September 30, 2013 of 0.71 years. The Corporation did not recognize any stock based compensation expense during the three and nine months ended September 30, 2013 (three and nine months ended September 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 nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Salary and salary-related	$ 49,099	$ 47,125	$ 141,701	$ 144,179
Corporate and professional fees	129,040	143,825	588,074	467,266
General office	7,824	19,869	34,416	63,730
Capitalization of general and administrative costs	(81,132)	(121,163)	(452,628)	(370,205)
	$ 104,831	$ 89,656	$ 311,563	$ 304,970

12. NET LOSS PER COMMON SHARE

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net loss from operations attributable to shareholders	$ (518,990)	$ (487,014)	$ (1,587,155)	$ (1,565,028)
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)	$ (0.05)	$ (0.05)

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 nine months ended September 30, 2013, the Corporation incurred costs of $53,626 and $164,653 respectively (three and nine months ended September 30, 2012 – $72,838 and $227,511 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 nine months ended September 30, 2013 and 2012 are shown below.

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Directors' fees and consulting arrangements	$ 79,875	$ 78,375	$ 233,625	$ 236,624
Benefits	474	-	1,826	1,304
	$ 80,349	$ 78,375	$ 235,451	$ 237,928

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.

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