

## **EUROGAS INTERNATIONAL INC.**

# **NEWS RELEASE**

### **EUROGAS INTERNATIONAL ANNOUNCES FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2010**

TORONTO, ONTARIO – (January 28, 2011) – Eurogas International Inc. (“Eurogas International” or the “Corporation”) today announced its financial results for the year ended December 31, 2010.

During 2010, the Corporation incurred a net loss of \$2.2 million, or approximately \$0.07 per share. This compares with a net loss of \$3.9 million, or \$0.12 per share in 2009. During the fourth quarter of 2010, and as a result of the recovery of \$0.6 million in legal expenses from the settlement of the litigation with Seawolf (see below), the Corporation earned income of \$7,743. This compares with a net loss of \$1.2 million incurred during the fourth quarter of 2009.

#### **RECENT EVENTS**

On January 18, 2011, the Corporation announced that, together with its joint venture partner, it has declared a condition of a Force Majeure with respect to the Sfax Permit and Ras-El-Besh concession. The Corporation and its joint venture partner believe that the current political uncertainty and civil unrest in Tunisia, which have resulted in the collapse of the government, a declaration of a state of emergency and serious civil disturbance, adversely affects their ability to continue their exploration and evaluation activities. Eurogas International believes that the declaration of a Force Majeure will temporarily suspend activities while the conditions resulting in the Force Majeure continue. It is anticipated that the Force Majeure declaration will result in an extension of the term of the Sfax Permit and Ras-El-Besh concession for a period of time equivalent to the time that activities were suspended as a result of the Force Majeure. Once the situation in Tunisia is resolved, exploration and evaluation activities will resume.

#### **BUSINESS DEVELOPMENTS**

##### **The Offshore Sfax Exploration Permit**

During 2010, the Corporation completed the reprocessing and mapping of four 3-D seismic surveys on the Sfax Permit. These surveys include a 340 km<sup>2</sup> seismic program over the Ras-El-Besh and Jawhara prospects, as well as a 460 km<sup>2</sup> seismic program over the Kerkennah Banks and a 60 km<sup>2</sup> 3-D seismic program over the Salloum structure. Selected 2-D seismic lines have also been reprocessed. The Corporation and its joint venture partner are currently using the reprocessed data to remap the prospects and leads in order to determine a future course of action.

### Ras-El-Besh Concession

In 2009 and upon completion of drilling and testing the REB-3 well, the joint venture partners requested and received approval from the Tunisian government to temporarily suspend the well, providing the Corporation with sufficient time to determine whether to reenter or abandon the well. During the fourth quarter of 2010, the joint venture concluded that it would proceed with abandoning the well. Work is expected to begin in the first quarter of 2011, with completion expected in the fourth quarter of the year.

### Mobile Offshore Production Unit

The Corporation holds a 45% interest in a mobile offshore production unit ("MOPU"), which was acquired with the expectation of producing, processing and transporting oil on certain development concessions on the Sfax Permit. The joint venture partners are currently evaluating alternative usage of the MOPU, including actively seeking opportunities for monetization of the asset through a possible sale or lease arrangements.

### The Seawolf Litigation

In 2009, APEX, on behalf of the joint venture partners, commenced arbitration proceedings against Seawolf under the rules of the London Court of International Arbitration, seeking damages for misrepresentations and breach of contract in respect of the drilling of the REB-3 well on the Ras-El-Besh concession. In May 2010, the parties reached a settlement agreement that provides for a US\$12 million payment to the joint venture over an 18-month period. The settlement amount is secured by a letter of guarantee issued by a recognized international bank.

During the year ended December 31, 2010, the Corporation received cash of \$2.1 million (US\$2.1 million) and recognized further amounts receivable of \$1.5 million (US\$1.5 million), as its share of the expected settlement proceeds.

### 2010 EXPENDITURES - TUNISIAN ASSET POOL

For the year ended December 31,	2010				2009
	Cash Expenditures	Seawolf Settlement Proceeds	Seawolf Settlement Outstanding	TOTAL	TOTAL
Opening balance				\$ 21,175,897	\$ 17,819,331
Transactions during the year					
Sfax Permit	2,026,079	-	-	2,026,079	1,880,051
Ras-El-Besh expenditures, net	494,993	(1,087,316)	(1,491,900)	(2,084,223)	(81,615)
Mobile offshore production unit "Ocean Patriot"	856,581	(504,274)	-	352,307	1,558,130
Closing balance				\$ 21,470,060	\$ 21,175,897

The Corporation's proportionate share of costs associated with the Sfax Permit are capitalized as part of its exploration and evaluation asset pool. During 2010, an aggregate of \$3.4 million (2009 - \$3.4 million) was capitalized to the Tunisian asset pool, including Ras-El-Besh expenditures and expenses relating to the renovation and upgrade of the MOPU. Capitalized amounts were reduced by \$3.1 million relating to the settlement of the litigation with Seawolf.

## WORK PROGRAM FOR 2011

In the fourth quarter of 2010, the joint venture submitted its proposed 2011 work program for the Sfax Permit and the Ras-El-Besh development concession for approval by the Tunisian regulatory agency. Aggregate expenditures in 2011 are estimated at approximately US\$25 million, of which the Corporation is responsible for its net share of approximately US\$8.1 million.

Included in the 2011 work program is an estimated US\$10.9 million relating to the costs of abandoning the REB-3 well. The actual costs of abandonment will depend on several factors, including the mobilization and demobilization costs of a rig. The Corporation currently estimates that its share of these costs will be approximately US\$1.8 million. The remaining costs in the 2011 work program relate to the assessment of prospects and drilling of an exploration well to satisfy the commitment required in order to retain the joint venture's interest in the Sfax Permit. The joint venture will complete geological, geophysical and engineering analyses to evaluate both the Salloum and Jawhara oil prospects as future drilling candidates. The Salloum structure is located in the northeast corner of the Sfax Permit in shallow waters adjacent to the city of Sfax and is adjacent to two producing oil fields that produce from the same targeted formation. Geotechnical studies indicate that the prospect may be drilled from an onshore location.

The Jawhara structure is located in the center of the Sfax Permit in approximately 28 metres of water. Seismic interpretation has identified a large north south elongated structure with the Cretaceous Bireno formation being the primary prospect. Costs relating to these activities, including costs of drilling, are estimated at US\$14.1 million, of which the Corporation's expected share is US\$6.3 million.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2010, the Corporation had cash and short term investments of \$1.1 million compared with cash and short term investments of \$4.2 million at December 31, 2009. The Corporation's current cash resources are insufficient to meet its planned 2011 work program. The Corporation is actively pursuing alternative financing options, including debt or equity issuances, potential farmout arrangements, and monetization of certain assets. There can be no assurance that the Corporation will be successful in these initiatives.

## ABOUT THE CORPORATION

Eurogas International Inc. is an independent oil and gas exploration company listed on the Canadian National Stock Exchange under the symbol EI. Eurogas International has filed its financial statements and related management's discussion and analysis for the period ended December 31, 2010 with the Canadian securities regulatory authorities on the System for Electronic Document Analysis and Retrieval ("SEDAR"). All documentation may be viewed under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)), the company website at [www.eurogasinternational.com](http://www.eurogasinternational.com), or by contacting Eurogas International. For more information about Eurogas International please visit the Listings Disclosure Hall at [www.cnsx.ca](http://www.cnsx.ca).

## FORWARD LOOKING STATEMENTS

Certain information set forth in these documents, including management's assessment of each of the Corporation's future plans and operations, contains forward-looking statements. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. 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 achievement 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 benefits the Corporation will derive from them. 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.

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