EUROGAS INTERNATIONAL INC.

CONDENSED INTERIM FINANCIAL STATEMENTS
(unaudited)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2018

MANAGEMENT’S RESPONSIBILITY FOR UNAUDITED CONDENSED INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements of Eurogas International Inc. (“Eurogas International” or the “Corporation”) as at and for the three months ended March 31, 2018 (the “March 2018 Interim Financial Statements”) are the responsibility of the management and Board of Directors of the Corporation.

The March 2018 Interim Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in note 3 to the Corporation’s audited annual financial statements as at and for the year ended December 31, 2017. In preparing the March 2018 Interim Financial Statements, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the statement of financial position. In the opinion of management, the March 2018 Interim Financial Statements of the Corporation have been prepared within acceptable limits of materiality and are in compliance with International Accounting Standard 34, “*Interim Financial Reporting*”.

Management has established processes which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the March 2018 Interim Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated, or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as at the date of, and for the periods presented by, the March 2018 Interim Financial Statements; and (ii) the March 2018 Interim Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as at the date of and for the periods presented by the March 2018 Interim Financial Statements.

The Board of Directors is responsible for reviewing and approving the March 2018 Interim Financial Statements, together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibility. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee has met with management to review the financial reporting process and other financial information of the Corporation, including the March 2018 Interim Financial Statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial disclosure of the Corporation, including the March 2018 Interim Financial Statements, for issuance to the Corporation’s shareholders.

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

(signed) Bruce Sherley
Acting Chief Executive Officer

(signed) D. Christopher Hope
Chief Financial Officer

Toronto, Canada
April 25, 2018

NOTICE TO READER

The March 2018 Interim Financial Statements have been prepared by and are the responsibility of management. These financial statements have not been reviewed by the Corporation’s independent external auditor.

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

(expressed in Canadian dollars)

	Note	As at March 31, 2018	As at December 31, 2017
ASSETS			
Current			
Cash		$ 3,385	$ 592
		3,385	592
Non-current			
Equity accounted investment	4	286,830	286,830
		$ 290,215	**$ 287,422**
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 717,420	$ 660,703
Amounts due to Dundee Corporation	6	5,324,895	5,215,071
Accrued dividends on Series A Preference Shares	8	12,414,632	12,097,536
Series A Preference Shares	8	32,150,000	32,150,000
		50,606,947	50,123,310
SHAREHOLDERS' DEFICIENCY			
Share capital	9	1	1
Contributed surplus	9	18,000	18,000
Deficit		(50,334,733)	(49,853,889)
		(50,316,732)	(49,835,888)
		$ 290,215	**$ 287,422**

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

Going Concern Assumption (Note 1)

Commitments (Note 13)

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	Note	March 31, 2018	March 31, 2017
ITEMS IN NET LOSS			
General and administrative expenses	10	$ (40,792)	$ (51,369)
Dividends on Series A Preference Shares	8	(317,096)	(317,096)
Other interest expense	6	(60,403)	(48,086)
Foreign exchange (loss) gain		(15,494)	1,834
LOSS BEFORE SHARE OF LOSS FROM EQUITY ACCOUNTED INVESTMENT		(433,785)	(414,717)
Share of loss from equity accounted investment	4	(47,059)	(49,631)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		**$ (480,844)**	**$ (464,348)**
NET LOSS PER COMMON SHARE			
Basic and diluted net loss per common share	11	$ (0.02)	$ (0.01)

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, 2016	$ 1	$ 18,000	$ (47,959,851)	$ (47,941,850)
Transactions for the three months ended March 31, 2017				
Net loss for the period	-	-	(464,348)	(464,348)
Balance, March 31, 2017	1	18,000	(48,424,199)	(48,406,198)
Transactions from April 1, 2017 to December 31, 2017				
Net loss for the period	-	-	(1,429,690)	(1,429,690)
Balance, December 31, 2017	1	18,000	(49,853,889)	(49,835,888)
Transactions for the three months ended March 31, 2018				
Net loss for the period	-	-	(480,844)	(480,844)
Balance, March 31, 2018	**$ 1**	**$ 18,000**	**$ (50,334,733)**	**$ (50,316,732)**

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)

For the three months ended	Note	March 31, 2018	March 31, 2017
OPERATING ACTIVITIES			
Net loss for the period		$ (480,844)	$ (464,348)
Non-cash items in net loss:			
Share of loss from equity accounted investment	4	47,059	49,631
Non-cash changes in accrued dividends on Series A Preference Shares	8	317,096	317,096
		(116,689)	(97,621)
Changes in non-cash working capital:			
Accounts payable and accrued liabilities		56,717	78,893
CASH USED IN OPERATING ACTIVITIES		(59,972)	(18,728)
FINANCING ACTIVITIES			
Changes in amounts due to Dundee Corporation		109,824	68,605
CASH PROVIDED FROM FINANCING ACTIVITIES		109,824	68,605
INVESTING ACTIVITIES			
Investment in equity accounted investment	4	(47,059)	(49,631)
CASH USED IN INVESTING ACTIVITIES		(47,059)	(49,631)
NET INCREASE IN CASH DURING THE PERIOD		2,793	246
CASH, BEGINNING OF PERIOD		592	347
CASH, END OF PERIOD		**$ 3,385**	**$ 593**

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

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

For the three months ended March 31, 2018 and 2017

(In Canadian dollars, unless otherwise specified)

1. NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

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

The common shares of the Corporation are listed on the Canadian Securities Exchange ("CSE") under the symbol "EI". At March 31, 2018, Dundee Corporation, the principal shareholder of the Corporation, controlled 54% of the issued and outstanding common shares of the Corporation.

These unaudited condensed interim financial statements have been prepared using accounting principles applicable to a going concern. The going concern basis assumes that the Corporation will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at March 31, 2018, the Corporation had negative working capital of $50,603,562 (December 31, 2017 – $50,122,718) and during the three months then ended, it incurred a net loss of $480,844 (three months ended March 31, 2017 – $464,348). The Corporation's ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, obtaining exploitation concessions for any such economically recoverable reserves, the ability to raise the necessary capital to finance development and settle current obligations of the Corporation, and working capital from future profitable production or proceeds from disposition of assets. There can be no assurance that the Corporation will be successful in achieving these initiatives. These material uncertainties may cast significant doubt upon the Corporation's ability to continue as a going concern and the ultimate appropriateness of using accounting principles applicable to a going concern.

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

2. BASIS OF PREPARATION

These unaudited condensed interim financial statements of the Corporation as at and for the three months ended March 31, 2018 ("March 2018 Interim Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "*Interim Financial Reporting*". The March 2018 Interim Financial Statements should be read in conjunction with the Corporation's audited financial statements as at and for the year ended December 31, 2017 ("2017 Audited Financial Statements") which were prepared in accordance with IFRS as applicable for annual financial statements. The March 2018 Interim Financial Statements were approved by the Board of Directors of the Corporation for issuance on April 25, 2018.

Other than as described below, the March 2018 Interim Financial Statements follow the same accounting principles and methods of application as those disclosed in note 3 to the 2017 Audited Financial Statements.

Changes in Accounting Policies Implemented During the Three Months Ended March 31, 2018

IFRS 9, "Financial Instruments" ("IFRS 9")
On January 1, 2018, the Corporation implemented final amendments to IFRS 9 which introduce new requirements for the classification, measurement and impairment of financial assets, and new requirements related to hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value that focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. New hedge accounting requirements incorporated into IFRS 9 increase the scope of items that may qualify as a hedged item and changes the requirements of hedge effectiveness testing that must be met in order to apply hedge accounting. The implementation of amendments to IFRS 9 had no impact to the Corporation's March 2018 Interim Financial Statements.

IFRS 2, "Share-based Payment" ("IFRS 2")
On January 1, 2018, the Corporation implemented amendments to IFRS 2, which clarify how to account for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The implementation of amendments to IFRS 2 had no impact to the Corporation's March 2018 Interim Financial Statements.

Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective
There were no other changes to existing IFRS accounting standards and interpretations since December 31, 2017 that are expected to have a material effect on the Corporation's financial statements.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these unaudited condensed interim financial statements in accordance with IFRS requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, and amounts in net operating income or loss, and the related disclosure of contingent assets and liabilities included in the Corporation's financial statements. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of items in net operating income or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of the March 2018 Interim Financial Statements from those judgments, estimates and assumptions disclosed in note 4 to the 2017 Audited Financial Statements.

4. EQUITY ACCOUNTED INVESTMENT

The Corporation accounts for its 45% joint venture interest in Innovative Production Services, Ltd. ("IPS") using the equity method. IPS' sole business activity is the ownership and continuing maintenance of a mobile offshore production unit (the "MOPU"), which is currently located in Louisiana, in the United States of America. The MOPU was originally acquired by IPS in expectation of leasing the equipment to affiliated companies to facilitate their producing, processing and transporting of oil and natural gas. IPS has undertaken several initiatives to monetize the asset through lease or sale to third parties. These efforts have not yet been successful and the MOPU is currently inactive.

The following table provides a continuity of the Corporation's investment in IPS during the three months ended March 31, 2018 and 2017.

		Investment in IPS
Carrying value, December 31, 2016	$	286,830
Transactions for the three months ended March 31, 2017		
Investment in equity accounted investment		49,631
Share of loss from equity accounted investment		(49,631)
Carrying value, March 31, 2017		286,830
Transactions from April 1, 2017 to December 31, 2017		
Investment in equity accounted investment		208,266
Share of loss from equity accounted investment		(208,266)
Carrying value, December 31, 2017		286,830
Transactions for the three months ended March 31, 2018		
Investment in equity accounted investment		47,059
Share of loss from equity accounted investment		(47,059)
Carrying value, March 31, 2018	**$**	**286,830**

Other than as already provided for in these March 2018 Interim Financial Statements, the Corporation is not aware of any commitments or liabilities relating to its ownership in IPS.

5. EXPLORATION AND EVALUATION PROPERTIES

The Corporation has entered into a joint operating arrangement with DNO Tunisia AS ("DNO"), a wholly owned subsidiary of DNO International ASA, and with Atlas Petroleum Exploration Worldwide Ltd. ("APEX"), pursuant to which the joint venturers agreed to undertake exploration, evaluation and extraction activities on the Sfax offshore permit (the "Sfax Permit"), located in Tunisia, and targeting oil and natural gas reserves. DNO is currently the operator of the Sfax Permit, and it is responsible for all drilling and other obligations associated with the Sfax Permit, including any monetary penalties arising due to non-fulfillment of work commitments agreed to under the terms of the Sfax Permit. The Corporation holds a 5.625% working interest in the Sfax Permit, subject to certain cumulative revenue thresholds and priority recovery of expenditures by DNO.

In August 2015, DNO received regulatory approval from the Tunisian authorities for a two-year extension of the first renewal period related to the Sfax Permit, extending the first renewal period and the associated exploration well drilling obligations to December 8, 2017, and on July 21, 2017, DNO received regulatory approval for an additional extension to December 8, 2018. The extension is subject to certain conditions, including the replacement of a seismic commitment with the deepening of a drilling obligation. Under the terms of the joint venture arrangement, DNO is responsible for all obligations associated with the renewal. Notwithstanding the approval of the extension of the first renewal period, cash flows from the Corporation's joint operating interest in the Sfax Permit remain uncertain and consequently, the Corporation continues to carry the Sfax Permit at $nil at March 31, 2018.

6. AMOUNTS DUE TO DUNDEE CORPORATION

The Corporation has established a $5,000,000 revolving demand credit facility with Dundee Corporation. Borrowings under the revolving demand credit facility bear interest at a rate per annum equal to the prime lending rate for loans as set out by a Canadian Schedule I Chartered Bank, plus 1.25%. As lender to the Corporation, Dundee Corporation may, at its discretion and subject to the necessary regulatory approvals, require the Corporation to convert all of the amounts outstanding pursuant to the revolving demand credit facility, including interest thereon, into common shares of the Corporation, at a conversion price that is based on the fair value of the common shares, defined as the closing price of the common shares of the Corporation at the time of such conversion, subject to a minimum conversion price of $0.05 per common share. At March 31, 2018, the Corporation had drawn $5,324,895 (December 31, 2017 – $5,215,071) against the revolving demand credit facility. Interest expense incurred on the revolving demand credit facility during the three months ended March 31, 2018 was $60,208 (three months ended March 31, 2017 – $47,958). Although the Corporation has exceeded amounts available pursuant to this demand credit facility, Dundee Corporation has not demanded payment.

7. 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.

8. PREFERENCE SHARES

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

Series A Preference Shares
At March 31, 2018, 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 8 to the 2017 Audited Financial Statements.

During the three months ended March 31, 2018, the Corporation recognized an expense of $317,096 (three months ended March 31, 2017 – $317,096), representing the dividends accrued on the Series A Preference Shares. At March 31, 2018, cumulative dividends outstanding were $12,414,632 (December 31, 2017 – $12,097,536).

Dundee Energy has not advised the Corporation of its intent with respect to exercising its right to the redemption of the Series A Preference Shares and its entitlement to demand payment of the associated cumulative dividends outstanding. Accordingly, at March 31, 2018 and December 31, 2017, the Corporation has classified these obligations as current obligations. At March 31, 2018, Dundee Energy had not exercised its entitlement to elect a majority of the members of the Board of Directors of the Corporation.

9. SHARE CAPITAL

	Number of Shares	Share Capital	Contributed Surplus
Outstanding, March 31, 2017 and December 31, 2016	31,143,635	$ 1	$ 18,000
From April 1, 2017 to December 31, 2017			
Cancellation of shares pursuant to sunset clause provision	(38,109)	-	-
Outstanding, March 31, 2018 and December 31, 2017	**31,105,526**	**$ 1**	**$ 18,000**

On April 1, 2017, the Corporation cancelled 38,109 common shares pursuant to a sunset clause provision relating to prior corporate restructurings.

10. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

For the three months ended		March 31, 2018		March 31, 2017
Salary and salary-related	$	13,500	$	9,000
Corporate and professional fees		26,638		40,965
General office		654		1,404
	$	**40,792**	**$**	**51,369**

11. NET LOSS PER COMMON SHARE

For the three months ended		March 31, 2018		March 31, 2017
Net loss from operations attributable to shareholders	$	(480,844)	$	(464,348)
Weighted average number of common shares outstanding		31,105,526		31,143,635
Basic and diluted net loss per common share	$	(0.02)	$	(0.01)

12. RELATED PARTY TRANSACTIONS

The Corporation has entered into a services arrangement with Dundee Resources Limited, a wholly owned subsidiary of Dundee Corporation. The services arrangement with Dundee Resources Limited provides the Corporation with administrative support services as well as geophysical, geological and engineering consultation with regard to the Corporation's activities. During the three months ended March 31, 2018, the Corporation incurred costs of $3,692 (three months ended March 31, 2017 – $3,306), in respect of these arrangements.

Key Management Compensation

Compensation and other fees paid to members of the Board of Directors of the Corporation and to the President and Chief Executive Officer of the Corporation during the three months ended March 31, 2018 were $13,500 (three months ended March 31, 2017 – $21,500).

13. COMMITMENTS

In prior years, the Corporation and APEX had entered into a farm out option agreement with Delta Hydrocarbons B.V. ("Delta") pertaining to the Sfax Permit and the related Ras El Besh development concession. Delta subsequently expressed a desire to exit from the farm out option agreement and under a settlement arrangement, Delta forfeited its option in exchange for a portion of certain payments, if and when received by the Corporation and APEX, to a maximum of US$20 million. Payment obligations to Delta pursuant to the settlement arrangement may include a share of the proceeds from the cost oil or cost gas portion of any future production revenues realized by the Corporation and APEX from the Sfax Permit.