

EUROGAS INTERNATIONAL INC.

2009 FIRST QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eurogas International Inc. ("Eurogas International" or the "Corporation") is an independent oil and gas Corporation, incorporated under the *Companies Act* (Barbados), engaged in exploration and drilling on its extensive landholdings offshore Tunisia, targeting large scale oil and natural gas reserves. The Corporation holds a 45% working interest, and is the non-operating partner, in the Sfax offshore permit (the "Sfax Permit") covering 908,425 acres located in the shallow Mediterranean waters in the Gulf of Gabes, offshore Tunisia and southeast of the city of Sfax. The Corporation's common shares are traded on the Canadian National Stock Exchange (CNSX) under the symbol EI.

This interim Management's Discussion and Analysis ("MD&A") is based on information at May 29, 2009 and provides an update on matters discussed in, and should be read in conjunction with the Corporation's unaudited financial statements as at and for the three months ended March 31, 2009, the audited financial statements as at and for the year ended December 31, 2008 and the MD&A included the Corporation's Canadian Non-Offering Preliminary Prospectus and U.S. Information Statement (the "Prospectus"). All amounts are in Canadian dollars unless otherwise specified. Financial data has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), 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 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, the ability to access sufficient capital from internal and external sources, 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.

Business Reorganization Completed in 2008

On July 10, 2008, Eurogas Corporation announced a restructuring plan that would allow for the distribution of its 100% interest in the Corporation as a dividend-in-kind to shareholders of Eurogas Corporation (the "Restructuring"), such that each shareholder of Eurogas Corporation received one newly issued common share of the Corporation for every five shares of Eurogas Corporation held. The Restructuring was completed on August 5, 2008 and the newly issued common shares of Eurogas International were placed in escrow for the benefit of shareholders of Eurogas Corporation, pending a public listing of the Corporation's common shares, which was completed on March 31, 2009, subsequent to which the Corporation began trading on the Canadian National Stock Exchange ("CNSX").

Prior to completing the Restructuring, the Corporation issued common shares with a value of \$45.7 million in settlement of amounts owed to Eurogas Corporation. Eurogas Corporation subsequently exchanged its previous interest in the common shares of the Corporation for 32,150,000 newly issued Series A Preference Shares and 31,143,635 newly issued common shares of the Corporation. Eurogas Corporation will retain the Series A Preference Shares. As noted previously, the newly issued common shares were distributed to shareholders of Eurogas Corporation, at nominal value, as part of the Restructuring.

Series A Preference Shares

The Series A Preference Shares 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 Eurogas Corporation, as the holder thereof, to a fixed preferential cumulative dividend at the rate of 4% per annum. The Series A Preference Shares may be redeemed, at the option of either the Corporation or Eurogas Corporation, at any time, at a price equal to their face value of \$32.15 million. Eurogas Corporation has indicated that it does not intend to exercise its redemption entitlement prior to 2011.

Sfax Permit

Eurogas International is currently conducting exploration programs for oil and natural gas offshore Tunisia in the Gulf of Gabes, where it holds an interest in the 1.0 million acre Sfax Permit. Eurogas International is a non-operating partner in the permit. All costs associated with the Sfax Permit are capitalized as part of the pre-production phase of operations.

The Sfax Permit lies within a hydrocarbon fairway that trends from offshore Libya, through the Gulf of Gabes, to onshore Tunisia and includes major oil and gas fields. The Sfax Permit is surrounded by producing oil and gas fields to the west, north and east, including the 330 million barrel Ashtart oil field that lies along the southeast boundary. Previous operators drilled and flow tested oil from three separate structures on the prospect at daily equivalent rates of 612, 1,200 and 1,800 barrels of oil per day. At that time, these structures were considered sub-economic to those operators and the wells were abandoned.

Following the granting of the Sfax Permit in 2004, the Corporation and its then sole joint venture and operating partner, Atlas Petroleum Exploration Worldwide Ltd. (“APEX”), acquired a new 3-D seismic program over 348 square kilometres of the permit, which included the known Ras el Besh and Jawhara prospects that tested oil. The seismic provided an improved understanding of the geology.

During 2005, the Sfax Permit was converted to an exploration permit under the terms of a production sharing contract. The four year permit commenced December 9, 2005 and included a commitment to undertake seismic work, which has been completed, and to drill one exploration well prior to December 9, 2009. The REB-3 well (see “Ras El Besh”) was the commitment well for the Sfax Permit. On January 19, 2009, the Tunisian Hydrocarbon Committee approved a two-year extension to the Sfax Permit which will extend the primary term to December 8, 2011. The extension requires that one new exploration well be drilled during the extension period. The Corporation is analyzing the technical data to determine which prospect to drill and to estimate the cost to fulfill this obligation.

Ras El Besh

In December 2005, the Corporation and APEX applied for a development concession over the Ras el Besh prospect (the “REB Exploitation Concession”) within the Sfax Permit. The application was accepted by the Hydrocarbon Committee of the Tunisian government in July 2006 and the concession was gazetted on September 5, 2008 following commencement of drilling the REB-3 well on June 16, 2008. An exploitation concession is granted for a period of 30 years with a condition that concession development work starts within two years from the date of award. The REB-3 well is recognized by the Tunisian government as the commitment well under the terms of the Sfax Permit.

The REB-3 well reached total depth of 2,204 metres. Well logs and formation pressure tests identified the presence of oil in a high quality, 10-metre thick carbonate interval in the Reineche formation, which was subsequently confirmed by down-hole sampling. The well was plugged back and drilled horizontally to 3,284 metres. The sidetrack intercepted the top of the Reineche formation in a lower fault block approximately 1,000 metres to the northwest of the REB-3 well, then drilled horizontally through 400 metres of porous formation. The horizontal section was tested and produced over 1,000 barrels per day of fluid with a 10% cut of 27° API oil. Oil has now been tested at two locations 1,000 metres apart.

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 and release the drilling rig, both of which were done. Agreement by the Tunisian government was subject to the re-interpretation and remapping of seismic data, after which the joint venture partners must decide to either re-enter or abandon the well. In the event of abandonment, the aggregate cost is estimated at between US\$6.5 million to US\$10 million. Actual costs will depend on factors such as the location of the rig and prevailing rates. If the decision is made to abandon the well, the joint venture partners may have to adjust the 2009 work program.

Tunisian Asset Pool

During the three months ended March 31, 2009, an aggregate of \$0.1 million (2008 - \$1.3 million) was capitalized to the Tunisian asset pool.

For the three months ended March 31	2009	2008
Share of restoration and purchase of Ocean Patriot	\$ -	\$ 752,301
Share of permit operator costs	-	113,786
Seismic activities	10,352	45,382
Ras-El-Besh well expenditures	-	228,801
Corporation general administrative expenditures	59,135	105,000
Capitalized stock based compensation	-	48,158
Other expenditures	21,856	14,169
	\$ 91,343	\$ 1,307,597

Agreement with Delta Hydrocarbons B.V.

On April 8, 2008, Eurogas International and APEX announced that they had entered into a series of agreements (the "Delta Agreements") with Amsterdam based Delta Hydrocarbons B.V. ("Delta"), whereby Delta acquired a 50% interest in the Sfax Permit and the Ras el Besh Concession (the "Joint Venture") and a 50% interest in Innovative Production Services, Ltd. ("IPS") in exchange for the expenditure by Delta of an aggregate of US\$125 million.

On May 22, 2009, Eurogas International announced that, together with APEX, it had reached an agreement with Delta with respect to Delta's previously expressed desire to exit from the Joint Venture and the related agreements

Under the agreement, Delta will reassign its 50% participating interest in the Sfax Permit and the REB-3 concession and transfer its shares in IPS to the remaining Joint Venture partners, including Eurogas International. In exchange, Delta will be entitled to a portion of certain payments, when received by the Joint Venture, including a share, ranging from 20% to 34.7%, of the proceeds from the cost oil portion of any future production revenues and a share of the proceeds from any sale or lease of assets. Delta's rights to a share of proceeds is subject to a maximum of US\$20 million in aggregate, and in some cases limited to a duration of 5 years. Delta remains committed to fund 50% of any costs associated with the abandonment of the REB-3 well until December 9, 2011.

The reassignment of Delta's participating interest is subject to the approval of the Tunisian regulatory authorities. On completion of such reassignment, Eurogas International's participating interest in the Sfax Permit, Ras-El-Besh concession and IPS will be 45% and APEX's participating interest will be 55%.

Work Program for 2009

Following the results of the REB-3 well and the exit of Delta, the Joint Venture partners are now focused for the balance of 2009 on re-evaluating the Ras el Besh concession area and north of it covering both the Reineche and the El Garia formations. Initially, this entails geological and geophysical studies and the re-processing of existing 3D seismic. The work program also includes geophysical evaluation of the satellite structures to the 330 million barrel Ashtart oil field adjacent to the eastern boundary of the Permit.

Salloum

The work program for 2009 also includes feasibility studies to evaluate the Salloum oil prospect as a future drilling candidate on the Sfax Permit. An exploration well, (SAM 1) located 1.5 kilometres off the east coast of Tunisia, was drilled in 1991 by a previous operator and tested 1800 bpd of 42° API oil with no water from Bireno limestones. This 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. In 2007, the Corporation and APEX arranged for 60 km² of shallow water three dimensional seismic to be shot and processed over this prospect. Revised mapping based on the 3D seismic program acquired in 2007 and older 2D seismic suggests the Salloum structure extends toward the shoreline and could be drilled from an onshore location, the viability of which will be an aspect of the feasibility study.

The estimated budget for the Sfax Permit and the Ras el Besh concession for the remainder of 2009 is US\$4.9 million, of which Eurogas International is responsible for its 45% share (net US\$2.2 million).

IPS

Eurogas International indirectly owns a 45% interest in a mobile production platform (“MOPU”) and two buoys through its equity ownership in IPS. The shareholders have agreed to monetize the MOPU and related equipment, either by way of sale or lease to another operator as soon as feasible. It is however necessary to undertake some repairs and upgrades prior to the monetization of the MOPU, which the operating shareholder APEX is currently undertaking at a budgeted cost for 2009 of US\$6 million. Delta paid US\$1.9 million of the repair costs through to March 31, 2009 and Eurogas International will pay its 45% share of the remaining US\$4.1 million (net US\$1.8 million) during the remainder of 2009.

RESULTS OF OPERATIONS

The Corporation’s current energy projects are in the development stage and the Corporation has not generated operating revenues.

During the three months ended March 31, 2009, the Corporation realized net losses of \$732,952 (2008 - \$59,883), including general and administrative expenses (“G&A”) and interest expense, net of interest and other miscellaneous revenues.

The Corporation earns interest income on cash and the deposit held with Eurogas. Interest revenue earned during the three months ended March 31, 2009 was \$48,572 (2008 - \$1,948). The amount of interest earned in each respective period reflects the variances in the balances of cash, and the deposit with Eurogas held during those periods.

G&A totalled \$365,327 (2008 - \$83,835) for the three months ended March 31, 2009. The period over period increase reflects higher levels of consulting and travel costs, including costs associated with the recent arrangements with Delta.

Included in interest expense during the three months ended March 31, 2009 is \$313,573 (2008 - \$nil) related to the Series A Preference Shares.

Costs associated with the estimated asset retirement obligation in respect of the REB-3 well added interest expense of \$21,657 (2008 - \$nil) and depreciation expense of \$126,330 (2008 - \$nil) to the operating results of the Corporation.

LIQUIDITY AND CAPITAL RESOURCES

The partners in the Joint Venture are pursuing a significant evaluation and drilling program (see Tunisian Oil and Gas Projects – Sfax Permit).

The primary plan for the Sfax Permit is to evaluate and, if the evaluation results in economically viable reserves, to develop the three previously drilled prospects (Ras-El-Besh, Jawhara and Salloum). In addition, if the results of the horizontal well at Ras-El-Besh indicate potential for development of the Reineche formation, additional Reineche structures within the Sfax Permit could be targeted for further evaluation.

Eurogas International currently has cash of approximately \$10.1 million, including \$8.7 million, which it has placed on deposit with Eurogas Corporation. At a 45% ownership interest, this amount would cover a US\$22.2 million expenditure on the Sfax Permit. Any additional funding requirements would have to be accessed through debt or equity financings, farmout arrangements and/or bank borrowings. There can be no assurance that such funding or borrowings would be available to Eurogas International.

Outstanding Share Data

As at May 29, 2009, there were 31,143,635 common shares and 32,150,000 Series A Preference Shares outstanding.

SELECTED QUARTERLY FINANCIAL INFORMATION

	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Interest income	\$ 48,572	\$ 55,211	\$ 76,008	\$ 7,396
Net loss from continuing operations	732,952	378,194	153,432	208,845
Capital expenditures (gross)	91,343	1,706,132	325,687	93,067

	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
Interest income	\$ 1,948	\$ 3,308	\$ 3,314	\$ 7,604
Net loss from continuing operations	59,883	8,097	166,966	147,512
Capital expenditures (gross)	1,307,597	1,030,124	1,607,903	1,813,525

COMMITMENTS

There have been no substantive changes in the description and nature of commitments from those described in Note 9 to the audited consolidated financial statements of the Corporation as at and for the year ended December 31, 2008, and the associated MD&A.

RELATED PARTY TRANSACTIONS

Other than as disclosed in the notes to the interim financial statements as at and for the period ended March 31, 2009, there have been no significant changes to the nature and scope of related party transactions described in Note 7 to the audited consolidated financial statements of the Corporation as at and for the year ended December 31, 2008 and the associated MD&A.

BUSINESS RISKS

There are a number of inherent risks associated with the Corporation's two energy projects. Many of these risks are beyond the control of management. No changes have been identified to risk factors affecting our business and our approaches to managing these risks from those described in our MD&A as at and for the year ended December 31, 2008.

ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make judgements and estimates on matters that are uncertain. These estimates affect the reported amounts of assets and liabilities as well as revenues and expenses. While management reviews its estimates regularly, new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates. The Interim Financial Statements follow the same accounting principles and methods of application as those described in Note 3 to the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2008, except as described below under "Changes in accounting policies adopted in 2009". A summary of the more significant judgements and estimates made by management is provided in the section entitled "Accounting Policies and Estimates" in the Corporation's MD&A as at and for the year ended December 31, 2008.

CHANGES IN ACCOUNTING POLICIES ADOPTED IN 2009

Asset Recognition including Goodwill and Intangible Assets

On January 1, 2009, the Corporation adopted the amendments to the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1000, "*Financial Statement Concepts*" and the new CICA Handbook Section 3064, "*Goodwill and Intangible Assets*", which replaced CICA Handbook Section 3062, "*Goodwill and Other Intangible Assets*". This guidance reinforces the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition. Under the amendments to CICA Handbook Section 1000, effective January 1, 2009, the deferral and matching of operating expenses over future revenues is no longer appropriate. The adoption of this new guidance had no impact on the reported results of the Corporation.

FUTURE ACCOUNTING CHANGES

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, "*Business Combinations*", Section 1601, "*Consolidations*", and Section 1602, "*Non-controlling Interests*". These sections replace the former CICA Handbook Section 1581, "*Business Combinations*" and Section 1600, "*Consolidated Financial Statements*" and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes standards for the accounting of a business combination. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "*Business Combinations*" (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, "*Consolidated and Separate Financial Statements*" (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Corporation is currently evaluating the impact of the adoption of these sections.

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there may be significant differences on recognition, measurement and disclosure that may materially impact the Company's consolidated financial statements.

The implementation of IFRS will apply to the Corporation's interim and annual financial statements beginning on January 1, 2011, including the restatement of comparative amounts for 2010. The Corporation has initiated an assessment of the impact of IFRS adoption on its business activities, processes and accounting policies, after which it will implement a communication strategy, as appropriate, aimed at all stakeholders, including employees, rating agencies and shareholders, to assist in their understanding of its transition to IFRS.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to the Corporation's management, as appropriate, to allow timely decisions regarding required disclosures. The Corporation's Chief Executive Officer and Chief Financial Officer, together with management, have concluded, based on their evaluation as of the end of the period covered by the filings, that the Corporation's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer is made known to them by others within the Corporation.

Internal Control Over Financial Reporting

Under the supervision of and with the participation of Eurogas International's management, including the Chief Executive Officer and the Chief Financial Officer, internal control over financial reporting has been designed and maintained in order to provide reasonable assurance regarding the reliability of financial reporting, as of the end of the period covered by the filings. During the quarter ended March 31, 2009, there have been no material changes in internal control over financial reporting. In common with many small companies, segregation of duties is difficult, however, the Corporation has compensating controls in place, including key management authorizations and reviews.

It should be noted that while the Corporation's Chief Executive Officer and Chief Financial Officer believe that the Corporation's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. 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.

FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2009

EUROGAS INTERNATIONAL INC.
Balance Sheets
(Unaudited)

	March 31, 2009	December 31, 2008
ASSETS		
Current		
Cash	\$ 1,403,340	\$ 1,435,653
Deposit with Eurogas Corporation (Note 8)	8,722,623	8,722,623
Accounts receivable	9,068	8,734
	10,135,031	10,167,010
Oil and natural gas properties	18,096,411	17,819,331
	\$ 28,231,442	\$ 27,986,341
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 146,293	\$ 122,355
Payable to Eurogas Corporation (Note 8)	2,024,593	1,406,032
	2,170,886	1,528,387
Asset retirement obligation (Note 4)	1,537,622	1,202,068
Series A Preference Shares (Note 5)	32,150,000	32,150,000
	35,858,508	34,880,455
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 6)	1	1
Deficit	(7,627,067)	(6,894,115)
	(7,627,066)	(6,894,114)
	\$ 28,231,442	\$ 27,986,341

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

EUROGAS INTERNATIONAL INC.
Statements of Operations and Comprehensive Loss
(Unaudited)

For the three months ended March 31	2009	2008
REVENUE		
Interest and other	\$ 48,572	\$ 1,948
EXPENSES		
General and administrative	365,327	83,835
Interest expense	335,589	-
Depreciation and accretion	126,330	-
Foreign exchange gain	(45,722)	(22,004)
	781,524	61,831
LOSS FROM OPERATIONS	(732,952)	(59,883)
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (732,952)	\$ (59,883)
LOSS PER COMMON SHARE BASIC AND DILUTED (Note 7)		
Net loss for the period	\$ (0.02)	\$ -

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

EUROGAS INTERNATIONAL INC.
Statements of Changes in Shareholders' Deficiency
(Unaudited)

	Common Shares	Contributed Surplus	Deficit	Total
Balance, December 31, 2007	\$ 10,013,039	\$ -	\$ (29,613,634)	\$ (19,600,595)
Exchange of debt due to Eurogas Corporation	-	45,656,834	-	45,656,834
Reduction of stated capital	-	(23,519,873)	23,519,873	-
Exchange of common shares for Series A Preference Shares	(10,013,039)	(22,136,961)	-	(32,150,000)
Issuance of Common Shares	1	-	-	1
Net loss	-	-	(800,354)	(800,354)
Balance, December 31, 2008	1	-	(6,894,115)	(6,894,114)
Net loss	-	-	(732,952)	(732,952)
Balance, March 31, 2009	\$ 1	\$ -	\$ (7,627,067)	\$ (7,627,066)

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

EUROGAS INTERNATIONAL INC.
Statements of Cash Flows
(Unaudited)

For the three months ended March 31,	2009	2008
OPERATING ACTIVITIES		
Loss from operations	\$ (732,952)	\$ (59,883)
Non-cash items in operations		
Depreciation and accretion	126,330	-
Other	335,230	-
	<u>(271,392)</u>	<u>(59,883)</u>
Change in non-cash working capital:		
Accounts receivable	(334)	164,249
Prepaid and other	-	97,554
Accounts payable and accrued liabilities	25,768	(344,850)
	<u>(245,958)</u>	<u>(142,930)</u>
FINANCING ACTIVITIES		
Changes in amounts due to Eurogas Corporation	304,988	1,242,872
	<u>304,988</u>	<u>1,242,872</u>
INVESTING ACTIVITIES		
Investment in oil and natural gas properties	(91,343)	(1,259,439)
	<u>(91,343)</u>	<u>(1,259,439)</u>
DECREASE IN CASH	(32,313)	(159,497)
CASH, BEGINNING OF PERIOD	1,435,653	394,632
CASH, END OF PERIOD	\$ 1,403,340	\$ 235,135

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

EUROGAS INTERNATIONAL INC.
Notes to the Financial Statements
As at and for the three months ended March 31, 2009
(Unaudited)

1. NATURE AND CONTINUATION OF OPERATIONS

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 drilling on its landholding offshore Tunisia, targeting large scale oil and natural gas reserves.

The Corporation is in the process of exploring, acquiring and developing its landholdings and has not yet determined whether the recoverability of resources is economically feasible. The recoverability of the amounts reported for oil and natural gas properties is dependent upon the discovery of economically recoverable reserves, obtaining exploitation concessions for those reserves identified, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

The Corporation’s ability to continue its operations and realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing, and generating revenues sufficient to cover its operating costs.

These interim financial statements have been prepared on the basis that the Corporation will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business. The ability to continue operations beyond the foreseeable future is dependent upon the Corporation achieving profitable operations, and/or securing additional financing.

**2. SIGNIFICANT ACCOUNTING POLICIES
AND BASIS OF PRESENTATION**

These interim financial statements of Eurogas International have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). Other than as described herein, these interim financial statements follow the same accounting principles and methods of application as those disclosed in Note 3 to the Corporation’s audited financial statements as at and for the year ended December 31, 2008 (“2008 Audited Financial Statements”). The Corporation’s interim financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and accordingly, should be read in conjunction with the 2008 Audited Financial Statements.

The preparation of interim financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities, the disclosure of contingencies as at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. All amounts are in Canadian dollars unless otherwise specified.

Changes in Accounting Policies

Asset Recognition including Goodwill and Intangible Assets

On January 1, 2009, the Corporation adopted the amendments to the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1000, “*Financial Statement Concepts*” and the new CICA Handbook Section 3064, “*Goodwill and Intangible Assets*”, which replaced CICA Handbook Section 3062, “*Goodwill and Other Intangible Assets*”. This guidance reinforces the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition. Under the amendments to CICA Handbook Section 1000, effective January 1, 2009, the deferral and matching of operating expenses over future revenues is no longer appropriate. The adoption of this new guidance had no impact on the reported results of the Corporation.

Comparative Figures

Certain comparative figures have been reclassified to conform with current period financial statement presentation.

3. OIL AND NATURAL GAS PROPERTIES

Sfax Permit

Aggregate capital expenditures in respect of the Corporation’s exploration and development activities on its Tunisian oil and gas properties amounted to \$91,243 (March 31, 2008 - \$1,307,597) during the three months ended March 31, 2009. The following table shows the components of such capital expenditures.

For the three months ended March 31	2009	2008
Share of restoration and purchase of Ocean Patriot	\$ -	\$ 752,301
Share of permit operator costs	-	113,786
Seismic activities	10,352	45,382
Ras-El-Besh well expenditures	-	228,801
Corporation general administrative expenditures	59,135	105,000
Capitalized stock based compensation	-	48,158
Other expenditures	21,856	14,169
	\$ 91,343	\$ 1,307,597

Eurogas International and its partner, Atlas Petroleum Exploration Worldwide Ltd. (“APEX”) had entered into a farmout option agreement with Delta Hydrocarbons B.V. (“Delta”) pursuant to which Delta acquired a 50% interest in the Sfax joint venture and related contracts in exchange for expending US\$125 million. Subsequent to March 31, 2009, Delta exited the joint venture, subject to certain conditions (Note 12). During the term of the farmout arrangement, Delta funded the ongoing activities in respect of the Sfax joint venture in accordance with the terms of the farmout arrangement.

4. ASSET RETIREMENT OBLIGATION

Upon completion of drilling and testing the Ras-El-Besh (“REB-3”) well pursuant to the Sfax permit in Tunisia, the joint venture partners requested and received approval from the Tunisian government to temporarily suspend the well and release the drilling rig. The joint venture must either abandon or re-enter within certain timeframes. In the event of abandonment, the aggregate cost is estimated at between US\$6.5 million and US\$10 million. As a result, during 2008, Eurogas International recorded an asset retirement obligation of \$1,202,068 in respect of its potential obligations in the event of

abandonment of the well. A reconciliation of the asset retirement obligation is included in the following table. There were no liabilities incurred or settled during the three months ended March 31, 2009.

As at	March 31, 2009	December 31, 2008
Balance beginning of period	\$ 1,202,068	\$ -
Initial estimate of discounted cash flows	-	1,202,068
Revisions to estimated cash flows	313,897	-
Accretion	21,657	-
	\$ 1,537,622	\$ 1,202,068

The key assumptions on which the carrying amount of the asset retirement obligation was based included the following:

- The total undiscounted cash flow as at March 31, 2009 was \$1,790,978;
- The expected settlement to be in fiscal 2011; and
- A credit adjusted risk free rate at which the estimated payments have been discounted of 5.7%.

5. PREFERENCE SHARES

During the three months ended March 31, 2009, the Corporation recognized interest expense of \$313,573 (March 31, 2008 - \$nil), representing the dividends accrued on the Series A Preference Shares.

Eurogas Corporation has indicated that it does not intend to exercise its redemption entitlement prior to 2011.

6. SHARE CAPITAL

At March 31, 2009, the Corporation had 31,143,635 common shares issued and outstanding. The Corporation is authorized to issue an unlimited number of common shares.

7. NET LOSS PER SHARE

For the three months ended March 31	2009	2008
Net loss attributable to shareholders	\$ (732,952)	\$ (59,883)
Weighted average number of common shares outstanding	31,143,635	31,143,635
Basic and diluted net loss per share	\$ (0.02)	\$ -

8. RELATED PARTY TRANSACTIONS

The \$2,024,593 (2008 - \$1,406,032) payable to Eurogas Corporation is due on demand, is unsecured and is non-interest bearing.

The \$8,722,623 (2008 - \$8,722,623) deposit with Eurogas Corporation earns interest at normal market rates. Interest earned on the deposit with Eurogas Corporation was \$47,855 (March 31, 2008 - \$ nil).

Eurogas Corporation may allocate general and administrative costs, including stock based compensation, to the Corporation based on an estimate of management's time spent on activities in Tunisia.

During the first quarter of 2009, the Corporation entered into a services arrangement with Dundee Resources Ltd., a wholly owned subsidiary of Dundee Corporation. Dundee Corporation is the principal shareholder of the Corporation. The services agreement with Dundee Resources Ltd. will provide the Corporation with administrative support services as well as geophysical, geological and engineering consultation with regard to the Corporation's activities.

9. COMMITMENTS

There have been no substantive changes to the description and nature of commitments from those described in Note 9 to the Corporation's 2008 Audited Financial Statements.

10. FINANCIAL INSTRUMENTS

The Corporation is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. Detailed disclosures on the Corporation's financial instruments are included in Note 8 to the 2008 Audited Financial Statements.

11. FUTURE ACCOUNTING CHANGES

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, "*Business Combinations*", Section 1601, "*Consolidations*", and Section 1602, "*Non-controlling Interests*". These sections replace the former CICA Handbook Section 1581, "*Business Combinations*" and Section 1600, "*Consolidated Financial Statements*" and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes standards for the accounting of a business combination. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "*Business Combinations*" (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, "*Consolidated and Separate Financial Statements*" (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Corporation is currently evaluating the impact of the adoption of these sections.

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there may be significant differences on recognition, measurement and disclosure that may materially impact the Company's financial statements.

The implementation of IFRS will apply to the Corporation's interim and annual financial statements beginning on January 1, 2011, including the restatement of comparative amounts for 2010. The Corporation has initiated an assessment of the impact of IFRS adoption on its business activities, processes and accounting policies, after which it will implement a communication strategy, as appropriate, aimed at all stakeholders, including employees, rating agencies and shareholders, to assist in their understanding of its transition to IFRS.

12. SUBSEQUENT EVENTS

On May 22, 2009, the Corporation announced that, together with its joint venture partner, APEX, it had reached an agreement with Delta with respect to Delta's previously expressed desire to exit from the joint venture and the related agreements pertaining to the farmout of the Sfax Permit and the Ras-El-Besh concession in Tunisia.

Under the agreement, Delta will reassign its 50% participating interest in the Sfax Permit and the REB-3 concession and transfer its shares in Innovative Production Services Limited ("IPS") to the remaining joint venture partners, including Eurogas International. In exchange, Delta will be entitled to a portion of certain payments, when received by the joint venture, including a share of the proceeds from the cost oil portion of any future production revenues and a share of the proceeds from any sale or lease of assets, to a maximum of US\$20 million. Delta remains committed to fund 50% of any costs associated with the abandonment of the REB-3 well until December 9, 2011.

The reassignment of Delta's participating interest is subject to the approval of the Tunisian regulatory authorities. On completion of such reassignment, Eurogas International's participating interest in the Sfax Permit, Ras-El-Besh concession and IPS will be 45% and APEX's participating interest will be 55%.

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