EUROGAS INTERNATIONAL INC.

INTERIM FINANCIAL STATEMENTS

(Unaudited)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2011

EUROGAS INTERNATIONAL INC.
STATEMENTS OF FINANCIAL POSITION
(unaudited)

(In Canadian Dollars)

	Note	March 31, 2011	As at December 31, 2010	January 1, 2010
ASSETS				
Current				
Cash and cash equivalents		$ 800,579	$ 1,055,193	$ 185,901
Short term investments	6	-	60,755	4,005,040
Accounts receivable		1,113,725	1,537,403	57,461
Prepaids		54,335	46,509	77,653
		1,968,639	2,699,860	4,326,055
Property, plant and equipment	7	1,435,808	1,406,286	1,053,979
Exploration and evaluation properties	8	4,993,221	4,665,001	2,638,922
		$ 8,397,668	$ 8,771,147	$ 8,018,956
LIABILITIES				
Current				
Accounts payable and accrued liabilities		$ 234,876	$ 223,228	$ 554,163
Payable to Eurogas Corporation	15	-	-	150,882
Decommissioning liability	9	1,403,646	1,430,568	-
Accrued dividends on Series A Preference Shares	11	3,412,631	-	-
Series A Preference Shares	11	32,150,000	-	-
		37,201,153	1,653,796	705,045
Decommissioning liability	9	-	-	1,488,384
Accrued dividends on Series A Preference Shares	11	-	3,095,536	1,809,536
Series A Preference Shares	11	-	32,150,000	32,150,000
		37,201,153	36,899,332	36,152,965
SHAREHOLDERS' DEFICIENCY				
Share capital	12	1	1	1
Reserves	12	16,766	15,287	9,287
Deficit		(28,820,252)	(28,143,473)	(28,143,297)
		(28,803,485)	(28,128,185)	(28,134,009)
		$ 8,397,668	$ 8,771,147	$ 8,018,956

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

Nature of Operations and Going Concern Assumption (Note 1)

Commitments (Note 16)

EUROGAS INTERNATIONAL INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)

(In Canadian Dollars)

	Note	For the three months ended	
		March 31, 2011	March 31, 2010
INCOME			
Interest and other		$ 21	$ 2,944
		21	2,944
EXPENSES			
General and administrative	13	245,781	613,208
Impairment of exploration and evaluation expenditures	8	52,758	195,421
Dividends on Series A Preference Shares	11	317,095	317,095
Interest expense		6,896	6,283
Foreign exchange loss		54,270	8,127
		676,800	1,140,134
NET AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (676,779)	$ (1,137,190)
NET LOSS PER COMMON SHARE			
Basic and diluted net loss per common share	14	$ (0.02)	$ (0.04)

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

EUROGAS INTERNATIONAL INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(unaudited)

(In Canadian Dollars)

	Share Capital	Option Reserves	Deficit	Total
Balance, January 1, 2010	$ 1	$ 9,287	$ (28,143,297)	$ (28,134,009)
Transactions for the three months ended March 31, 2010				
Stock based compensation	-	1,480	-	1,480
Net loss for the period	-	-	(1,137,190)	(1,137,190)
Balance, March 31, 2010	1	10,767	(29,280,487)	(29,269,719)
Transactions from April 1, 2010 to December 31, 2010				
Stock based compensation	-	4,520	-	4,520
Net earnings for the period	-	-	1,137,014	1,137,014
Balance, December 31, 2010	1	15,287	(28,143,473)	(28,128,185)
Transactions for the three months ended March 31, 2011				
Stock based compensation	-	1,479	-	1,479
Net loss for the period	-	-	(676,779)	(676,779)
Balance, March 31, 2011	$ 1	$ 16,766	$ (28,820,252)	$ (28,803,485)

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

EUROGAS INTERNATIONAL INC.
STATEMENTS OF CASH FLOW
(unaudited)

(In Canadian Dollars)

	For the three months ended	
	March 31, 2011	March 31, 2010
OPERATING ACTIVITIES		
Loss from operations	$ (676,779)	$ (1,137,190)
Non-cash items in operations		
Non-cash changes in accrued dividends on Series A Preference Shares	317,095	317,095
Impairment of exploration and evaluation expenditures	52,758	195,421
Stock based compensation	1,479	1,480
Other	6,008	5,247
	(299,439)	(617,947)
Changes in non-cash working capital:		
Accounts receivable	423,678	(243,513)
Prepaids	(7,826)	(24,885)
Accounts payable and accrued liabilities	11,648	(115,559)
	128,061	(1,001,904)
FINANCING ACTIVITIES		
Changes in amounts due to Eurogas Corporation	-	145,855
	-	145,855
INVESTING ACTIVITIES		
Net proceeds from short term investments	60,755	1,997,048
Investment in property, plant and equipment	(29,522)	(545,141)
Investment in exploration and evaluation properties	(413,908)	(679,867)
	(382,675)	772,040
NET DECREASE IN CASH DURING THE PERIOD	(254,614)	(84,009)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,055,193	185,901
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 800,579	$ 101,892

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

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

As at and for the three months ended March 31, 2011 and 2010
(In Canadian Dollars)

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 large-scale oil and natural gas reserves. The Corporation's 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 under the symbol "EI".

The interim financial statements have been prepared on a going concern basis, which presumes 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 ordinary course of business.

As at March 31, 2011, the Corporation had negative working capital of $35,232,514 (December 31, 2010 – working capital of $1,046,064) and, during the three months then ended, it had incurred a net loss of $676,779 (three months ended March 31, 2010 – net loss of $1,137,190). As a result of a material deficit in available working capital, significant doubt exists over the Corporation's ability to meet its current commitments (Note 16) and continue as a going concern.

In addition, the Corporation has declared a condition of Force Majeure with respect to certain exploration and evaluation properties (Note 8).

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.

The 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. As a result, 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 the financial statements. Such adjustments could be material.

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

In 2010, the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") was revised to incorporate International Financial Reporting Standards ("IFRS"), and required publicly accountable enterprises to apply such standards for financial years beginning on or after January 1, 2011.

These interim financial statements have been prepared in accordance with International Accounting Standard 34, *"Interim Financial Reporting"* ("IAS 34") and IFRS 1, *"First-time Adoption of IFRS"* ("IFRS 1"). Subject to certain transition elections described in Note 5, the Corporation has consistently applied the same accounting policies used to prepare its opening IFRS statement of financial position as at January 1, 2010 (the "Transition Date") throughout all periods presented, as if these policies have always been in effect. Note 5 discloses the impact of the transition to IFRS on the Corporation's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation's financial statements for the year ended December 31, 2010.

The accounting policies applied in these interim financial statements are based on IFRS as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee, all issued and effective as at April 26, 2011, the date the Board of Directors authorized the issuance of these interim financial statements. Any subsequent changes to IFRS that are given effect in the Corporation's annual financial statements for the year ending December 31, 2011 could result in restatement of these interim financial statements, including the transition adjustment recognized on change-over to IFRS.

These interim financial statements do not include all of the information required for full annual financial statements. Therefore, these interim financial statements should be read in conjunction with the Corporation's annual financial statements prepared in accordance with Canadian generally accepted accounting principles (Canadian "GAAP") for the year ended December 31, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Corporation on transition to IFRS are set out below and, subject to certain transition elections as disclosed in Note 5, the Corporation has consistently applied these accounting policies throughout all periods presented in these interim financial statements, as if these policies had always been in effect.

Basis of Measurement

The interim financial statements have been prepared under the historical cost convention, except for certain financial instruments that are re-measured to fair value at each reporting date.

Working Interests

The Corporation's exploration and evaluation activities are conducted through a 45% working interest in a joint interest arrangement with other third party entities. These interim financial statements reflect only the Corporation's proportionate working interest in such activities.

Foreign Currency

Functional and Presentation Currency

These interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than the Corporation's functional currency, are recognized in the statement of operations and comprehensive loss.

Financial Instruments

The Corporation's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities, amounts payable to Eurogas Corporation and the Series A Preference Shares and accrued dividends thereon. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or incurred. Management determines the classification of financial instruments at initial recognition.

Financial Assets and Liabilities at Fair Value through Profit and Loss

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The Corporation's short term investments are classified at fair value through profit and loss, and as such, are measured initially and subsequently at fair value at the date of the statement of financial position. Both realized and unrealized gains and losses from changes in fair value are recorded in the statement of operations and comprehensive loss as "*interest and other income*" in the period in which they arise.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables are comprised of accounts receivable, and cash and cash equivalents and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Loans and receivables that have been discounted are subsequently measured at amortized cost using the effective interest method, less a provision for impairment.

Financial Liabilities at Amortized Cost
Financial liabilities at amortized cost include accounts payable and accrued liabilities, amounts payable to Eurogas Corporation, the Series A Preference Shares and accrued dividends thereon. Accounts payable and accrued liabilities, amounts payable to Eurogas Corporation and accrued dividends are initially recognized at the amount required to be paid, less, when material, a discount to reduce the liabilities to fair value. Subsequently, these financial liabilities are measured at amortized cost using the effective interest method. The Corporation's Series A Preference Shares were initially recognized at fair value, net of any transaction costs incurred, and have been subsequently carried at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Impairment of Financial Assets
At each reporting date, the Corporation assesses whether there is objective evidence that financial assets carried at amortized cost are impaired. If such evidence exists, the Corporation recognizes an impairment loss equal to the difference between the carrying value of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. An impairment loss on financial assets carried at amortized costs is reversed in subsequent periods if the amount of the loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognized.

Property, Plant and Equipment
Property, plant and equipment are stated at cost less accumulated impairment losses and are not subject to depreciation until such time as the asset is placed into use for exploration and evaluation or other business activities.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and accordingly, they are tested for impairment on a separate basis.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized on a net basis in the statement of operations and comprehensive loss.

Exploration and Evaluation Properties
The Corporation applies the "modified full cost method" to account for its exploration and evaluation activities in Tunisia and accordingly, capitalizes all costs associated with these programs, except for costs incurred before the Corporation has obtained the legal right to explore an area, in which case costs are expensed as incurred.

Exploration and evaluation activities include those expenditures for an area or project for which technical feasibility and commercial viability have not yet been determined and may include lease acquisitions, geological and geophysical expenditures, carrying costs of non-productive properties, equipment costs, that portion of general and administrative expenses directly attributable to exploration and evaluation activities and costs associated with decommissioning liabilities. Proceeds received by the Corporation for the disposal of properties or pursuant to the terms of farmout arrangements are normally deducted from the carrying value of exploration and evaluation properties.

The Corporation evaluates the carrying value of its exploration and evaluation properties when events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount of an asset is the greater of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows ("cash generating units" or "CGUs"). If their carrying value is assessed not to be recoverable, an impairment loss is recognized. The Corporation evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Decommissioning Liability

The Corporation recognizes the estimated liability associated with future site reclamation costs related to its exploration and evaluation activities in its financial statements. Costs are estimated in consultation with the entity responsible for operations in respect of the Corporation's working interest in Tunisia and are based on current costs and technology. Both constructive and legal obligations must be assessed in determining the amount of the Corporation's decommissioning liability.

Decommissioning liabilities are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. A decommissioning liability that is denominated in a foreign currency is translated at current foreign exchange rates at each period end. The effect of any changes to a decommissioning liability as a result of changes in market interest rates and foreign exchange rates is added to or deducted from the cost of the related exploration and evaluation properties. The increase in the decommissioning liability due to the passage of time is recognized as interest expense.

Stock Based Compensation

The Corporation may issue stock based compensation awards to directors, employees and consultants. These arrangements may include stock options and other stock based awards such as deferred share units.

The Corporation uses a fair value based method to account for stock based compensation. The fair value of stock based compensation, as at the date of grant, is measured using an option-pricing model and is recognized over the applicable vesting period as compensation expense, based on the number of options expected to vest, generally with a corresponding increase in option reserves in shareholders' equity (deficiency). When stock options or other stock based compensation arrangements are exercised the proceeds received, together with any amount in reserves are included in share capital. The number of options expected to vest is reviewed at least annually, with any impact being recognized immediately.

Income Taxes

The Corporation follows the balance sheet method to provide for income taxes on all transactions recorded in the financial statements. The balance sheet method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused losses, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Per Share Information

The basic loss per common share is computed by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted per common share amounts, if applicable, are calculated to reflect the dilutive effect of exercising outstanding share based awards by applying the treasury stock method.

Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective

IFRS 9, "Financial Instruments"
In November 2009, the IASB issued IFRS 9 "Financial Instruments" which addresses the classification and measurement of financial assets. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39, *"Financial Instruments: Recognition and Measurement"*.

IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Application of IFRS 9 is mandatory for annual periods beginning on or after January 1, 2013. The Corporation is currently evaluating the impact that the application of this new standard may have on the presentation of its financial position and results of operations.

IAS 32, Financial Instruments: Presentation – Amendment Regarding Classification of Rights Issues
This amendment addresses the accounting for rights issues including rights, options and warrants that are denominated in a currency other than the functional currency of the issuer. In particular, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency other than the entity's functional currency, would be equity instruments, provided that the entity offers the rights pro rata to all of its existing owners of the same class in its own non-derivative equity instrument. This amendment is effective for annual periods beginning on or after February 1, 2011. The Corporation does not currently have any rights, options or warrants issued that would be subject to this amendment and therefore, no impact is expected.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these interim financial statements in accordance with IFRS requires the Corporation to make assumptions, estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. 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 judgements about the carrying value 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.

Information about significant areas of estimation uncertainty considered by management in preparing the interim financial statements is as follows:

Recoverability of the Carrying Value of Exploration and Evaluation Properties
The Corporation is required to review the carrying value of its exploration and evaluation properties for potential impairment. Impairment is indicated if the carrying value of the Corporation's exploration and evaluation properties is not recoverable. If impairment is indicated, the amount by which the carrying value of exploration and evaluation properties exceeds their estimated fair value is charged to the statement of operations and comprehensive loss.

Evaluating for recoverability during the exploration and evaluation phase requires judgement in determining whether it is likely that future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Corporation's financial ability to continue exploration and evaluation activities, contractual issues with joint venture partners, the impact of government legislation and political stability in the region, and the impact of current and expected future oil prices to potential reserves.

Decommissioning Liability

The Corporation is required to provide for future abandonment and site restoration costs. The Corporation must estimate these costs in accordance with existing laws, contracts and other policies. The estimate of future removal and site restoration costs involves a number of estimates relating to timing of abandonment, costs associated with the abandonment and site restoration, and review of potential abandonment methods.

Income Tax Accounting

The determination of the Corporation's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. Additionally, future changes in tax laws could limit the ability of the Corporation to obtain tax deductions in future periods. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Deferred tax assets and liabilities are recorded using enacted or substantively enacted future income tax rates which include rate reductions over several years.

5. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies set out in Note 3 have been applied in preparing the interim financial statements for the three month period ended March 31, 2011, the comparative information presented in these financial statements for the three month period ended March 31, 2010, as of December 31, 2010 and March 31, 2010 and in the preparation of the opening IFRS statement of financial position as at the Transition Date.

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts previously reported in its financial statements prepared in accordance with Canadian GAAP. The effect of the Corporation's transition from Canadian GAAP to IFRS is set out in the following reconciliations and the footnotes that accompany such reconciliation.

IFRS 1: First-time Adoption of IFRS

IFRS 1 provides the framework for the first-time adoption of IFRS and specifies that, in general, an entity shall apply the principles under IFRS retrospectively. IFRS 1 also specifies that the adjustments that arise on retrospective conversion to IFRS from Canadian GAAP should be directly recognized in retained earnings. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1.

Transition Elections upon Adoption

The Corporation has applied the following transitional exemption to full retrospective application of IFRS:

- *Oil and gas properties* – IFRS 1 permits a first-time adopter using the full cost method of accounting under its previous GAAP to elect to measure oil and gas assets at the date of transition to IFRS on the following basis: (a) exploration and evaluation properties at the amount determined under previous GAAP and (b) assets in the development or production phases at the amount determined under previous GAAP, allocated to the underlying assets pro rata using reserve volumes or reserve values as of that date. As the Corporation's oil and gas activities are in the exploration and evaluation stage, it has elected to carry these assets at cost determined under Canadian GAAP, subject to impairment testing.

Mandatory Exceptions upon Adoption

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Corporation has applied the following guidelines in the preparation of its opening statement of financial position as at the Transition Date:

- In accordance with IFRS 1, an entity's estimates under IFRS as at the Transition Date must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Corporation's estimates as at the Transition Date are consistent with estimates made under Canadian GAAP as at the same date.

Reconciliation of Equity as at December 31, 2010, March 31, 2010 and January 1, 2010 as previously reported under Canadian GAAP to IFRS

As at		December 31, 2010				March 31, 2010				January 1, 2010		
	Ref:	Canadian GAAP	Transition Date Adjustments	2010 IFRS Adjustments	IFRS	Canadian GAAP	Transition Date Adjustments	2010 IFRS Adjustments	IFRS	Canadian GAAP	Transition Date Adjustments	IFRS
ASSETS												
Current												
Cash and cash equivalents		$ 1,055,193	$ -	$ -	$ 1,055,193	$ 101,892	$ -	$ -	$ 101,892	$ 185,901	$ -	$ 185,901
Short term investments		60,755	-	-	60,755	2,007,992	-	-	2,007,992	4,005,040	-	4,005,040
Accounts receivable		1,537,403	-	-	1,537,403	300,974	-	-	300,974	57,461	-	57,461
Prepaids		46,509	-	-	46,509	102,538	-	-	102,538	77,653	-	77,653
		2,699,860	-	-	2,699,860	2,513,396	-	-	2,513,396	4,326,055	-	4,326,055
Property plant and equipment	i	352,307	1,053,979	-	1,406,286	545,141	1,053,979	-	1,599,120	-	1,053,979	1,053,979
Exploration and evaluation properties	i, vii	21,117,753	3,474,879	2,163,924		21,855,764	3,474,879	(195,421)		21,175,897	3,474,879	
			-	(79,701)			-	(49,834)			-	
	ii		(15,172,885)	-			(15,172,885)	-			(15,172,885)	
	iii		(6,838,969)	-	4,665,001		(6,838,969)	-	3,073,534		(6,838,969)	2,638,922
		$ 24,169,920	$ (17,482,996)	$ 2,084,223	$ 8,771,147	$ 24,914,301	$ (17,482,996)	$ (245,255)	$ 7,186,050	$ 25,501,952	$ (17,482,996)	$ 8,018,956
LIABILITIES												
Current												
Accounts payable and accrued liabilities		$ 223,228	$ -	$ -	$ 223,228	$ 438,604	$ -	$ -	$ 438,604	$ 554,163	$ -	$ 554,163
Payable to Eurogas Corporation		-	-	-	-	296,737	-	-	296,737	150,882	-	150,882
Decommissioning liability	iv, v	1,694,168	(114,207)	(79,701)	-	1,625,485	(114,207)	(49,834)	-	1,602,591	(114,207)	-
	vi	-	-	(69,692)	1,430,568	-	-	(17,647)	1,443,797	-	-	1,488,384
		1,917,396	(114,207)	(149,393)	1,653,796	2,360,826	(114,207)	(67,481)	2,179,138	2,307,636	(114,207)	2,193,429
Accrued dividends on Series A Preference Shares		3,095,536	-	-	3,095,536	2,126,631	-	-	2,126,631	1,809,536	-	1,809,536
Series A Preference Shares		32,150,000	-	-	32,150,000	32,150,000	-	-	32,150,000	32,150,000	-	32,150,000
		37,162,932	(114,207)	(149,393)	36,899,332	36,637,457	(114,207)	(67,481)	36,455,769	36,267,172	(114,207)	36,152,965
SHAREHOLDERS' DEFICIENCY												
Share capital		1	-	-	1	1	-	-	1	1	-	1
Reserves		15,287	-	-	15,287	10,767	-	-	10,767	9,287	-	9,287
Deficit	i	(13,008,300)	4,528,858	-		(11,733,924)	4,528,858	-		(10,774,508)	4,528,858	
	ii		(15,172,885)	-			(15,172,885)	-			(15,172,885)	
	iii		(6,838,969)	-			(6,838,969)	-			(6,838,969)	
	iv		114,207	-			114,207	-			114,207	
	vii		-	2,163,924			-	(195,421)			-	
	vi		-	69,692			-	17,647			-	
			-	-	(28,143,473)		-	-	(29,280,487)		-	(28,143,297)
		(12,993,012)	(17,368,789)	2,233,616	(28,128,185)	(11,723,156)	(17,368,789)	(177,774)	(29,269,719)	(10,765,220)	(17,368,789)	(28,134,009)
		$ 24,169,920	$ (17,482,996)	$ 2,084,223	$ 8,771,147	$ 24,914,301	$ (17,482,996)	$ (245,255)	$ 7,186,050	$ 25,501,952	$ (17,482,996)	$ 8,018,956

For illustrative purposes, amounts previously classified as “oil and gas properties” in the Corporation’s interim and annual financial statements prepared in accordance with Canadian GAAP have been reclassified to “exploration and evaluation properties”, except for net amounts relating to the Corporation’s mobile offshore production unit, the “Ocean Patriot” (the “MoPU”), which have been reclassified to property, plant and equipment. Additionally, amounts associated with the Corporation’s site restoration and reclamation costs have been renamed “decommissioning liabilities” in accordance with nomenclature used under IFRS. Under Canadian GAAP, these amounts were recorded as “asset retirement obligations”. Amounts included in contributed surplus under Canadian GAAP refer to provisions for stock based option awards and have been renamed as “reserves” in accordance with IFRS based disclosure.

Reconciliation of the Statement of Operations and Comprehensive Loss and the Statement of Cash Flows for the year ended December 31, 2010 and for the three months ended, March 31, 2010 as previously reported under Canadian GAAP to IFRS

		Year ended December 31, 2010				Three months ended March 31, 2010			
	Ref:	Canadian GAAP	Transition Date Adjustments	2010 IFRS Adjustments	IFRS	Canadian GAAP	Transition Date Adjustments	2010 IFRS Adjustments	IFRS
INCOME									
Interest and other		$ 6,024	$ -	$ -	$ 6,024	$ 2,944	$ -	$ -	$ 2,944
		6,024	-	-	6,024	2,944	-	-	2,944
EXPENSES									
General and administrative		789,738	-	-	789,738	613,208	-	-	613,208
Impairment of exploration and evalaution expenditures	vii	-	-	415,292	415,292	-	-	195,421	195,421
Dividends on Series A Preference Shares		1,286,000	-	-	1,286,000	317,095	-	-	317,095
Depreciation and accretion	vi	91,577	-	(91,577)	-	22,894	-	(22,894)	-
Interest expense	vi	3,111	-	21,885	24,996	1,036	-	5,247	6,283
Foreign exchange loss		69,390	-	-	69,390	8,127	-	-	8,127
		2,239,816	-	345,600	2,585,416	962,360	-	177,774	1,140,134
Gain on settlement of Seawolf Litigation	vii	-	-	2,579,216	2,579,216	-	-	-	-
NET AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (2,233,792)	$ -	$ 2,233,616	$ (176)	$ (959,416)	$ -	$ (177,774)	$ (1,137,190)
Basic and diluted loss per share		$ (0.07)			$ -	$ (0.03)			$ (0.04)

		Year ended December 31, 2010				Three months ended March 31, 2010			
	Ref:	Canadian GAAP	Transition Date Adjustments	2010 IFRS Adjustments	IFRS	Canadian GAAP	Transition Date Adjustments	2010 IFRS Adjustments	IFRS
OPERATING ACTIVITIES									
Loss from operations		$ (2,233,792)	$ -	$ 2,233,616	$ (176)	$ (959,416)	$ -	$ (177,774)	$ (1,137,190)
Non-cash items in operations									
Depreciation and accretion	vi	91,577	-	(91,577)	-	22,894	-	(22,894)	-
Accrued dividends on Series A Preference Shares		1,286,000	-	-	1,286,000	317,095	-	-	317,095
Impairment of exploration and evaluation expenditures	vii	-	-	415,292	415,292	-	-	195,421	195,421
Gain on settlement of Seawolf litigation	vii	-	-	(2,579,216)	(2,579,216)	-	-	-	-
Stock based compensation		6,000	-	-	6,000	1,480	-	-	1,480
Other	vi	-	-	21,885	21,885	-	-	5,247	5,247
		(850,215)	-	-	(850,215)	(617,947)	-	-	(617,947)
Changes in non-cash working capital:									
Accounts receivable		11,958	-	-	11,958	(243,513)	-	-	(243,513)
Prepaids		31,144	-	-	31,144	(24,885)	-	-	(24,885)
Accounts payable and accrued liabilities		(330,935)	-	-	(330,935)	(115,559)	-	-	(115,559)
		(1,138,048)	-	-	(1,138,048)	(1,001,904)	-	-	(1,001,904)
FINANCING ACTIVITIES									
Changes in amounts due to Eurogas Corporation		(150,882)	-	-	(150,882)	145,855	-	-	145,855
		(150,882)	-	-	(150,882)	145,855	-	-	145,855
INVESTING ACTIVITIES									
Net proceeds from short term investments		3,944,285	-	-	3,944,285	1,997,048	-	-	1,997,048
Investment in property, plant and equipment		(856,581)	-	-	(856,581)	(545,141)	-	-	(545,141)
Proceeds from settlement of Seawolf litigation		1,591,590	-	-	1,591,590	-	-	-	-
Investment in exploration and evaluation properties		(2,521,072)	-	-	(2,521,072)	(679,867)	-	-	(679,867)
		2,158,222	-	-	2,158,222	772,040	-	-	772,040
INCREASE (DECREASE) IN CASH		869,292	-	-	869,292	(84,009)	-	-	(84,009)
CASH, BEGINNING OF PERIOD		185,901	-	-	185,901	185,901	-	-	185,901
CASH, END OF PERIOD		$ 1,055,193	$ -	$ -	$ 1,055,193	$ 101,892	$ -	$ -	$ 101,892

References to the IFRS Conversion Adjustments

Transition Date Adjustments

IFRS 6, "Exploration and Evaluation of Mineral Resources"
As permitted under IFRS 6, the Corporation elected to adopt the "modified full cost" method to account for its exploration and evaluation activities.

(i) In completing its assessment of costs previously included in the Corporation's statement of financial position, the Corporation segregated its interest in the MoPU, which had been acquired with the expectation of producing, processing and transporting oil on certain development concessions in Tunisia. As this is a tangible asset, its carrying value was segregated from exploration and evaluation properties and reclassified to property, plant and equipment.

    In segregating the costs associated with the MoPU from exploration and evaluation properties, the Corporation allocated proceeds received pursuant to certain farmout arrangements to its carrying value in the MoPU, resulting in the recognition of a gain of $4,528,858. Under Canadian GAAP, these amounts had been applied to reduce the carrying value of exploration and evaluation properties.

Subsequent expenditures incurred in respect of the MoPU, which at the Transition Date aggregated $1,053,979, have been included in property, plant and equipment.

IAS 36, "Impairment of Assets"
Under Canadian GAAP and full cost accounting, impairment testing of exploration and evaluation properties was performed on the basis of expected recoverability of costs in each geographic area. For purposes of impairment testing under IFRS, exploration and evaluation properties must be segregated into CGUs.

The Corporation has determined that its exploration and evaluation properties may be segregated into three separate CGUs including (a) costs associated with exploration and evaluation activities conducted onshore which, as at the Transition Date, amounted to $15,172,885; (b) costs associated with the Ras-El-Besh development concession which, at the Transition Date, amounted to $6,838,969 and (c) all other exploration and evaluation activities conducted offshore pursuant to the Sfax Permit which, at the Transition Date, amounted to $2,638,922 (Note 8).

(ii) Following a detailed analysis of impairment indicators as outlined in IFRS 6, the Corporation determined that it was appropriate to recognize an impairment of $15,172,885 in respect of exploration and evaluation properties located onshore as the Corporation was no longer proceeding with exploration and evaluation of onshore opportunities in Tunisia.

(iii) Based on these same parameters, the Corporation determined that it was also appropriate to recognize an impairment of $6,838,969 in respect of the Ras-El-Besh development concession as the Corporation had not been able to discover sufficient reserves to give commercial viability to this prospect.

IAS 37, "Provisions, Contingent Liabilities and Contingent Assets"
Accounting for decommissioning liabilities pursuant to IFRS currently falls under IAS 37. IFRS requires the inclusion of both constructive and legal obligations in determining the amount of a decommissioning liability. While only legal obligations are required under Canadian GAAP, the Corporation has historically included both legal and constructive obligations in its estimate of decommissioning liabilities.

Consistent with Canadian GAAP, decommissioning liabilities under IFRS are recorded in the financial statements on a discounted basis. However, discount rates used under IFRS should reflect the risks specific to the decommissioning liability, whereas under Canadian GAAP, discount rates for asset retirement obligations are based on the entity's credit-adjusted risk-free rate. At each period end, IFRS requires that the Corporation re-measure its decommissioning liability for market interest

changes in the discount rate, whereas under Canadian GAAP, changes in discount rates alone do not result in a remeasurement of the asset retirement obligation. IFRS also requires remeasurement of the decommissioning liability to reflect changes in foreign exchange rates in instances where such decommissioning liabilities are denominated in foreign currencies, whereas under Canadian GAAP, changes resulting solely from changes in foreign exchange rates do not result in a remeasurement of the asset retirement obligation.

(iv) The Corporation has completed the calculation of its decommissioning liability as at the Transition Date using a market interest rate and foreign exchange rate appropriate as at the Transition Date. Accordingly, the Corporation's decommissioning liability has been decreased by $114,207. As the assets relating to this decommissioning liability have been fully impaired, changes to the carrying value of the decommissioning liability as a result of implementing IFRS have been charged to the deficit.

IFRS Adjustments Subsequent to the Transition Date

(v) Changes in prevailing market interest rates and foreign exchange rates throughout 2010 resulted in further decreases of $79,701 (three months ended March 31, 2010 - $49,834) related to the carrying value of the Corporation's decommissioning liability compared with the carrying value of such decommissioning liabilities in accordance with Canadian GAAP. Consistent with the methodology applied at the Transition Date, as the assets relating to this decommissioning liability have been fully impaired, changes to the carrying value of the decommissioning liability resulting from changes in market interest rates and foreign exchange rates have been charged to operations.

(vi) Consistent with Canadian GAAP, the Corporation accretes the decommissioning liability to reflect the passage of time. Under Canadian GAAP, the accretion amount was included in depreciation and accretion expense. IFRS requires that the accretion amount be classified as a financing cost. Accordingly, accretion amounts have been included in interest expense. As a result of the impact of changes in market interest and foreign exchange rates to the decommissioning liability, accretion expense pursuant to IFRS decreased by $69,692 in 2010 (three months ended March 31, 2010 - $17,647).

(vii) During 2010, the Corporation continued to incur exploration and evaluation costs associated with the Ras-El-Besh concession. Under Canadian GAAP, these amounts were capitalized to exploration and evaluation properties. On transition to IFRS, and as a result of impairment indicators as defined by IFRS, the resulting assets were considered impaired. Accordingly, the Corporation recognized an impairment amount of $415,292 (three months ended March 31, 2010 - $195,421).

During 2010, and as a result of the settlement of the litigation with Seawolf (Note 8), the Corporation recovered certain expenses previously incurred in respect of the Ras-El-Besh concession. Under Canadian GAAP, these amounts were applied to reduce the cost of exploration and evaluation properties. As the related exploration and evaluation properties were fully impaired under IFRS, proceeds received from the litigation with Seawolf, to the extent related to the Ras-El-Besh concession, were recognized in operations. Accordingly, in 2010, the Corporation realized a gain on settlement of the Seawolf litigation of $2,579,216.

6. SHORT TERM INVESTMENTS

The Corporation did not hold any short term investments at March 31, 2011. At December 31, 2010, the Corporation held guaranteed investment certificates ("GICs") from a Canadian Schedule I Chartered Bank with a par value of $60,000. Unrealized appreciation in the fair value of short term investments at December 31, 2010 was $755.

7. PROPERTY, PLANT AND EQUIPMENT

The Corporation holds a 45% interest in the MoPU, which was originally acquired with the expectation of producing, processing and transporting oil on certain development concessions related to the Corporation's oil and gas activities.

		Investment in MoPU
Carrying value, January 1, 2010	$	1,053,979
Transactions during the three months ended March 31, 2010		
Investment		545,141
Carrying value, March 31, 2010		1,599,120
Transactions from April 1, 2010 to December 31, 2010		
Investment		311,440
Settlement of litigation with Seawolf (Note 8)		(504,274)
Carrying value, December 31, 2010		1,406,286
Transactions during the three months ended March 31, 2011		
Investment		29,522
Carrying value, March 31, 2011	$	1,435,808

8. EXPLORATION AND EVALUATION PROPERTIES

		Sfax Exploration Permit		Ras-El-Besh Concession		Exploration and Evaluation Properties
Carrying value, January 1, 2010	$	2,638,922	$	-	$	2,638,922
Transactions during the three months ended March 31, 2010						
Investments		434,612		245,255		679,867
Changes related to decommissioning liability		-		(49,834)		(49,834)
Impairment		-		(195,421)		(195,421)
Carrying value, March 31, 2010		3,073,534		-		3,073,534
Transactions from April 1, 2010 to December 31, 2010						
Investments		1,591,467		249,738		1,841,205
Changes related to decommissioning liability		-		(29,867)		(29,867)
Impairment		-		(219,871)		(219,871)
Carrying value, December 31, 2010		4,665,001		-		4,665,001
Transactions during the three months ended March 31, 2011						
Investments		328,220		85,688		413,908
Changes related to decommissioning liability		-		(32,930)		(32,930)
Impairment		-		(52,758)		(52,758)
Carrying value, March 31, 2011	$	4,993,221	$	-	$	4,993,221

The Corporation has entered into a joint operating agreement with Atlas Petroleum Exploration Worldwide Ltd. ("APEX"), pursuant to which the Corporation and APEX agreed to undertake exploration, evaluation and extraction operations pursuant to the working interest awarded to them in the Sfax Offshore Permit (the "Sfax Permit") and the related Ras-El-Besh concession, both located in Tunisia. The Corporation owns a 45% working interest in the joint operating agreement. APEX is the operating partner in the joint venture arrangement.

On January 19, 2009, the Tunisian Hydrocarbon Committee approved a two-year extension to the Sfax Permit, which extends the primary term to December 8, 2011. As a condition of the extension, the Corporation indirectly committed to drill an additional exploration well on the Sfax Permit during the extension period (Note 16).

Declaration of Force Majeure

On January 18, 2011, the Corporation announced that, together with APEX, it had declared a condition of Force Majeure with respect to the Sfax Permit and Ras-El-Besh concession. The Corporation and APEX continue to believe that the current political uncertainty and civil unrest in Tunisia, which have resulted in government collapse, a declaration of a state of emergency and serious civil disturbance, adversely affects their ability to continue their exploration and evaluation activities in Tunisia. The Corporation believes that the declaration of Force Majeure will allow the Corporation and APEX to temporarily suspend their activities, while the conditions resulting in the Force Majeure continue. The Corporation anticipates that the declaration of Force Majeure 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 the activities were suspended as a result of the Force Majeure. Once the situation in Tunisia is resolved, the Corporation anticipates that it will resume its exploration and evaluation activities.

Farmout Arrangements with Delta Hydrocarbons B.V.

During 2008, the Corporation and APEX entered into a farmout option agreement with Delta Hydrocarbons B.V. ("Delta"), pertaining to the farmout of a 50% interest in the joint operating agreement relating to the Sfax Permit and the Ras-El-Besh concession. Under the farmout option agreement, Delta agreed to expend US$125 million to earn its 50% working interest.

In May 2009, Delta expressed a desire to exit from the farmout option arrangement. Under a settlement agreement, Delta reassigned its 50% working interest in the joint operating agreement in exchange for a portion of certain payments, if and when received by the Corporation and APEX pursuant to their joint operating agreement, to a maximum of US$20 million.

Payments to Delta pursuant to the settlement agreement 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 concession and a share of the proceeds from any sale or lease of the MoPU (Note 7). Furthermore, Delta remains committed to fund 50% of any costs associated with certain site restoration and reclamation costs associated with the Ras-El-Besh concession until December 9, 2011.

Arbitration against Seawolf Oilfield (Cyprus) Limited and Seawolf Oilfield Services Limited

In 2009, APEX, on behalf of the participants in the joint operating agreement, commenced arbitration proceedings against Seawolf Oilfield (Cyprus) Limited and Seawolf Oilfield Services Limited, seeking damages for misrepresentations and breach of a drilling contract in respect of the REB-3 well drilled on the Ras-El-Besh concession. In May 2010, the parties reached a settlement agreement that provided for a US$12 million payment to the participants in the joint operating agreement over an 18 month period ending October 2011. 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 $2,131,001 (US$2,090,483) and recognized further amounts receivable of $1,491,900 (US$1,500,000), as its share of the expected settlement proceeds. The Corporation applied $504,274 received from the settlement against costs associated with the MoPU (Note 7) and realized a gain from the settlement of $2,579,216.

In addition, during the year ended December 31, 2010, the Corporation applied $587,819 of the proceeds to reduce legal expenses funded by the Corporation on behalf of Delta. The Corporation realized a foreign exchange loss of $48,408 on the conversion of the proceeds to Canadian dollars.

During the three months ended March 31, 2011, the Corporation received US$450,000 against amounts outstanding pursuant to these arrangements.

9. DECOMMISSIONING LIABILITY

	Decommissioning Liability
Balance, January 1, 2010	$ 1,488,384
Accretion*	21,885
Adjustment for changes in market interest and foreign exchange rates	(79,701)
Balance, December 31, 2010	1,430,568
Accretion*	6,008
Adjustment for changes in market interest and foreign exchange rates	(32,930)
Balance, March 31, 2011	$ 1,403,646

* Accretion has been included as interest expense in these interim financial statements.

Upon completion of drilling and testing of the REB-3 well within the Ras-El-Besh concession, APEX and the Corporation requested and received approval from the Tunisian government to temporarily suspend the well and release the drilling rig pending further assessment of geological and geophysical data. APEX and the Corporation have since determined that it is appropriate to abandon the well.

The participants in the joint operating agreement have estimated that the aggregate costs required for site restoration and abandonment of the REB-3 well is between US$5.5 million and US$10 million. The aggregate cost is dependent on the type of rig that will be used and on the costs of mobilizing and demobilizing the offshore rig. The Corporation estimates that its share of the site restoration and abandonment costs is US$1,462,500 on an undiscounted basis. Accordingly, the Corporation has recorded a decommissioning liability on March 31, 2011 of $1,403,646 based on the following key assumptions:

- Expected settlement date in fiscal 2011;
- Foreign exchange rate of US$0.9718 per Canadian dollar (December 31, 2010 – US$0.9946; January 1, 2010 – US$1.0466); and
- Discount rate of 1.68% (December 31, 2010 – 1.68%; January 1, 2010 – 1.41%)

10. INCOME TAXES

At March 31, 2011, the Corporation had operating loss carry forwards of $2,612,061 (December 31, 2010 - $2,252,848). A summary of the operating loss carry forwards by year of expiry is as follows:

Year of Expiry:	
2011	$ -
2012	105,236
2013	4,576
2014	208,229
2015	368,787
Thereafter	1,925,233
	$ 2,612,061

A valuation allowance has been recorded in respect of the loss carry forwards as management believes it is probable that the future tax asset will not be realized.

The Corporation's income tax provision differs from the amount that would be computed by applying the Barbados statutory income tax rate as a result of the following:

	For the three months ended	
	March 31, 2011	March 31, 2010
Anticipated income tax recovery based on Barbados' statutory income tax rate of 2.5% (March 31, 2010 - 2.5%)	$ (16,919)	$ (28,430)
Non-deductible expenses	8,233	19,493
Valuation allowance	8,686	8,937
Income tax provision	$ -	$ -

11. 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

The Corporation has issued 32,150,000 Series A Preference Shares with a face value of $32,150,000. 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 the holder 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 the holder or retracted at the option of the Corporation at any time at a price equal to their face value of $1 per Series A Preference Share.

The Series A Preference Shares are non-voting except in the event 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, the holder of the Series A Preference Shares shall be entitled, voting exclusively and separately and as a series, to elect a majority of the members of the Board of Directors of the Corporation.

During the three months ended March 31, 2011, the Corporation recognized an expense of $317,095 (three months ended March 31, 2010 - $317,095) in operations, representing the dividends accrued on the Series A Preference Shares during the respective periods. The holder of the Series A Preference Shares has indicated to the Corporation that it does not intend to exercise its redemption entitlement until December 31, 2011. It has also agreed to accept the deferral of the payment of the associated cumulative dividends at March 31, 2011 of $3,412,631 (December 31, 2010 – $3,095,536; January 1, 2010 - $1,809,536) until December 31, 2011.

12. SHARE CAPITAL

	Number of Shares	Capital	Option Reserves
Outstanding, January 1, 2010	31,143,635	$ 1	$ 9,287
Transactions during the year ended December 31, 2010			
Stock based compensation	-	-	6,000
Outstanding, December 31, 2010	31,143,635	$ 1	$ 15,287
Transactions during the three months ended March 31, 2011			
Stock based compensation	-	-	1,479
Outstanding, March 31, 2011	31,143,635	$ 1	$ 16,766

Common Shares Issued and Outstanding

The Corporation is authorized to issue an unlimited number of common shares. At March 31, 2011 and at each of December 31, 2010 and January 1, 2010, the Corporation had 31,143,635 common shares issued and outstanding.

Stock Based Compensation

A detailed description of the Corporation's stock based compensation arrangements is provided in Note 8 to the Corporation's audited annual financial statements as at and for the year ended December 31, 2010, which were prepared using Canadian GAAP.

Share Option Plan

At March 31, 2011, the Corporation had 600,000 outstanding options (December 31, 2010 and January 1, 2010 – 600,000 options) with a weighted average exercise price of $0.10 per option, of which 400,000 options (December 31, 2010 – 400,000 options; January 1, 2010 – 200,000 options) had met the vesting requirements and were available for exercise. The options have a weighted average remaining contractual life at March 31, 2011 of 3.21 years.

During the three months ended March 31, 2011, the Corporation recognized stock based compensation expense of $1,479 (three months ended March 31, 2010 - $1,480).

Deferred Share Unit Plan

There are currently no units granted to eligible participants under the Corporation's deferred share unit plan.

13. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

	Three months ended	
	March 31, 2011	March 31, 2010
Salary and salary-related	$ 52,322	$ 56,375
Stock based compensation	1,479	1,480
Corporate and professional fees	293,357	696,937
General office	35,203	29,987
Expense recoveries	(7,385)	(16,880)
Capitalization of general and administrative costs	(129,195)	(154,691)
	$ 245,781	$ 613,208

14. NET LOSS PER SHARE

	Three months ended	
	March 31, 2011	March 31, 2010
Net loss from operations attributable to shareholders	$ (676,779)	$ (1,137,190)
Weighted average number of common shares outstanding	31,143,635	31,143,635
Basic and diluted net loss per common share	$ (0.02)	$ (0.04)

15. RELATED PARTY TRANSACTIONS

Amounts "Payable to Eurogas Corporation" represent amounts due to Eurogas Corporation, the holder of the Corporation's Series A Preference Shares, are due on demand, are unsecured and are non-interest bearing. There were no amounts owing to Eurogas Corporation at March 31, 2011 and December 31, 2010 (January 1, 2010 - $150,882).

The Corporation has entered into a services arrangement with Dundee Resources Limited. Dundee Resources Limited is a wholly owned subsidiary of Dundee Corporation, the principal shareholder of the 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, 2011, the Corporation incurred costs of $73,699 (three months ended March 31, 2010 - $105,357), in respect of these arrangements.

Key Management Compensation

Compensation and other fees paid to directors of the Company during the three months ended March 31, 2011 and 2010 is shown below:

	Three months ended	
	March 31, 2011	March 31, 2010
Directors fees and consulting arrangements	$ 82,875	$ 87,625
Stock based compensation	1,479	1,480
Benefits	697	-
	$ 85,051	$ 89,105

16. COMMITMENTS

As part of the Tunisian Hydrocarbon Committee's approval of a two-year extension on the Sfax Permit, which extends the primary term to December 8, 2011, APEX and the Corporation are committed to drilling one new exploration well with depth to a specified geological zone during the extension period. The actual cost for the exploration well will depend on the selection of the prospect and location within the Sfax Permit. In the event that such work commitment is not completed, a compensatory payment of up to US$12 million will be payable to the Tunisian regulatory bodies, less any amounts incurred by APEX and the Corporation in respect of the completion of its obligations. The Corporation is also required to complete the abandonment of the REB-3 well (Note 9). The Corporation estimates that its share of the cost to meet these two commitments is US$7.9 million.

17. FINANCIAL INSTRUMENTS

There have been no significant changes in the business and economic circumstances and the related financial risks that affect the fair value of the Corporation's financial assets and financial liabilities since December 31, 2010.

A detailed description of the Corporation's financial assets and financial liabilities and its associated risk management in respect thereof are provided in Note 12 to the Corporation's audited annual financial statements as at and for the year ended December 31, 2010, which were prepared using Canadian GAAP. There were no significant changes to the description of the Corporation's financial assets and financial liabilities and its associated risk management arising out of the transition to IFRS (Note 5).