



## **Perisson Petroleum Corporation**

Management Discussion & Analysis (“MD&A”)  
**For the three months ended March 31, 2017**  
(Expressed in CDN dollars)

May 30, 2017

The following Management’s Discussion & Analysis (“**MD&A**”) of Perisson Petroleum Corporation (“**Perisson**” or the “**Company**”) is provided by its management and reports on the financial condition and the results of operations for the three months ended March 31, 2017 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016, and the condensed interim consolidated financial statements for the three months ended March 31, 2017 (“**Statements**”). The Company’s Statements have been prepared in accordance with International Financial Reporting Standard (“**IFRS**”) and all currency amounts are expressed in Canadian dollars except otherwise specifically indicated. Additional information about Perisson can be found at [www.sedar.com](http://www.sedar.com) and [www.perisson.com](http://www.perisson.com). The Company’s shares are listed and traded on the TSX Venture Exchange under the symbol POG.

### **Forward looking statements**

Certain statements contained in this MD&A constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. The use of any of the words “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “goal”, “predict”, “potential”, “should”, “believe” and similar expressions are intended to identify forward-looking information and statements. The information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking information and statements. Such statements reflect the Company’s, as the case may be, current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance, or achievements to vary from those described in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated, or expected.

### **BOE PRESENTATION**

Barrels of oil equivalents (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl (barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly

different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indicated value.

## NON-GAAP FINANCIAL MEASURES

Certain measures in this document do not have any standardized meaning as prescribed by GAAP and, therefore, are considered non-GAAP measures. Non-GAAP measures are commonly used in the oil and gas industry and by the Company to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Non-GAAP measures used in this report include the term "Netback" which separately presents royalty which is not shown on the face of the consolidated financial statements. In addition, the Company presents "working capital", "net debt" and "surplus", which is calculated as current liabilities less current assets.

## OVERVIEW OF THE BUSINESS

### CANADA

In May 2016, the Company acquired a beneficial interest in certain producing oil and gas assets in the Twining area of Alberta. The assets generate oil and gas production of approximately 175 boe/d, which is comprised of 70% oil and 30% liquids rich gas with associated facilities.

The Canadian operations are the primary focus of the Company.

### COLOMBIA

Perisson is engaged in the exploration for oil and gas assets in Colombia through its subsidiaries Perisson Petroleum Panama Corporation (incorporated in Panama), Morichal Sinoco, SA ("MSSA") (incorporated in Venezuela) and the latter's Colombian branch. The Company's oil and gas activities are focused on commercially exploiting resources from its 100% interest in the VMM-17 block. The VMM-17 block covers 39,927 hectares of the Magdalena Basin, the oldest oil-producing basin in Colombia.

In March 2017, the regulator extended the license expiry for the VMM-17 block for 6 months until September 17, 2017.

## Summary of Quarterly Results

The following table contains selected financial information for the last eight quarters. The Company's Canadian oil and gas assets were acquired in May 2016.

Selected quarterly information	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Production BOEd	169	175	165	66	-	-	-	-
Revenue, net of royalty	659,134	615,354	563,852	243,582	-	-	-	-
Operating costs	407,414	577,622	301,658	173,470	-	-	-	-
Netback	251,720	37,732	262,194	70,112	-	-	-	-
General and administrative	421,946	521,285	636,204	294,018	309,880	1,719,241	289,101	497,577
Cash from (used in) operating activities	(1,045,124)	7,023	(724,203)	(970,674)	(97,872)	(1,607,455)	(356,264)	(320,274)
Loss and comprehensive loss	840,463	(593,893)	995,973	512,979	513,267	5,562,146	1,890,949	485,264
Per share – basic and diluted	\$ (0.01)	(\$0.02)	\$0.01	\$ 0.01	\$ 0.01	\$ 0.07	\$ 0.09	\$ 0.04

The 2015 quarterly losses indicated above result from: salaries, professional and consulting fees and general office expenses incurred obtaining the VMM-17 contract and working to obtain the required

environmental permit; share-based payments; and impairment of exploration and evaluation assets and property, plant and equipment.

In Q4 2015, the Company recorded impairment totaling \$5,502,365 on its Colombia property, plant and equipment and exploration and evaluation assets and continues to expense related costs related to exploration and evaluation assets as part of the Company's office and general expenses and professional and consulting fees.

In Q2 2016, the Company recorded its first oil and natural gas revenues but significant costs of \$427,016 relating to the property acquisition resulted in negative cash flow from operating activities and a net loss for the period. During Q3 2016 the Company's oil property had a positive cash flow of approximately \$260,000 which reduced to \$38,000 in Q4 2016 as operating costs included charges for annual municipal tax expenses. In Q1, 2017, field operating costs were reduced from the previous period resulting in a netback from oil & gas operations of \$251,720.

Production and oil and gas revenue	Three months ended Mar 31	
	2017	2016
<b>Production</b>		
Oil bopd	120	-
Gas mcf/d	292	-
BOE/d	169	-
<b>Revenue</b>		
Oil	\$ 605,917	\$ -
Natural gas	80,624	-
Total	\$ 686,541	\$ -
<b>Prices</b>		
Oil \$/barrel	\$ 56.15	\$ -
Natural gas \$/mcf	\$ 3.06	\$ -
\$/BOE	\$ 45.23	\$ -

Netbacks	Three months ended Mar 31	
	2017	2016
<b>Revenue</b>		
Oil	\$ 605,917	\$ -
Natural gas	80,624	-
Revenue	686,541	-
Royalty expense	(27,407)	-
<b>Revenue, net of royalty</b>	659,134	-
Operating expense	(407,414)	-
<b>Netback</b>	\$ 251,720	\$ -

<b>Production</b>		
Oil bopd	120	-
Gas mcf/d	292	-
BOE/d	169	-

<b>Revenue per BOE</b>		
Oil \$/barrel	\$ 56.15	\$ -
Natural gas \$/mcf	3.06	-
\$/BOE	45.23	-
Royalty expense per BOE	(1.81)	-
<b>Net Revenue per BOE</b>	43.42	-
Operating expense per BOE	(26.84)	-
<b>Netback per BOE</b>	\$ 16.58	\$ -

Operating costs in Q1 2017 were lower than costs in Q4 2016 as the Company received a substantial municipal tax bill in Q4 2016. The Company expects operating costs to be in the range of approximately \$22.00 - \$26.00 per BOE in subsequent quarters.

General & administrative expense	Three months ended Mar 31	
	2017	2016
Salaries	\$ 121,171	\$ 101,843
Management fees	60,000	-
Professional and consulting fees	122,240	143,505
Accommodation and travel	33,859	31,560
Listing fees	13,977	4,399
Office and general	70,699	90,458
<b>Total</b>	\$ 421,946	\$ 371,765

### Salaries

For the three months ended March 31, 2017, salaries totaled \$121,171 compared with \$101,843 in Q1 2016. The difference of \$19,328 resulted from the additional of one staff member late in the quarter and an under accrual of salary costs in the comparative period.

### *Management Fees*

Since May 2016, in conjunction with a property acquisition, the Company utilized a third party through a trust agreement to maintain its Canadian oil and gas assets. Management fees have been estimated to be \$20,000 per month in Q1 2017.

On May 5, 2017, the third party was put into receivership by the Court of Queen's Bench of Alberta at the request of its lender, Alberta Treasury Branches. Perisson is working with the Receiver to transfer title to Perisson's acquired properties from the third party to Perisson.

### *Professional and Consulting Fees*

During the three months ended Mar 31, 2017, the Company incurred \$122,240 in professional and consultants' service charges compared with \$143,505 in Q1 2016. The lower spending during the quarter reflects reduced activity in Canada compared with the prior year period.

### *Accommodation and Travel Expenses*

For the three months ended March 31, 2017, accommodation and travel expenses totaled \$33,859 which was in line with Q1 2016.

### *Listing fees*

For the three months ended March 31, 2017, listing fee expenses totaled \$13,977 compared with \$4,399 in Q1 2016. The Company was charged exchange sustaining fees for a portion of 2016 and all of 2017 in Q1 2017 while no such fees occurred in Q1 2016 as the Company was listed on a different exchange.

### *Office and General Expenses*

For the three months ended March 31, 2017, office and general expenses decreased to \$70,699 compared with \$90,458 in Q1 2016. The reduction resulted from reduced activity.

## **Consolidated Statements of Financial Position**

	Three months ended March 31, 2017	Year ended Dec. 31, 2016
Current assets	1,664,573	974,908
Current liabilities	1,534,137	4,044,861
Working capital (deficit)	130,436	(3,069,953)

### *Current Assets*

Current liabilities have decreased compared with the prior year as the current portion of debentures are far less than at year end 2016 and the year end shareholder loan has been repaid.

Cash is available to the Company as it is able to raise new equity or debt financing. The Company's oil and gas properties also generate positive cash flow.

### *Current and Total Liabilities*

Accounts payable and accrued liabilities decreased to \$1.2 million as of March 31, 2017, (December 31, 2016 – \$1.6 million) as the Company issued long term debentures to replace some current obligations. The Company has cash generating oil and gas assets but mostly relies on equity and or debt financing to fund its operations. Of the March 31, 2017 balance, approximately \$563,000 of accounts payable were over 90 days outstanding.

As of March 31, 2017, the Company has debentures of \$3,975,929 (December 31, 2016, \$1,415,000 face value convertible debentures).

### **Liquidity and Capital Resources**

Perisson's current liabilities exceed its current assets (excluding restricted assets) by \$429,720 at March 31, 2017. In addition to funding the current working capital deficit, the Company must secure sufficient external funding to meet its obligations and commitments on the Colombian exploration and evaluation program and pay ongoing general and administrative costs in Columbia and in Canada. This external funding may be met in a number of ways including, but not limited to, the issuance of new debt or equity instruments, the introduction of joint venture partners; and other business combinations. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or other initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new external funding, the Company may be unable to continue its operations.

These aforementioned circumstances indicate the existence of a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern.

Historically, the Company has been able to rely on its ability to raise financing in public or privately negotiated equity offerings. Should negotiations result in an environmental license being issued, there is no assurance that equity financing will be available when required, or under terms that are favourable to Perisson. The Company may also elect to advance the exploration of its property through joint-venture drilling contracts, which would reduce Perisson's share of the potential future revenues from the project. Currently, however, the project would not be economic under either scenario given world oil prices.

Although the Statements have been prepared assuming Perisson is a going concern, the above-noted facts and circumstances indicate the existence of a material uncertainty that casts significant doubt on its ability to continue as a going concern. The Statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses or financial position classifications that would be necessary if the going concern assumption was inappropriate. Such adjustments could be material.

See note 3, going concern, in the notes to the condensed interim consolidated financial statements for the three months ended March 31, 2017.

### **Off Balance Sheet instruments**

On May 25, 2016, ANH extended its deadline for work commitments to be satisfied to March 17, 2017 and reduced the letter of credit required as security on the licence from approximately USD \$1.1 million to USD \$420,000. The deadline has been further extended to September 17, 2017.

This letter of credit is supported by GIC deposits with a Canadian bank.

### **Related party transactions**

During the three months ended March 31, 2017, the Company had the following transactions with related parties that were carried out in the normal course of operations:

- i) Professional and consulting fees include legal fees of \$77,389 (2016 – 55,820) invoiced by a law firm in which an officer and director of the Company is a partner in the law firm.

At March 31, 2017, the balance due to related parties, including the amounts outlined above, totaled approximately \$173,000 (2016 – \$306,000). This amount is subject to the same conditions as those of non-related parties.

The Company's short term shareholder loan of \$941,132 at December 31, 2016, was repaid during the first three months of 2017. The loan is provided by a director on an informal, interest-free basis.

### **Significant accounting estimates, judgments and assumptions**

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. These judgments and estimates are continually evaluated and are based on management's experience and knowledge of the relevant facts and circumstances, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from the amounts included in the consolidated financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the Statements are disclosed in the condensed interim consolidated financial statements for the three months ended March 31, 2017, see note 5.

### **Financial instruments**

Perisson is exposed to various financial risks resulting from both its operations and its investments activities. Perisson has not entered into any financial instrument agreements, including derivative financial instruments. Perisson's main financial risk exposures and its financial risk management policies are disclosed in Note 16 to the Statements.

The Company operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the Colombian peso. Currency risk arises on recognized assets and liabilities, principally cash, restricted assets and accounts payable.

The carrying amounts of the Company's significant foreign-currency-denominated financial assets and financial liabilities as follows:

<b>FX Exposure to PESOS</b>	Mar 31, 2017	Dec 31, 2016
Cash	123,480,821	198,835,418
AP and Accrued liabilities	(6,137,989)	(292,195,553)
NET exposure	117,342,832	(93,360,135)
rate	2,232.1429	2,232.1429
CAD equivalent	52,570	(41,825)

Assuming that all other variables are constant, a variation of 10% in the Colombian peso exchange rate would generate an impact of \$3,519 on net loss for the three months ended March 31, 2017 (2016 – \$14,603).

## **Risk Factors**

### *Overview*

The Company's primary business consists of the exploration and development of oil and gas properties in western Canada and Colombia. There are a number of inherent risks associated with the exploration, development and production of petroleum and gas reserves, many of these risks associated with the exploration, development and production of petroleum and gas reserves, are beyond the control of the Company.

To mitigate these risks the Company continues to focus its activities within regions of its staff's area of expertise. The Company has access to a slate of full-time professionals, consultants and industry specialists that have combined experience of over 300 years both in Canada and worldwide.

The Company considers that, to be able to reduce its risk, it must ensure that it operates its exploration and producing properties. This allows Perisson to manage its capital resources on a monthly and annualized basis, in the most efficient manner necessary, with a focus on insuring that only the most defined opportunities are provided the capital required.

The Company's area of operations are confined to known geological settings that are prospective for oil and gas and exploration activities that are well understood and are within the capacity of Perisson's staff and their associated teams of professionals and services.

### *Oil and Gas Exploration and Development – General*

Exploration, appraisal and development of petroleum and gas reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of the properties in which the Company holds rights will lead to a commercial discovery or, if there is commercial discovery, that the Company will be able to realize such reserves as intended. Few properties that are explored are ultimately developed into new reserves.

The Company believes that its diversified production base both geographically and by commodity shelter it from abrupt events, but if at any stage the Company is precluded from pursuing its exploration or development programmes, or such programmes are otherwise not continued, the Company's business,

financial condition and/or results of operations and, accordingly, the trading price of the common shares, is likely to be materially adversely affected.

Oil and gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration or development activities by the Company will result in discoveries of oil, condensate or natural gas that are commercially or economically possible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The Company's operations are subject to the general risks of exploration, development and operation of petroleum condensate and natural gas properties and the drilling of wells thereon, including encountering unexpected formations or pressure, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on the Company. The Company may become subject to liability for pollution, blow-outs or other hazards. The payment of such liabilities could reduce the funds available to the Company or could result in a total loss of its properties and assets.

Petroleum and natural gas exploration and development activities are dependent on the availability of skilled personnel, drilling and related equipment in the particular areas where such activities will be conducted. Demand for such personnel or equipment, or access restrictions, may affect the availability of such equipment to the Company and may delay exploration and development activities.

#### *Uninsurable Risks*

In the course of exploration, development and production of petroleum and gas properties, certain risks, and in particular, blowouts, pollution, and premature decline of reservoirs and invasion of water into producing formations may occur. Hazards such as unusual or unexpected geological formations, pressures or other conditions may be encountered in drilling and operating wells as the Company will initially have interests in a limited number of properties, such risk is more significant than if spread over a number of properties. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company. Insurance against damages caused by terrorism, and acts of war, is generally not available.

Although the Company intends to obtain insurance to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects. There can be no assurance that insurance will be available in the future.

#### *Industry Risks*

The Company's ability to acquire reserves will depend on its ability to select and acquire suitable producing properties or prospects. Competitive factors in the distribution and marketing of petroleum

and gas include price methods and reliability of delivery. The marketability of oil and natural gas produced by the Company, if any, will also be affected by numerous other factors beyond the control of the Company. These factors include market fluctuations, the world price of petroleum, the supply and demand for oil and natural gas, the proximity and capacity of petroleum and natural gas pipelines and processing equipment and government regulations, including regulations relating to prices, taxes, royalties, land tenure, production allowable, the import and export of petroleum and natural gas and environmental protection. The effect of these factors cannot be accurately predicted.

#### *Prices and Markets for Crude Oil, Condensate and Natural Gas*

Petroleum condensate and natural gas are commodities whose prices are determined based on global demand, supply and other factors all of which are beyond the control of the Company. World prices for oil and condensate have fluctuated widely in recent years. Future price fluctuations in world petroleum prices will have a significant impact upon the projected revenue of the Company and the projected return from and the financial viability of the Company's existing and future reserves.

#### *Alternatives to/Changing Demand for Petroleum Products*

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices will reduce the demand for crude oil and other liquid hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products and any major changes would have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

#### *Competition*

The petroleum and gas industry is intensely competitive and the Company will compete with a substantial number of other companies, many of which have greater financial resources. Many such companies not only explore for and produce petroleum, condensate and natural gas, but also carry on refining operations and market petroleum and other products on a global basis. There is also competition between the petroleum industry and other industries supplying energy and fuel to industrial, commercial and individual consumers.

There is no assurance that the Company will be able to successfully compete against such competitors.

#### *Governmental Regulation*

The petroleum and gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possible expropriation or cancellation of contract rights, as well as with respect to prices, taxes, export quotas, royalties and the exportation of petroleum and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the petroleum and gas industry could reduce demand for petroleum and natural gas, increase the Company's costs and have a material adverse effect on the Company.

### *Permits and Licenses - General*

The operations of the Company may require licenses and permits for various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and operations of its projects.

### *Permits and Licenses – Colombia*

Although the Company has remained focused on the resolution of the Colombian VMM-17 land block, pursuant to the most recent letter received from ANH, work commitments on the property must be satisfied by the Company on or before September 17, 2017 in order to retain ownership of the property. There is no assurance that, under the current regulatory environment in Colombia, the Company will be able to receive the environmental permits necessary to continue exploration on the property. If such approvals are not received, it is the Company's expectation that, due to force majeure, it will receive the return of the remaining deposit funds, in the current amount of USD\$420,000, but there is no guarantee that such a refund will occur.

### *Environmental Regulation*

The Company's operations are, and its future operations will be, subject to environmental regulations promulgated by the Government of Alberta or other governments from time to time in the regions where the Company carries on business. Current environmental legislation in Canada provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with petroleum, condensate and natural gas operations. In addition, certain types of operations may require the submission and approval of environmental impact assessments. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards and enforcement, and in more stringent fines and penalties for non-compliance. Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditures, and breaches of such regulations may result in the imposition of fines and penalties, any of which may be material. There can be no assurance that these environmental costs will not have a material adverse effect on the Company's financial condition or results of operations in the future.

### *Going Concern and Financing*

The Company recorded a net loss of \$784,098 for the three months ended March 31, 2017 and has an accumulated deficit of \$35,297,867 as at March 31, 2017. As at March 31, 2017, the Company had current liabilities in excess of current assets (excluding restricted assets) of \$429,720. In addition to funding the current working capital deficit, the Company must secure sufficient external funding to meet its obligations and commitments on the Colombian exploration and evaluation program and pay ongoing general and administrative costs. This external funding may be met in a number of ways including, but not limited to, the issuance of new debt or equity instruments and the introduction of joint venture partners. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or other initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new external funding, the Company may be unable to continue its operations.

### *Price Volatility of Publicly Traded Securities*

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It is likely that the quoted market price, if any, for the Common Shares will be subject to market trends generally, notwithstanding the financial and operational performance of the Company.

### *Dilution and Future Sales of Common Shares*

The Company may issue additional shares in the future, which may dilute a shareholders holding in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series and shareholders will have no pre-emptive rights in connection with further issuances. The directors of the Company have the discretion to determine the provisions attaching to any series of preferred shares and the price and terms of further issuances of Common Shares.

### *No Assurance of Title*

Title to or rights in petroleum and gas properties may involve certain inherent risks due to problems arising from the ambiguous conveyance history characteristic of many such properties. Although the Company will conduct reasonable investigations (including the employment of local legal counsel to inform itself as to the status of properties) with respect to the validity of ownership of and the ability of sellers to transfer interests to it, there can be no assurance that it will hold good and marketable title to all of its properties. If a title defect does exist, it is possible that the Company may lose all or a portion of its interest in properties to which the titles defect relates.

### *Dependence on Key Personnel*

The success of the Company is dependent on the services of a number of members of senior management. The experience of these individuals will be a factor contributing to the Company's continued success and growth. The Company retains key man insurance valued at \$2,000,000 firstly for the associated severance costs concurrent with the death of one key employee and secondly towards the cost of replacing the key employee and the on-going transitional costs for continuing operations of the Corporation. In the unlikely event of this occurrence the Company has established measure contingencies, also for all remaining employees but there remains a risk that the death or departure of one or more of the key individuals could have a material adverse effect on the Company.

### *Reserve Replacement*

The Company's future petroleum and natural gas reserves, production and cash flows to be derived therefrom are highly dependent on the Company successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on the Company's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Company's future exploration and development efforts will result in the discovery and development of additional

commercial accumulations of petroleum and natural gas. Should the Company not discover additional reserves, current operations may not be sustainable.

#### *Reliance on Strategic Relationships*

The Company's existing business relies on relationships with local government bodies and, other petroleum and gas companies. There can be no assurances that these strategic relationships will continue to be maintained although at present management is not aware of any issues regarding its strategic relationships.

#### *Conflicts of Interest*

There are potential conflicts of interest which the directors and officers of the Company may be subject in connection with the operations of the Company. Some of the directors and officers of the Company may be, or may become, engaged in the oil and gas industry, and situations may arise where directors, officers and promoters will be in direct conflict with the Company. All such activities that the Company deems are a conflict have been disclosed in accordance with, and as such if necessary are subject to the procedures and remedies as apply under the *Canada Business Corporations Act*.

#### **Additional information**

Further information related to the Corporation is available on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be accessed at [www.sedar.com](http://www.sedar.com). For additional information, the Corporation's website can be found at [www.perisson.com](http://www.perisson.com)