

# **EUROGAS INTERNATIONAL INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

# EUROGAS INTERNATIONAL INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Eurogas International Inc. (“Eurogas International” or the “Corporation”) is an independent oil and natural gas exploration company targeting oil and natural gas reserves. Eurogas International is incorporated under the *Companies Act* (Barbados), and its common shares trade on the Canadian Securities Exchange (“CSE”) under the symbol EI. At December 31, 2017, Dundee Corporation, the principal shareholder of the Corporation, controlled 54% of the issued and outstanding common shares of the Corporation.

**This Management’s Discussion and Analysis (“MD&A”) has been prepared with an effective date of March 5, 2018 and provides an update on matters discussed in, and should be read in conjunction with the Corporation’s audited financial statements as at and for the year ended December 31, 2017 (the “2017 Audited Financial Statements”) prepared under International Financial Reporting Standards (“IFRS”). All amounts in this MD&A are in Canadian dollars, unless otherwise specified.**

### GOING CONCERN ASSUMPTION

The Corporation’s ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, obtaining exploitation concessions for any such economically recoverable reserves, the ability to raise the necessary capital to finance development and settle current obligations of the Corporation, and the working capital from future profitable production or proceeds from the disposition of assets. The 2017 Audited Financial Statements do not give effect to any adjustments which would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business. The amounts the Corporation may realize on the disposition of its assets or the discharging of its liabilities in other than the normal course of its business may be significantly different than the carrying value of these assets and liabilities as reflected in the 2017 Audited Financial Statements.

### SELECTED FINANCIAL INFORMATION

As at and for the years ended December 31,	2017	2016	2015
Net and comprehensive loss	\$ (1,894,038)	\$ (1,932,779)	\$ (2,137,799)
Basic and diluted net loss per common share	(0.06)	(0.06)	(0.07)
Total assets	287,422	287,177	321,964

### SFAX OFFSHORE EXPLORATION PERMIT

#### The Sfax Offshore Exploration Permit

The Corporation has entered into a joint operating arrangement with DNO Tunisia AS (“DNO”), a wholly-owned subsidiary of DNO International ASA, an Oslo-listed company with significant expertise in the oil and gas industry across the Middle East and Africa, and with Atlas Petroleum Exploration Worldwide Ltd. (“APEX”), pursuant to which they have agreed to undertake exploration, appraisal and extraction operations on the Sfax offshore exploration permit, which currently covers approximately 800,000 acres in the shallow Mediterranean waters in the Gulf of Gabes, offshore Tunisia and southeast of the city of Sfax (the “Sfax Permit”). The Corporation holds an effective 5.625% interest in the Sfax Permit. DNO is the operator of the project and, under the terms of these arrangements, DNO has contractually assumed full responsibility for completion of obligations pursuant to the terms of the Sfax Permit, including all drilling obligations and any compensatory payment obligation that may arise as a result of non-compliance. In that regard, DNO has provided a full guarantee to the Tunisian governmental authorities.

Under the terms of the joint operating agreement, DNO will pay 12.5% of the profit oil or profit gas component of production from the Sfax Permit, to a maximum of US\$125 million (or 12.5% of the profit oil or profit gas from the production of 75 million barrel of oil equivalents, whichever comes first) to the Corporation and to APEX. Thereafter, the Corporation and APEX are entitled to 6.25% of the profit oil or profit gas component of production from the Sfax Permit to a maximum of an additional US\$75 million (or 6.25% of the profit oil or profit gas component from the production of an additional 45 million barrel of oil equivalents, whichever comes first). In addition to their entitlement to a share of the profit oil or profit gas, the agreement with DNO also provides the Corporation and APEX with entitlement to receive 20% of the cost oil or cost gas component of production from the Sfax Permit, to a maximum of the lesser of 18% of the costs incurred by the Corporation and APEX prior to completion of the DNO Agreement, or US\$20.0 million. The Corporation is entitled to 45% of any payments made by DNO under these arrangements. The Corporation and APEX have conceded a temporary deferral of 50% of their entitlement to a share of the profit oil or profit gas component of production from the Sfax Permit, as outlined above, until such time as DNO recovers \$150 million of total incurred costs, including costs incurred by DNO from the cost oil or cost gas component of production on the Sfax Permit.

During 2015, the parties to the joint operating agreement sought an extension of the first renewal period of the Sfax Permit, and in August 2015, the Tunisian authorities approved a two-year extension, extending the first renewal period and the associated exploration well drilling obligation to December 8, 2017. On July 21, 2017, the Tunisian authorities approved a further one-year extension to December 8, 2018. The extension is subject to certain conditions, including the replacement of a seismic commitment with the deepening of the well drilling obligation to the Reineche formation. DNO has advised the Corporation that it intends to drill a well on the Sfax Permit during the first part of 2018.

Notwithstanding the approval of the extension of the first renewal period, the current capital markets environment and the associated volatility in the price of oil causes significant uncertainties to the Corporation's determination of possible cash flows from its oil and natural gas activities. Accordingly, at December 31, 2017 and 2016, the Corporation carries its investment in the Sfax Permit at \$nil.

#### *Agreement with Delta Hydrocarbons B.V. ("Delta")*

In prior years and prior to its current working interest arrangements with DNO, the Corporation and APEX had entered into a farm out option agreement with Delta pertaining to the farm out of a 50% working interest in the Sfax Permit. Delta subsequently exited from the farm out option agreement and under a settlement agreement, Delta forfeited its 50% working interest option in exchange for a portion of certain payments, if and when received by the Corporation and APEX, to a maximum of US\$20.0 million. Payments to Delta pursuant to the settlement arrangement may include a share of the proceeds from the cost oil or cost gas portion of any future production revenues realized from the Sfax Permit.

#### **INNOVATIVE PRODUCTION SERVICES, LTD. ("IPS")**

The Corporation currently holds a 45% interest in IPS. The sole business activity of IPS is the ownership and continuing maintenance of a mobile offshore production unit (the "MOPU"), which was acquired by IPS in May 2007 in expectation of leasing the equipment to affiliated companies to facilitate their producing, processing and transporting of oil and natural gas. The MOPU is currently inactive and is moored in Louisiana, in the United States of America. The Corporation accounts for its investment in IPS using the equity method of accounting.

IPS has undertaken several initiatives to monetize the MOPU through lease or sale to third parties. Because of the significant volatility in the market price of oil and the associated curbing of exploration and production activities in the oil and natural gas sector, these efforts have not been successful. The MOPU is currently inactive, and the Corporation has determined that its value has deteriorated. Accordingly, IPS has reduced the carrying value of the MOPU to its estimated recoverable amount of \$637,400 at the end of December 2017 and 2016, after recognizing an associated impairment loss of \$20,000 during the year ended December 31, 2016. The Corporation's proportionate share in the impairment loss during the year ended December 31, 2016 was \$9,000, and it was included in the amounts designated as "*Share of loss from equity accounted investment*" in the Corporation's statement of operations and comprehensive loss.

The recoverable amount of the MOPU was determined to be its fair value less cost of disposal, and was assessed by reference to the current market for scrap metal, taking into account the costs to break down and cut the MOPU into salvageable components, as well as associated delivery costs to the recycling point.

During 2017, the Corporation's share of costs associated with the MOPU were \$257,897 (2016 – \$217,822), and include insurance and mooring costs.

## RESULTS OF OPERATIONS

### Comparison of the year ended December 31, 2017 with the year ended December 31, 2016

During 2017, the Corporation incurred a net loss of \$1.9 million, or a loss of approximately \$0.06 per share. The loss is consistent with a net loss of \$1.9 million, or a loss of approximately \$0.06 per share incurred by the Corporation during 2016.

The Corporation's net loss during 2017 includes \$1.3 million (2016 – \$1.3 million) of interest expense associated with dividends payable on the Corporation's Series A Preference Shares outstanding (see "*Liquidity and Capital Resources – Series A Preference Shares*").

General and administrative expenses incurred during 2017 were \$171,322, compared with \$215,775 incurred in the prior year. Primarily as a result of reduced business activities, the Corporation experienced lower corporate and professional fees during 2017, compared with 2016.

Interest expense was \$209,340 during 2017, compared with interest expense of \$201,575 incurred in the prior year. Included in interest expense during 2017 is \$208,706 (2016 – \$200,717) associated with the Corporation's \$5.0 million credit facility provided by Dundee Corporation (see "*Liquidity and Capital Resources – Cash Resource Availability*").

### Comparison of the three months ended December 31, 2017 with the three months ended December 31, 2016

During the three months ended December 31, 2017, the Corporation incurred a net loss of \$0.5 million, or a loss of \$0.02 per share. This compares with a net loss of \$0.5 million or a loss of \$0.02 per share incurred during the same period of the prior year.

General and administrative expenses incurred during the fourth quarter of 2017 were \$43,372, compared with \$47,283 incurred during the same quarter of the prior year. Consistent with annual results, the decrease in general and administrative expenses reflects lower corporate and professional costs associated with reduced business activities.

### Summary of Quarterly Results

	2017				2016			
	31-Dec	30-Sept	30-Jun	31-Mar	31-Dec	30-Sept	30-Jun	31-Mar
Net loss	\$ (475,390)	\$ (443,551)	\$ (510,749)	\$ (464,348)	\$ (486,943)	\$ (465,481)	\$ (476,340)	\$ (504,015)
Capital expenditures	-	-	-	-	-	-	-	-

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Resource Availability

At December 31, 2017, the Corporation had cash of \$592, compared with \$347 at December 31, 2016. The Corporation's current cash resources are insufficient to meet its current obligations, including its obligations pursuant to the terms of the Series A Preference Shares and associated dividends as outlined below. The Corporation is considering its future business strategies and assessing the possibility of alternative financing options, including possible debt or equity issuances or the monetization of certain assets. There can be no assurance that the Corporation will be successful in any of these alternatives.

The Corporation has established a \$5.0 million revolving demand credit facility with Dundee Corporation to provide the necessary operating funds to meet certain ongoing general and administrative expenses. Borrowings under the facility bear interest at a rate per annum equal to the prime lending rate for loans as set out by a Canadian Schedule I Chartered Bank, plus 1.25%, and are due on demand. At December 31, 2017, the Corporation had drawn \$5.2 million against this facility. Although the Corporation has exceeded amounts available pursuant to these arrangements, Dundee Corporation has not demanded payment.

As lender to the Corporation, Dundee Corporation may, at its discretion, require the Corporation to convert all of the amounts outstanding pursuant to the credit facility, including interest thereon, into common shares of the Corporation, at a conversion price that is based on the fair value of the common shares, defined as the closing price of the common shares of the Corporation at the time of such conversion, subject to a minimum conversion price of \$0.05 per common share. Any issuance of common shares by the Corporation pursuant to these arrangements will require customary approvals, including regulatory approvals.

### **Series A Preference Shares**

The Corporation has issued 32,150,000 Series A Preference Shares with a face value of \$32.15 million. The Series A Preference Shares are held by Dundee Energy Limited (“Dundee Energy”), a subsidiary of Dundee Corporation. The Series A Preference Shares issued by the Corporation 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 Dundee Energy to a fixed preferential cumulative dividend at a rate of 4% per annum. Dundee Energy may reinvest any such dividends received into common shares of the Corporation, subject to obtaining the necessary approvals.

The Series A Preference Shares may be redeemed, at the option of either the Corporation or Dundee Energy, at any time, at a price equal to their face value of \$32.15 million.

Dundee Energy has not advised the Corporation of its intent with respect to exercising its right to the redemption of the Series A Preference Shares and its entitlement to demand payment of the associated cumulative dividends outstanding. The terms of the Series A Preference Shares and, specifically, the right of retraction by Dundee Energy, expose the Corporation to significant liquidity risk.

The Series A Preference Shares are non-voting except in the event that 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 for more than eight quarters, Dundee Energy is entitled, voting exclusively and separately as a series, to elect a majority of the members of the Board of Directors of the Corporation. At December 31, 2017, cumulative dividends outstanding on the Series A Preference Shares were \$12.1 million (2016 – \$10.8 million), representing outstanding dividends for more than eight quarters. However, at December 31, 2017, Dundee Energy had not exercised its entitlement to elect a majority of the members of the Board of Directors of the Corporation.

### **Common Shares**

On April 1, 2017, the Corporation cancelled 38,109 of its common shares under the terms of a sunset clause associated with prior corporate restructurings. At March 5, 2018, there are 31,105,526 common shares outstanding.

### **COMMITMENTS**

In prior years, the Corporation and APEX had entered into a farm out option agreement with Delta that was subsequently terminated. The Corporation and APEX are obligated to make certain payments to Delta if and when proceeds are received by the Corporation and APEX, to a maximum of US\$20.0 million. Payments to Delta may include a share of the proceeds from the cost oil or cost gas portion of any future production revenues realized from the Sfax Permit.

### **RELATED PARTY TRANSACTIONS**

The Corporation has not entered into any transactions with related parties, other than as described in Note 12 to the 2017 Audited Financial Statements.

## **BUSINESS RISKS**

There are a number of inherent risks associated with the Corporation's activities and with its current and future stages of development. The following outlines some of the Corporation's principal risks and their potential impact on the Corporation. If any of the following risks materialize, the Corporation's business may be adversely affected and the Corporation's financial condition and results of operations may suffer, potentially significantly.

### **Additional Funding Requirements**

The Corporation is currently in the exploration and evaluation stage of its working interest in Tunisia. The business activities of the Corporation and its partners will require substantial amounts of capital in order to execute future exploration and evaluation work. The ability of the Corporation and its partners' ability to discover commercially viable reserves and generate future profitable production are highly dependent on raising additional funds.

At December 31, 2017, the Corporation had cash of \$592, compared with \$347 at December 31, 2016. The Corporation has established a \$5.0 million revolving demand credit facility with its principal shareholder, Dundee Corporation. At December 31, 2017, \$5.2 million had been drawn against this facility. Any additional funding required by the Corporation would have to be accessed through debt or equity financings and/or bank borrowings, or through further farm out option arrangements. There can be no assurance that such financings or other arrangements would be available to the Corporation, or that such arrangements would receive the appropriate regulatory or governmental approvals.

Raising funds by equity financings would result in dilution, possibly substantial, to present shareholders of the Corporation. Bank borrowings that might be made available to the Corporation are typically determined in part by the borrowing base of the Corporation. The Corporation currently has no revenue sources to provide a borrowing base.

### **Volatility of Commodity Prices and Alternative Fuel Sources**

Oil and natural gas prices fluctuate significantly in response to regional, national and global supply and demand factors beyond the control of the Corporation and its partners. Political and economic developments around the world can affect world oil and natural gas supply and prices. Any prolonged period of low oil and natural gas prices could result in a decision by the Corporation and its partners to suspend or terminate exploration, as it may become uneconomically feasible to explore for and/or produce oil or natural gas at such prices. Competition may also be presented by alternative fuel sources.

### **Currency Risk**

The Corporation's operations are denominated in several currencies, the most important being the U.S. dollar, while the Corporation's functional and presentation currency is the Canadian dollar. Fluctuations in the rate of exchange may affect the ability of the Corporation and its partners to carry out their exploration and evaluation activities. Future costs may be higher than currently envisioned due to unforeseen events such as currency fluctuations. Currency fluctuations will also affect future profits. The Corporation does not currently hedge against foreign currency fluctuations.

### **Foreign Operations**

The Corporation's operations are subject to special risks inherent in doing business in other countries, particularly Tunisia where the Corporation's oil and natural gas exploration and evaluation activities are currently focused. Foreign operation risks include risks arising out of political uncertainty, the policies of foreign governments, imposition of special taxes or similar charges by governmental bodies, foreign exchange fluctuations and controls, access to capital markets, and deprivation or unenforceability of contract rights or the taking of property without fair compensation. Foreign properties, operations and investments may also be adversely affected by local political and economic developments, including nationalization, laws affecting foreign ownership, government participation, royalties, duties, rates of exchange, exchange controls, currency fluctuations, taxation and new laws or policies.

### **No History of Earnings**

The Corporation has no history of earnings with respect to its activities and there is no assurance that the Corporation will receive revenues from its activities in the foreseeable future, if at all. The Corporation has not paid dividends on its Series A Preference Shares or on its common shares in the past, and it has no plans to pay dividends on such shares for the foreseeable future.

### **Exploration, Development and Production Risks**

Oil and natural gas operations involve many risks, which even a combination of experience and knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. As at the date hereof, the Corporation does not have any properties that have reserves assigned to them within the definitions contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*. There is no assurance that commercial quantities of oil or natural gas will be discovered or acquired or that, if discovered, will be accessible for extraction or commercially viable for production.

### **Permits and Licenses**

In connection with its operations, the Corporation and its partners are required to obtain permits, and in some cases, renewals of permits from the authorities in Tunisia. In addition, the Corporation and its partners may also be required to obtain licenses and permits from governmental agencies in other foreign jurisdictions. The ability of the Corporation and its partners to obtain, sustain or renew such permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions.

Further, if permits and licenses or renewals thereof are not issued to the Corporation and partners, or unfavourable restrictions or conditions are imposed on drilling activities, there is a possibility the Corporation and its partners will not be able to conduct their business activities as planned. Alternatively, failure by the Corporation and its partners to comply with the terms of permits or licenses may result in the suspension or termination of business activities and subject the Corporation and its partners to monetary penalties or restrictions. At December 31, 2017, the Corporation's permits in respect of its Tunisian operations were in good standing.

### **Title to Properties**

Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Corporation.

### **Environmental Concerns**

The Corporation's activities are subject to environmental legislation in the jurisdictions in which it operates. A breach of such legislation may result in the imposition of fines or other penalties. Should the Corporation and its partners be unable to fully remedy the cost of an environmental problem, the Corporation or its operators might be required to suspend operations or enter into compliance measures pending completion of the required remedy. In certain circumstances, the Corporation and its partners may be required to obtain approval of environmental impact assessments. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation and its partners to incur costs to remedy such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of current activities, a material increase in future compliance costs, or otherwise adversely affect the Corporation's financial condition and results of operations.

**Insurance**

Oil and natural gas exploration operations are subject to the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities or other property, and the environment, or could result in personal injury. Oil and natural gas production operations are subject to the risks typically associated with such production activities, including premature decline of reservoirs and the invasion of water into producing formations.

In accordance with industry practice, the partners in the Sfax Permit are not fully insured against all of these risks, nor are all such risks insurable. Although the partners in the Sfax Permit maintain liability insurance in an amount which they consider adequate and consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the partners, including the Corporation, could incur significant costs that could have a material adverse effect upon its financial condition.

**Reliance on Operators, Management and Key Personnel**

The Corporation depends on a number of key consultants and the technical skill of other personnel, the loss of any one of whom could have an adverse effect on the Corporation. The Corporation is not the operator in the energy project in which it currently has an interest. Since the Corporation is not the operator, the Corporation is dependent on the operator for the timing of activities related to its projects and will largely be unable to direct or control the activities of the operator. The Corporation's success is also dependent, in part, upon the performance of its partners, service providers and consultants. Furthermore, competition for qualified personnel in the oil and natural gas industry is intense. Failure to retain or to attract key personnel with the necessary skills and experience could have a materially adverse impact on the Corporation's growth and profitability.

**Litigation Risk**

The legal risks facing the Corporation, its directors, trustees, officers and/or employees include potential liability for violations of environmental laws, health and safety laws, securities laws, damage claims for worker exposure to hazardous substances and for accidents causing injury or death. Litigation risk cannot be eliminated, even if there is no legal cause of action. Although the Corporation and its partners maintain liability insurance in an amount which they consider adequate and consistent with industry practice, the nature of these risks is such that legal liabilities could exceed policy limits, in which event the partners, including the Corporation, could incur significant costs that could have a material adverse effect on its financial condition.

**Equipment and Related Costs**

The Corporation's and its partners' activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such equipment or access restrictions may affect the availability of such equipment to the Corporation and its partners and may delay exploration and development activities. In addition, equipment failures may occur which could result in injuries and/or delays in the Corporation's business activities.

**Competition**

The oil and natural gas industry is competitive in all its phases. The Corporation competes with numerous other participants in the search for the acquisition of oil and natural gas properties. The Corporation's competitors include companies that have greater financial resources, staff and facilities than those of the Corporation.

**Potential Conflicts of Interest**

Certain of the directors and officers of the Corporation are also directors or officers of companies that are in the same industry as the Corporation, and may therefore compete with the interests of the Corporation. No assurances can be given that opportunities presented to or identified by such board members and officers will be provided to the Corporation.

**Taxation**

The Corporation may be subject to taxation in the jurisdictions in which it operates. Any changes in tax legislation and practice in these jurisdictions could adversely affect the Corporation.



## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and amounts in net operating income or loss, and the related disclosure of contingent assets and liabilities. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of net operating income or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

A summary of the Corporation's significant accounting policies is provided in Note 3 to the 2017 Audited Financial Statements, including a discussion of proposed changes in accounting standards, interpretations and amendments to existing standards not yet effective, which may impact the financial reporting, and disclosure of the Corporation in the future. The most critical accounting policies are those that the Corporation believes are the most important in portraying its financial condition and results of operations and those that require the most subjectivity and estimates by management. A summary of critical judgments, estimates and assumptions made by the Corporation are provided in Note 4 to the 2017 Audited Financial Statements.

## **CONTROLS AND PROCEDURES**

In connection with exemption orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer and the Chief Financial Officer of the Corporation will file a Venture Issuer Basic Certificate with respect to the financial information contained in the 2017 Audited Financial Statements and in the accompanying MD&A.

In contrast to the certificate that would be issued in accordance with the Canadian Securities Administrators' National Instrument 52-109, the Venture Issuer Basic Certification includes a "Note to Reader" stating that the Chief Executive Officer and Chief Financial Officer do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109.

Notwithstanding the filing of a Venture Issuer Basic Certificate, the Corporation makes significant efforts to maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In addition, the Chief Executive Officer and Chief Financial Officer have designed controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in compliance with IFRS. The Chief Executive Officer and Chief Financial Officer have evaluated whether there were any changes to the Corporation's control over financial reporting during 2017 that have materially affected, or are reasonably likely to materially affect the Corporation's internal control over financial reporting. There were no changes identified during their evaluation.

It should be noted that while the Corporation's Chief Executive Officer and the Chief Financial Officer believe that the Corporation's disclosure controls and procedures provide a reasonable level of assurance that they are effective, there are inherent limitations in all internal control systems and no disclosure controls and procedures or internal control over financial reporting will provide complete assurance that no future errors or fraud will occur. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met.

## **FORWARD-LOOKING STATEMENTS**

Certain information set forth in this document, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the risk that the Corporation is unable to access sufficient capital from internal and external sources, volatility of commodity prices, currency fluctuations, risks associated with foreign operations, exploration, development and production risks, risks of not being able to obtain or renew permits and licenses, environmental risks, the impact of general economic conditions, reliance on key personnel and management, competition from other industry participants, and other risk factors discussed or referred to in the section entitled "*Business Risks*" in this MD&A and other documents filed from time to time with the securities administrators, all of which may be accessed at [www.sedar.com](http://www.sedar.com). Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Corporation's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they might have on the Corporation. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).