

# **HORIZON PETROLEUM PLC.**

## **(formerly Acadia Resources Corp.)**

### **Management Discussion and Analysis**

#### **For the Three Months Ended November 30, 2013**

This management discussion and analysis of financial position and results of operations (“MD&A”), prepared as of January 28, 2014, provides an analysis of the operations and financial results of Horizon Petroleum Plc. (formerly Acadia Resources Corp.) (“Horizon” or the “Company”) for the three months ended November 30, 2013, and should be read in conjunction with the unaudited condensed interim financial statements for the three months ended November 30, 2013. Those unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting and do not include all of the information required for full annual financial statements. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the financial statements and MD&A, is complete and reliable.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

Additional information on the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Overview**

The Company currently has two areas of interest:

1. Oil and gas exploration and development in Sub-Saharan Africa; and
2. Mineral exploration in the Iskut River District of Northern British Columbia, Canada

Details of these interests are discussed below.

During the year ended August 31, 2013, the Company completed a 1-new for 3-old share consolidation. All references to number of shares and per share amounts have been restated to reflect the consolidation.

During the three months ended November 30, 2013, the Company changed its name to Horizon Petroleum Plc. and received approval from the TSX Venture Exchange and the Jersey Financial Services Commission to continue its operations as a public company to Jersey in the Channel Islands.

The Company trades on the TSX Venture Exchange under the symbol “HPL”.

On January 22, 2014, the Company issued 16,666,667 common shares for gross proceeds of \$2,000,000 pursuant to the completion of a private placement. In conjunction with the issuance of the shares, the Company incurred share issuance costs comprised of finder’s fees of \$80,908 in cash and the issuance of 674,230 finder’s warrants. Each finder’s warrant will enable the holder to acquire one additional common share for \$0.16 per share up to July 22, 2014.

#### **Oil and Gas**

The Company is evaluating several oil and gas exploration and development opportunities in Sub-Saharan Africa.

During the three months ended November 30, 2013, the Company entered into a Memorandum of Understanding with Grupo Suninvest-Investimentos, Participações E Empreendimentos S.A. (“Suninvest”), a well-respected, established and financially robust Angolan company, to evaluate onshore exploration potential and proven oil and gas assets. Suninvest has several existing joint ventures with major international businesses, primarily in infrastructure, and is now looking to extend its activities to the oil and gas sector in partnership with Horizon. Under the terms of the Memorandum of Understanding, the Company is to establish a joint venture company with Suninvest (49% to be owned by the Company) during calendar 2014.

During the three months ended November 30, 2013, Horizon formed a bidding group with Niger Delta Exploration & Production Plc and its subsidiary Niger Delta Petroleum Resources Ltd. This enables Horizon to bid for opportunities in Nigeria that are only available to indigenous Nigerian companies and their partners. This consortium is well placed to bid on sales of proven oil fields from international oil companies and for marginal fields.

The Company continues to evaluate several other opportunities elsewhere in Sub-Saharan Africa. The objective is to team up with quality indigenous partners to secure proven reserves with exploration upside that can be brought on production within a short period of time. This may be augmented by entering into exploration plays primarily in the East Africa Rift margin.

### Mineral Property

During the year ended August 31, 2011, the Company entered into an option agreement with Garibaldi Resources Corp. ("Garibaldi") to acquire up to a 70% interest in two blocks comprised of 1,720 hectares located in the Iskut River District of northern British Columbia (the "King property"). In order to exercise its initial option to acquire a 50% interest in the King property, the Company is required to make the following cash payments and incur exploration expenditures as follows:

Date	Cash Payment	Exploration expenditures
August 1, 2011	\$ 20,000 (paid)	\$ -
June 30, 2014	<u>70,000</u>	<u>500,000</u>
Total	\$ 90,000	\$ 500,000

If this first option is exercised, the Company will have a second option to increase its interest to 70% by spending an aggregate \$1,500,000 on the King property by December 31, 2014 and by issuing 1,000,000 common shares of the Company to Garibaldi. The original property owner has retained a 2% Net Smelter Royalty on the King property which may be purchased for \$1,000,000. One of the Company's former directors owns the King property mineral claims and has optioned the King property to Garibaldi Resources Corp.

During the three months ended November 30, 2013, the Company amended the agreement with Garibaldi to extend the exploration expenditure commitment date from December 31, 2013 to June 30, 2014.

Up to November 30, 2013, the Company had incurred net accumulated exploration costs totaling \$161,057 on the King property.

As outlined in the Company's National Instrument 43-101 compliant technical report filed on SEDAR (prepared by G. Nicholson), previous exploration work identified four main target areas on the King property including the North Zone (consisting of possible VMS type mineralization located in the northeast part of the North block), the Chubby Creek target (consisting of shear zone related gold mineralization located in the west central part the north block), the Bach Target (consisting of anomalous gold and base metal values in soils located in the southern part of the North block) and the Verret prospect (a narrow vein type target located in the southern part of the South block).

The objectives of the completed exploration program were to assess the significance of the known target areas. Exploration work included trenching at the North Zone and follow-up sampling within the Chubby Creek Target (also referred to as the King West Zone) and the Bach Target.

In a technical report dated March 9, 2012, G. Nicholson recommended that a minimum of two, shallow drill holes be completed at the North Zone to test the downdip extent of the mineralized area tested by trenching and that additional geological mapping and sampling be completed in the Chubby Creek Target Area. The total cost of the program is estimated at approximately \$75,000 assuming that drill mobilization costs can be shared with adjoining property owners.

During the year ended August 31, 2013, the Company wrote down the costs associated with the King property by \$161,056 to \$1 as the Company will now apply its capital to oil and gas assets in Sub-Saharan Africa. However, the agreement with Garibaldi remains in good standing.

The Company is currently evaluating strategic options for this asset.

## Private Placements

During the year ended August 31, 2013, the Company issued 11,550,000 common shares for gross proceeds of \$557,500 pursuant to the completion of a private placement. In conjunction with the issuance of the shares, the Company incurred \$28,968 in share issuance costs.

On January 22, 2014, the Company issued 16,666,667 common shares for gross proceeds of \$2,000,000 pursuant to the completion of a private placement. In conjunction with the issuance of the shares, the Company incurred finders' fees comprised of the payment of \$80,908 in cash and the issuance of 674,230 finder's warrants. Each finder's warrant will enable the holder to acquire one additional common share for \$0.16 per share up to July 22, 2014.

## Result of Operations

During the three months ended November 30, 2013 (the "current period"), the Company incurred a loss of \$310,909 compared to a loss of \$18,824 during the three months ended November 30, 2012 (the "comparative period"). The significant changes during the current period compared to the comparative period are as follows:

Consulting fees of \$39,934 were incurred during the current period which increased from \$nil during the comparative period. During the fourth quarter for the year ended August 31, 2013, the Company entered into various consulting agreements with directors of the Company.

The Company commenced paying or accruing directors' fees to its three directors in May 2013. Total directors' fees paid or accrued during the current period were \$25,135 (2012 - \$nil).

Management fees of \$42,006 were paid or accrued during the current period compared to \$7,500 in the comparative period. The increase was a result of the Company paying or accruing fees to: 1) its new CEO the amount of US\$11,000 per month; 2) its current corporate secretary (and prior CEO) the amount of \$2,500 per month; and 3) a new director of the Company the amount of US\$4,000 per month. During the comparative period, the Company only paid the Company's former CEO \$2,500 per month.

Professional fees incurred during the current period totaled \$62,961 compared to \$10,500 during the comparative period. The increase was mainly a result of an accrual of \$5,000 for the Company's first quarter review by the Company's auditors and the Company paying or accruing US\$24,000 (Cdn\$27,822) for services provided by the current CFO. The increase also related to the Company paying accounting services of \$10,500 and to legal fees of \$14,640 that were incurred as a result of changing the registered address of the Company to Jersey and the evaluation of oil and gas properties in Sub-Saharan Africa.

The Company incurred property investigation costs of \$51,703 during the current period, compared to \$nil during the comparative period. The property investigation costs related to the Company's search for oil and gas properties in Sub-Saharan Africa.

During the year ended August 31, 2013, the Company granted 1,714,000 stock options to its directors and officers and, as a result, recorded share-based payments expense in the current period of \$39,162 relating to those options. No such transaction took place during the comparative period.

## Quarterly Information

	Three Months Ended November 30, 2013	Three Months Ended August 31, 2013	Three Months Ended May 31, 2013	Three Months Ended Feb 28, 2013
Total assets	\$ 170,722	\$ 520,555	\$ 569,478	\$ 809,185
Working capital	45,967	317,714	132,180	359,270
Comprehensive loss for the period	(310,909)	(535,673)	(335,835)	(180,703)
Loss per share (basic and diluted)	(0.01)	(0.02)	(0.02)	(0.01)

	Three Months Ended Nov 30, 2012	Three Months Ended Aug 31, 2012	Three Months Ended May 31, 2012	Three Months Ended Feb 29, 2012
Total assets	\$ 826,603	\$ 845,406	\$ 924,984	\$ 967,064
Working capital	648,718	667,542	681,198	719,847
Comprehensive loss for the period	(18,824)	(28,075)	(38,649)	(58,527)
Loss per share (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.01)

#### Fiscal 2014

During the first quarter of fiscal 2014, the Company recorded a loss and comprehensive loss of \$310,909 compared to a loss and comprehensive loss of \$535,673 recorded during the prior quarter. The primary reasons for the decrease in loss related to 1) a decrease in consulting fees to \$39,934 as a result of the Company only paying consulting fees to the directors of the Company whereas, during the prior period, the Company paid additional consulting costs to third parties for various services relating to oil and gas; 2) a decrease in professional fees to \$62,961 from \$93,069 as the Company completed its share consolidation during the prior period, whereas during the current period it completed its change of domicile; 3) In the prior period, the Company wrote down its exploration asset to \$1 which resulted in a write-down of \$161,059. 4) Property investigation costs decreased to \$51,703 from \$76,959 as the Company continues to look for viable oil and gas properties in sub-Saharan Africa. The decreases were slightly offset by an increase in share-based payments expense to \$39,162 from \$11,619. The increase in share-based payments expense relates to a greater time period of vesting as the options were only granted in August 2013.

#### Fiscal 2013

During the fourth quarter of fiscal 2013, the Company recorded a loss and comprehensive loss of \$535,673 compared to a loss and comprehensive loss of \$335,835 recorded in the prior quarter. The primary reasons for the increase in loss relate to: 1) An increase in consulting fees of \$60,961 as the Company entered into various consulting agreements with directors of the Company 2) Increase in professional fees of \$50,798 as the Company completed its share consolidation and change in domicile during the fourth quarter; 3) Directors' fees increased by \$31,328 as a result of the Company paying its directors for an entire quarter; and 4) the Company wrote down the costs associated with the King property by \$161,056 to \$1 as a result of market conditions.

The increases were offset by a decrease in property investigation costs of \$133,591 as the Company was dealing with general corporate matters during the fourth quarter.

During the third quarter of fiscal 2013, the Company recorded a loss and comprehensive loss of \$335,835 compared to a loss and comprehensive loss of \$180,703 recorded in the prior quarter. The primary reasons for the increase in loss relate to: 1) property investigation costs increasing by \$81,485 due to the reallocation of \$108,745 previously recorded as deferred acquisition costs at February 28, 2013; 2) professional fees increasing by \$30,877 due to the transition of management and costs incurred in conjunction with the search for oil and gas properties in Africa; and 3) management fees increasing by \$26,215 due to the Company providing the former CEO with a \$15,000 payment upon his resignation and 4) the newly-appointed CEO of the Company commenced receiving a monthly management fee of \$11,215 (US\$11,000) in May 2013.

During the second quarter of fiscal 2013, the Company recorded a loss and comprehensive loss of \$180,703 compared to a loss and comprehensive loss of \$18,824 in the prior quarter. The primary reason for the increase was due to the Company incurring property investigation costs of \$152,235 which related to reviewing oil and gas opportunities in Africa. Additionally, during the second quarter of fiscal 2013, the Company incurred \$108,745 of deferred acquisition costs which were subsequently written off.

During the first quarter of fiscal 2013, the Company recorded a loss and comprehensive loss of \$18,824 compared to a loss and comprehensive loss of \$28,075 recorded in the prior quarter. The primary reason for the decrease was due to the \$12,000 audit fee accrual recorded in the prior quarter. Additionally during the first quarter of fiscal 2013, the Company received a one year extension on its King property exploration commitment to December 31, 2013, for no additional consideration.

#### Fiscal 2012

During the fourth quarter of fiscal 2012, the Company recorded a loss and comprehensive loss of \$28,075 compared to a loss and comprehensive loss of \$38,649 recorded in the prior quarter. The main reason for the decrease from the prior quarter is the \$7,613 recorded in the third quarter for transfer agent and filing fees, compared to \$624

incurred during the current quarter. Increased filing fees were incurred in the prior quarter as the Company paid its annual sustaining fee.

During the third quarter of fiscal 2012, the Company recorded a loss and comprehensive loss of \$38,649 compared to a loss and comprehensive loss of \$58,527 recorded in the prior quarter. The main reason for the decrease from the prior quarter is the \$27,329 recorded in the second quarter for the stock-based compensation expense on the granting of the stock options.

During the second quarter of fiscal 2012, the Company granted 600,000 stock options to directors and officers of the Company. During this quarter, the Company recorded a loss and comprehensive loss of \$58,527 compared to a loss and comprehensive loss of \$28,902 recorded in the prior quarter. The main reason for the increase over the prior quarter is the \$27,329 recorded in the second quarter for the stock-based compensation expense on the granting of the stock options.

### Liquidity and Capital Resources

The Company had working capital of \$45,967 and cash on hand of \$155,499 as at November 30, 2013. This compares to a working capital position of \$317,714 and cash on hand of \$503,467 as at August 31, 2013.

Subsequent to November 30, 2013, the Company received \$2,000,000 pursuant to the completion of a private placement (see Overview section above for details).

The development of the Company may depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the sale of equity securities and loan financings to meet its cash requirements.

### Related Party Transactions

During the three months ended November 30, 2013, the Company:

- Paid or accrued management fees of \$7,500 (2012 - \$7,500) to the Company's former CEO and now current Corporate Secretary;
- Paid or accrued management fees of US\$33,000 (Cdn\$34,506) (2012 - \$nil) to the Company's current CEO;
- Paid or accrued professional fees of US\$24,000 (Cdn\$25,246) (2012 - \$nil) to the Company's current CFO;
- Paid or accrued directors' fees of US\$12,000 (Cdn\$12,647) (2012 - \$nil) to executive directors of the Company;
- Paid or accrued consulting fees of US\$15,000 (Cdn\$15,934) (2012 - \$nil) to a director of the Company;
- Paid or accrued consulting fees of \$24,000 (2012 - \$nil) to an officer of the Company;
- Paid or accrued directors' fees of US\$12,000 (Cdn\$12,488) (2012 - \$nil) to a non-executive director of the Company.

Included in accounts payable and accrued liabilities at November 30, 2013 is \$71,599 (August 31, 2013 - \$131,097) owing to related parties, all in respect of the above transactions.

### Key Management Personnel Compensation

The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel:

	November 30, 2013	November 30, 2012
Executive compensation	\$ 111,434	\$ 7,500
Non-executive directors' fees	12,488	-
Share-based payments	<u>39,162</u>	<u>-</u>
	<u>\$ 163,084</u>	<u>\$ 7,500</u>

### **Off Balance Sheet Arrangements**

The Company has no off Balance Sheet arrangements as at the date of this report.

### **Contingent Liabilities**

The Company has no Contingent Liabilities as at the date of this report.

### **Financial Instruments and Risk Management**

IFRS 7, Financial Instruments: Disclosures ("IFRS 7") establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantively the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have any financial instruments recognized at fair value. The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values because of their short terms to maturity.

(a) Financial instrument risk exposure and risk management:

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided below:

#### *Credit risk*

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, advances from employee, receivable from related parties and other accounts receivable. The Company limits the exposure to credit risk by only investing its cash with high credit quality financial institutions in business and saving accounts, and guaranteed investment certificates, which are available on demand by the Company. The carrying amount of cash, receivables from related parties and other accounts receivable represents the Company's maximum exposure to credit risk.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest bearing financial assets are comprised of cash, which bear interest at fixed or variable rates. The Company is not exposed to material interest rate risk.

#### *Foreign currency*

The Company is exposed to foreign currency risk as some of its cash, receivables and accounts payable and accrued liabilities are held in British Pounds (GBP) and US Dollars (USD). The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows used in operations and the Company's holdings of cash. The Company's cash is currently invested in business accounts which are available on demand by the Company for its programs. As at November 30, 2013, the Company had cash of \$155,499 to settle current liabilities of \$124,754. On January 22, 2014, the Company completed a private placement that raised gross proceeds of \$2,000,000.

## Capital Management

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other mineral properties.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.
- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

In the management of capital, the Company includes shareholders' equity and loans and borrowings in the definition of capital. The Company is not exposed to externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maximize ongoing exploration and future development efforts, the Company does not pay dividends. Notwithstanding the risks described in note 1 of the financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

## Current Share Data

As of January 28, 2014, the Company has:

- a) 44,129,654 common shares issued and outstanding;
- b) 13,333,303 share purchase warrants outstanding with an exercise price of \$0.45 per share and expiring on March 16, 2016;
- c) 1,714,000 stock options outstanding with an exercise price of \$0.15 per share and expiring on August 4, 2023; and
- d) 674,230 finders' warrants outstanding with an exercise price of \$0.16 per share, expiring July 22, 2014.

Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com)

## Risks and Uncertainties

The business of hydrocarbon and mineral exploration and extraction involves a high degree of risk and few properties and licenses that are explored ultimately become producing assets. At present, the Company's mining property has no known commercial ore deposit.

Other risks facing the Company include competition for mineral and hydrocarbon properties, environmental risks, fluctuations in commodity prices, fluctuations in exchange rates, political and regulatory risk, share price volatility and uncertainty of obtaining additional financing. Given the nature of capital market demand for speculative investment opportunities, there is no assurance that additional financing will be available for the appropriate amounts and at the times required. Fluctuations in commodity prices can severely impact the Company's future profitability and cash flow and accordingly its ability to raise capital. As the price for most commodities is denominated in U.S. dollars, the Company is exposed to fluctuations in currency exchange rates between the Canadian and U.S. dollar and other currencies in which its costs are denominated. If the Canadian dollar strengthens against the U.S. dollar, revenue from future commodity sales would convert to fewer Canadian dollars available to pay for operating costs. Many of the above risks are beyond the Company's control.

## Cautionary Statement on Forward Looking Information

This Management Discussion and Analysis may contain forward-looking statements that involve risks and uncertainties. When used in this Management Discussion and Analysis, the words "believe," "anticipates," "expects" and similar expressions are intended to identify such forward looking statements. The Issuer's actual results may differ significantly from the results discussed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Issuer undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.