

# **HORIZON PETROLEUM LTD.**

## **Management's Discussion and Analysis**

### **Three Months Ended November 30, 2017**

This management's discussion and analysis of financial position and results of operations ("MD&A"), prepared as of January 29, 2018, provides an analysis of the operations and financial results of Horizon Petroleum Ltd. ("Horizon" or the "Company") for the three months ended November 30, 2017, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended November 30, 2017. Those unaudited condensed consolidated 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. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the year ended August 31, 2017 and the related notes thereto. 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 Company's 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 Company's 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).

The Company trades on the TSX Venture Exchange (TSX-V") under the symbol "HPL".

#### **Going Concern**

The development of the Company will depend on the Company's ability to obtain additional financings. In the past, the Company has relied on private placements to meet its cash requirements.

In order to continue as a going concern and to meet its corporate objectives, which primarily consists of investigating new potential oil and natural gas properties in Europe, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future. Factors that could affect the availability of financing include, but are not limited to, the state of international debt, equity and commodity markets as well as investor perceptions and expectations.

The Company's unaudited condensed consolidated interim financial statements for the three months ended November 30, 2017 were prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. If this assumption were not appropriate, adjustments to those condensed consolidated interim financial statements may be necessary. When assessing the Company's ability to continue on a going concern basis, material uncertainties as to the Company's ability to obtain additional financing to fund future operations may cast significant doubt on the Company's ability to continue as a going concern. The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through financing or other sources, and there are no assurances that such financing will be obtained.

During February, 2017, the Company received gross proceeds of \$1,819,295 in conjunction with the closing of the first of three tranches of a private placement. During March, 2017, the Company received an additional \$206,600 of gross proceeds in conjunction with the closing of the second tranche. During August 2017, the Company received an additional \$1,500,000 of gross proceeds in conjunction with the closing of the third and final tranche. (See Significant Transaction and Private Placement section below).

## Acquisition and Private Placement

During December 2016, the Company and Pentanova Energy Corp. (“PEC”) (formerly PMI Resources Ltd. (“PMI”)), a company listed on the TSX Venture Exchange in Canada, entered into a non-binding letter of intent (“LOI”), followed in February 2017 by a definitive agreement (share purchase agreement (“SPA”)), under which PEC assigned to the Company its two Luxembourg subsidiaries, which indirectly hold, through a wholly-owned subsidiary, Petromana France SAS, a 100% working interest in two hydrocarbon licences in southwest France known as Ledeuix and Ger, and consisting of approximately 171,520 acres.

Furthermore, under the SPA, PEC agreed to invest \$1.5-million into the Company by way of a third tranche of a non-brokered private placement of shares in the capital of the Company at \$0.12 per share (completed and received during August 2017). Officers and directors also invested into the Company, along with certain key shareholders and others, for a further \$2,025,895, of which the first tranche of \$1,819,280 closed during February 2017 with a second tranche of \$206,600 closing during March 2017. Issuance costs included finders’ fees of cash payments of \$92,217 along with the issuance of 767,640 finders’ warrants valued at \$52,404, as well as other cash issuance costs totaling \$19,758. PEC’s investment constituted the third tranche of this private placement.

Upon completion of the third tranche of this private placement, the Company had 37,777,176 common shares outstanding. As a result, PEC held 12.5 million common shares of the Company, which represented approximately 33% of the common shares of the Company. Since this would create a control block, according to the regulations of the TSX Venture Exchange (“TSX-V”), the Company sought (and received on March 14, 2017) shareholder consents for the issuance of the 12.5 million private placement shares to PEC as required by Section 1.12 of Policy 4.1 of the TSX-V corporate governance policies. The Company required the purchasers of such new shares and such shareholders providing consent to the private placement, to covenant to vote for an intended consolidation of the shares at the annual general meeting of the shareholders of the Company. This consent was received on March 14, 2017 and a share consolidation ratio of 1-for-6 was approved by shareholders and the consolidation took effect on May 9, 2017.

The private placement, the appointment and completion of the assignment received final regulatory approval (shareholder approval having been obtained at the Company’s AGM held March 14, 2017), including TSX Venture Exchange review and approval in accordance with its policies.

On July 26, 2017, the Company announced that it received the requisite approval in France to close the acquisition of the Ledeuix and Ger permits from PEC. These permits expire in August and April, 2018, respectively with the Ledeuix and Ger permits requiring Euro\$8 million and Euro 3 million of spending commitments, respectively. This included a transfer of the shares of two Luxembourg subsidiaries of PEC to the Company, plus an investment of \$1.5-million into the Company by PEC.

The Ledeuix and Ger licences are located in the Aquitaine basin of southwest France. The basin contains the largest natural gas fields in France, Lacq and Meillon, which combined have produced 11 trillion cubic feet of gas to date. Hydrocarbons were sourced from the Lower Jurassic-aged shales and marls, and have migrated into Jurassic- and Cretaceous-aged fractured carbonate reservoirs contained in folded thrust sheets of the Pyrenean fold belt.

Both PEC licences have progressed through their first exploration period, and the acreage numbers reflect their post-relinquishment status.

Eleven wells have been drilled in the Ledeuix permit, with two of those wells testing hydrocarbons. Saucedo-1, drilled in 1978 by Esso, was a gas discovery flowing an average nine million standard cubic feet per day over 19 days. It was placed on production from 1981 to 1985 and again in 1988 to 1993. The well produced a cumulative 1.85 billion cubic feet of gas from Lower Cretaceous- and Jurassic-aged naturally fractured carbonate reservoirs between 4,200 and 5,410 metres below sea level. Reservoir engineering analysis has indicated significant wellbore damage, caused by overweight drilling fluids and poor completion practices, which could have resulted in poor well performance.

Apex Engineering Consultants assessed the resource potential of the Saucedo gas discovery in the Ledeuix permit as of March 31, 2017, for PEC. The report was completed in accordance with NI 51-101 at the time.

A number of leads have been identified in different thrust sheets that have similar characteristics to the Saucedo gas discovery at shallower depths that provide significant upside potential.

The Ger licence has significant exploration potential but with higher geological risk. The licence carries an outstanding commitment to abandon the Ossun 2-D well drilled by PEC. PEC's original estimated cost of abandonment is approximately Euro\$1.82 million.

The Ledeuix permit presents an opportunity to appraise and potentially develop an in-place gas resource in a basin with ample existing gas infrastructure, providing natural gas into an attractive gas market. Management and directors of the Company have expertise and experience in appraising, developing and monetizing naturally fractured reservoirs around the world with a number of oil and gas companies. The Company's strategy will be to leverage that experience to develop and monetize similar natural gas resources in Europe. Several European countries contain significant undeveloped natural gas resources that could provide natural gas into attractive gas markets. The scale of the resources is such that they are immaterial to the large independents and major oil and gas companies but highly material to junior independents that have the technical and operating expertise and experience. The PEC transaction represents the first step in executing this strategy, and management has identified a number of potential follow-on opportunities with significant undeveloped gas resources in attractive gas markets.

### **Significant Transaction**

During June 2017, the Company entered into a memorandum of understanding ("MOU") regarding the acquisition of a 100% interest in up to five conventional oil and gas concessions in Poland from San Leon Energy plc ("SLE"). Subsequent to this, the Company entered into a series of definitive agreements with SLE, in September 2017, for the acquisition of the five concessions.

Under the terms of the MOU, the Company advanced US\$200,000 to the counterparty to cover certain obligations relating to the concessions going forward where such obligations would be assumed by the Company upon the completion of the transaction. US\$100,000 (Cdn\$133,608) of the option payment is non-refundable if the transaction is not completed due to any action or inaction on the part of the Company.

Under the terms of the definitive agreements, the Company agreed to pay the following, in exchange for a 100% working interest in the Cieszyn and Bielsko-Biala concessions (the "Primary Concessions") in Poland:

1. US\$1,000,000 in cash, less US\$100,000 previously advanced, for a net cash payment of US\$900,000.
2. Cdn\$1,000,000 in common shares in the capital of Horizon ("Horizon Shares"), based on Horizon meeting specific issuance terms. The Horizon Shares are to be issued at the lesser of a) Cdn\$0.20 per share, b) the lowest price per share at which Horizon completes an equity placement for a minimum of Cdn\$1 million, up to but not including the date of closing of the acquisition (the "Completion Date"), and c) the volume weighted average price per Horizon Share for the period of 10 trading days immediately prior to the Completion Date. If Horizon is unable to meet the specific issuance terms by the Completion Date, it will be required to pay to SLE the equivalent value of the Horizon Shares in cash.
3. A 6% net profits interest.

The consideration for the acquisition of the other 3 concessions, being Kotlarka, Prusice, and Buchowice (the "Secondary Concessions") is €10,000 per concession, plus a 6% net profits interest.

Closing of the acquisition of the Primary Concessions plus the Secondary Concessions is subject to a number of conditions, including certain approvals by the government in Poland, as well as the approval of the TSX-V and the raising of the required funds. Acquisition of the Secondary Concessions is further subject to the closing of the acquisition of the Primary Concessions. In its due diligence process, Horizon has reviewed testing and drilling performed on or around the Primary and Secondary Concessions; however, a formal resource report is not available at this time and Horizon intends to secure such a report as part of the TSX-V approval process.

This potential transaction represents a further step by Horizon in executing its strategy to acquire and develop existing, conventional oil and gas discoveries in Europe. Further information will be provided as the transaction progresses.

## Overview

The Company is focused on oil and gas exploration and development.

On April 5, 2016, the Company changed its domicile from Jersey, Channel Islands to Alberta, Canada. Consequently, the Company changed its name from Horizon Petroleum PLC to Horizon Petroleum Ltd.

## Promissory Notes

During the year ended August 31, 2017, the Company repaid, in full, all of the promissory notes along with related accrued interest of \$13,065. For the period ended November 30, 2016, the Company accrued interest of \$9,526).

## Result of Operations

During the three months ended November 30, 2017 (the “current period”), the Company incurred a loss of \$609,122 compared to a loss of \$108,972 during the three months ended November 30, 2016 (the “comparative period”).

The Company incurred property investigation costs of \$303,337 during the current period comprised of consulting and legal fees, compared to \$30,000 of consulting fees incurred during the comparative period. The property investigation costs for both periods related to the Company’s search for oil and gas opportunities within Europe.

## Quarterly Information

	Three Months Ended November 30, 2017	Three Months Ended August 31, 2017	Three Months Ended May 31, 2017	Three Months Ended February 28, 2017
Total assets	\$ 4,509,727	\$ 4,841,732	\$ 1,071,688	\$ 1,111,528
Working capital position	1,145,288	1,737,144	891,960	970,290
Loss and comprehensive loss for the period	(609,122)	(530,232)	(264,254)	(267,958)
Loss per share (basic and diluted)	(0.02)	(0.01)	(0.01)	(0.01)

	Three Months Ended November 30, 2016	Three Months Ended August 31, 2016	Three Months Ended May 31, 2016	Three Months Ended February 29, 2016
Total assets	\$ 32,290	\$ 35,600	\$ 71,135	\$ 28,315
Working capital position (deficiency)	(517,901)	(430,014)	(360,744)	(312,973)
Loss and comprehensive loss for the period	(108,972)	(333,512)	(154,304)	(197,414)
Loss per share (basic and diluted)	(0.00)	(0.01)	(0.00)	(0.01)

Fiscal 2018

During the first quarter of fiscal 2018, the Company recorded a loss of \$609,122. The loss included property investigation costs totaling \$303,337 related to the proposed Polish asset acquisition as well as share-based payments expense totaling \$58,018 that related to stock options granted during the current period.

Fiscal 2017

During the fourth quarter of fiscal 2017, the Company recorded a loss of \$530,232. The loss included transaction costs totaling \$133,608 related to the proposed Polish asset acquisition.

During the third quarter of fiscal 2017, the Company recorded a loss of \$264,254. In addition, the Company received gross proceeds of \$206,600 in conjunction with closing the second of three tranches of a private placement.

During the second quarter of fiscal 2017, the Company recorded a loss of \$267,958. In addition, the Company received gross proceeds of \$1,819,295 in conjunction with closing the first of three tranches of a private placement. These funds were used to repay, in full, \$157,636 of promissory notes, along with \$13,065 of related accrued interest, that were payable to insiders of the Company.

During the first quarter of fiscal 2017, the Company recorded a loss of \$108,972.

Fiscal 2016

During the fourth quarter of fiscal 2016, the Company recorded a loss of \$333,512. The loss included transaction costs totaling \$101,683 related to the terminated Iskander plan of arrangement.

However, subsequent to August 31, 2016, as a result of prevailing market conditions and other factors, the Company cancelled the proposed private placement and the plan of arrangement with Iskander.

During the second quarter of fiscal 2016, the Company continued to look for viable oil and gas properties located in Europe and for additional equity funding. See overview section above.

**Liquidity and Capital Resources**

The Company had a working capital position of \$1,145,288 and cash and equivalents on hand of \$1,393,103 as at November 30, 2017. This compares to a working capital position of \$1,737,144 and cash on hand of \$1,851,791 as at August 31, 2017.

The development of the Company will depend on the Company's ability to obtain additional financings. In the past, the Company has relied on private placements to meet its cash requirements.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include, but are not limited to, the progress and exploration results of the mineral properties, the state of international debt, equity and commodity markets, and investor perceptions and expectations.

The Company's unaudited condensed consolidated interim financial statements for the three months ended November 30, 2017 were prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. If this assumption were not appropriate, adjustments to those annual financial statements may be necessary. When assessing the Company's ability to continue on a going concern basis, material uncertainties as to the Company's ability to obtain additional financing to fund future operations may cast significant doubt on the Company's ability to continue as a going concern. The successful future operations of the Company

are dependent on the ability of the Company to secure sufficient funds through financing or other sources, and there are no assurances that such financing will be obtained.

### Related Party Transactions

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

	November 30, 2017	November 30, 2016
Executive compensation (1) to (5)	\$ 81,834	\$ 73,500
Non-executive directors' fees (6)	21,000	6,000
Rent (7)	-	6,000
Interest (8)	-	3,431
Share-based payments	58,018	21,085
	<u>\$ 160,852</u>	<u>\$ 104,016</u>

- (1) Includes \$24,000 (2016 - \$24,000) in management fees paid or accrued to the Company's VP – Business Development and \$30,000 (2016 – Nil) to the Company's current CEO.
- (2) Includes \$9,000 (2016 - \$9,000) in professional fees paid or accrued to the Company's former CFO.
- (3) Includes \$8,334 (2016 - \$Nil) in professional fees paid or accrued to the Company's current CFO.
- (4) Includes \$Nil (2016 - \$30,000) in property investigation costs paid or accrued to the current CEO of the Company.
- (5) Includes \$10,500 (2016 - \$10,500) in professional fees paid or accrued to a company controlled by the corporate secretary of the Company.
- (6) Includes \$21,000 (2016 - \$Nil) in directors' fees paid or accrued to three non-executive directors of the Company.
- (7) Includes \$Nil (2016 - \$6,000) in rent paid or accrued to company with three directors of the Company in common.
- (8) Includes \$Nil (2016 - \$3,431) in interest expense paid or accrued to directors of the Company.

Included in accounts payable and accrued liabilities at November 30, 2017 is \$72,797 (August 31, 2017 - \$49,003) owing to related parties, all in respect of the above transactions. All related party transactions were conducted on arm's length terms.

### 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.

### Proposed Transactions

The Company has no undisclosed Proposed Transactions as at the date of this report.

## Investor Relations

During the current period, the Company entered into an agreement whereby the Company retained the services of Brisco Capital Partners Corp. (“Brisco”) and Stirling Merchant Capital Inc. (“Stirling”) to provide investor relations and marketing services.

Stirling and Brisco will assist in fostering productive, continuing dialogue with analysts, brokers, investors and other investment professionals within the financial community. The Calgary-based firms take a full-service approach, and provide creative, effective investor relations programs for Canadian public companies.

The agreement with Brisco and Stirling may be terminated by either party with 30 days’ written notice. Brisco and Stirling together receive a monthly fee of CDN \$7,500, reimbursement of expenses, plus a total of 400,000 stock options granting the holder the option to purchase one common share in the capital stock of the Company (200,000 in the name of Stirling Merchant Capital Inc. and 200,000 in the name of Brisco Capital Partners Corp., and collectively, the “Options”) with an exercise price of \$0.07, and which shall vest 1/4 every 3 months from the date of grant. Each Option shall be exercisable for 2 years from the date of the grant. All vesting and exercise of Options shall be in accordance with the Company’s option plan.

## Financial Instruments and Risk Management

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- 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; and
- 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 carrying values of cash and cash equivalents, accounts receivables, acquisitions deposit, accounts payable and accrued liabilities and promissory notes 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, accounts receivable and acquisition deposit. 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, accounts receivables and acquisition deposit 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 and cash equivalents and acquisition deposit, which generate 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 and equivalents and accounts payable and accrued liabilities are held in US Dollars (USD) and GBP. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The exposure of the Company's cash and cash equivalents does not have significant exposure to changes in exchange rates.

The exposure of the Company's accounts payable and accrued liabilities is as follows:

	<u>November 30, 2017</u>		<u>August 31, 2017</u>	
	Amount in foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:				
Accounts payable and accrued liabilities	67,000	\$ 83,750	3,500	\$ 4,402
Great British Pounds:				
Accounts payable and accrued liabilities	-	-	3,360	5,453
<b>Total financial liabilities</b>		<b>\$ 83,750</b>		<b>\$ 9,855</b>

#### *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, 2017, the Company had cash and equivalents of \$1,393,103 to settle current liabilities of \$316,756. The Company will require further financings to cover its expected cash requirements for the next twelve months.

#### **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 acquire, explore, and develop oil and gas 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 the future acquisition, exploration and development of oil and gas 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 accompanying unaudited condensed consolidated interim financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.



### **New accounting standards, amendments and interpretations:**

The Company has not adopted any material new or revised standards during the three months ended November 30, 2017.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the three months ended November 30, 2017, and have not been applied in preparing the accompanying financial statements.

#### *IFRS 15 – Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which will supersede IAS 18 – Revenue and related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on September 1, 2018.

#### *IFRS 9 – Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The Corporation intends to adopt IFRS 9 in its financial statements for the annual period beginning on September 1, 2018.

#### *IFRS 16 – Leases*

On January 13, 2016 the IASB issued IFRS 16 – Leases, which will supersede IAS 17 – Leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on September 1, 2019.

The extent of the impact of adoption of these standards has not yet been determined. However, due to the fact that the Company has no revenue and has minimal transactions, the impact on adoption at this time would be limited.

### **Current Share Data**

During May 2017, the Company's common shares were consolidated on a basis of one post-consolidated common share for every six pre-consolidated common shares. The numbers of the shares presented in this MD&A have all been adjusted to reflect the impact of this share consolidation.

As of January 29, 2018, the Company has:

- a) 37,777,176 common shares issued and outstanding;
- b) 1,324,973 share purchase warrants outstanding with an exercise price of between \$0.12 and \$0.45 per share expiring between February 20 and August 2, 2018; and
- c) 95,333 stock options outstanding with an exercise price of \$0.90 per share, expiring on August 4, 2023, 508,331 stock options outstanding with an exercise price of \$0.60 per share, expiring on December 4, 2022, 1,500,000 stock options outstanding with an exercise price of \$0.07 per share, expiring on November 5, 2022, 400,000 stock options outstanding with an exercise price of \$0.07 per share, expiring on November 5, 2019 and 325,000 stock options outstanding with an exercise price of \$0.09 per share, expiring on November 8, 2022.

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

### **Risk, Uncertainties and Outlook**

As a company active in the mineral resource acquisition and exploration industry, the Company is exposed to a number of risks, including the financial risks associated with the fact that it has no operating cash flow and may need to access the capital markets to finance its activities.

The Company is reliant upon its existing management, and if the services of such personnel were withdrawn for any reason, this could have a material adverse impact on the Company's operating activities.

There is intense competition within the resource industry to acquire properties of merit, and the Company competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no assurances that the Company will be able to execute its exploration programs on its proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring in areas that lack infrastructure, such as the availability of essential supplies and services.

The Company's future exploration activities may require permits from various governmental agencies charged with administering laws and regulations governing exploration, labor standards, occupational health and safety, control of toxic substances, waste disposal, land use, environmental protection and other matters. Failure to comply with laws, regulations and permit conditions could result in fines and/or stop work orders, costs for conducting remedial actions and other expenses. In addition, legislation changes to existing laws and regulations could result in significant additional costs to comply with the revised terms and could also result in delays in executing planned programs pending compliance with those terms.

### **Disclaimer**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure document provided by the Company, which can be accessed [www.sedar.com](http://www.sedar.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

### **Cautionary Statement on Forward Looking Information**

This MD&A 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.