Horizon

Horizon Petroleum Ltd.

Management's Discussion and Analysis
Three and Six Months Ended February 28, 2018

This management's discussion and analysis of financial position and results of operations ("MD&A"), prepared as of April 30, 2018, provides an analysis of the operations and financial results of Horizon Petroleum Ltd. ("Horizon" or the "Company") for the three and six months ended February 28, 2018, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended February 28, 2018 (the "Interim Statements"). The Interim Statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting and do not include all 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 in the Interim Statements and in this MD&A are expressed in Canadian dollars except where otherwise 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.

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

Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

The common shares of the Company trade 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.

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 Interim Statements 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 the Interim Statements may be necessary. 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.

Forward-looking Statements

This MD&A contains or incorporates by reference forward-looking information and statements (together "forward looking statements") which means disclosure regarding possible events, conditions, acquisitions, or results of operations that are based on assumptions about our future conditions and courses of action.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", expects" or "does not expect", "estimates", "forecasts", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", or "might" occur, suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward looking statements are only predictions and actual events or results may differ materially. Although we believe that the expectations reflected in the forward-looking statements and information are reasonable it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies.

In particular, forward-looking statements included in this MD&A include, but are not limited to:

- oil and natural gas properties in which we may acquire an interest;
- our business strategy and planned acquisition and development strategy;
- expectations regarding our ability to raise capital;
- our future operating and financial results;
- the closing of the Primary Concessions and Secondary Concessions and the timing there of; and
- our plans with respect to extending or relinquishing our permits in France.

By their nature, forward-looking statements involve assumptions, inherent risks and uncertainties, many of which are difficult to predict and which are usually beyond the control of management, that could cause actual results to be materially different from those expressed by such forward-looking statements and information. Risks and uncertainties include, but are not limited to, volatility in market price for crude oil, condensate and natural gas; industry conditions; volatility of commodity prices; currency fluctuation; imprecision of reserve and resource estimates; liabilities inherent in oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition from other producers; the lack of availability of qualified personnel or management; changes in the regulatory environment; changes in income tax laws or changes in property tax laws relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; and other risks identified in this MD&A under the heading "*Risk Factors*".

With respect to forward-looking statements contained in this MD&A, we have made assumptions that: the economic and political environment in which we operate or expect to operate will remain stable; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which we operate or expect to operate will remain stable; and we will be able to obtain financing on acceptable terms when necessary.

Readers are cautioned that the foregoing lists of risks and assumptions are not exhaustive. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements or information. Forward-looking statements contained in this MD&A are made as of the date of this MD&A and we disclaim any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Operational Highlights and Overview

For the three and six months ended February 28, 2018 the Company had a net loss of $605,075 and $1,214,197 respectively with a cash flow from operations of ($1,033,273) for the six months ended Feburary 28, 2018. The largest components of these net losses and negative cash flow are the professional fees and property investigation cost incurred as we try to establish our production base in Europe. Funding for these expenditures came from the 2017 private placement (see Private Placement section below for more information).

The net losses for the three and six months ended February 28, 2017 was $267,958 and $376,930 which is significantly lower than the comparative period in 2018. For the six months ended February 28, 2017 the focus of the Company was on acquiring additional financing which resulted in the successful 2017 private placement. The largest component of the loss for the three and six months ended February 28, 2017 was Shareholder communication of $118,783, reflecting the focus on financing activities.

During the second quarter of this year, we continued to move forward in establishing a production base in Europe. In Poland. we initiated a NI51-101 compliant third party engineering evaluation of the Lachowice natural gas field, located on the Primary Concessions of the San Leon acquisition, outlined later in this document. In addition, we evaluated a number of other opportunities for acquisitions in Poland, as well as means to equity and debt finance our activities. In particular we carried out extensive due diligence on an acquisition of a natural gas development opportunity but could not reach a final agreement on acquisition terms with the vendor that were favourable to Horizon.

We increased the strength and breadth of our management team, adding Matt Janisch as Interim CFO, as well as a technical consultant who is assisting with our evaluations of the Poland opportunities and would be added to the management team on a successful financing.

Private Placement

In February 2017, the Company raised gross proceeds of $1,819,295 in conjunction with the closing of the first of three tranches of a private placement. The second tranche of $206,000 was received in March 2017 and the third tranche of $1,500,000 was received in August 2017.

France

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. The Ledeiux permit expires in August 2018, and requires a €8 million spending commitment.

The Ger permit expired on April 16, 2018 and had a €3 million commitment to spend. On expiry the permit reverted back to the government of France and the commitment to spend also expired with no penalty to the Company. On Ger the Company has an asset retirement obligation of $2,932,356 as at February 28, 2018 (August 31, 2017 - $2,802,697).

Polish Acquisition

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"). In September 2017, the Company entered into a series of definitive agreements with SLE 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 ($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. $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 $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 three 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. The completion of the acquisition of the Secondary Concessions is further subject to the closing of the acquisition of the Primary Concessions. During the due diligence process, Horizon has reviewed testing and drilling performed on or around the Primary and

Secondary Concessions; however, a formal resource report is being prepared 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.

Quarterly Information

	Three Months February 28, 2018	Three Months November 30, 2017	Three Months August 30, 2017	Three Months May 31, 2017
Total Assets	$ 3,963,380	$ 4,509,727	$ 4,841,732	$ 1,071,688
Total Revenue	0	0	0	0
Working Capital	527,841	1,145,288	1,737,144	891,960
Loss and comprehensive loss	605,075	609,122	530,232	264,254
Loss per share (basic and diluted)	(0.02)	(0.02)	(0.01)	(0.01)

	Three Months February 28, 2017	Three Months November 30, 2016	Three Months August 30, 2016	Three Months May 31, 2016
Total Assets	$ 1,111,528	$ 32,290	$ 35,600	$ 71,135
Total Revenue	0	0	0	0
Working Capital	970,290	(517,901)	(430,014)	(360,744)
Loss and comprehensive loss	267,958	108,972	335,512	154,304
Loss per share (basic and diluted)	(0.03)	(0.00)	(0.02)	(0.00)

Horizon Petroleum Ltd.

Result of Operations

	Three months February 28, 2018	Three months February 28, 2017	Six months February 28, 2018	Six months February 28, 2017
Expenses:				
Directors' fees	$ 21,000	$ -	$ 42,000	$ -
Foreign exchange loss (gain)	4,442	(485)	2,225	(1,823)
Investor Relations	27,740	-	35,240	-
Management fees	66,500	54,000	120,500	108,000
Office	10,925	3,910	27,592	4,881
Professional fees	110,493	44,623	171,020	67,097
Property investigation costs	297,725	-	601,062	-
Rent	23,179	6,000	30,664	12,000
Shareholder communication	5,300	118,783	48,487	118,783
Share-based payments	27,913	9,982	85,931	31,067
Transfer agent and regulatory fees	4,628	5,560	9,239	7,909
Travel and related costs	8,619	21,991	46,301	21,991
	(608,464)	(264,364)	(1,220,261)	(369,905)
Other Items:				
Interest income	3,389	-	6,064	-
Interest expense	-	(3,594)	-	(7,025)
	3,389	(3,594)	6,064	(7,025)
Loss and comprehensive loss for the period	$ (605,075)	$ (267,958)	$ (1,214,197)	$ (376,930)
Basic and diluted loss per common share	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.04)

During the three and six months ended February 28, 2018 (the "current period"), the Company incurred a loss of $605,075 and $1,214,197 respectively. This is compared to a loss of $$267,958 and $376,930 for the three and six months ended February 28, 2017 (the "comparative period"). This increased loss has been driven by the increased activities relating to the opportunities in France and Poland. See the France, and Poland Acquisition sections of this MD&A for more information.

Directors fees were accrued on a quarterly basis starting in the first quarter of the current fiscal year. No fees were accrued during the comparative period resulting in an increase of $21,000 and $42,000 for the three and six months ended February 28, 2018.

Investor Relation and Shareholder Communication costs decreased in the current period. Cumulative costs decreased by $85,743 and $35,056 for the three and six months ended February 28, 2018 in comparison to the same period in the last fiscal year. The higher costs in the comparative period were driven by the private placement which closed in March 2017.

Management fees consist of payments made to the CEO, the VP Investor Relations and the Interim CFO. Management fees increased in the current fiscal year resulting from the hiring of an Interim CFO. The fees paid to the CEO and the VP Investor Relations did not change from the prior fiscal year.

Professional fees increased by $65,870 and $103,923 for the three and six months ended February 28, 2018 compared to the three and six months ended February 28, 2017. Almost all of the increase was due to legal fees relating to the transactions in France and Poland.

The largest expenditure during the current period was property investigation costs totaling $297,725 and $601,602 for the three and six months ended February 28, 2018 respectively. These costs relate to the Company's ongoing evaluation of the properties subject to the MOU in Poland. There were no property investigation costs in the comparative period.

Net financing income was $3,389 and $6,064 for the three and six months ended February 28, 2018. Interest income is generated by the investment of excess cash and by the interest-bearing acquisition deposit. Net financing expense was ($3,594) and ($7,025) for the three and six months ended February 28, 2017. Interest expense was incurred on the related party loans which were repaid during the six months ended February 28, 2017.

Horizon's projects have not generated revenue. Please see disclosure under the heading and Poland Acquisition for the status of such projects and the conditions required to be satisfied prior to moving the Projects to the next stage. Currently, Horizons efforts are concentrated on closing the acquisition of the Primary and Secondary concessions in Poland. The successful completion of this acquisition will be materially affected by our ability to raise sufficient capital and receipt of all regulatory approvals. Horizon anticipates it will require up to $10 million to close the acquisition and to show regulatory authorities it has the financial capability to advance development of the Primary Concessions.

Liquidity and Capital Resources

The Company had a working capital position of $527,841 and cash and equivalents on hand of $746,764 as at February 28, 2018. 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 Company has an asset retirement obligation of $2,932,356 as at February 28, 2018 compared to $2,802,697 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.

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 and six months ended February 28, 2018 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.

Exploration and Evaluation Assets

Exploration and evaluation assets consist of the Lediux permits in France. The Ger permit is carried at $0 fair value. During the six months ended February 28, 2018, $78,916 was spent on work on the Lediux permit. During the same period an additional unrealized foreign exchange gain of $129,658 was charged to exploration and evaluation assets on the revaluation of the permits which are denominated in Euros. The Ger and Lediux permits were acquired on August 10, 2017.

Related Party Transactions

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

		February 28, 2018		February 28, 2017
Executive compensation (1) to (6)	$	176,167	$	147,000
Non-executive directors' fees (7)		42,000		-
Rent (8)		-		12,000
Interest (9)		-		7,025
Share-based payments		85,931		31,067
	$	304,098	$	197,092

(1) Includes Nil (2017 $48,000) in management fees paid or accrued to the Company's former interim CEO.
(2) Includes $60,000 (2017 $60,000) in management fees paid or accrued to the Company's current CEO.
(3) Includes Nil (2017 $18,000) in professional fees paid or accrued to the Company's former CFO.
(4) Includes $29,167 (2017 Nil) in management fees paid or accrued to the Company's current interim CFO.
(5) Includes $48,000 (2017 Nil) in management fees paid or accrued to the Company's current VP-Business Development.
(6) Includes $39,000 (2017 - $21,000) in professional fees paid or accrued to a company controlled by the corporate secretary of the Company.
(7) Includes $42,000 (2017 - $Nil) in directors' fees paid or accrued to three non-executive directors of the Company
(8) Includes Nil (2017 $12,000) in rent paid or accrued to a company with three directors of the company in common.
(9) Includes Nil (2017 $7,025) in interest expense paid or accrued to directors of the company (Note 14)

Included in accounts payable and accrued liabilities at February 28, 2018 is $85,574 (August 31, 2017 - $49,003) owing to related parties. 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.

Capital Resources and Commitments

In France the Ger permit carries an outstanding commitment to abandon a previously drilled well. The original estimated cost of abandonment is approximately €1.82 million. There is no current time frame required for abandoning this well. Funds for the abandonment are expected to come from the cash flow generated from a future acquisition, and/or a future equity issue.

On the Lediux permit we have a commitment to spend €8 million on developing the block prior to August 2018. We do not currently have the financial resources to meet this commitment. We are pursuing a three-year extension on the Lediux permit and, if successful, we will pursue a partner to help cover the capital expenditures. If we are unsuccessful on the permit extension the block would revert back to the government of France with no penalty to the Company. The Ger permit expired on April 16, 2018. The €3 million commitment to spend expired with the permit and there is no penalty. On Ger the Company has an asset retirement obligation of $2,932,356 as at February 28, 2018 (August 31, 2017 - $2,802,697).

Proposed Transactions

See “Polish Acquisition” above.

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 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 after 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:

	February 28, 2018		August 31, 2017	
	Amount in foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:	(7,004)	$ (9,012)	3,500	$ 4,402
Great British Pounds:	-	-	3,360	5,453
Euros:	49,273	77,001	-	-
Total financial liabilities		$ 67,989		$ 9,855

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 February 28, 2018 the Company had cash and equivalents of $746,764 to settle current liabilities of $296,356. The Company will require further financings to cover its expected cash requirements for the next twelve months. If such financing is not completed within the next 12 months the capital resources needed to settle the liabilities will be depleted.

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 natural 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 natural 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.

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.

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 April 30, 2018, the Company has:

a) 37,777,176 common shares issued and outstanding;

b) 557,333 share purchase warrants outstanding with an exercise price of $0.45 per share expiring on 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

Critical Accounting Estimates

Horizon's financial and operating results contain estimates made by management in the following areas:

- Capital expenditures may be based on estimates regarding projects at various stages of evaluation, the total costs of which have not been invoiced to the Company;
- Expenses may be based on items have not been invoiced;
- Decommissioning obligations are based on estimates of future costs and the timing of expenditures;
- The recoverable value of capital assets is based on estimates that the Company expects to realize in the future;
- Share-based compensation is based on estimates of the future volatility of the Company's common shares, among other factors.

Management's assumptions are based on factors that, in management's opinion, are relevant and Appropriate. Management's assumptions may change over time as operating conditions change.

Decommissioning Obligations

The Company recognizes the liability for the decommissioning associated with the abandonment of petroleum and natural gas wells, related facilities, the removal of equipment, and the restoration of land to its original condition. The fair value of the Company's obligation is recorded in the period a well or related property is drilled, constructed or acquired. Fair value is estimated using the present value of the estimated future cash outflows to abandon the assets at the Company's risk-free interest rate based on the expected timing of such cash outflows. Future costs and their expected timing are estimates that are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates could be material in future periods.

Share-based Compensation

Share-based compensation is a non-cash expense calculated in respect of options and warrants granted. The calculation is based on the estimated fair value of the options and warrants at the time granted and is recognized as an expense over the respective vesting periods. The fair value of options is estimated using the Black-Scholes pricing model based on estimates and assumption for the expected life, volatility, risk-free interest rate, forfeiture rate, and dividend yield. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates could be material in future periods.

New accounting standards, amendments and interpretations:

The Company has not adopted any material new or revised standards during the six months ended February 28, 2018.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the six months ended February 28, 2018 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, since the Company has no revenue and has minimal transactions, the impact on adoption at this time would be limited.

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 will require permits from various governmental agencies charged with administrating laws and regulations governing exploration, labor standards, occupational health and safety, control of toxic substances, waste disposal, land use, environmental protection and other matters. There are no guarantees that these permits will be issued, or continued. 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. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.