Horizon Petroleum Ltd.

Management's Discussion and Analysis
Three and Nine Months Ended May 31, 2018

This management's discussion and analysis of financial position and results of operations ("MD&A"), prepared and dated as of July 25, 2018 provides an analysis of the operations and financial results of Horizon Petroleum Ltd. ("Horizon" or the "Company") for the three and nine months ended May 31, 2018, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended May 31, 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 natural 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 ("TSXV") 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 thereof;
- our plans with respect to extending or relinquishing our permits in France,
- the success of our $5 million financing,
- timing of production,
- drilling plans and timing and results therefrom, and
- expected costs and netbacks from the primary concession.

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 nine months ended May 31, 2018 the Company had a net loss of $244,299 and $1,458,496 respectively with a cash used in from operations of ($1,328,429) for the nine months ended May 31, 2018. The largest components of these net losses and negative cash flow are the professional fees and property investigation costs incurred as we try to establish our production base in Europe and Management fees. Funding for these expenditures came from the 2017 private placement (see Private Placement section below for more information).

The net loss for the three and nine months ended May 31, 2017 was $264,254 and $641,184. For the nine months ended May 31, 2017 the focus of the Company was on acquiring additional financing which resulted in the successful 2017 private placement. The largest components of the loss for the nine months ended May 31, 2017 was Investor Relations and Shareholder Communication of $127,283, reflecting the focus on financing activities, and management fees of $162,000.

In September 2017, the Company entered into a series of definitive agreements with San Leon Energy plc ("SLE") for the acquisition ("Acquisition" or "the Acquisition") of a 100% interest in five conventional onshore oil and natural gas concessions in Poland. The closing of the Acquisition, and the establishment of a production base in Poland, is our primary focus.

To that end, in Poland, we completed a National Instrument 51-101 compliant third party reserves and resource evaluation ("Reserves Report") of the Lachowice natural gas field, located on the primary concessions of the proposed San Leon Acquisition. This Reserves Report confirms the significant value in the Lachowice natural gas field. Readers are advised that the Acquisition of the Loachowice field assets in Poland has not yet been completed, and that completion of the Acquisition is subject to the satisfaction of a number of conditions, including certain approvals from the government in Poland, the approval of the TSXV, and raising sufficient funds to close the acquisition and commence operations which may include the posting of a bond with the Polish government.

For more information on the Reserve Report, see the Company's press release of June 13, 2018. For more information on the Acquisition, see "Poland" later in this MD&A.

On June 13, 2018 the Company announced the initiation of a financing to raise up to C$5 million through a private placement, issuing up to 100,000,000 common shares at a price of $0.05 per share. The net proceeds are to be used to close the acquisition of the Polish assets from San Leon, prepare the assets for development and for general corporate purposes. Horizon has entered into an engagement agreement with Gneiss Energy Limited, a London, United Kingdom based energy-focused advisory practice, for the purposes of raising new equity in Europe. The financing is ongoing.

France

In France, the government passed a law on December 30, 2017 preventing new oil and natural gas licences to be issued, and all production on existing permits to cease by 2040. The Company has allowed its Ger licence to expire with no penalty to the Company and has applied for a three-year extension on its Ledeuix licence. To the Company's knowledge, other companies operating in France have received extensions, and as such the Company has no reason to believe that it will not receive approval on the extension in 12-18 months, however the Company cannot guarantee that it will receive the extension. Currently, as there is no clarity on timing to first production from the Ledeuix licence, the Company will initiate the seismic and drilling applications but reduce all expenditures in France to minimum levels and shift its development focus to the Lachowice field in Poland upon closing of the acquisition.

There is an asset retirement obligation in France of $2,827,348. The Ledeuix license has a €8 million spending commitment.

Poland

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 natural gas concessions in Poland from 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 in onshore Europe.

The Acquisition consists of a 100% interest in four conventional oil & natural gas concessions in Poland known as Bielsko-Biala, Cieszyn, Kotlarka, Prusice, and a fifth concession that is under application, Buchowice. The purchase price is US$1 million in cash (US$900,000 payable at closing, US$100,000 was previously paid), C$1 million in Horizon shares, and a 6% Net Profit Interest ("NPI"). Closing of the Acquisition is subject to a number of conditions, including certain approvals from the government in Poland, the approval of the TSXV, and raising sufficient funds to close the acquisition and commence operations which may include the posting of a bond with the Polish government. The closing of the Acquisition of the concessions from San Leon is expected to occur in the third quarter of 2018.

After the closing of the acquisition, the Company will be focusing on the development of the Lachowice field in the Bielsko-Biala concession. The Lachowice field is at an early stage of conventional natural gas development. Lachowice-1, Lachowice-7 and Stryszawa-2K are the primary wells of interest on the field. Each of these wells was drilled and tested, with reservoir depths of 3,000-4,000 meters targeting a naturally fractured carbonate reservoir of Middle Devonian age.

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Since receipt of the Reserves Report, Horizon is in the process of finalizing its development plan. Provided Horizon successfully closes the Acquisition (which is subject to various conditions as noted previously in the MD&A), it is targeting to drill and test the first well in the first half of 2019, with first production to occur by late 2019. In a previous press release dated September 19, 2017, Horizon had stated it was targeting first production from the Lachowice field by the second half of 2018. The regulatory process has proceeded slower than anticipated, and therefore the conversion of the concessions to the new Polish concession laws, and approvals related to Horizon taking operatorship of the concessions, has taken longer than expected. It is Horizon's understanding that the Polish government is currently considering these concessions, and the conversion and approvals are expected within the next six months.

Quarterly Information

	Three Months May 31, 2018	Three Months February 28, 2018	Three Months November 30, 2017	Three Months August 30, 2017
Total Assets	$ 3,623,351	$ 3,963,380	$ 4,509,727	$ 4,841,732
Total Revenue	-	-	-	-
Working Capital	221,205	527,841	1,145,288	1,737,144
Loss and Comprehensive Loss	244,299	605,075	609,122	530,232
Loss per Share (basic and diluted	(0.01)	(0.02)	(0.02)	(0.01)

	Three Months May 31, 2017	Three Months February 28, 2017	Three Months November 30, 2016	Three Months August 30, 2016
Total Assets	$ 1,071,688	$ 1,111,528	$ 32,290	$ 35,600
Total Revenue	-	-	-	-
Working Capital	891,960	970,290	(517,901)	(430,014)
Loss and Comprehensive Loss	264,254	267,958	108,972	335,512
Loss per Share (basic and diluted	(0.01)	(0.03)	(0.00)	(0.02)

Result of Operations

	Three months May 31, 2018	Three months May 31, 2017	Nine months May 31, 2018	Nine months May 31, 2017
Expenses:				
Directors' fees	$ 21,000	$ 14,000	$ 63,000	$ 14,000
Foreign exchange loss (gain)	563	2,340	2,788	517
Investor relations	22,500	-	57,740	-
Management fees	107,333	54,000	227,833	162,000
Office	7,338	4,923	34,930	9,804
Professional fees	12,400	27,170	183,419	94,267
Property investigation costs (note 8)	10,064	114,298	611,126	114,298
Rent	8,990	6,990	39,654	18,990
Shareholder communication	22,950	8,500	71,437	127,283
Share-based payments (note 12)	24,144	9,688	110,075	40,755
Transfer agent and regulatory fees	8,309	19,842	17,548	27,751
Travel and related costs	655	4,503	46,957	26,494
	(246,246)	(266,254)	(1,466,507)	(636,159)
Other Items:				
Interest income	1,947	2,000	8,011	2,000
Interest expense	-	-	-	(7,025)
	1,947	2,000	8,011	(5,025)
Loss and comprehensive loss for the period	$ (244,299)	$ (264,254)	$ (1,458,496)	$ (641,184)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.04)

During the three and nine months ended May 31, 2018 (the "current period"), the Company incurred a loss of $244,299 and $1,458,496 respectively. This is compared to a loss of $264,254 and $641,184 for the three and nine months ended May 31, 2017 (the "comparative period"). The increased loss for the current period versus the comparative period was driven by the increased activities relating to the opportunities in Poland. See Poland sections of this MD&A for more information.

Directors fees are accrued on a quarterly basis resulting in fees of $21,000 and $63,000 for the three and nine months ended May 31, 2018. For the comparative period, Directors fees were only accrued starting in the third quarter of the prior fiscal year which resulted in fees of $14,000 for the three and nine months ended May 31, 2017.

Investor relations and Shareholder communication costs increased in the current period. Cumulative costs increased by $36,950 and $1,894 for the three and nine months ended May 31, 2018 versus the comparative period. In both the current and comparative periods, the Company was seeking financing. A private placement was completed in March 31, 2017 in the prior fiscal year, and the Company announced the initiation of a financing on June 13, 2018 of the current fiscal year. Any difference between spending between the current and comparative periods is due to the timing of the financing activities.

Management fees consist of payments made to the CEO, the VP Business Development and the Interim CFO. Management fees increased in the current period due to the hiring of an Interim CFO. The fees paid to the CEO and the VP Business Development did not change from the comparative period.

Professional fees decreased by $14,770 for the three months ended May 31, 2018 and increased by $89,152 for the nine months ended May 31, 2018 versus the comparative period. Most 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 $10,064 and $611,126 for the three and nine months ended May 31, 2018 respectively. This compares to $114,298 for the three and six months ended May 31, 2017. In the third quarter of 2017, the Company initiated its investigation of opportunities in Poland. The property investigation costs for the current period and comparative period relate to these investigations.

Net financing income was $1,947 and $8,011 for the three and nine months ended May 31, 2018. Interest income is generated by the investment of excess cash and by the interest-bearing acquisition deposit. Net financing income (expense) was $2,000 and ($5,025) for the three and nine months ended May 31, 2017. Interest expense was incurred on the related party loans which were repaid during the nine months ended May 31, 2017.

Horizon's projects have not generated revenue. Please see disclosure under the Poland for the status of such projects and the conditions required to be satisfied prior to moving the Projects to the next stage. Currently, Horizon's efforts are concentrated on closing the acquisition of the 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 $5 million to close the acquisition and prepare the asset for development. Additional financing will be required for full asset development 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 $221,205 and cash and equivalents on hand of $400,779 as at May 31, 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 $2,827,348 as at May 31, 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 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 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 Ledeuix licenses in France. The Ger license is carried at $0 fair value. During the nine months ended May 31, 2018, $164,257 was spent on work on the Lediux license. During the same period an additional unrealized foreign exchange gain of $24,650 was charged to exploration and evaluation assets on the revaluation of the licensess which are denominated in Euros. The Ger and Ledeuix licensess 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:

		May 31, 2018		May 31, 2017
Executive compensation (1) to (6)	$	259,333	$	130,500
Non-executive directors' fees (7)		63,000		14,000
Interest (8)		-		7,025
Share-based payments		110,075		40,755
		$ 432,408		$192,280

(1) Includes Nil (2017 $72,000) in management fees paid or accrued to the Company's former interim CEO.
(2) Includes $90,000 (2017 $90,000) in management fees paid or accrued to the Company's current CEO.
(3) Includes Nil (2017 $3,000) in professional fees paid or accrued to the Company's former CFO.
(4) Includes $58,333 (2017 Nil) in management fees paid or accrued to the Company's current CFO.
(5) Includes $72,000 (2017 Nil) in management fees paid or accrued to the Company's current VP-Business Development.
(6) Includes $39,000 (2017 - $31,500) in professional fees paid or accrued to a company controlled by the corporate secretary of the Company.
(7) Includes $63,000 (2017 - $14,000) in directors' fees paid or accrued to three non-executive directors of the Company
(8) 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 May 31, 2018 is $125,406 (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 license expired on April 16, 2018 and carries an outstanding obligation to abandon a previously drilled well. The obligation was originally estimated at approximately €1.82 million and the Company valued the asset retirement obligation at $2,932,356 as at May 31, 2018 (August 31, 2017 - $2,802,697). 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. The Ger license also carried a commitment to spend of €3 million which expired with the license without penalty to the Company.

On the Ledeuix license 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 Ledeuix license and, if successful, we will pursue a partner to help cover the capital expenditures. If we are unsuccessful on the license extension the block would revert back to the government of France with no penalty to the Company.

Proposed Transactions

See “Poland” 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., 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.

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

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

	May 31, 2018		August 31, 2017	
	Amount in foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States Dolars:	-	$ -	3,500	$ 4,402
Great British Pounds:	-	-	3,360	5,453
Euros:	30,402	45,841	-	-
Total financial liabilities		$ 45,841		$ 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 May 31, 2018, the Company had cash and equivalents of $400,779 to settle current liabilities of $281,491. 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 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 nine 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 May 31, 2018, and as at July 25, 2018, the date of this MD&A, the Company had:

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 nine months ended May 31, 2018.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the nine months ended May 31, 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.