Horizon Petroleum Ltd.

Management's Discussion and Analysis
Three and Six Months Ended February 28, 2019

This management's discussion and analysis of financial position and results of operations ("MD&A"), prepared and dated as of April 26, 2019 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, 2019, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended February 28, 2019 (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, 2018 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 information included in this MD&A includes, but is 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 in Poland and the timing thereof;
- our plans with respect to extending or relinquishing our permits in France;
- 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; 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.

Highlights and Overview

Financing

On September 26, 2018 and October 16, 2018, the Company closed two tranches of a private placement financing issuing 22.1 million shares at $0.05 per share for total gross proceeds of $1,104,000. The Company expects to use proceeds to assist in matters related to the closing of the acquisition of concessions in southern Poland, including the Lachowice conventional natural gas field. The private placement is now closed, however the Company continues to look for future financing.

Poland

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 Acquisition consists of a 100% interest in four conventional oil and 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").

In June 2018 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 Bielsko-Biala concession. This Reserves Report confirms the potential for significant value in the Lachowice natural gas field. For more information on the Reserve Report, see the Company's press release of June 13, 2018.

On July 31, 2018 the Company entered into a non-binding Letter of Intent ("LOI") with a private European entity (the "Farmee") for a farm-in on the Lachowice conventional natural gas field in the Bielsko-Biala concession in southern Poland.

Under the terms of the LOI, the Farmee has agreed to fund 100% of the capital expenditures required to bring the Lachowice field to first production which includes the drilling, completion and testing of the first well. The capital expenditure is expected to total approximately US$8 million (approximately C$10.5 million). In return, the Farmee will receive 50% of the equity in Horizon's subsidiary that will hold the Bielsko-Biala Concession. Future expenditures and profits on the Bielsko-Biala Concession will be shared equally. Horizon will continue as operator. The LOI is subject to a number of conditions, including formal documentation of a Joint Operating and Shareholder Agreement, confirmation of the Farmee's financial capacity, the closing of Horizon's acquisition of the Bielsko-Biala Concession and required regulatory approvals. For further information on the LOI, see the Company's press release of August 10, 2018.

Horizon's current development plan has the Company and the Farmee commencing drilling and testing of the first well in the fourth quarter of calendar 2019, with first production to occur by mid 2020. In a previous press release dated August 10, 2018, 2017, Horizon had stated it was targeting first production from the Lachowice field by the fourth quarter of calendar 2019. 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 three months. The Company will work to accelerate the development timing wherever possible.

Readers are advised that the Acquisition of the Lachowice 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.

The Company has until June 30, 2019 to close the acquisition with SLE.

In parallel with closing the acquisition with SLE we continue to seek financing and M&A opportunities in Europe that could provide Horizon with production and/or cash flow.

Asset Impairment

For the year ended August 31, 2018 the Company recorded an asset impairment of $988,009 against its Ledieux assets in France. During the year we determined that there is no current market for the Ledieux assets and further we believe the expected future cash flow from the French assets are zero as we do not have the funds to develop the asset and any future fundraising would be directed towards our opportunities in Poland. After impairment, the carrying value of the Ledieux assets at February 28, 2019 and August 31, 2018 is nil.

At February 28, 2019 the Company had a $948,346 well abandonment obligation on the Ger permit. There are no other spending obligations in France at February 28, 2019.

Operational Results

For the three and six months ended February 28, 2019 the Company had a net loss of $231,468 and $433,9217 respectively with cash used in operating activities of $643,233 for the six months ended Feburary 28, 2019. This is significantly less than the net losses for the three and six months ended February 28, 2018 which were $605,075 and $1,214,197 respectively.

During the six months ended February 28, 2019 the Company reduced expenditures on Property Investigation and Profession fees by almost $650,000 accounting for the majority of savings over the same period in 2018. This reduction resulted from the completion of the due diligence on the acquisition of the Poland assets from San Leon Energy plc.

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Quarterly Information

	Three Months February 28, 2019	Three Months November 30, 2018	Three Months August 31, 2018	Three Months May 31, 2018
Total Assets	$ 748,253	$ 997,156	$ 405,244	$ 3,623,351
Total Revenue	-	-	-	-
Working Capital (Deficiency)	434,342	686,950	(158,142)	221,205
Loss and Comprehensive Loss	231,468	202,453	1,481,037	243,466
Loss per Share (basic and diluted)	-	-	(0.04)	(0.01)

	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	-	-	-	-
Working Capital (Deficiency)	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)

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Result of Operations

	Three months February 28, 2019	Three months February 28, 2018	Six months February 28, 2019	Six months February 28, 2018
Expenses:				
Directors' fees	$ 21,000	$ 21,000	$ 42,000	$ 42,000
Management fees	76,000	66,500	157,131	120,500
Professional fees	89,301	180,331	112,263	171,020
Salaries and benefits	7,386	-	26,153	-
Office	17,041	10,925	19,503	27,592
Property investigation costs (note 8)	7,313	227,887	12,650	601,062
Rent	10,485	23,179	29,609	30,664
Shareholder communication	967	5,300	5,906	48,487
Investor relations	-	27,740	15,000	35,240
Transfer agent and regulatory fees	3,333	4,628	4,057	9,239
Travel and related costs	312	8,619	808	46,301
Share-based payments (note 12)	5,333	27,913	22,998	85,931
Foreign exchange loss (gain)	(5,029)	4,442	(10,219)	2,225
	(233,442)	(608,464)	(437,859)	(1,220,261)
Other Items:				
Interest income	1,974	3,389	3,938	6,064
Loss and comprehensive loss for the period	$ (231,468)	$ (605,075)	$ (433,921)	$ (1,214,197)
Basic and diluted loss per common share	$ (0.00)	$ (0.02)	$ (0.01)	$ (0.03)
Weighted average number of common shares outstanding	56,480,380	37,777,176	56,480,380	37,777,176

During the three and six months ended February 28, 2019 (the "Current Period"), the Company incurred a net loss of $231,468 and $433,921 respectively. This is compared to a loss of $605,075 and $1,214,197 for the three and six months ended February 28, 2018 (the "Comparative Period"). There were several reasons for the decrease in the net loss in the Current Period.

Professional fees

Professional fees during the Current Period were $89,301 and $112,263 versus $180,331 and $171,020 for the Comparative Period. The largest decrease in the Current Period was due to first, a change in the service provider of accounting and corporate secretarial services which saved $23,667 and $47,333 for the three and six month versus the Comparative Period and second, a one time legal fee of $69,834 incurred in the second quarter of 2018 in support of our business development activities in Poland.

Property Investigation Costs

Property investigation costs during the Current Period were $7,313 and $12,650 versus $227,887 and $601,062 for the Comparative Period. During the Comparative Period the Company was actively pursuing new opportunities in Poland which required the performance of significant due diligence on the counterparties and the assets. For the Current Period, the due diligence was mostly completed and we have been focusing on completing the regulatory process in Poland which has not required a large amount of costs.

Management fees
Management fees during the Current Period were $76,000 and $157,131 versus $66,500 and $120,500 for the Comparative Period. Management fees consist primarily of payments made to the CEO, the VP Business Development, and the Interim CFO. Management fees increased during the Current Period versus the Comparative Period due to hiring an Interim CFO and some temporary financial consulting and engineering support. These increases were offset by lower payments made to the VP Business Development who left the Company in December, 2018.

Salaries and wages
Salaries and Benefits during the Current Period were $7,386 and $26,153 versus nill for the Comparative Period. The Current Period costs relate to an employee in France who is managing the French assets purchased late in the prior year.

Directors fees
Directors fee during the Current Period were $21,000 and $42,000 which is consistent with the Comparative Period.

Office and Rent
Office and Rent during the Current Period was $27,526 and $49,112 and was consistent with the Comparative Period with expenditures of $34,104 and $58,256.

Investor relations and Shareholder communication
Investor relations and Shareholder communications costs during the Current Period was $967 and $20,906 versus Comparative Period expenditures of $33,040 and $83,727. The higher costs in the Comparative Period was due to the higher level of financing efforts during that time.

Travel and Related
Travel and Related costs during the Current Period were $312 and $808 versus Comparative Period expenditures of $8,619 and $46,301. The higher costs in the Comparative Period reflect the significant business development work being done in Europe during that period.

Horizon's projects have not generated revenue. Please see disclosure under Poland in the Highlights and Overview section of this MD&A for the status of such projects and the conditions required to be satisfied prior to moving the Projects to the next stage.

Liquidity and Capital Resources

The Company had a working capital of $434,342 and cash and equivalents on hand of $616,583 as at February 28, 2019. This compares to a working capital deficit of ($158,412) and cash on hand of $168,235 as at August 31, 2018. The Company has an asset retirement obligation of $959,989 as at February 28, 2019.

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 and financial 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 these 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.

Exploration and Evaluation Assets

For the year ended August 31, 2018 the Company recorded an asset impairment of $988,009 against its Ledieux assets in France. During the year we determined that there is no current market for the Ledieux assets and further we believe the expected future cash flow from the French assets are zero as we do not have the funds to develop the asset and any future fundraising would be directed towards our opportunities in Poland .

After impairment, the carrying value of the Ledieux assets at February 28, 2019 and August 31, 2018 is nil.

Related Party Transactions

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

	February 28, 2019	February 28, 2018
Executive compensation (1) to (4)	$ 128,000	$ 176,167
Non-executive directors fees (6)	42,000	42,000
Share-based payments	22,998	85,931
	$ 192,998	$ 304,098

(1) Includes $60,000 (2018 $60,000) in management fees paid or accrued to the Company's current CEO.
(2) Includes $50,000 (2018 $29,167) in management fees paid or accrued to the Company's current interim CFO.
(3) Includes $18,000 (2018 $48,000) in management fees paid or accrued to the Company's former VP Business Development.
(4) Includes $Nil (2018 - $39,000) in professional fees paid or accrued to a company controlled by the former corporate secretary of the Company.
(5) Includes $42,000 (2018 - $42,000) in directors' fees paid or accrued to three non-executive directors of the Company.

Included in accounts payable and accrued liabilities as at February 28, 2019 is $14,737 (August 31, 2018 - $135,090) 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. During fiscal 2018 the Company commissioned a new engineering report to primarily address the scope of abandonment work necessary to meet their obligations under the concession. As a result, the decommissioning obligation was reduced by $1,884,986. The Company valued the asset retirement obligation at $948,346 as at February 28, 2019 (August 31, 2018 - $959,989). 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 or obligation to the Company.

The Ledieux license expired on August 8, 2018. At the time of expiry, the Company had a commitment to spend €8 million on developing the block. This commitment expired with the permit The Company applied for an extension to the permit under the same conditions as the previous permit which may result in another monetary commitment to develop the block. There is no timeframe as to when an extension may be granted or refused.

Proposed Transactions

See section on “Poland” under Highlights and Overview above.

Investor Relations

During fiscal 2018, 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.

The agreement with Brisco and Stirling was terminated by the Company on September 7, 2018. Under the terms of the original agreement Brisco and Sterling were each to receive 200,000 options to purchase one common share of the Company with an exercise price of $0.07. The options expired on December 6, 2018 without exercise.

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:

(a) Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

(b) 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

(c) 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).

All of the Company's financial instruments approximate their fair value as at February 28, 2019 and August 31, 2018 due to their short term nature.

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

(a) Financial instrument risk exposure and risk management:

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

(b) 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 and equivalents, 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 and equivalents, accounts receivables and acquisition deposit represents the Company's maximum exposure to credit risk.

(c) 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 bear interest at fixed or variable rates. The Company is not exposed to material interest rate risk.

(d) 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), GBP and EURO. 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, 2019		August 31, 2018	
	Amount in Foreign Currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:				
Accounts payable and accrued liabilities	$ (7,500)	$ (10,323)	$ (4,500)	$ (6,407)
Euros:				
Accounts payable and accrued liabilities	20,387	31,346	33,317	51,618
GBP:				
Accounts payable and accrued liabilities	16,563	28,275	33,317	51,618
		$ 49,298		$ 45,211

(e) 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, 2019, the Company had cash and equivalents of $497,274 to settle current liabilities of $182,241. The Company will require further financings to cover its expected cash requirements for the next twelve months. (See note 1 to these financial statements).

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 other mineral properties

To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.

To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

In the management of capital, the Company includes shareholders' equity 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 these Interim Statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

Current Share Data

Between August 31, and February 28, 2019 the Company:

(a) Issued 22,080,000 shares under a private placement for a total of 59,857,176 common shares issued and outstanding; and

(b) Issued an additional 1,087,200 brokers warrants related to the private placement.

As of February 28, 2019 the Company had:

(a) 59,857,176 common shares issued and outstanding;

(b) 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, and 325,000 stock options outstanding with an exercise price of $0.09 per share, expiring on November 8, 2022; and

(c) 1,087,200 broker warrants with an exercise price of $0.05 per share, expiring on September 26, 2021.

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; and
- 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 Interim 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:

During the six-months ended February 28, 2019 the Company adopted IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments. The adoption of this policy had no effect on the financial statements for the period.

A number of new standards, and amendments to standards and interpretations, are not yet effective as at February 28, 2019 and have not been applied in preparing the accompanying Interim Statements.

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 several 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.