

HORIZON PETROLEUM PLC.

(formerly Acadia Resources Corp.)

Management's Discussion and Analysis

Nine Months Ended May 31, 2014

This management's discussion and analysis of financial position and results of operations ("MD&A"), prepared as of July 28, 2014, provides an analysis of the operations and financial results of Horizon Petroleum Plc. (formerly Acadia Resources Corp.) ("Horizon" or the "Company") for the nine months ended May 31, 2014, and should be read in conjunction with the unaudited condensed interim financial statements for the nine months ended May 31, 2014. Those unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting and do not include all of the information required for full annual financial statements. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

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

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

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

CEO Letter to Shareholders

Horizon Petroleum Plc ("Horizon" or the "Company") continues to evaluate several oil and gas opportunities in Africa with the objective of establishing a portfolio of proven oil reserves that can be on production within a two year timeframe.

The principal focus in the last quarter was on acquiring assets in the prolific hydrocarbon basins of Nigeria, Angola and Egypt.

In Nigeria, the divestment of proven fields by the international oil companies and the award of marginal fields to indigenous companies have created several excellent opportunities. Most of the marginal fields are still to be brought on production and the Nigerian companies need technical and financial support to develop the fields. The Company's experience in oil and gas production and downstream activities in Africa enables Horizon to demonstrate a strong technical capability, especially as the Government of Nigeria is committed to eradicating the flaring of associated gas.

Since the end of the civil war in 2002, Angola has principally focussed on the larger deep water developments with the international oil companies to increase the oil production to 1.7 million barrels/day. Horizon is targeting onshore fields that have proven reserves. Under the terms of its memorandum of understanding with Grupo Suninvest-Investimentos, Participações E Empreendimentos S.A. ("Suninvest") a special purpose vehicle is being formed to bid for blocks that are available in the Kwanza region.

In Egypt, Horizon has been offered several proven fields with exploration upside. This country remains open for oil and gas operators and is attractive due to the number of opportunities that are available and its low cost operating environment. Horizon is looking to assemble a portfolio of hydrocarbon assets in this country whilst the geo political climate has made the purchase of producing fields less competitive.

Horizon's strategy is to establish acquisition vehicles with reputable and financially capable indigenous companies. The Company is well placed with its relationships with Suninvest in Angola and Niger Delta Exploration and Production Plc ("Niger Delta") in Nigeria, to execute on asset purchases in these countries. Both of these companies have a history of achievement and growth. Suninvest has several existing joint ventures with major international businesses, such as Siemens, whilst Niger Delta has demonstrated through its operatorship of the Ogbelie field, its ability to finance and develop marginal oil fields in Nigeria.

The Company strengthened the Board during the quarter with the addition of Dr. Charle Gamba and John Patterson as non-executive directors.

Charle is the Chief Executive Officer and President of Canacol Energy Ltd. He is a senior executive with almost 20 years working experience in the US and international upstream oil and gas industry. He has considerable expertise in the establishment and growth of public oil and gas companies.

John Patterson has worked in the oil and gas industry for 35 years. A chartered accountant, he has extensive experience of acquisitions, financings, governance, tax and accounting. He was a former president of Nexen Energy Services and more recently a non-executive director and Chairman of the Audit Committee at Orca Exploration Inc.

We have also developed relationships with large Investment Banking groups, mostly Canadian, with additional presence in London, to cover both UK and Canadian financial markets. We work closely with these Banks to assess financability of assets under negotiation, so as to be sure of being able to fund the projects in process with significant capital. These projects must meet our criteria of value, upside potential, quality partners, capable operatorship, and manageable risk. These types of projects require a thorough process of assessment and negotiation, which we believe is in the shareholders' best interests, rather than securing lower quality opportunities which are less likely to be successful.

Overall, we are on track with our strategy, and continue to manage our working capital prudently. Several good assets have been identified from a large pipeline of opportunities available through our broad network. Confidentiality provisions prevent disclosure of details. These assets fit our criteria, and are in various stages of assessment and negotiation. We thank our Board and management team for their continuous hard work, and our shareholders for their support and patience.

Changes to Board of Directors

During the current period, the following individuals were appointed to the Board of Directors of the Company:

1) Mr. John Patterson

Mr. Patterson has been appointed as a non-executive director and chairman of the Company's audit committee. He has 35 years' experience in the oil and gas industry with a background in acquisitions, financings, corporate governance, tax and accounting. He gained significant commercial and financial experience at Nexen Inc., where, as president of Nexen Energy Services ("NES"), he managed oil and gas assets in several countries, including Yemen and Nigeria. Previously, he was NES's chief financial officer and finance director, and was active in financings and corporate acquisitions. More recently, he was non-executive director and chairman of the audit committee for Tanzania-focused Orca Exploration. He qualified as a chartered accountant at Touche Ross (now Deloitte) and gained a BSc with special honours in mathematics at Bristol University.

2) Dr. Charle Gamba

Dr. Gamba has been appointed as a non-executive director of the Company. He has been the chief executive officer and president of Canacol Energy Ltd. since October, 2008. Dr. Gamba is a senior executive with almost 20 years of working experience in the United States and international upstream oil and gas industry. He has considerable expertise in the establishment and growth of public oil and gas companies listed on Canadian stock exchanges. Dr. Gamba served as a vice-president of exploration at Occidental Oil & Gas Company from 2001 to 2008. In his seven years with Occidental, he worked in Ecuador, Qatar, Colombia and the United States in a variety of technical management roles. He started his professional career as a geologist with Imperial Oil in Calgary in 1994.

Overview

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

Details of its activities are discussed below.

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

During the nine months ended May 31, 2014, the Company changed its name to Horizon Petroleum Plc. and received approval from the TSX Venture Exchange and the Jersey Financial Services Commission to continue its operations as a public company to Jersey in the Channel Islands.

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

Oil and Gas

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

During the nine months ended May 31, 2014, the Company:

1. Entered into a Memorandum of Understanding with Grupo Suninvest-Investimentos, Participações E Empreendimentos S.A. ("Suninvest"), a well-respected, established and financially robust Angolan company, to evaluate onshore exploration potential and proven oil and gas assets. Suninvest has several existing joint ventures with major international businesses, primarily in infrastructure, and is now looking to extend its activities to the oil and gas sector in partnership with Horizon. Under the terms of the Memorandum of Understanding, the Company is to establish a joint venture company with Suninvest (49% to be owned by the Company) during calendar 2014; and
2. Formed a bidding group with Niger Delta Exploration & Production Plc and its subsidiary Niger Delta Petroleum Resources Ltd to bid on certain assets that were being divested by an international oil company. Whilst the consortium was not the preferred bidder, Horizon continues to review opportunities with Niger Delta in Nigeria.

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

Mineral Property

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

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

Horizon did not make the second cash payment by June 30, 2014 and, as a consequence, the option to acquire up to a 70% interest in the King property has now lapsed.

Up to May 31, 2014, the Company had incurred net accumulated exploration costs totaling \$161,057 on the King property. During the year ended August 31, 2013, the Company wrote down the costs associated with the King property by \$161,056 to \$1 as the Company looked to apply its capital to oil and gas assets in Africa.

Subsequent to May 31, 2014, the Company did not make a required cash payment of \$70,000 or incur \$500,000 in cumulative exploration expenditures on the King property. As a result, the Company wrote off the remaining \$1 of cost during the nine months ended May 31, 2014.

Private Placements

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

On January 22, 2014, the Company issued 16,666,667 common shares for gross proceeds of \$2,000,000 pursuant to the completion of a private placement. In conjunction with the issuance of the shares, the Company incurred total share issuance costs of \$279,595, which included finders' fees comprised of payments of \$80,908 and the issuance of 674,230 finders' warrants valued at \$137,432. Each finders' warrant enabled the holder to acquire one additional common share for \$0.16 per share by July 22, 2014. None of these warrants have been exercised by the date of this report and have expired unexercised. The fair value of the warrants was determined using the Black-Scholes option-

pricing model with the following assumptions: expected life six months; volatility – 119%; dividend rate – nil; risk free interest rate – 1.01%.

Result of Operations

During the three months ended May 31, 2014 (the “current period”), the Company incurred a loss of \$390,084 compared to a loss of \$335,835 during the three months ended May 31, 2013 (the “comparative period”). The significant changes during the current period compared to the comparative period are as follows:

Consulting fees of \$82,981 were incurred during the current period which increased from \$nil during the comparative period. During the fourth quarter of the year ended August 31, 2013, the Company entered into consulting agreements with a director of the Company and with a consultant for subsurface evaluations and business development, respectively.

Directors’ fees of \$48,182 were incurred during the current period which increased from \$4,105 during the comparative period. The Company commenced paying or accruing directors’ fees to its directors in May 2013.

Professional fees incurred during the current period totaled \$60,683 compared to \$42,271 during the comparative period. The increase was mainly a result of the Company paying or accruing \$26,411 (US\$24,000) for services provided by the Company’s chief financial officer (“CFO”). The increase was slightly offset by a decrease in legal costs of approximately \$6,000.

The Company incurred property investigation costs of \$77,507 during the current period, compared to \$233,720 during the comparative period. The property investigation costs for both periods related to the Company’s search for oil and gas properties in Africa.

During the year ended August 31, 2013, the Company granted 1,714,000 stock options to its directors and officers and, as a result, recorded share-based payments expense in the current period of \$39,592 relating to those options. No such transaction took place during the comparative period.

During the nine months ended May 31, 2014 (the “current nine-month period”), the Company incurred a loss of \$1,127,463 compared to a loss of \$535,362 during the nine months ended May 31, 2013 (the “comparative nine-month period”). The significant changes during the current nine month period compared to the comparative nine month period are as follows:

Consulting fees of \$176,631 were incurred during the current nine-month period which increased from \$nil during the comparative nine-month period. During the fourth quarter for the year ended August 31, 2013, the Company entered into consulting agreements with a director of the Company and with a consultant for subsurface evaluations and business development, respectively.

Directors’ fees of \$105,527 were incurred during the current nine-month period which increased from \$4,105 during the comparative nine-month period. The Company commenced paying or accruing directors’ fees to its three directors in May 2013.

Management fees of \$116,035 were paid or accrued during the current nine-month period compared to \$48,715 during the comparative nine-month period. The increase was a result of the Company paying or accruing fees to its new chief executive officer (“CEO”) the amount of US\$11,000 per month. During the comparative nine-month period, the Company only paid the Company’s former CEO \$2,500 per month. The Company continued to pay the former CEO \$7,500 per month during the first three months of the current nine-month period as he was the corporate secretary of the Company during that time.

Professional fees incurred during the current nine-month period totaled \$229,285 compared to \$64,165 during the comparative nine-month period. The increase was mainly a result of the Company paying or accruing \$78,569 US\$72,000 (US\$72,000) for services provided by the current CFO, legal fees of \$25,174 in relation to the Company’s activities in Nigeria, \$15,000 for the Company’s two quarterly reviews completed by the Company’s auditors, which includes an accrual of \$5,000 for the Company’s third quarter review. The increase also related to the Company paying legal fees of \$65,180 that were incurred as a result of changing the registered address of the Company, its annual general meeting and for other general corporate matters.

The Company incurred property investigation costs of \$188,344 during the current nine-month period, compared to \$385,955 during the comparative nine-month period. The property investigation costs for both periods related to the Company’s search for oil and gas properties in Africa.

During the year ended August 31, 2013, the Company granted 1,714,000 stock options to its directors and officers and, as a result, recorded share-based payments expense in the current nine-month period of \$117,485 relating to those options. No such transaction took place during the comparative nine-month period.

Quarterly Information

	Three Months Ended May 31, 2014	Three Months Ended February 28, 2014	Three Months Ended November 30, 2013	Three Months Ended August 31, 2013
Total assets	\$ 1,301,644	\$ 1,699,475	\$ 170,722	\$ 520,555
Working capital	1,165,574	1,525,627	45,967	317,714
Loss and comprehensive loss for the period	(390,084)	(426,470)	(310,909)	(535,673)
Loss per share (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.02)

	Three Months Ended May 31, 2013	Three Months Ended February 28, 2013	Three Months Ended November 30, 2012	Three Months Ended August 31, 2012
Total assets	\$ 569,478	\$ 809,185	\$ 826,603	\$ 845,406
Working capital	132,180	359,270	648,718	667,542
Loss and comprehensive loss for the period	(335,835)	(180,703)	(18,824)	(28,075)
Loss per share (basic and diluted)	(0.02)	(0.01)	(0.00)	(0.00)

Fiscal 2014

During the third quarter of fiscal 2014, the Company recorded a loss and comprehensive loss of \$390,084 compared to a loss and comprehensive loss of \$426,470 recorded during the prior quarter. The primary reasons for the decrease in loss related to 1) a decrease in professional fees of \$44,958, mainly as a result of an accrual of \$25,000 made in the prior quarter for legal work on the Company's activities in Nigeria; 2) a decrease of shareholder communications expense of \$20,319, mainly a result of a decrease in costs related to presentations made by the Company in the prior quarter. No significant presentations were made in the current quarter; and 3) a decrease in travel and related costs of \$13,464 as the Company did not require significant travel relating to its search for a viable oil and gas property in Africa. The decrease in costs was partially offset by an increase in consulting fees of \$29,265. The increased consulting fees were a result of a new consulting agreement entered into during February 2014, for \$12,500 per month.

During the second quarter of fiscal 2014, the Company recorded a loss and comprehensive loss of \$426,470 compared to a loss and comprehensive loss of \$310,909 recorded during the prior quarter. The primary reasons for the increase in loss related to 1) an increase in professional fees of \$42,680, mainly a result of an accrual of \$25,000 for legal work on the Company's activities in Nigeria; 2) an increase in consulting fees of \$13,782 as a result of a new consulting agreement entered into during the month of February 2014 for \$12,500 a month; 3) an increase in travel and related costs of \$12,370 and property investigation costs of \$7,431, as the Company continues to look for viable oil and gas properties in Africa; 4) an increase in transfer agent and filing fees of \$15,961 as a result of the Company paying its annual TSX-V sustaining fee of \$5,000 and incurring costs to its Jersey trust company for its quarterly services; 5) an increase in shareholder communications by \$26,049 as the Company incurred various expenses relating to various shareholder presentations it had made during the quarter; and 6) an increase of \$7,075 for directors fees as a result of an increase in fees paid or accrued per month to the Company's chairman of the board of directors, plus the decrease in the value of the Canadian dollar against the US dollar, as the Company's directors are paid in US dollars.

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

Fiscal 2013

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

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

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

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

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

Fiscal 2012

During the fourth quarter of fiscal 2012, the Company recorded a loss and comprehensive loss of \$28,075 compared to a loss and comprehensive loss of \$38,649 recorded in the prior quarter. The main reason for the decrease from the prior quarter is the \$7,613 recorded in the third quarter for transfer agent and filing fees, compared to \$624 incurred during the current quarter. Increased filing fees were incurred in the prior quarter as the Company paid its annual sustaining fee.

Liquidity and Capital Resources

The Company had working capital of \$1,165,574 and cash and cash equivalents on hand of \$1,280,192 as at May 31, 2014. This compares to a working capital position of \$317,714 and cash on hand of \$503,467 as at August 31, 2013.

The development of the Company may 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.

Related Party Transactions

During the nine months ended May 31, 2014, the Company:

- Paid or accrued management fees of \$7,500 (2013 - \$37,500) to the Company's former CEO and former Corporate Secretary;
- Paid or accrued management fees of \$108,535 (US\$99,000) (2013 - \$26,215 (US\$22,000)) to the Company's current CEO;
- Paid or accrued professional fees of \$78,569 (US\$72,000) (2013 - \$nil) to the Company's current CFO;

- Paid or accrued directors' fees of \$39,529 (US\$36,000) (2013 – \$4,105 (US\$4,000)) to executive directors of the Company;
- Paid or accrued consulting fees of \$52,668 (US\$48,000) (2013 - \$nil) to a director of the Company;
- Paid or accrued directors' fees of \$65,998 (US\$59,565) (2013 - \$nil) to non-executive directors of the Company; and
- Paid or accrued professional fees of \$36,705 (2013 - \$20,991) and share issuance costs of \$13,453 (2013 - \$nil) to Owen Bird, a law firm of which the new corporate secretary of the Company is a partner.

Included in accounts payable and accrued liabilities at May 31, 2014 is \$60,681 (August 31, 2013 - \$131,097) owing to related parties, all in respect of the above transactions.

Key Management Personnel Compensation

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

	Nine Months Ended May 31, 2014	Nine Months Ended May 31, 2013
Executive compensation	\$ 312,309	\$ 71,745
Non-executive directors' fees	65,998	2,066
Share-based payments	<u>88,971</u>	<u>-</u>
	<u>\$ 467,278</u>	<u>\$ 73,811</u>

Off Balance Sheet Arrangements

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

Contingent Liabilities

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

Financial Instruments and Risk Management

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

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

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

(a) Financial instrument risk exposure and risk management:

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

Credit risk

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

Interest rate risk

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

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

Foreign currency

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible that it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company's cash and cash equivalents are currently invested in business accounts which are available on demand by the Company for its programs. As at May 31, 2014, the Company had cash and cash equivalents of \$1,280,192 to settle liabilities of \$136,070.

Capital Management

The Company's objectives when managing capital are:

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

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

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets.

In order to maximize ongoing exploration and future development efforts, the Company does not pay dividends. Notwithstanding the risks described in note 1 of the accompanying financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

Current Share Data

As of July 28, 2014, the Company has:

- a) 44,129,654 common shares issued and outstanding;
- b) 13,333,302 share purchase warrants outstanding with an exercise price of \$0.45 per share and expiring on March 16, 2016; and
- c) 1,714,000 stock options outstanding with an exercise price of \$0.15 per share and expiring on August 4, 2023.

Additional information is available on SEDAR at www.sedar.com

Risks and Uncertainties

The business of hydrocarbon and mineral exploration and extraction involves a high degree of risk and few properties and licenses that are explored ultimately become producing assets.

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

Cautionary Statement on Forward Looking Information

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