HORIZON PETROLEUM LTD.
(formerly "Horizon Petroleum PLC")
Management's Discussion and Analysis

Year Ended August 31, 2016

This management's discussion and analysis of financial position and results of operations ("MD&A"), prepared as of December 19, 2016, provides an analysis of the operations and financial results of Horizon Petroleum Ltd. ("Horizon" or the "Company") for the year ended August 31, 2016, and should be read in conjunction with the audited financial statements for the year ended August 31, 2016. Those audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 Company's financial statements and MD&A, is complete and reliable.

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

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

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

Changes to Management

Mr. Mark Gelmon was appointed interim chief financial officer of the Company, replacing Mr. Darren Moulds, the Company's chief financial officer.

Mr. Gelmon has provided financial and regulatory expertise to TSX Venture Exchange-listed companies in the capacity of director, chief financial officer, and consultant for the past 21 years. He is a CPA, CA, and received his Bachelor of Arts degree from UBC; he has been a partner at iO Corporate Services in Vancouver since 2007.

Going Concern

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

In order to continue as a going concern and to meet its corporate objectives, which primarily consists of investigating new potential oil and gas properties in Africa, 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 the state of international debt, equity and commodity markets as well as investor perceptions and expectations.

The Company's audited financial statements for the year ended August 31, 2016 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. During the year ended August 31, 2016, the Company entered into promissory notes with certain insiders of the Company for proceeds totaling $137,636 and completed a private placement for gross proceeds of $160,000.

Significant transaction

During April, 2016, the Company entered into an arrangement agreement (the “Arrangement Agreement”) with privately-held, Calgary-based Iskander Energy Corporation (“Iskander”), pursuant to which the Company would, subject to certain conditions, acquire all of the issued and outstanding common shares of IEC (“IEC Shares”) in exchange for 55,373,072 pre-consolidated shares of the Company at a deemed value of $0.05 per share (the “Transaction”) by way of a plan of arrangement (“Plan of Arrangement”) under the *Business Corporations Act* (Alberta) (“ABCA”).

During the year ended August 31, 2016, the Company incurred costs associated with this transaction totaling $101,683 and have been recorded as transaction costs on the Company’s statement of operations, loss and comprehensive loss.

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

Overview

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

During the year ended August 31, 2016, the Company entered into and then terminated an agreement with a significant international resource company to farm in to an offshore exploration block in West Africa.

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

Promissory Notes

As at the date of this MD&A, the Company has received a total of $137,636 in conjunction with the issuance of promissory notes to related parties which bear interest at 10% per annum and matured between July 28, 2016 and December 6, 2016. These Notes are now past due and have not been repaid.

Loan Payable

During May 2016, the Company received proceeds totaling $25,000 pursuant to a loan payable. The loan bore interest at the rate of 10% per annum and had no stated terms of repayment. This loan was repaid in full during the year ended August 31, 2016.

Shares-for-Debt

During May 2016, the Company issued 3,040,000 common shares to three directors of the Company at a deemed price of $0.05 per share pursuant to the settlement of debt totaling $152,000.

Private Placement

During the year ended August 31, 2016, the Company, Issued 3,200,000 common share units for gross proceeds totaling $160,000 pursuant to the completion of a private placement. Each unit consists of one common share and one share purchase warrant with each warrant entitling the holder to purchase an additional common share at a price of $0.075 per share for a period of two years. In conjunction with the issuance of the shares, the Company incurred total share issuance costs of $9,390, which included cash costs comprised of legal and filing fees of $750 and a finder’s fee payment of $7,200, as well as a non-cash cost of $1,440 relating to the valuation of the issuance of 144,000 finders’ warrants. Each finders’ warrant enabled the holder to acquire one additional common share for $0.075 per share. The fair value of the warrants was determined using the Black-Scholes option- pricing model with the following assumptions: expected life 2 years; volatility – 84%; dividend rate – nil; risk free interest rate – 0.55%.

Selected Annual Information

	2016	2015	2014
Loss for the year	$ (868,430)	$ (816,807)	$ (1,472,093)
Loss per share	(0.02)	(0.02)	(0.04)
Total assets	35,600	260,056	1,041,039
Total liabilities	465,614	197,138	184,079

Result of Operations

During the year ended August 31, 2016 (the “current year”), the Company incurred a loss of $868,430 compared to a loss of $816,807 during the year ended August 31, 2015 (the “comparative year”). The significant variances are as follows:

Management fees of $104,000 were incurred during the current year compared to $177,784 during the comparative year. The decrease was a result of the Company paying or accruing fees to its former CEO (resigned November 2014) the amount of US$11,000 per month during a portion of the comparative year.

The Company incurred property investigation costs of $208,275 during the current year, comprised of consulting fees of $120,000, legal fees of $53,365 and travel costs totaling $34,909, compared to $183,318 during the comparative year. The property investigation costs for both periods related to the Company’s search for oil and gas opportunities within Africa.

Fourth Quarter Results

During the three months ended August 31, 2016, the Company incurred a loss of $333,512 compared to a loss of $73,127 during the three months ended August 31, 2015. Transaction costs totaling $101,683 were expensed during the fourth quarter of fiscal 2016 while during the fourth quarter of fiscal 2015, the Company recognized a recovery of directors’ fees totaling $88,119.

Quarterly Information

	Three Months Ended August 31, 2016	Three Months Ended May 31, 2016	Three Months Ended February 29, 2016	Three Months Ended November 30, 2015
Total assets	$ 35,600	$ 71,135	$ 28,315	$ 107,826
Working capital (deficiency)	(430,014)	(360,744)	(312,973)	(117,908)
Loss and comprehensive loss for the period	(333,512)	(154,304)	(197,414)	(183,200)
Loss per share (basic and diluted)	(0.01)	(0.00)	(0.01)	(0.00)

		Three Months Ended August 31, 2015		Three Months Ended May 31, 2015		Three Months Ended February 28, 2015		Three Months Ended Nov 30, 2014
Total assets	$	260,056	$	408,163	$	562,242	$	714,736
Working capital		(42,313)		191,445		377,957		576,295
Loss and comprehensive loss for the period		(73,127)		(192,517)		(204,242)		(346,921)
Loss per share (basic and diluted)		(0.00)		(0.00)		(0.00)		(0.01)

Fiscal 2016

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

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

During the third quarter of fiscal 2016, the Company entered into an arrangement agreement (the “Arrangement Agreement”) with privately-held, Calgary-based Iskander Energy Corporation (“IEC”), pursuant to which the Company will, subject to certain conditions, acquire all of the issued and outstanding common shares of IEC (“IEC Shares”) in exchange for 55,373,072 pre-consolidated shares of the Company at a deemed value of $0.05 per share (the “Transaction”) by way of a plan of arrangement (“Plan of Arrangement”) under the *Business Corporations Act* (Alberta) (“ABCA”). (See Significant Transaction section above).

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

Fiscal 2015

During each of the second, third and fourth quarters of fiscal 2015, the Company continued to look for viable oil and gas properties located in Africa and for additional equity funding.

During the first quarter of fiscal 2015, the Company changed certain management and directors. As a result of the change in management and directors, additional payments were made to those who are no longer with the Company in accordance with their resignation agreements. The transactions led to increases in Directors’ fees, professional fees, management fees, and share-based payments expense.

Liquidity and Capital Resources

The Company had a working capital deficiency of $430,014 and cash and equivalents on hand of $5,853 as at August 31, 2016. This compares to a working capital position of $62,918 and cash on hand of $243,273 as at August 31, 2015.

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

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include 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 audited financial statements for the year ended August 31, 2016 were prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. If this assumption were not appropriate, adjustments to those annual financial statements may be necessary. When assessing the Company's ability to continue on a going concern basis, material uncertainties as to the Company's ability to obtain additional financing to fund future operations may cast significant doubt on the Company's ability to continue as a going concern. The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through financing or other sources, and there are no assurances that such financing will be obtained.

Related Party Transactions

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

		August 31, 2016		August 31, 2015
Executive compensation (1) to (6)	$	260,000	$	371,010
Non-executive directors' fees (7)		59,165		96,526
Rent (8)		50,829		69,776
Share-based payments		71,448		13,214
	$	441,442	$	550,526

(1) Includes $Nil (2015 - $61,874) in management fees paid or accrued to the Company's former CEO (resigned November, 2014).

(2) Includes $104,000 (2015 - $100,000) in management fees paid or accrued to the Company's former interim CEO (resigned November, 2015).

(3) Includes $36,000 (2015 - $63,074) in professional fees paid or accrued to the Company's former CFOs (resigned November, 2014 and October, 2016, respectively).

(4) Includes $Nil (2015 - $18,892) in professional fees paid or accrued to the Company's former Corporate Secretary.

(5) Includes $Nil (2015 - $11,250) in director's fees paid or accrued to executive directors and former executive directors of the Company.

(6) Includes $120,000 (2015 - $99,920) in property investigation costs paid or accrued to a company controlled by the current CEO of the Company.

(7)Includes $59,165 (2015 - $96,526) in directors' fees paid or accrued to non-executive directors and former non-executive directors of the Company.

(8) Includes $50,829 (2015 - $69,776) in rent paid or accrued to a company with two directors of the Company in common.

Included in accounts payable and accrued liabilities at August 31, 2016 is $88,975 (2015 - $148,836) owing to related parties, all in respect of the above transactions. All related party transactions were conducted on arm's length terms.

Off Balance Sheet Arrangements

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

Contingent Liabilities

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

Proposed Transactions

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

Investor Relations

The Company has no Investor Relations 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, 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 and 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 and 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 and liablilities are comprised of cash and cash equivalents and promissory notes, 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 and cash equivalents and accounts payable and accrued liabilities are held in US Dollars (USD). 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:

	August 31, 2016			August 31, 2015		
	Amount in Foreign currency		Amount in CAD dollars	Amount in Foreign currency		Amount in CAD dollars
United States dollars:						
Accounts payable and accrued liabilities	3,500	$	4,615	88,212	$	116,442
Great British Pounds:						
Accounts payable and accrued liabilities	30,043		51,607	5,257	$	10,712
Total financial liabilities		$	56,222		$	127,154

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 August 31, 2016, the Company had cash and cash equivalents of $5,853 to settle liabilities of $465,614. Please also see Note 1 to the Company's audited financial statements for the year ended August 31, 2016.

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.

New accounting standards, amendments and interpretations:

The Company has not early adopted these standards and is currently assessing the impact these standards will have on its financial statements:

i) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018.

ii) IFRS 15: On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the standard to have a material impact on the financial statements; and

iii) As of January 1, 2019, the Company will be required to adopt IFRS 16 Leases, which will replace IFRS 17 Leases. For lessees applying the new standard, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. As of August 31, 2016 Horizon is still determining the impact that the adoption of this standard will have on its financial statements.

Current Share Data

As of December 19, 2016, the Company has:

a) 50,369,654 common shares issued and outstanding;

b) 3,344,000 share purchase warrants outstanding with an exercise price of $0.075 per share expiring on August 2, 2018; and

c) 572,000 stock options outstanding with an exercise price of $0.15 per share and expiring on August 4, 2023 and 3,700,000 stock options outstanding with an exercise price of $0.10 per share and expiring on December 4, 2022.

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

Risk, Uncertainties and Outlook

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

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

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

The Company's future exploration activities may require permits from various governmental agencies charged with 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. 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.

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.