Horizon Petroleum Ltd.

Management's Discussion and Analysis
Year Ended August 31, 2018

This management's discussion and analysis of financial position and results of operations ("MD&A"), prepared and dated as of December 19, 2018 provides an analysis of the operations and financial results of Horizon Petroleum Ltd. ("Horizon" or the "Company") for the year ended August 31, 2018, and should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2018 (the "Financial Statements"). The 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 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 Financial 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 Financial Statements may be necessary. Material uncertainties as to the Company's ability to obtain additional financing to fund future operations may cast significant doubt on the Company's ability to continue as a going concern. The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through financing or other sources, and there are no assurances that such financing will be obtained.

Forward-looking Statements

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

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

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

- oil and natural gas properties in which we may acquire an interest;
- our business strategy and planned acquisition and development strategy;
- expectations regarding our ability to raise capital;
- our future operating and financial results;
- the closing of the Primary Concessions and Secondary Concessions 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 June 13, 2018 the Company announced the initiation of a financing to raise up to $5 million through a private placement, issuing up to 100,000,000 common shares at a price of $0.05 per share. On September 26, 2018 and October 16, 2018, the Company closed two tranches of the private placement 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 gas field. The private placement is now closed, however the Company continues to look for future financing. See the Company press releases of September 26, 2018 and October 16, 2018 for more information.

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 & 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.

Horizons 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 six months. The Company will work to accelerate the development timing when we can.

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.

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. The permit expired in August 2018 and, while the Company has applied for a permit extension, the current political environment in France makes our application for a permit extension uncertain. In addition, the French government has enacted a fracing ban and policies to cease oil and gas production by 2040 causing operational uncertainty. These would need to be resolved, and greater certainty in government policy would be required, before we could realistically expect to sell the assets. Further we believe the expected future cash flow from the French assets are also 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 is nil.

At August 31, 2018 the Company had a $959,989 well abandonment obligation on the Ger permit. There are no other spending obligations in France at August 31, 2018.

Operational Results

For the year ended August 31, 2018 the Company recorded a net loss of ($2,938,700) and net cash flow used in operations of ($1,671,207). The major components of the net loss were an Asset Impairment charge of $988,009 on the Ledieux assets in French, continued Property Investigation Costs in Poland of $628,075 and Management and Professional fees of $593,186. The source of funding for 2018 costs was the private placement closed in 2017.

The net loss for the year ended August 31, 2017 was ($1,171,416) with a net cash flow used in operations of ($1,296,737). For the year ended August 31, 2017 the focus of the Company was on acquiring additional financing which resulted in the successful 2017 private placement. The largest components of the loss for the year ended August 31, 2017 was Investor Relations and Shareholder

Communication expenses of $127,283, reflecting the focus on financing activities, Management fees of $216,000 and Property investigation and transaction costs of $285,685.

Quarterly Information

	Three Months August 31, 2018	Three Months May 31, 2018	Three Months February 28, 2018	Three Months November 30, 2017
Total Assets	$ 405,244	$ 3,623,351	$ 3,963,380	$ 4,509,727
Total Revenue	-	-	-	-
Working Capital (Deficiency)	(158,142)	221,205	527,841	1,145,288
Loss and Comprehensive Loss	1,481,037	243,466	605,075	609,122
Loss per Share (basic and diluted)	(0.04)	(0.01)	(0.02)	(0.02)

	Three Months August 30, 2017	Three Months May 31, 2017	Three Months February 28, 2017	Three Months November 30, 2016
Total Assets	$ 4,841,732	$ 1,071,688	$ 1,111,528	$ 32,290
Total Revenue	-	-	-	-
Working Capital (Deficiency)	1,737,144	891,960	970,290	(517,901)
Loss and Comprehensive Loss	530,232	264,254	267,958	108,972
Loss per Share (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.00)

	Three Months August 30, 2016	Three Months May 31, 2016	Three Months February 28, 2016	Three Months November 30, 2015
Total Assets	$ 35,600	$ 71,135	$ 28,315	$ 107,826
Total Revenue	-	-	-	-
Working Capital (Deficiency)	(430,014)	(360,744)	(312,973)	(117,908)
Loss and Comprehensive Loss	(333,512)	(154,304)	(197,414)	(183,200)
Loss per Share (basic and diluted)	(0.01)	(0.00)	(0.01)	(0.00)

Result of Operations

	2018	2017
Expenses:		
Asset Impairment (note 8)	$ 988,009	$ -
Property investigation costs (note 9)	628,075	285,685
Management fees (note 14)	314,825	216,000
Professional fees	278,361	176,808
Salaries and Wages	113,136	-
Directors fees	84,000	35,000
Share-based payments (note 13)	132,084	50,443
Investor Relations	72,740	-
Office	66,729	14,996
Rent	79,843	24,475
Shareholder communication	84,123	127,283
Transaction costs (note 19)	-	133,608
Transfer agent and regulatory fees	19,328	34,623
Financing	24,405	-
Travel and related costs	59,887	63,848
Foreign exchange loss (gain)	3,131	6,166
	(2,948,676)	(1,168,935)
Other items:		
Interest income	9,976	4,627
Interest expense (note 15)	-	(7,108)
	9,976	(2,481)
Loss and comprehensive loss for the year	$(2,938,700)	$(1,171,416)
Basic and diluted loss per common share	$ (0.08)	$ (0.07)
Basic and diluted weighted average number of common shares outstanding	37,777,176	17,901,216

During the year ended August 31, 2018 (the “current period”), the Company incurred a loss of $2,938,700 compared to a loss of $1,171,416 for the year ended August 31, 2017 (the “comparative period”). There were several reasons for the increased net loss in the current period:

Asset Impairment:

In the current period the Company recorded an asset impairment of $988,009 against its Ledieux assets in France after determining that there is no current market for the Ledieux assets. There was no impairment expense in the comparative period. See Asset Impairment under the Highlights and Overview section of this MDA for more information.

Property Investigation Costs

Property investigation costs during the current period were $628,075 versus $285,685 for the comparative period. In the third quarter of 2017, the Company initiated its investigation of opportunities in Poland. The property investigation costs for the current period and comparative period relate to these investigations.

Result of Operations (continued):

Management fees
Management fees during the current period were $314,825 versus $216,000 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 in the current period due to the hiring of an Interim CFO and some temporary financial consulting and engineering support. The monthly fees paid to the CEO and the VP Business Development did not change from the comparative period.

Professional fees
Professional fees during the current period were $278,361 versus $176,808 for the comparative period. Most of the increase during the current period was due to legal fees incurred as part of managing the French assets. These assets were purchased late in the prior year, so these costs were not incurred in the comparative period.

Salaries and wages
Salary and wages were $113,136 for the current period with no salaries and wages recorded in the comparative period. The current period costs relate to the French assets purchased late in the prior year.

Directors fees
Director fees are total $21,000 per quarter resulting in a current period charge of $84,000. Directors fees were only accrued starting in the third quarter of the prior fiscal year which resulted in fees of $35,000 for the year ended August 31, 2017.

Office
Office expenses were $66,729 for the current period versus $14,996 for the comparative period. The largest change in office costs was due to the addition of the operations in France during fiscal 2018. In addition, there was an additional $5,231 in computer related expenditures in the current period.

Rent
Rent for the current period was $79,843 for the current period versus $24,475 for the comparative period. During the year, rent in France was $26,704 and there was no rent in France in the comparative period. In addition, we leased extra office space in Calgary resulting in an increase in rent of $28,663.

Transaction Costs
Transaction costs for the current period were nil versus the comparative period of $133,608. The comparative period costs related to the negotiation and signing of the purchase of the Poland assets.

Financing
Financing costs of $24,405 were incurred in the current period relating to advisory services contracted in the United Kingdom for assistance in raising capital. The efforts were not successful during the year and were not related to the private placement which closed in September and October 2018. There were no financing fees in the comparative period.

Net interest income
Net interest income was $9,976 for the current period versus a net interest expense of ($2,481) in the comparative period. Interest income is generated by the investment of excess cash and by the interest-bearing acquisition deposit. Interest expense was incurred on the related party loans which were repaid during the nine months ended May 31, 2017.

Result of Operations (continued):

Horizon's projects have not generated revenue. Please see disclosure under Poland in the Highlights and Overview section of this MDA 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 deficit of ($158,142) and cash and equivalents on hand of $168,235 as at August 31, 2018. This compares to a working capital position of $1,737,144 and cash on hand of $1,851,791 as at August 31, 2017. The Company has an asset retirement obligation of $959,989 as at August 31, 2018.

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 Financial 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 annual consolidated financial 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. The permit expired in August 2018 and, while the Company has applied for a permit extension, the current political environment in France makes our application for a permit extension uncertain. In addition, the French government has enacted a fracing ban and policies to cease oil and gas production by 2040 causing operational uncertainty. These would need to be resolved, and greater certainty in government policy would be required, before we could realistically expect to sell the assets. Further we believe the expected future cash flow from the French assets are also zero as we do not have the funds to develop the asset and any future fundraising would be directed towards our opportunities in Poland.

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Exploration and Evaluation Assets (continued):

After impairment, the carrying value of the Ledieux assets is nil.

	2018	2017
Balance, beginning of year	$ 2,802,698	$ -
Acquisitions	-	2,104,458
Additions	28,020	-
Change in decommissioning obligations	(1,884,986)	696,575
Foreign currency translation	42,277	1,665
Impairment	(988,009)	-
	$ -	$ 2,802,698

Related Party Transactions

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

	2018	2017
Executive compensation (1) to (5)	$ 334,333	$ 297,000
Non-executive directors' fees (6)	84,000	35,000
Interest	-	7,025
Share-based payments	132,084	50,443
	$ 550,417	$ 389,468

(1) Includes $120,000 (2017 $120,000) in management fees paid or accrued to the Company's current CEO.
(2) Includes Nil (2017 $3,000) in professional fees paid or accrued to the Company's former CFO.
(3) Includes $83,333 (2017 Nil) in management fees paid or accrued to the Company's current interim CFO.
(4) Includes $92,000 (2017 $96,000) in management fees paid or accrued to the Company's current VP Business Development.
(5) Includes $39,000 (2017 - $78,000) in professional fees paid or accrued to a company controlled by the former corporate secretary of the Company.
(6) Includes $84,000 (2017 - $35,000) in directors' fees paid or accrued to three non-executive directors of the Company
(7) Includes Nil (2017 $7,025) in interest expense paid or accrued to directors of the company (Note 14)

Included in accounts payable and accrued liabilities at August 31, 2018 is $135,091 (August 31, 2017 - $49,003) owing to related parties. All related party transactions were conducted on arm's length terms.

Off Balance Sheet Arrangements

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

Contingent Liabilities

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

Capital Resources and Commitments

In France, the Ger license expired on April 16, 2018 and carries an outstanding obligation to abandon a previously drilled well. The obligation was originally estimated at approximately €1.82 million. During 2018 the Company commissioned a revised 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 $959,989 as at August 31, 2018 (August 31, 2017 - $2,802,697). There is no current time frame required for abandoning this well. Funds for the abandonment are expected to come from the cash flow generated from a future acquisition, and/or a future equity issue. The Ger license also carried a commitment to spend of €3 million which expired with the license without penalty or obligation to the Company.

The Ledieux license expired on August 8, 2018. At the time of expiry, we 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.

Investor Relations

During the current year, 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. At August 31, 2018 150,000 share options were vested for each of Brisco and Sterling for a total of 300,000 share options. 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 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.

Financial instruments and risk management (continued):

(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.

Financial instruments and risk management (continued):

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

	2018		2017	
	Amount in Foreign Currency	Amount in CAD dollars	Amount in foreign currency	Amount in Amount in CAD dollars
United States dollars:				
Accounts payable and accrued liabilities	$ (4,500)	$ (6,407)	$ 3,500	$ 4,402
Great British Pounds:				
Accounts payable and accrued liabilities	-	-	3,360	5,453
Euros:				
Accounts payable and accrued liabilities	33,317	51,618	-	-
		$ 45,211		$ 9,855

(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 considering 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 August 31, 2018, the Company had cash and equivalents of $168,235 to settle current liabilities of $433,056. The Company will require further financings to cover its expected cash requirements for the next twelve months.

Capital Management

The Company's objectives when managing capital are:

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

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

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

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

Current Share Data

During May 2017, the Company's common shares were consolidated on a basis of one post-consolidated common share for every nine pre-consolidated common shares. The numbers of the shares presented in this MD&A have all been adjusted to reflect the impact of this share consolidation.

As of August 31, 2018 the Company had:

a) 37,777,176 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, 400,000 stock options outstanding with an exercise price of $0.07 per share, expiring on November 5, 2019 and 325,000 stock options outstanding with an exercise price of $0.09 per share, expiring on November 8, 2022.

Current Share Data (continued):

Between August 31, and December 19, 2018, the date of this MD&A, the Company:

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

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

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

Subsequent Events

On June 13, 2018 the Company announced the initiation of an equity financing to raise up to C$5 million through a private placement, issuing up to 100,000,000 common shares at a price of $0.05 per share. On September 26, 2018 and October 16, 2018 the Company closed two tranches of the financing issuing 22,080,000 share for gross proceeds of $1,104,000. The Company paid a cash commission of $54,360, and has agreed to issue 1,087,200 brokers warrants as an additional portion of the commission. The share as subject to a holding period expiring on January 27, 2019.The net proceeds are to be used to assist in the closing of the acquisition of the concessions in southern Poland from San Leon Energy and for general corporate purposes. The financing is now closed

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 financial statements of changes in such estimates could be material in future periods.

Share-based Compensation

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

New accounting standards, amendments and interpretations:

The Company has not adopted any material new or revised standards during the year ended August 31, 2018.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended August 31, 2018 and have not been applied in preparing the accompanying financial statements.

New accounting standards, amendments and interpretations (continued):

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which will supersede IAS 18 – Revenue and related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on September 1, 2018.

IFRS 9 – Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The Corporation intends to adopt IFRS 9 in its financial statements for the annual period beginning on September 1, 2018.

IFRS 16 – Leases

On January 13, 2016 the IASB issued IFRS 16 – Leases, which will supersede IAS 17 – Leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on September 1, 2019.

The extent of the impact of adoption of these standards has not yet been determined. However, since the Company has no revenue and has minimal transactions, the impact on adoption at this time would be limited.

Risk, Uncertainties and Outlook

As a company active in the mineral resource acquisition and exploration industry, the Company is exposed to 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.

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Risk, Uncertainties and Outlook (continued)

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.