

# Management's Discussion and Analysis

For The Period Ended September 30, 2022

This management's discussion and analysis ("MD&A") for Horizon Copper Corp. (formerly Royalty North Partners Ltd. ("RNP")) and its subsidiary entities (collectively "Horizon", or the "Company") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Horizon for the three and nine months ended September 30, 2022 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), applicable to the preparation of interim financial statements including International Accounting Standard 34 – Interim Financial Reporting. Readers are encouraged to consult the Company's audited consolidated financial statements for the year ended December 31, 2021 and the corresponding notes to the financial statements which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The information contained within this MD&A is current to November 3, 2022 and all figures are stated in U.S. dollars unless otherwise noted.

## Company Highlights

### Transformative Acquisitions

On August 31, 2022, the Company completed part of its previously announced acquisition of certain copper-gold assets from Sandstorm Gold Ltd. ("Sandstorm"), to create a new growth-focused copper mining company (the "Transaction"). The assets acquired include a 30% equity interest in the Hod Maden copper-gold project in Turkey ("Hod Maden"), a 55% interest in the Peninsula gold project located in Michigan, \$10 million in cash, and a promissory note with a principal amount of C\$43.2 million pursuant to the Company's acquisition of an approximate 25% equity stake in Entrée Resources Ltd. ("Entrée") in May 2022.

Upon completion of the Transaction, RNP changed its name to Horizon Copper Corp.

In consideration for the assets acquired, the Company:

- entered into a \$200 million gold stream with Sandstorm on production from Hod Maden;
- issued approximately 25.5 million common shares to Sandstorm, corresponding to an approximate 34% equity interest in the Company; and
- issued Sandstorm a secured convertible promissory note with a principal amount of \$95 million.

On completion of the Transaction, 35,595,593 subscription receipts of the Company, which were issued in two tranches on March 8 and 18, 2022, for aggregate gross proceeds of approximately C\$20.9 million pursuant to a non-brokered private placement of the Company at a price of C\$0.60 per subscription receipt, were converted into 35,595,593 common shares of the Company and 35,595,593 common share purchase warrants (the "Warrants"), and the net subscription proceeds were released from escrow and delivered to the Company. Each Warrant entitles the holder to purchase one additional common share of Horizon at a price of C\$0.80 until August 31, 2027.

Under the final part of the transaction with Sandstorm (the "Antamina Transaction"), the Company will acquire a 1.66% net profits interest on the Antamina copper mine (the "Antamina NPI"). The consideration that Horizon will issue to Sandstorm to acquire the Antamina NPI includes:

- a residual royalty on Antamina with payments equal to approximately one-third (1/3) of the total Antamina NPI after deducting the Antamina Silver Stream (as defined below) servicing commitments (the "Residual Royalty");
- up to \$50 million in cash payable to Sandstorm (the "Cash Consideration"), funded by way of a concurrent financing by the Company (the "Concurrent Financing") which shall be a minimum of \$20 million and a maximum of \$50 million;
- a silver stream referenced to silver production from the Antamina mine (the "Antamina Silver Stream") whereby the Company will sell to Sandstorm silver ounces equal to 1.66% of all silver produced at the Antamina mine at a price equal to 2.5% of the silver spot price. The Antamina Silver Stream will be secured by the 1.66% Antamina NPI;
- common shares of the Company issued to Sandstorm that will result in Sandstorm owning 34% of the issued and outstanding shares of the Company at the closing of the Antamina Transaction (the "Consideration Shares"). The "Consideration Share Amount" shall be the product of the Consideration Shares multiplied by the price of the Concurrent Financing and converted into US dollars; and
- a convertible promissory note secured by the Antamina NPI with a principal amount equal to US\$361 million less the sum of (i) the Cash Consideration, (ii) the value of the Residual Royalty and (iii) Consideration Share Amount (the "Antamina Note"). Assuming the Concurrent Financing raises \$20 million, the principal amount of the Antamina Note is expected to be \$150 million.

The proposed Concurrent Financing will be for gross proceeds of between \$20 million and \$50 million. Further details regarding the Concurrent Financing will be released once known. The purchase price of the Antamina NPI and the promissory note will be reduced by offsetting amounts to reflect cash flows received under the Antamina NPI between July 12, 2022 (the date Sandstorm acquired the Antamina NPI) and the closing date of the Antamina Transaction.

### **Change in presentation currency**

Effective September 30, 2022, the Company changed its presentation currency from CAD to USD due to the fact that the most significant assets and liabilities are denominated in USD and to be consistent with peer companies in the mining industry. The change in presentation currency requires retrospective restatement of all periods presented in the financial statements. To prepare the December 31, 2021 and January 1, 2021 statements of financial position, all assets and liabilities were restated in USD based on the closing exchange rate on December 31, 2021 and December 31, 2020. The accounting policy used to translate equity items prior to 2021, was to use the annual average exchange rate for each equity transaction that occurred in the year. For 2021, equity items were translated quarterly using the average exchange rate for each quarter. To prepare the statement of income / (loss) for the periods ended September 30, 2022 and September 30, 2021, all revenue and expenses were restated in USD based on the average exchange rate for each quarter.

## Overview

Horizon's objective is to actively grow its existing portfolio of assets, with a focus on copper projects. The Transaction and the expected completion of the acquisition of Antamina NPI in Q4 2022 position Horizon as a competitive copper company with a portfolio of high-quality cash-flowing and development stage copper assets. Horizon now has the size and scale required to grow and diversify the Company while further strengthening the strategic partnership opportunities with Sandstorm.

## Outlook

Following the completion of the Transaction to acquire an equity interest in Hod Maden in the third quarter of 2022, the Company will continue to fund its share of the ongoing development and construction of the project. Based on the current development schedule, Hod Maden is expected to deliver its first production in 2025.

## Key Assets

Following the completion of the Transaction in Q3 2022, the Company's key assets are as follows:

### **Hod Maden**

The Company has a 30% equity interest in Hod Maden, which is located in Artvin Province, northeastern Turkey. The project is operated and co-owned by a Turkish partner, Lidya Madencilik Sanayi ve Ticaret A.S. ("Lidya"), which owns the remaining interest in the project. Lidya is a strong local partner with experience exploring, developing, permitting, and operating projects in Turkey. Lidya is part of a large Turkish conglomerate called Çalik Holding and is currently involved in several projects in Turkey including a partnership with SSR Mining Inc. on the producing Çöpler mine.

In October 2021, the Hod Maden project received the final approval of the Environmental Impact Assessment ("EIA") for the project from the Ministry of Environment and Urbanization of Turkey.

In November 2021, a Feasibility Study was released. The results demonstrate a Proven and Probable Mineral Reserve of 2.5 million ounces of gold and 129,000 tonnes of copper being mined over a 13-year mine life (8.7 million tonnes at 8.8 grams per tonne gold and 1.5% copper or 11.1 grams per tonne gold equivalent using a breakeven cut-off value of \$82 per tonne and incremental cut-off values of \$63 per tonne for stopes and \$40 per tonne for development). The study projects a pre-tax net present value (5%

discount rate) of \$1.3 billion and an internal rate of return of 41%. It is estimated that copper will be produced at an all-in sustaining cost ("AISC")<sup>1</sup> on a co-product basis of \$1.12 per pound.

With the approval of the EIA, the release of the Feasibility Study and the receipt of all major permits (with the award of the final permit from the Ministry of Forestry in 2022), Hod Maden moved into the next stage of development including securing project debt financing and initiating long-lead construction items. Lidya has commenced two out of four planned early works projects at site. The access road and pad preparation for the electrical substation is almost complete and the road upgrades in the Salicor Valley to the north are well underway. Once installed, the electrical substation will tie to the existing overhead high-voltage lines. Other early works projects that are permitted and set to begin are the access road upgrade and tunnel to the North Valley.

The Company entered into a gold stream on Hod Maden as part of the consideration paid to acquire the asset. Under the terms of the stream, Sandstorm will receive 20% of all gold produced from Hod Maden (on a 100% basis) and will make ongoing payments of 50% of the gold spot price until 405,000 ounces of gold are delivered (the "Delivery Threshold"). Once the Delivery Threshold has been reached, Sandstorm will receive 12% of the gold produced for the life of the mine for ongoing payments of 60% of the gold spot price.

### **Oyu Tolgo (Hugo North Extension & Heruga)**

The Company has a 25% equity interest in Entrée which holds a 20% interest in the Hugo North Extension and Heruga deposits located in Mongolia, (the "Hugo North Extension" and "Heruga", respectively).

The Hugo North Extension is a copper-gold porphyry deposit and Heruga is a copper-gold-molybdenum porphyry deposit. Both projects are located in the South Gobi Desert of Mongolia, approximately 570 kilometres south of the capital city of Ulaanbaatar and 80 kilometres north of the border with China. The Hugo North Extension and Heruga are part of the Oyu Tolgoi mining complex and are managed by Oyu Tolgoi LLC, a subsidiary of Turquoise Hill Resources Ltd. and the Government of Mongolia, and its project manager Rio Tinto plc.

In 2021, Entrée announced the completion of an updated Feasibility Study on its interest in the Entrée/Oyu Tolgoi joint venture property. The updated report aligns Entrée's disclosure with that of other Oyu Tolgoi project stakeholders on development of the first lift of the underground mine. Entrée further announced that optimization studies on Panel 1 are currently underway which have the potential to further improve Lift 1 economics for the Entrée/Oyu Tolgoi joint venture.

The Company is not required to contribute any further capital, exploration, or operating expenditures to Entrée and Entrée has a carried joint venture interest in the Hugo North Extension and Heruga.

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<sup>1</sup> Refer to section on non-IFRS and other measures of this MD&A.

**Other**

The Company also has a 55% interest in the Peninsula gold project located in Michigan on the southern edge of the Superior Province in Archean aged rocks of the Ishpeming Greenstone Belt (IGB). The IGB covers an area of approximately 300 sq km and is an extension of the Wawa Sub province into the Upper Peninsula.

Exploration and development activities at the Peninsula Project have been limited since 2015. In 2022, exploration activities are expected to recommence pursuant to the terms of a joint venture agreement between a subsidiary of the Company and Minerals Processing Corporation. Over the next 18 months, the joint venture has developed a work program for \$0.9 million, which includes a budget for 2,500 metres of core drilling for resource delineation and exploration purposes. Additional work plans include geological mapping, soil sampling and geochemical analysis, together with additional metallurgical testing at the project.

Following the anticipated completion of the Antamina Transaction, the Company's key assets will also include:

**Antamina**

Antamina is an open-pit copper mine located in the Andes Mountain range of Peru, 270 kilometres north of Lima. It is the world's third-largest copper mine on a copper equivalent ("CuEq") basis, producing approximately 560,000 CuEq tonnes per annum. Antamina has been in consistent production since 2001, including a throughput expansion completed in 2012 to the mine's current operating capacity of 145,000 tonnes per day. Since 2006, the 1.66% net profits interest ("NPI") has paid between \$7–\$40 million per year, with an average annual payment of \$19 million; the 2021 NPI payment was \$40 million. The asset operates in the first cost quartile of copper mines. The NPI is paid by a Canadian affiliate of Teck Resources Limited ("Teck") and is guaranteed by Teck.

# Summary of Quarterly Results

## Quarters Ended

In \$000s (except for per share amounts in \$)	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021
		(restated)	(restated)	(restated)
Net income (loss)	(9,775)	(757)	76	192
Basic income / (loss) per share	(0.29)	(0.05)	0.01	0.01
Diluted income / (loss) per share	(0.29)	(0.05)	0.01	0.01
Cash flows from operating activities	(413)	154	84	209
Total assets	300,134	58,495	25,748	9,045
Total long-term liabilities	266,043	33,839	-	-

In \$000s (except for per share amounts in \$)	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020
	(restated)	(restated)	(restated)	(restated)
Net income	1,621	364	631	387
Basic income per share	0.12	0.03	0.05	0.03
Diluted income per share	0.11	0.02	0.04	0.03
Cash flows from operating activities	223	135	322	185
Total assets	8,849	7,538	7,001	6,467
Total long-term liabilities	-	47	46	45

Prior to August 31, 2022, the results of the Company reflect those of RNP and are therefore not indicative of expected results of Horizon in future periods. The results of each of the quarterly periods prior to Q3 2022 have been re-presented in US\$ following the Company's change in presentation currency in Q3 2022.

# Quarterly Commentary

## Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021

For the three months ended September 30, 2022, net loss was \$9.8 million, compared with net income of \$1.6 million for the comparable period in 2021. The increase in net loss is primarily attributable to a number of non-cash items related to assets acquired and liabilities assumed in the Transaction where there were no such amounts for the comparable period in 2021, including:

- A \$1.9 million unrealized foreign exchange loss as a result of remeasuring the Company's US\$ denominated liabilities into C\$, the Company's functional currency. The US\$ strengthened by 4.5% with reference to the C\$ between the Transaction date (August 31, 2022) and the end of the period.
- The fair value movement on the gold stream liability of \$6.2 million between the Transaction date and the end of the period, primarily driven by the strengthening of the US\$ with reference to the C\$ during September 2022
- The share of loss in the Company's investments in associates of \$0.6 million.
- Accretion expense related to the Company's Promissory note with Sandstorm of \$0.4 million for the period from the Transaction date to the end of the period.

In addition, the increase in general and administrative expenses related to change of control payments to former RNP employees of \$0.2 million.

For the three months ended September 30, 2022, adjusted net loss<sup>2</sup> was \$0.4 million compared to adjusted net income of \$1.6 million in the comparable period in 2021. The decrease in adjusted net income to an adjusted net loss related to the reduction in revenue generated from RNPs royalty investments (including fair value adjustments thereon) and the increase in general and administrative expenses related to change in control payments on completion of the Transaction with Sandstorm.

## Three Months Ended September 30, 2022 Compared to the Other Quarters Presented

When comparing net loss of \$9.8 million and cash flow used in operating activities of \$0.4 million for the three months ended September 30, 2022 with net income/(loss) and cash flows from operating activities for the other quarters presented, the following items impact comparability:

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<sup>2</sup> Refer to section on non-IFRS and other measures of this MD&A.



- For periods prior to June 30, 2022, movements in net income/(loss) and cash flows from operating activities were primarily driven by changes in revenue from RNP's royalty investments. Net income was also impacted by fair value adjustments on these investments each period. All of RNP's legacy royalty investments have now been settled.
- The non-cash items related to the assets acquired and liabilities assumed in the Transaction which did not exist prior to August 31, 2022.

## Change in Total Assets

Changes in total assets during each of the quarterly periods from December 31, 2020 to December 31, 2021 were primarily as a result of changes in fair value of RNP's loan and royalty investments, all of which have now been settled or disposed of.

Total assets increased by \$16.7 million from December 31, 2021 to March 31, 2022 as a result of an increase of \$16.5 million in restricted cash held in escrow related to the subscription receipt financing completed in March 2022.

Total assets increased by \$32.7 million from March 31, 2022 to June 30, 2022 as a result of the acquisition of the investment in Entrée Resources for \$33.7 million in May 2022; partially offset by a reduction in the fair value of RNP's loan and royalty investment of \$0.7 million.

Total assets increased by \$241.6 million from June 30, 2022 to September 30, 2022 as a result of the acquisition of the assets in the Transaction with Sandstorm.

## Non-IFRS and Other Measures

The Company has included, throughout this document, adjusted income / (loss) and all-in sustaining costs ("AISC") per copper pound as non-IFRS performance measures. The presentation of these non-IFRS measures is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS measures do not have any standardized meaning prescribed by IFRS, and other companies may calculate these measures differently.

- i. Adjusted net income (loss) is a non-IFRS financial measure and is calculated by taking net income / (loss) and deducting interest, share of loss in associates, fair value changes on stream obligations and unrealized foreign exchange gains (losses). The Company presents Adjusted net income (loss) as it believes that certain investors use this information to evaluate the Company's performance in comparison to other companies. Figure 1.1 provides a reconciliation of Adjusted net income (loss).

Figure 1.1 In \$000s	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
Net income (loss)	\$ (9,775)	\$ 1,621
<b>Add (Deduct):</b>		
Interest expense	632	-
Share of loss in associates	607	-
Fair value changes on stream obligations	6,157	-
Fair value changes on warrant liability	-	(46)
Unrealized foreign exchange loss	1,976	-
<b>Equals:</b>		
<b>Adjusted net loss</b>	<b>\$ (403)</b>	<b>\$ 1,575</b>

- ii. The Company has also used the non-IFRS measure of AISC per copper pound on a co-product basis. AISC per copper pound on a co-product basis is a non-IFRS financial ratio that uses AISC on a co-product basis, a non-IFRS financial measure, as a component. With respect to the Hod Maden project, AISC on a co-product basis is calculated by summing certain costs (operating costs, royalties, treatment, refining & transport costs, sustaining capital, G&A, and other costs) associated with the copper produced. The resulting figure is then divided by the payable copper ounces produced. The Company presents AISC per copper pound as it believes that certain investors use this information to evaluate the Company's investment in Hod Maden in comparison to other companies in the mining industry. Figure 1.2 provides a reconciliation of AISC per copper pound using information from the Hod Maden Project Feasibility Study with an effective date of February 28, 2021.

Figure 1.2 In \$ millions (except for ounces and per ounce amounts)	AISC on a co-product basis	
Operating Costs	\$	135
Royalties		53
Treatment, Refining and Transport Costs		42
Sustaining Capital		23
G&A		19
Other Costs		12
<b>All-in sustaining costs</b>	<b>\$</b>	<b>284</b>
<b>Divided by:</b>		
Payable Copper Pounds (Mlbs)		255
<b>Equals:</b>		
<b>All-in sustaining cost per copper pound</b>	<b>\$</b>	<b>1.12</b>
<b>Historical all-in sustaining cost per copper pound</b>	<b>\$</b>	<b>-</b>

## Liquidity and Capital Resources

As of September 30, 2022, the Company had cash and cash equivalents of \$32.6 million (December 31, 2021 – \$3.6 million) and working capital of \$41.2 million (December 31, 2021 – \$3.6 million).

During the nine months ended September 30, 2022, the Company used cash flows in operating activities of \$0.2 million compared with cash flows generated from operating activities of \$0.7 million during the comparable period in 2021. When comparing the change, the primary drivers were:

- Cash inflows from RNP's legacy royalty investments of \$0.4 million in 2022 compared to \$0.8 million in 2021.
- An increase in general and administrative expenses of \$0.4 million in 2022 compared to 2021 as a result of costs incurred in connection with Transaction.

During the nine months ended September 30, 2022, the Company had net cash inflows from investing activities of \$14.0 million which were primarily the result of the settlement of RNP's Advance Wire Products Ltd. ("AWP") investment for \$4.4 million and net cash acquired through the acquisition from Sandstorm of \$9.7 million. There were no cash flows from investing activities during the comparable period in 2021.

During the nine months ended September 30, 2022, the Company had net cash inflows from financing activities of \$15.9 million related to the net proceeds from the private placement completed in March

2022. During the nine months ended September 30, 2021, the Company had net cash outflows from financing activities of \$0.2 million related to the repayment of convertible debentures previously held by RNP.

### Equity financings

On completion of the Transaction, 35,393,593 subscription receipts of the Company, which were issued in two tranches on March 8 and 18, 2022, for aggregate gross proceeds of approximately C\$20.9 million pursuant to a non-brokered private placement of the Company at a price of C\$0.60 per subscription receipt, were converted into 35,393,593 common shares of the Company and 35,393,593 common share purchase warrants (the "Warrants"), and the net subscription proceeds were released from escrow and delivered to the Company. Each Warrant entitles the holder to purchase one additional common share of Horizon at a price of C\$0.80 for a period of five years following conversion of the subscription receipts.

### Debt

On May 26, 2022, pursuant to the Transaction, the Company completed the purchase of 49,672,515 common shares in the capital of Entrée from Sandstorm, in consideration for a promissory note in the principal amount of C\$43.2 million (the "Entrée Promissory Note").

During the period from May 26, 2022 to August 31, 2022, the Company accrued C\$0.2 million of interest in accordance with the terms of the Entrée Promissory Note and as such, the Entrée Promissory Note had a carrying value of C\$43.4 million at August 31, 2022. On August 31, 2022, upon closing of the Transaction, the Entrée Promissory Note was assigned to the Company.

On August 31, 2022, the Company issued a promissory note in the principal amount of \$95 million to Sandstrom as part of the consideration for the assets acquired under the Transaction (the "Hod Maden Promissory Note"). Interest on the Hod Maden Promissory Note is to be paid quarterly at the Secured Overnight Financing Rate ("SOFR") + 2% commencing the earlier of (i) January 1, 2026; or (ii) when Horizon receives dividends from its investment in Hod Maden. The Hod Maden Promissory Note may be settled at any time in Horizon shares at the election of the holder based on a 20-day volume weighted average price ("VWAP") of the market price of the shares unless the holder would beneficially own in excess of 34% of the number of Common Shares outstanding immediately after giving effect to such conversion or issuance. Horizon also has the option to settle the Hod Maden Promissory Note by issuing common shares if the share price is above a floor of C\$0.55. The Hod Maden Promissory Note matures on August 31, 2032. The Hod Maden Promissory Note replaced the C\$43.4 million promissory note issued by the Company to Sandstorm in connection with the acquisition of the Entrée shares.

### Stream obligation

As part of the consideration for the acquisition of the 30% interest in the Hod Maden project from Sandstorm, Horizon entered into a gold purchase agreement (gold stream) whereby it will be required to sell and deliver:

- 20% of the gold produced by the Hod Maden mine until 405,000 ounces have been sold and delivered;
- 12% of the gold produced by the Hod Maden mine thereafter.

Sandstorm will pay 50% of the London Bullion Market Association quoted price of gold for each ounce of gold delivered (for the first 405,000 ounces) and 60% of the London Bullion Market Association quoted price of gold for each ounce of gold delivered thereafter.

## Commitments and Contingencies

The following table shows the Company's contractual obligations as they fall due as at September 30, 2022 and December 31, 2021:

US\$000	Within 1 year	2-5 years	Over 5 years	Total September 30, 2022	Total December 31, 2021
Accounts payable	57	-	-	57	97
Promissory note	-	-	95,000	95,000	-
	<b>57</b>	<b>-</b>	<b>95,000</b>	<b>95,057</b>	<b>97</b>

## Share Capital

As of November 3, 2022, the Company had 74,927,903 common shares outstanding.

A summary of the Company's stock options as of November 3, 2022 is as follows:

Year of expiry	Number outstanding	Vested	Exercise price per share (CAD)
2023	464,000	464,000	0.10
2024	167,261	167,261	0.14
2025	167,260	167,260	0.25
	<b>798,521</b>	<b>798,521</b>	<b>0.14<sup>1</sup></b>

1) Weighted average exercise price of options that are exercisable.

A summary of the Company's warrants as of November 3, 2022 is as follows:

Year of expiry	Number outstanding	Vested	Exercise price per share (CAD)
2025	1,144,570	1,144,570	0.35
2027	35,595,593	35,595,593	0.80
	<b>36,740,163</b>	<b>36,740,163</b>	<b>0.79<sup>1</sup></b>

1) Weighted average exercise price of warrants that are exercisable.

## Related Party Transactions

Sandstorm is a related party as a result of it having significant influence through its 34% equity interest in the Company. The transaction with Sandstorm during the period related to the acquisition of assets in the Transaction as described above.

Entrée is a related party as a result of the Company having significant influence through its approximate 25 % interest in Entrée. There were no transactions with Entrée during the period.

### Key Management Compensation

The remuneration of directors and those persons having authority and responsibility for planning, directing, and controlling activities of the Company is as follows:

In \$000s	3 Months Ended Sep. 30, 2022	3 Months Ended Sep. 30, 2021	9 Months Ended Sep. 30, 2022	9 Months Ended Sep. 30, 2021
Salaries and benefits	\$ 17	\$ 27	\$ 71	\$ 78
Change of control payments	221	-	221	-
Share-based payments	-	1	-	5
<b>Total key management compensation expense</b>	<b>\$ 238</b>	<b>\$ 28</b>	<b>\$ 292</b>	<b>\$ 83</b>

# Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, trade and other payables, the Hod Maden Promissory Note and stream obligations. The fair value of cash and cash equivalents and trade and other payables, approximate their carrying values as at September 30, 2022 due to the short term nature of these instruments. The stream obligation is measured at fair value as at September 30, 2022. The fair value of the Hod Maden Promissory Note approximates its carrying value as at September 30, 2022 due to the short period of time since its initial recognition at fair value.

## Credit Risk

The Company's credit risk is limited to cash and cash equivalents, the receivable from Sandstorm and the remaining receivable from AWP. In order to mitigate its exposure to credit risk, the Company closely monitors its financial assets and maintains its cash deposits in several high-quality financial institutions. The impact of expected credit losses on trade receivables and financial assets held at amortized cost is not material.

## Currency Risk

Financial instruments that impact the Company's net income (loss) due to currency fluctuations include the US dollar denominated receivable from Sandstorm and the Hod Maden Promissory Note. Based on the Company's US dollar denominated monetary assets and monetary liabilities at September 30, 2022, a 5% increase (decrease) of the value of the Canadian dollar relative to the US dollar would have a \$2.2 million impact on net income.

## Liquidity risk

The Company manages liquidity risk through a planning and budgeting process, which is reviewed and updated on a regular basis, to help determine future funding requirements. As at September 30, 2022, the Company had cash and cash equivalents of \$32.6 million available to settle its accounts payable and accrued liabilities, as well as its short term funding obligations related to its equity interest in Hod Maden. In addition, the Company has a receivable of \$8.3 million from Sandstorm to fund its share of the remaining 2022 budget for Hod Maden.

## 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 is exposed to interest rate risk through the Hod Maden Promissory note which bears interest at SOFR + 2%, commencing from the earlier of January 1, 2026 or when Horizon has started to receive dividends from its equity interest in Hod Maden. Changes in interest rates also have an impact on the discount rate used to determine the fair value of the gold stream obligation.

# Other Risks to Horizon

The primary risk factors affecting Horizon are set forth in the Company's Management Information Circular dated July 29, 2022, which is available on [www.sedar.com](http://www.sedar.com).

## Other

### **Critical Accounting Estimates**

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the periods presented. The critical accounting estimates used in the preparation of the condensed consolidated interim financial statements of Horizon for the three and nine months ended September 30, 2022 are the same as the key sources of estimation uncertainty disclosed in Note 3 to those interim financial statements.

### **Disclosure Controls and Procedures**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the nine-month period ended September 30, 2022 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company along with the unaudited condensed consolidated interim financial statements and MD&A on SEDAR at [www.sedar.com](http://www.sedar.com).



# Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking information under applicable Canadian securities laws. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may contain forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. The forward-looking information contained herein may include, but is not limited to, information with respect to: the ability of Horizon to complete the Antamina Transaction; the expected timing of the Antamina Transaction, the state of the financial markets for Horizon's securities; the state of the natural resources sector; recent market volatility and potentially negative capital raising conditions; Horizon's ability to raise the necessary capital to be able to complete the Antamina Transaction or to be fully able to implement its business strategies; business prospects and strategy; anticipated trends and challenges in Horizon's business and the markets in which it operates; Horizon's financial position and other risks and factors that Horizon is unaware of at this time. By identifying such information and statements in this manner, Horizon is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Horizon to be materially different from those expressed or implied by such information and statements.

These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in its forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Company does not intend, and does not assume any obligation, to update these forward-looking statements except as required by applicable law. These forward-looking statements involve risks and uncertainties relating to, among other things, the ability of the Company to complete the Antamina Transaction, the expected timing of the Antamina Transaction, the state of the financial markets for Horizon's securities; the state of the natural resources sector in the event the Antamina Transaction is completed; recent market volatility and potentially negative capital raising conditions; Horizon's ability to raise the necessary capital or to be fully able to implement its business strategies, the need for additional financing; the relative speculative and illiquid nature of an investment in Horizon; the volatility of Horizon's share price; Horizon's ability to generate sufficient revenues and cash flows from operations; dependence on the operations, assets and financial health of investee companies; limited ability to exercise control or direction over investee companies; potential defaults by investee companies; Horizon's ability to enforce on any default by an investee company; competition with other investment entities; tax matters; reliance on key personnel; dilution of shareholders' interest through future financings; and general economic and political conditions; as well as the risks discussed above under the heading "Other Risks to Horizon". Actual results may differ materially from those expressed or implied by such forward-looking statements or forward-looking information.

To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions.