



**Horizon Petroleum Ltd.**

**ANNUAL INFORMATION FORM**

**For the year ended August 31, 2017**

**Dated: April 6, 2018**

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## GLOSSARY OF TERMS

Capitalized terms in this Annual Information Form have the meanings set forth below:

**ABCA** means the *Business Corporations Act* (Alberta).

**Board** means our Board of Directors.

**COGE Handbook** means the Canadian Oil and Gas Evaluation Handbook maintained by the Society of Petroleum Engineers (Calgary Chapter), as amended from time to time.

**Common Shares** means our common shares, as presently constituted on a post consolidation basis.

**CSA 51-324** means Staff Notice 51-324 – Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators.

**Exchange** or **TSX-V** means the TSX Venture Exchange Inc.

**NI 51-102F2** means Form 51-102F2 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

**Horizon, we, us, our** or the **Company** mean Horizon Petroleum Ltd, and, where the context requires, all of our controlled entities on a consolidated basis.

**NI 51-101** means National Instrument 51-101 – *Standards of Disclosure for Oil and Natural Gas Activities*.

**NI 51-102** means National Instrument 51-102 – *Continuous Disclosure Obligations*.

**Pre-Consolidated Common Shares** means our common shares prior to the May 9, 2017 consolidation.

**SEDAR** means the System for Electronic Document Analysis and Retrieval located at [www.sedar.com](http://www.sedar.com).

**Shareholders** means the holders of our Common Shares.

## CONVENTIONS

Certain terms used herein are defined in the "Glossary of Terms". Certain other terms used herein but not defined herein are defined in NI 51-101 and CSA 51-324 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 and CSA 51-324. Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars, all references to \$U.S. are to United States dollars and all references to € are to Euros. All financial information herein has been presented in Canadian dollars in accordance with generally accepted accounting principles in Canada.

## NOTE ON SHARE REFERENCES

On May 9, 2017, we effected a consolidation of our common shares on the basis of six (6) Pre-Consolidated Common Shares for every one (1) Common Share. All references to Common Shares herein are to our common shares of the Company as presently constituted on the post-consolidated basis and all references herein to Pre-Consolidated Shares are to our common shares prior to the May 9, 2017 consolidation. Readers should divide any referenced number of Pre-Consolidated Common Shares by a factor of 6 to arrive at the equivalent number of Common Shares.

## CONVERSIONS

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
Bbls	cubic metres	0.159
cubic metres	Bbls	6.289
Feet	Metres	0.305
Metres	Feet	3.281
Miles	kilometres	1.609
Kilometres	Miles	0.621
Acres	hectares	0.405
Hectares	Acres	2.471
Gigajoules	MMbtu	0.950
MMbtu	gigajoules	1.0526

## FORWARD-LOOKING STATEMENTS

This AIF contains or incorporates by reference “forward-looking information” 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” or “does not anticipate”, or “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. These statements and information 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 AIF 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 the our ability to raise capital;
- our future operating and financial results;
- the closing of the Primary Concessions and Secondary Concessions; and
- our plans with respect to extending or relinquishing our permits in France.

By their nature, forward-looking statements and information 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; volatility of commodity prices; 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 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 AIF under the heading “*Risk Factors*”.

With respect to forward-looking statements and information contained in this AIF, 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. Additional information on these and other factors that could affect our operations and financial results are set out under Risk Factors herein. 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 and information contained in this AIF are made as of the date of this AIF 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.

## HORIZON PETROLEUM LTD.

### Name, Address and Incorporation

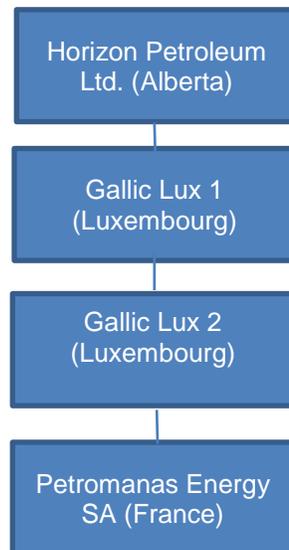
Horizon is a corporation existing under, and governed by, the ABCA. Our head office, is located at Suite 1500, 700 – 4<sup>th</sup> Avenue, Calgary, Alberta, T2P 3J4 and our records and registered address is located at 15<sup>th</sup> Floor, 850 – 2<sup>nd</sup> Street SW, Calgary Alberta, T2P 0R8.

Horizon was formed on December 13, 1994 under the ABCA as Saddle Mountain Timber Corporation pursuant to the amalgamation of two companies – Saddle Mountain Mining Corporation and Saddle Mountain Timber Corporation. The company changed its name to Global Tree Technologies Inc. on February 25, 1997 and continued from Alberta into British Columbia under the name Acadia Resources Corporation on February 4, 2011. The company continued out of British Columbia into Jersey, Channel Islands as a public company under the name Horizon Petroleum Plc on September 23, 2013. On April 5, 2016, we were continued out of Jersey, Channel Islands and into Alberta under the ABCA in the name “Horizon Petroleum Ltd.”.

Our Common Shares are listed for trading on the Exchange under the trading symbol “HPL”. We are a reporting issuer under the Securities Act (British Columbia) and the Securities Act (Alberta) and as such are required to make filings on a continuous basis thereunder. Such filed material is available for inspection under our profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). Our authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares, without nominal or par value.

### Intercorporate Relationships

The following chart identifies the relationship among our subsidiaries. All subsidiaries are wholly owned by the parent company identified in the diagram.



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

Our principal business is in the acquisition, exploration and development of oil and natural gas. A summary of our significant business, operations and management developments over the three most recently completed fiscal years is set out below.

#### *Year Ended August 31, 2015*

During fiscal 2015, we were focused on the search for oil and natural gas properties within Africa, with a primary focus on West Africa, and more specifically on Cameroon. In previous years, we investigated possible asset purchases or farm-ins in Niger, Angola, and Nigeria; in all instances, the focus was on the acquisition or farm-in to oil and natural gas assets which were preferably at the appraisal and development stage.

Concurrent with investigating oil and natural gas opportunities as discussed above, we continued attempts to source additional equity funding.

During the year ended August 31, 2015, Dr. David A. Winter joined our Board and assumed the role of our Business Development Advisor and subsequently the role of our President & Chief Executive Officer on November 9, 2015.

#### *Year Ended August 31, 2016*

On April 5, 2016, we changed our domicile from Jersey, Channel Islands to Alberta, Canada by continuing into Alberta under the ABCA. In connection with the continuance into Alberta, we changed our name from Horizon Petroleum Plc to Horizon Petroleum Ltd.

In fiscal 2016, we entered into a letter agreement with a significant international resource company to farm-in to an offshore exploration block in West Africa. Under the letter agreement, we agreed with the partner to the primary terms under which we could earn a 50% working interest in the block, and which was to be subsequently contained in a more definitive agreement. The letter agreement was terminated, when it became apparent that we would not be able to raise the required equity capital to complete the farm-in, due to the state of the equity markets resulting from the fall in world oil prices.

We subsequently decided to expand our search for suitable oil and natural gas opportunities to areas beyond Africa, and more specifically to onshore Europe. This decision was partially based upon a view that oil and natural gas production within Europe was declining, which would lead to a supply/demand imbalance that would favour higher prices and better economic opportunities.

In April 2016, we entered into an arrangement agreement with privately-held, Calgary-based Iskander Energy Corporation ("Iskander"), pursuant to which we would, subject to certain conditions, acquire all of the issued and outstanding common shares of Iskander in exchange for 55,373,072 Pre-Consolidated Common Shares at a deemed value of \$0.05 per share by way of a plan of arrangement under the Business Corporations Act (Alberta). Concurrent with the agreement with Iskander, the Company planned to raise up to \$2,000,000 through a private placement at \$0.05 per share.

However, subsequent to August 31, 2016, as a result of prevailing market conditions and other factors, we cancelled the Plan of Arrangement with Iskander, as well as the proposed concurrent private placement.

In fiscal 2016, we issued 3,200,000 units for gross proceeds totaling \$160,000 pursuant to the completion of a private placement. Each unit consisted of one Pre-Consolidated Common Share and one common

share purchase warrant with each warrant entitling the holder to purchase an additional Pre-Consolidated Common Share at a price of \$0.075 per share for a period of two years.

During the year ended August 31, 2016 we continued to investigate and search for oil and natural gas opportunities within Africa and Darren Moulds resigned as our Chief Financial Officer and Mark Gelmon was appointed in his stead.

### ***Year Ended August 31, 2017***

In December of 2016, we entered into a non-binding letter of intent with Pentanova Energy Corp. (“**PEC**”) (formerly PMI Resources Ltd.), a company listed on the TSX-V. The Letter of Intent was followed by definitive agreement in February, 2017 (share purchase agreement (“**SPA**”)), under which PEC assigned us its two Luxembourg subsidiaries, which indirectly hold, through a wholly-owned subsidiary, Petromanas Energy SA, a 100% working interest in two hydrocarbon permits covering approximately 171,240 acres in the region of southwest France known as Ledeuix and Ger. These permits expire in April and August 2018, respectively, with the Ledeuix permit requiring €8 million of spending commitments. Both permits have progressed through their first exploration period, and the acreage numbers reflect their post-relinquishment status.

Under the SPA, PEC agreed to invest \$1.5-million by way of a third tranche of a non-brokered private placement of Common Shares at \$0.12 per share. Our officers and directors participated in the private placement, along with certain key shareholders and others; the first tranche of \$1,819,280 closed during February 2017, the second tranche of \$206,600 closed in March 2017, and the third tranche, comprising PEC’s investment, closed in August 2017.

Upon completion of this private placement, PEC held 12,500,000 Common Shares, which represented approximately 33% of the then issued and outstanding Common Shares. Since this holding would create a control block, according to the regulations of the Exchange, we sought shareholder consent for the issuance of the 12,500,000 Common Shares to PEC. We required the purchasers of such new Common Shares and such shareholders providing consent to the private placement, to covenant to vote for an intended consolidation of the common shares at the annual general meeting of our shareholders. This consent was received on March 14, 2017.

On May 9, 2017, upon approval of the Exchange, we completed a share consolidation of our common shares on the basis of six (6) Pre-Consolidated Shares for every one (1) Common Share. See *“Note on Share References”*.

On July 26, 2017, we received the requisite approval in France to close the acquisition of the Ledeuix and Ger permits from PEC. As at the year ended August 31, 2017 our permits in France did not have any attributable reserves.

In June 2017, we entered into a memorandum of understanding (“**MOU**”) regarding the acquisition of a 100% interest in up to five conventional oil and natural gas concessions in Poland from San Leon Energy plc (“**SLE**”). Under the terms of the MOU, we advanced US\$200,000 to SLE to cover certain obligations relating to the concessions going forward where such obligations would be assumed by us upon the completion of the transaction. US\$100,000 of the option payment is non-refundable if the transaction is not completed due to any action or inaction our part.

This potential transaction represents a further step in executing our strategy to acquire and develop existing, conventional oil and natural gas discoveries in Europe.

### **Subsequent to Year Ended August 31, 2017**

Mr. Matthew Janisch, B.Sc., Eng (Petroleum), MBA, was appointed to our Board of Directors and assumed the role of Interim Chief Financial Officer, replacing Mr. Mark Gelmon, the previous Chief Financial Officer.

In connection with the MOU, we entered into a series of definitive agreements with SLE, for the acquisition of the 5 concessions. Under the terms of the definitive agreements, we agreed to pay the following, in exchange for a 100% working interest in the Cieszyn and Bielsko-Biala concessions (the “**Primary Concessions**”) in Poland:

1. US\$1,000,000 in cash, less US\$100,000 previously advanced, for a net cash payment of US\$900,000;
2. \$1,000,000 in Common Shares, based upon meeting specific issuance terms. The Common Shares are to be issued at the lesser of: (i) \$0.20 per Common Share; (ii) the lowest price per share at which we complete an equity financing for a minimum of \$1 million, up to but not including the date of closing of the acquisition (the “**Completion Date**”); and (iii) the volume weighted average price per Common Share for the period of 10 trading days immediately prior to the Completion Date. If we are unable to meet the specific issuance terms by the Completion Date, we will be required to pay to SLE the equivalent value of the Common Shares in cash; and
3. a 6% net profits interest.

The consideration for the acquisition of the other 3 concessions, being Kotlarka, Prusice, and Buchowice (the “**Secondary Concessions**”) is €10,000 per concession, plus a 6% net profits interest.

The closing of the acquisition of the Primary Concessions and the Secondary Concessions is subject to a number of conditions, including certain approvals by the government in Poland, as well as the approval of the Exchange. The acquisition of the Secondary Concessions is further subject to the closing of the acquisition of the Primary Concessions.

## **DESCRIPTION OF THE BUSINESS**

### **Summary of the Business**

We have not generated significant revenue from operations in its history. The material components of our general and administrative expenses for fiscal 2017 (2016) are broken down as follows: management, directors and professional fees – 36.6% (37.5%); property investigation costs – 24.4% (24.2%); transaction costs – 11.4% (11.8%); shareholder communication – 10.9% (5.3%); travel and related costs - 5.5% (0.3%); share based payments – 4.3% (8.3%) and other – 6.9% (12.7%).

Our exploration and evaluation assets consist of a 100% working interest in two hydrocarbon permits (Ledeuix and Ger) located in the Aquitaine basin of southwest France. The basin contains the largest natural gas fields in France, Lacq and Meillon, which combined have produced 11 trillion cubic feet of natural gas to date. We are currently evaluating the possibility of seeking an extension of the Ledeuix permit. If we seek and are granted an extension of the Ledeuix permit, we will try to secure a partner to help cover the capital commitment cost of €8.0 million to drill a new well on the permit. With success, we could potentially drill one or more additional wells. If we decide not to drill any wells, we will surrender the permit, without any obligation to cover the €8.0 million capital cost.

Eleven wells have been drilled in the Ledeuix permit, with two of those wells testing hydrocarbons. Saucedo-1, drilled in 1978 by Esso, was a natural gas discovery flowing an average nine million standard cubic feet per day over 19 days. It was placed on production from 1981 to 1985 and again in 1988 to

1993. The well produced a cumulative 1.85 billion cubic feet of natural gas. The Ledeuix-1 well was drilled in 1981 and produced for 16 years and recovered a total of 4.2 billion cubic feet of natural gas from the Albian episyenites.

The Ledeuix permit presents an opportunity to appraise and potentially develop an in-place natural gas resource in a basin with ample existing infrastructure, providing natural gas into an attractive market. A number of leads have been identified in different thrust sheets that have similar characteristics to the Saucedo-1 natural gas discovery at shallower depths that management believes provide significant upside potential.

The Ger permit carries an outstanding commitment to abandon a well drilled by PEC. PEC's original estimated cost of abandonment is approximately €1.82 million. We are currently investigating plans to perform the required abandonment for significantly less costs. 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 proposed acquisition of concessions from SLE will allow us to be established as an operator in Poland. Upon closing the acquisition, we will move towards first production from a recompleted well producing into a compressed natural gas facility. Subsequent to this initial production, we have plans to drill two wells, which is expected to lead to significantly increased production. This increased production will generate sufficient cash flow to fund future capital expenditures to sustain and further increase production. The initial capital to close the acquisition, move towards initial production and follow up drilling is expected to be funded through new equity issues, complemented by a modest use of debt.

Our management and directors have expertise and experience in appraising, developing and monetizing naturally fractured reservoirs around the world with a number of oil and natural gas companies. Our strategy is to leverage that experience to develop and monetize similar natural gas resources in Europe. Several European countries contain significant undeveloped natural gas resources that could provide natural gas into attractive markets. The scale of these undeveloped natural gas resources is such that they are immaterial to the large independents and major oil and natural gas companies but highly material to junior independents that have the technical and operating expertise and experience. The PEC and SLE transactions represent the first steps in executing this strategy. In addition, management has identified a number of potential follow-on opportunities with anticipated significant undeveloped natural gas resources in attractive natural gas markets.

### **Competitive Conditions**

The oil and natural gas exploration and development business is very competitive.

Identifying and acquiring selected oil and natural gas projects involves competing with numerous companies and individuals, many of which are much larger with far greater resources. Our success will depend on our ability to identify properties or projects which meet our due diligence and selection criteria, make successful bids or align itself with third party partners to make such bids, finance the acquisition of such interests, and finance the costs of exploring and developing such properties. The competition to acquire good quality prospects in the oil and natural gas sector is extremely high, as is the competition for funding of oil and natural gas projects in general.

### **Employees**

Presently, we do not have any employees. Our wholly-owned subsidiary, Petromanas France SAS, has one employee. Any work carried out on our projects is done through independent contractors. Investigation of opportunities in the oil and natural gas sector is carried out by our management and the board of directors, together with persons engaged on a consulting basis. General and administrative operations are carried out by management, with the assistance of third party contractors.

## **Environmental Protection**

We understand the importance of environmental protection and are committed to managing and operating in a safe, efficient, environmentally responsible manner. In France, we will be required to cover the abandonment costs of a previously drilled well on the Ger permit, which was initially estimated at approximately €1.82 million. We are currently investigating plans to perform the required abandonment for significantly less costs.

## **Foreign Operations**

All of our operations are currently or will be located in Europe, specifically France and Poland. We have no current intention of developing any business within Canada.

## **RISK FACTORS**

We are a junior resource exploration and development company, with no material property interests. Resource exploration and development is inherently speculative in nature, and generally risky for many varied reasons. We have a limited history of operations and there can be no assurance our business will be successful or profitable.

Readers should consider the investment risks set out below and those described elsewhere in this AIF, which are in addition to the usual risks associated with an investment in a business at an early stage of development. Our Board considers the risks set out below to be the most significant, but not definitive of all possible risks associated with an investment in our securities. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Board is currently unaware or which they consider not to be material in relation to our business, our assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected.

### **Corporate Risks**

#### ***No History of Earnings***

We have no history of earnings, limited cash reserves, and a limited business history. We are in the “start-up” phase of our plan to enter the oil and natural gas industry as a junior exploration company; and our operations are not sufficiently established such that it can mitigate the risks associated with its planned activities.

#### ***Substantial Capital Requirements: Liquidity***

We will require significant amounts of new capital to carry out any oil and natural gas property acquisitions, exploration and development activities. Failure to obtain such financing on a timely basis could cause us to forfeit its interest in certain properties, miss certain business opportunities and reduce or terminate our operations. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes, or if debt or equity financing is available, that it will be on terms we deem acceptable. Moreover, future activities may require us to alter its capitalization significantly. Our inability to access sufficient capital for our operations could have a material adverse effect on our business, financial condition and results of operations.

We may be required to issue securities on terms less favourable than made to current shareholders in order to raise sufficient capital to fund its business plan in a timely manner. Any future transaction involving the issuance of Common Shares or securities convertible into Common Shares will result in dilution, possibly substantial, to existing Shareholders.

***Dependence on Key Personnel***

Our success is currently dependent on the services of its directors and officers; and in the future may be dependent upon key employees. The experience of these individuals is a key factor to our future success and growth. We do not have and may not acquire any key man insurance policies and therefore there is a risk that the death or departure of any member of management would have a material adverse effect on our business. Investors who are not prepared to rely on existing management should not invest in our securities.

***Conflicts of Interest***

There are potential conflicts of interest to which our directors and officers may be subject in connection with our operations. Some of our directors and officers may be, or may become, engaged in other ventures in the oil and natural gas industry in which we would not have an interest, and situations might arise where proposed directors and officers will be in direct conflict with us. Conflicts of interest will be governed by the procedures established by applicable corporate laws.

***Management of Growth***

Should we be successful in identifying and acquiring an interest in a material oil and natural gas project or projects, it may be subject to growth-related risks, capacity constraints and pressure on its internal systems and controls, particularly given the early stage of development and limited number of management personnel.

Our ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability to deal with this growth could have a material adverse impact on its business, operations and prospects.

***Issuance of Debt***

From time to time, we may enter into transactions to acquire the assets or shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase our debt levels above industry standards. The level of our indebtedness from time to time could impair our ability to obtain additional financing in the future, on a timely basis, to take advantage of business opportunities that may arise.

***Foreign Exchange Risks***

Our operations are all conducted in Europe in countries using the Euro. Our income and costs are denominated in Euros, however we raise funds in Canadian dollars. We are subject to any volatility in the exchange rate between the Euro and the Canadian dollar and any large swing could have drastic effects on our ability to adequately fund our projects.

***Volatile Stock Price***

The price of the Common Shares is expected to be highly volatile and will be drastically affected by the success of exploration and development results as well as global commodities markets. We cannot predict the results of future activities nor of commodity pricing.

***Dividends***

We have not paid any dividends and are unlikely to pay dividends in the immediate or foreseeable future. The future payment of dividends will be dependent upon realizing revenues, generating net income, our financial requirements to finance future growth, our overall financial condition, and other factors which the

our Board may consider appropriate in the circumstances. There is no assurance we will ever be in a position to pay dividends, or that the same will be paid even if net income was available for distribution.

## **Oil and Natural Gas Property Risks**

### ***Acquisition Risks***

We currently have oil or natural gas interests in France and potential interests in Poland in connection with the MOU. There are further, though limited, potential acquisition, exploration, exploitation, development and production prospects. Our management will continue to evaluate prospects on an ongoing basis. Our long-term commercial success will depend on our ability to acquire, develop and commercially exploit oil and natural gas reserves. No assurance can be given that we will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, we may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

### ***Exploration, Exploitation, Development and Production Risks***

Oil and natural gas exploration, exploitation and development involves a high degree of risk and there is no assurance that expenditures made on our future exploration, exploitation and development will result in new discoveries of oil or natural gas in commercial quantities.

It is difficult to project the costs of implementing drilling programs due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior wells or additional seismic data and interpretations thereof.

Future oil and natural gas exploration, exploitation and development may involve unprofitable efforts, not only from any non-producing wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions.

While close well-supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash-flow levels to varying degrees.

In addition, oil and natural gas operations are subject to the usual risks including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour natural gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

### ***No Assurance of Title***

Title to or rights in oil and natural gas properties may involve certain inherent risks due to, among other things, problems arising from complex and historical title holdings, claims of aboriginal people, unregistered claims and changing governmental rules and policies. Although we will conduct reasonable investigations with respect to the validity of ownership, there can be no assurance that it will hold good and marketable title to any of its future acquired properties.

***Licensing and Permitting Delays***

Our operations will require licenses and permits from various governmental authorities. There can be no assurance that we will be able to obtain all necessary licenses and permits that may be required to carry out the exploration and development of its projects in a timely manner or at all.

***Disruptions in Production***

Other factors affecting the exploration and development of oil and natural gas properties that could affect future profitability include: (i) expiration or termination of leases, permits or licenses, (ii) changes in market prices for commodities or suspension of deliveries; (iii) future litigation; (iv) the timing and amount of insurance recoveries; (v) work stoppages or other labour difficulties; (vi) worker vacation schedules and related maintenance activities; and (vii) changes in the market and general economic conditions. Weather conditions, equipment replacement or repair, fires, amounts of natural materials and other geological conditions can have a significant impact on operating results.

***Shortages of Equipment and Access Restrictions***

Exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for a limited supply of equipment or access restrictions may adversely affect the availability of such equipment and may delay our exploration and development activities, which could in turn adversely affect our continued operations.

***Industry Risks***

Our ability to execute projects and market oil and natural gas will depend upon numerous factors beyond the our control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the supply of and demand for oil and natural gas;
- commodity prices;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- currency fluctuations;
- greenhouse gas regulations;
- the availability and productivity of skilled labour; and
- regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, we may be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it hopes to produce.

***Environmental Concerns***

All phases of the oil and natural business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations.

Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. Compliance with such legislation can require significant expenditures, and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge.

In certain areas where we may operate, spills, releases and other environmental and safety issues can occur as a result of sabotage and damage to wells and pipelines. Depending on the cause and severity of an environmental incident, our reputation may also be adversely affected, which could limit our ability to obtain permits and implement future plans.

### ***Governmental Regulation***

The oil and natural gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possible expropriation or cancellation of contract rights and property interests, as well as with respect to prices, taxes, export quotas, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for oil and natural gas, increase our costs and have a material adverse effect on us and our business.

### ***Competition***

The oil and natural industry is highly competitive. We actively compete for oil and natural gas rights and lands, reserve acquisitions, exploration, exploitation and development leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and natural gas companies, many of which have significantly greater financial and other resources.

## **OIL AND GAS ACTIVITIES**

To comply with the requirements of Item 5.5 (Companies with Oil and Gas Activities) of Form 51-102F2 of NI 51-102, Form 51-101F1 and Form 51-101F3 of NI 51-101 are incorporated by reference herein. Form 51-101F1 and Form 51-101F3 of NI 51-101 may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **DIVIDENDS**

There are no restrictions in our constating documents that would restrict or prevent us from paying dividends. We have not, since the date of its incorporation, declared or paid any dividends on our Common Shares and do not currently have a policy with respect to the payment of dividends. For the immediate future, we do not envisage any earnings arising from which dividends could be paid. The payment of dividends in the future will depend on our earnings, our financial condition and such other factors as our Board may consider appropriate.

## DESCRIPTION OF CAPITAL STRUCTURE

### Common Shares

Our authorized share capital consists of an unlimited number of Common Shares without nominal or par value. As of the date of this AIF, 37,777,176 Common Shares are issued and outstanding as fully paid and non-assessable.

The holders of our Common Shares are entitled to receive: (i) notice of and to attend and vote at all meetings of the Shareholders, and each Common Share confers the right to one vote in person or by proxy at all meetings of the Shareholders; (ii) such dividends in any financial year as the Board may by resolution determine; and (iii) our remaining property and assets in the event of the liquidation, dissolution or winding-up, whether voluntary or involuntary.

The Common Shares do not carry any pre-emptive, subscription, redemption, retraction or conversion rights, nor do they contain any sinking or purchase fund provisions.

### Preferred Shares

Our authorized share capital includes an unlimited number of preferred shares with no par value. No preferred shares have been issued to the date of this AIF.

### Common Share Purchase Warrants

We have 557,333 common share purchase warrants currently outstanding having an exercise price of \$0.45 per Common Share which will expire on August 2, 2018, if not exercised before that date

### Stock Options

We have adopted a 10% rolling stock option plan (the “**Stock Option Plan**”). Pursuant to the Stock Option Plan, the Board may, from time to time, in its discretion, and in accordance with the Exchange’s requirements, grant to our directors, officers, employees and consultants options to purchase Common Shares (“**Options**”), provided that the number of Common Shares reserved for issuance, together with those to be issued pursuant to options previously granted, does not exceed 10% of the issued and outstanding Common Shares at the time of the grant. In addition, the number of Common Shares that may be reserved for issuance to any one individual may not exceed 5% of the issued Common Shares, on a yearly basis; or 2% if the optionee is engaged in investor relations activities or is a consultant. The Stock Option Plan must be approved and ratified by Shareholders on an annual basis. The Stock Option Plan was most recently ratified and approved by Shareholders at the annual general and special meeting held on March 14, 2017.

Options are exercisable over a period of up to ten years as determined by the Board and are required to have an exercise price of no less than the closing market price of the Common Shares prevailing on the day that the option is granted less a discount in accordance with the policies of the Exchange. Options held by an officer, director or service provider (not conducting investor relations) expire 90 days after the option holder has left office or the service provider ceases providing services; and for Options held by service providers conducting investor relations, immediately upon us terminating that relationship. In the case of the death of an employee, officer, director or other service provider, the Option may be exercised by a personal representative or heir until the earlier of the Option’s expiry or up to one year after the option holder died.

Pursuant to the Stock Option Plan, the Board may from time to time authorize the grant of Options to our directors, officers, employees and consultants or employees of companies providing management or consulting services to us. Other than Options granted to consultants performing investor relations activities which must vest in stages over at least 12 months with no more than one-quarter of the Options

vesting in any three month period, the Stock Option Plan contains no vesting requirements, but permits the Board to specify a vesting schedule in its discretion.

As at the date of this AIF, we have the following Options outstanding:

- 95,333 Options exercisable at \$0.90 per Common Share until August 4, 2023;
- 508,331 options exercisable at \$0.60 per Common Share until December 4, 2022;
- 325,000 options exercisable at \$0.09 per Common Share until November 8, 2022;
- 1,500,000 options exercisable at \$0.07 per Common Share until November 5, 2022; and
- 400,000 options exercisable at \$0.07 per Common Share until November 5, 2019.

### MARKET FOR SECURITIES

The Common Shares are listed on the TSX-V under the trading symbol "HPL".

#### Trading Price and Volume

From September 1, 2016 to May 8, 2017, the Pre-Consolidated Common Shares traded on the TSX-V under the trading symbol "HPL". The following table sets out the high and low trading prices and the aggregate volume of trading for the periods noted below for the Pre-Consolidated Common Shares.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2016</b>			
September	0.03	0.02	709,733
October	0.03	0.025	168,000
November	0.025	0.015	687,943
December	0.025	0.015	1,015,763
<b>2017</b>			
January	0.05	0.02	6,314,030
February	0.095	0.035	16,176,272
March	0.065	0.04	5,774,223
April	0.055	0.04	4,008,577
May (1 - 8)	0.05	0.045	672,500

Since May 9, 2017, the Common Shares traded on the TSX-V under the trading symbol "HPL". The following table sets out the high and low trading prices and the aggregate volume of trading for the periods noted below for the Common Shares.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2017</b>			
May (9-31)	0.30	0.18	840,204
June	0.27	0.10	694,515
July	0.15	0.10	1,125,666
August	0.12	0.075	1,198,605
September	0.11	0.065	1,569,947
October	0.075	0.055	1,175,379
November	0.115	0.055	5,250,341
December	0.09	0.065	1,073,595
<b>2018</b>			
January	0.125	0.065	2,784,561
February	0.08	0.065	443,491
March	0.07	0.06	1,167,416
April (2 - 5)	0.06	0.055	130,027

## Prior Sales

The following summarizes the Pre-Consolidated Common Shares, Common Shares and convertible securities issued by the Company during the financial year ended August 31, 2017 and subsequent thereto to the date of this AIF:

<b>Date</b>	<b>Description</b>	<b>Number of Securities</b>	<b>Price Per Security / Exercise Price (\$)</b>
Feb 21, 2017	Pre-Consolidated Common Shares issued pursuant to a private placement	90,964,000 <sup>1</sup>	\$0.02 <sup>1</sup>
Mar 3, 2017	Pre-Consolidated Common Shares issued pursuant to a private placement	10,330,000 <sup>1</sup>	\$0.02 <sup>1</sup>
Aug 10, 2017	Common Shares issued pursuant to a private placement	12,500,000	\$0.12

(1) On May 9, 2017, the common shares were consolidated on the basis of 6 Pre-Consolidated Common Shares for one Common Share. The figures stated are on a pre-consolidation basis.

## DIRECTORS AND OFFICERS

The names and jurisdictions of residence of our directors and officers, positions held by them and their principal occupations for the past five years are as set forth below. The term of office of each of the present directors expires at the next annual general meeting of shareholders. After each such meeting, the Board of Directors appoints our officers and committees for the ensuing year.

<b>Name and Municipality of Residence</b>	<b>Position or Office</b>	<b>Date of Appointment</b>	<b>Principal Occupation</b>
Dr. David Winter Alberta, Canada	President and CEO Director	Nov 9, 2015 Nov 4, 2014	President and CEO of Horizon Petroleum Ltd. See "Principal Occupations and Other Information" below.
Yogeshwar Sharma <sup>(1)</sup> Aix-En-Provence, France	Chairman Director	Jun 14, 2013 Apr 30, 2013	Petroleum Engineer. See "Principal Occupations and Other Information" below.
Dr. Charle Gamba <sup>(1)</sup> Texas, USA	Director	Apr 11, 2014	President and CEO of Canacol Energy Ltd. See "Principal Occupations and Other Information" below.
Harry Wilson <sup>(1)</sup> Hertfordshire, UK	Director	Mar 14, 2017	Businessman and Founder/Chairman of several public companies in the oil and natural sector. See "Principal Occupations and Other Information" below.
Matt Janisch Calgary, Alberta, Canada	Interim CFO Director	Nov 9, 2017	Financial executive and petroleum engineer. See "Principal Occupations and Other Information" below.
David Robinson Calgary, Alberta, Canada	VP Business Development	Nov 9, 2015	Geologist and MBA with 28 years of experience in the oil and natural gas sector. See "Principal Occupations and Other Information" below.

(1) Current member of the Audit Committee of the Company.

As at the date of this AIF, a total of 1,705,108 Common Shares are beneficially owned, or controlled or directed, directly or indirectly by the directors and executive officers, as a group, representing approximately 4.5% of the issued and outstanding Common Shares.

### **Principal Occupations and Other Information**

Additional biographic information, education and work experience about our directors and officers is provided below.

#### ***Dr. David Winter – President and Chief Executive Officer and Director***

Dr. David Winter has over 30 years of international oil and natural gas industry experience in Latin America, the Middle East, North Africa, South East Asia and North America. He is also a Co-Founder and Director of Canacol Energy Ltd., a publicly traded oil and natural gas company listed on both the Toronto and Colombia stock exchanges. David is also a founder and director of privately-held Miramar Hydrocarbons, which operates in Argentina. Prior to founding Miramar, David was Founder, CEO & President of Excelsior Energy Limited, a Canadian publicly traded company focused on exploration and appraisal activities in Canada's oilsands which was sold to Athabasca Oil Company in October 2010. David acquired his extensive international oil and natural gas experience from senior management roles at Calvalley Petroleum, where he was Senior Vice President, Exploration and Production, and at Alberta Energy Company, where he was Vice President, International Exploration. He has also held senior management and technical positions with Canadian Occidental, Sun Oil and BP. David holds a BSc (Hons), MSc and PhD in Geology.

#### ***Yogeshwar Sharma – Chairman and Director***

Mr. Sharma has over 40 years of broad international oil and natural gas industry experience. He is the co-founder of LSE-listed Hardy Oil and Gas plc, and served as its CEO until May 2012. Prior to founding Hardy, Yogeshwar worked at Elf International as the Manager of Reservoir Engineering and also served as an External Examiner at the Heriot Watt University in Edinburgh. He is a Registered Professional Engineer in Alberta and a member of the Society of Applied and Industrial Mathematics. Mr. Sharma graduated from the University of Alberta with a BSc in Mechanical Engineering.

#### ***Dr. Charle Gamba – Director***

Mr. Gamba has been the Chief Executive Officer and President of Canacol Energy Ltd., since October 2008. He is a senior executive with almost 20 years working experience in the US and international upstream oil and natural gas industry. Charle served as a Vice President of Exploration at Occidental Oil & Gas Company from 2001 to 2008. In his seven years with Occidental, he worked in Ecuador, Qatar, Colombia, and the United States in a variety of technical management roles. Charle started his professional career as a geologist with Imperial Oil in Calgary in 1994.

#### ***Harry Wilson – Director***

Mr. Wilson received a BSc in Physics from Manchester University in 1973. Following graduation, he spent 17 years in various roles at British Petroleum (BP), and attended the Executive Programme at the INSEAD Business School in France in 1985. Harry has over 35 years business experience, initially in the oil industry but successively in a wide range of business sectors. He has been founder, CEO and Chairman of a number of independent oil companies and led public listings for five companies including Dragon Oil Plc and Eland Oil & Gas Plc. He has been an executive and non-executive director of listed companies in the UK and abroad and has built up an extensive range of London and international contacts in the investment, broking and advisory communities.

***Matt Janisch – Interim Chief Financial Officer and Director***

Mr. Janisch has over 30 years of oil and natural gas experience, covering the areas of petroleum engineering, investment banking and equity research, and executive financial management. Prior to joining the Company, Mr. Janisch was VP Finance and CFO at Legacy Oil + Gas Inc., a Canadian domestic oil and natural gas producer, and prior thereto was Executive VP and CFO at Bow Valley Energy Ltd., an international oil and natural gas producer. In addition, Mr. Janisch held the title of Managing Director, Oil and Gas Research at BMO Nesbitt Burns. Mr. Janisch holds a B.Sc., Engineering (Petroleum) from the University of Alberta, and a Masters of Business Administration (MBA) at the University of Western Ontario.

***David Robinson – VP of Business Development***

Mr. Robinson has been a founder and financier of numerous start-up international oil and natural gas companies during the past 28 years, including junior E&P Arakis Energy, of Canada, which developed major oil and natural gas concessions in the Sudan, and was acquired by Talisman Energy in 1998. He is currently a founder and director of privately-held and Calgary-based Radcan Energy Services. In addition to the Sudan, Mr. Robinson has been involved in projects in Colombia, Kazakhstan, the Philippines, Tunisia, Egypt, Indonesia, the US, and Canada, and has been responsible for raising over \$250 million for the companies that he has worked with. He has a Bachelor of Sciences in Geology from the University of British Columbia and an MBA from Queen's University, in Canada.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

None of our directors or executive officers is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including us) that was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days: (i) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

None of our directors or executive officers, or any significant shareholder: (i) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

None of our directors or officers or significant shareholders has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

**Conflicts of Interest**

To the best of our knowledge, there are no known existing or potential conflicts of interest among us, any subsidiary and their respective directors, officers or other members of our management, except that

certain of our directors and officers are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations to other companies in the resource sector may give rise to conflicts of interest from time to time. As a result, opportunities provided to a director may not be made available to us, but rather may be offered to a company with competing interests. Our directors and senior officers are required by law to act honestly and in good faith with a view to our best interests and to disclose any personal interest which they may have in any of our projects or opportunities, and to abstain from voting on such matters.

Our directors and officers are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interests and we will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers.

## **AUDIT COMMITTEE**

Pursuant to the provisions of National Instrument 52-110 - Audit Committees ("NI 52-110"), reporting issuers are required to provide disclosure with respect to its audit committee, including the text of the audit committee's charter, composition of the committee, and the fees paid to the external auditor.

Accordingly, we provide the following disclosure with respect to our Audit Committee.

### **Audit Committee Charter**

We have adopted an Audit Committee Charter, which is attached as Schedule "A" to this AIF.

### **Composition of the Audit Committee**

As at the financial year ended August 31, 2017, the following are the members of the Audit Committee:

Harry Wilson (Chair)	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Yogeshwar Sharma	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Charle Gamba	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>

(1) As defined in NI 52-110.

### **Relevant Education and Experience**

All of the members of the Audit Committee are senior level executive business persons with extensive experience in financial matters; each has a broad understanding of accounting principles used to prepare financial statements and varied experience as to general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from working in their individual fields of endeavour. In addition, each of the members of the Audit Committee have knowledge of the role of an audit committee in the realm of reporting companies from their years of experience as directors and/or senior officers of other public companies. For further information regarding relevant education and experience, refer to "*Principal Occupation and Other Information*" herein.

### **Audit Committee Oversight**

During the most recently completed financial year, our Board of Directors has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

## Reliance on Certain Exemptions

During the financial year ended August 31, 2017, we did not rely on the exemptions contained in section 2.4 or under part 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Part 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

## Pre-Approval Policies and Procedures

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the audit committee, on a case-by-case basis.

## External Auditor Service Fees

In the following table, "audit fees" are fees billed by our external auditor for services provided in auditing our annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories. The fees we paid to our auditor during the fiscal years ended August 31, 2017 and August 31, 2016, by category, are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2017	\$34,900	-	-	-
2016	\$16,400	-	\$2,500	-

## Exemption

We are relying on the exemption contained in section 6.1 of the NI 52-110 which provides that as a venture issuer, we are exempt from the requirement that our audit committee be comprised of persons who are all "independent", and from certain reporting requirements.

## CORPORATE GOVERNANCE DISCLOSURE

Pursuant to National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), we are required to disclose our corporate governance practices, as summarized below. Our Board will continue to monitor such practices on an ongoing basis and, when necessary, implement such additional practices as it deems appropriate.

### Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with us. A "material relationship" is a relationship which could, in the view of our Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

Our management has been delegated the responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on our business in the ordinary course, managing cash flow, evaluating new business opportunities, recruiting staff and complying with applicable

regulatory requirements. Our Board facilitates its independent supervision over management by reviewing and approving long-term strategic, business and capital plans, material contracts and business transactions, and all debt and equity financing transactions. Through the Audit Committee, our Board examines the effectiveness of our internal control processes and information systems.

The independent members of our Board are Dr. Charle Gamba and Mr. Yogeshwar Sharma and Mr. Harry Wilson. Dr. David Winter and Mr. Matt Janisch are our non-independent directors since they also hold officer positions. We currently do not have an approved Board Mandate.

Although our independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance, at the end of or during each meeting of our Board, the members of our management who are present at such meeting leave the meeting in order that the independent directors can discuss any necessary matters without management being present.

### **Directorships**

The following table sets forth our Directors who currently hold directorships in other reporting issuers:

Name of Director	Other Issuer
Dr. Charle Gamba	Canacol Energy Ltd. Ikkuma Resources Corp.
Dr. David A. Winter	Canacol Energy Ltd. Sonoro Energy Ltd.

### **Orientation and Continuing Education**

Each new director is given an outline of the nature of our business, our corporate strategy and current issues. New directors are also required to meet with our management to discuss and better understand our business and are given the opportunity to meet with our legal counsel to discuss their legal obligations as one of our directors.

In addition, our management takes steps to ensure that our directors and officers are continually updated as to the latest corporate and securities policies which may affect our directors, officers and committee members as a whole. We continually review the latest securities rules and policies and we are on the mailing list of the Exchange to receive updates to any of those policies. Any such changes or new requirements are then brought to the attention of our directors either by way of director or committee meetings or by direct communications from management to the directors.

### **Ethical Business Conduct**

Our Board has found that the fiduciary duties placed on individual directors by our governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has an interest have been sufficient to ensure that our Board operates independently of management and in our best interests. Further, our auditor has full and unrestricted access to the Audit Committee at all times to discuss the audit of our financial statements and any related findings as to the integrity of the financial reporting process.

### **Nomination of Directors**

Our Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

Our Board does not have a nominating committee, and these functions are currently performed by the Corporation's Board as a whole. However, if there is a change in the number of directors required by the Corporation, this policy will be reviewed.

### **Compensation**

To determine compensation payable, the Compensation Committee reviews compensation paid to our directors, officers and senior management and compares the compensation of companies of similar size, industry and stage of development and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the Directors and senior management while taking into account our financial and other resources. In setting the compensation, our Compensation Committee annually reviews the performance of the officers, and senior management in light of our objectives and consider other factors that may have impacted our success in achieving our objectives.

Our Compensation committee is comprised of our three independent directors, namely, Dr. Charle Gamba (Chair), Mr. Yogeshwar Sharma and Mr. Harry Wilson.

### **Other Board Committees**

The Board has currently has three committees. The Audit Committee, the Reserves Committee and the Compensation Committee.

#### **Reserves Committees**

The Members of our Reserves Committee are Mr. Yogeshwar Sharma (Chair), Dr. Charle Gamba and Mr. Harry Wilson. All members of the Reserves Committee are independent as such term is defined in NI 58-101.

Our Board has delegated to the Reserves Committee responsibility for matters set forth in respect of the responsibilities of the Board in relation to National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). These responsibilities include, but are not limited to:

- reviewing our procedures relating to the disclosure of information with respect to oil and gas activities including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under NI 51-101 and applicable securities requirements;
- reviewing our procedures for providing information to an independent evaluator of our reserves or resources;
- meeting, as considered necessary, with management and any independent evaluator to determine wither any restrictions placed by management affect the ability of the evaluator to report without reservation;
- reviewing the appointment of any independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;
- providing a recommendation to the Board as to whether to approve the content or filing of the statement of our reserves or resource data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;
- reviewing our procedures for reporting other information associated with oil and gas producing activities; and
- generally reviewing all matters relating to the preparation and public disclosure of estimates of our reserves or resources.

## **Assessments**

Our Compensation Committee is responsible for assessing the effectiveness of our Board as a whole, the committees of the Board, the appointments to those committees and the mandates thereof. While no formal evaluation has been conducted to date, the committee has relied on information evaluation of the effectiveness through both formal and informal communications with Board members and through participation with other Board members on committees and matters relating to the Board. This methodology has been both responsive and practical given the size of our Board.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

As at the date of this AIF, we are not a party, whether as claimant or defendant, to any legal or administrative proceedings, had not received any legal claims or proceedings and had not received notice of any threatened or pending proceedings by government authorities or third parties, which, if adversely determined would materially and adversely affect our financial condition or operations. No penalties or sanctions have ever been imposed against us by a court relating to securities legislation or by a securities regulatory authority; nor have any other penalties or sanctions been imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision; and we have never entered into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority.

## **PROMOTERS**

There is no person or company that has been, within the two most recently completed financial years or during the current financial year, our promoter as such term is defined in the *Securities Act* (Alberta).

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

None of our directors or executive officers, or any shareholder directly or indirectly beneficially owning, or exercising control or direction over, more than 10% of the outstanding Common Shares, nor an associate or affiliate of any of the foregoing persons has had, during the three most recently completed financial years or during the current financial year, any material interest, direct or indirect, in any transactions that materially affected or would materially affect us or our business.

## **ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

We have no securities held in escrow or subject to contractual restrictions on transfer.

## **TRANSFER AGENTS AND REGISTRARS**

Our registrar and transfer agent is Computershare Trust Company of Canada, with its office located at 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, B.C. V6C 3B9.

## **MATERIAL CONTRACTS**

Other than contracts entered into in the normal course of business, we have not entered into any material contracts during the year ended August 31, 2017, or before such year but which remain in effect as of the date of this AIF, except as set forth below:

Share and Asset Purchase Agreement between the Company and San Leon Energy Plc with respect to the acquisition of a 100% interest in two oil and natural gas concessions in the Republic of Poland known as Cieszyn and Bielsko-Biala plus 100% working interests in two additional oil and natural gas concessions in Poland known as Prusice and Kotlarka.

### **INTEREST OF EXPERTS**

The following persons have prepared or certified a report, valuation, statement or opinion described or incorporated by reference herein, or described or included in a filing made by us during or related to the most recently completed fiscal year ended August 31, 2017, whose profession gives authority to such report, valuation, statement or opinion:

KPMG LLP, who provided an independent auditor's report to our Shareholders pertaining to the audited financial statements for the fiscal year ended August 31, 2017 as filed on SEDAR on December 22, 2017.

KPMG LLP has advised us that, in their opinion, they are independent of the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants.

### **ADDITIONAL INFORMATION**

Additional information about us may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including the remuneration of our directors and officers and their indebtedness to the Company, principal holders of our securities and securities authorized for issuance under equity compensation plans, is contained in our management information circular for our most recent annual general meeting, which is filed on SEDAR. Additional financial information is provided in the audited financial statements for the year ended August 31, 2017, and the related management's discussion and analysis of financial conditions and results of operations, all of which are available on SEDAR.

## **SCHEDULE "A"**

### **Audit Committee Charter**

#### **Mandate**

The primary function of the audit committee (the "Committee") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting, and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company's financial reporting and internal control systems and review the Company's financial statements;
- review and appraise the performance of the Company's external auditors; and
- provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

#### **Composition, Procedures and Organization**

The Committee must consist of at least three members; and each member must be a director of the Company. A majority of the members of the Committee should be independent (not executive officers or employees of the Company or of an affiliate of the Company). At least one member of the Committee must be financially literate; and all members of the Committee who are not financially literate must work towards becoming financially literate. For the purposes of this Charter, the term "financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

The members of the Committee shall be appointed by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership. The Chair must be financially literate.

The Board of Directors may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.

#### **Meetings of the Committee**

Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly. Unless all members are present and waive notice, or those absent waive notice before or after a meeting, the Chairman will give the Committee members at least 24 hours' advance notice of each meeting and the matters to be discussed at such meeting. Notice may be given personally, by telephone, by facsimile or e-mail.

The auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Company's annual financial statements and, if the Committee determines it to be necessary or appropriate, at any other meeting. On request by the auditor, the Chair shall call a meeting of the Committee to consider any matter that the auditor believes should be brought to the attention of the Committee, the Board of Directors or the Shareholders of the Company.

At each meeting of the Committee, a quorum shall consist of a majority of members that are independent. A member may participate in a meeting of the Committee in person or by telephone if all members participating in the meeting, whether in person or by telephone or other communications medium other than telephone are able to communicate with each other and if all members who wish to participate in the meeting agree to such participation.

The Committee may periodically meet separately with management or the auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately. In addition, the Committee must meet with the auditor and management annually to review the Company's financial statements.

The Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities.

### **Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

1. Review the Company's financial statements, including any certification, report, opinion, or review rendered by the auditor, management's discussion and analysis of the financial statements, and any annual and interim earnings press releases before the Company publicly discloses such information.
2. Review and satisfy itself that adequate procedures are in place and review the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assess the adequacy of those procedures.
3. Be directly responsible for overseeing the work by the auditor (including resolution of disagreements between management and the auditor regarding financial reporting) engaged for the purpose of preparing or issuing an audit report or performing other audit review services for the Company.
4. Require the auditor to report directly to the Committee.
5. Review annually the performance of the auditor who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the Shareholders of the Company.
6. Review and discuss with the auditor any disclosed relationships or services that may impact the objectivity and independence of the auditor.
7. Take, or recommend that the Board of Directors take, appropriate action to oversee the independence of the auditor.
8. Recommend to the Board of Directors the external auditor to be nominated at the annual general meeting for appointment and the auditor for the ensuing year and the compensation for the auditor, or, if applicable, the replacement of the auditor.
9. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the auditor and former independent external auditors of the Company.
10. Review with management and the auditor the audit plan for the annual financial statements.
11. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services provided by the auditor. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - a. the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute not more than 5% of the total amount of fees paid by the Company and its subsidiary entities to the auditor during the fiscal year in which the non-audit services are provided;

- b. such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - c. such services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.
12. In consultation with the auditor, review with management the integrity of the Company's financial reporting process, both internal and external.
  13. Consider the auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
  14. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the auditor and management.
  15. Review significant judgments made by management in the preparation of the financial statements and the view of the auditor as to the appropriateness of such judgments.
  16. Following completion of the annual audit, review separately with management and the auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of the work or access to required information.
  17. Review any significant disagreement among management and the auditor in connection with the preparation of the financial statements.
  18. Review with the auditor and management the extent to which changes and improvements in financial or accounting practices have been implemented.
  19. Discuss with the auditor the auditor's perception of the Company's financial and accounting personnel, any material recommendations which the auditor may have, the level of cooperation which the auditor received during the course of its review and the inadequacy of its access to records, data or other requested information.
  20. Maintain, review and update the procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, as set forth in Annex A attached to this Charter.
  21. Perform such other duties as may be assigned to it by the Board of Directors from time to time or as may be required by applicable regulatory authorities or legislation.
  22. Report regularly and on a timely basis to the Board of Directors on the matters coming before the Committee.
  23. Review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board of Directors for approval.

### **Authority**

The Committee is authorized to:

- seek any information it requires from any employee of the Company in order to perform its duties;
- to engage, at the Company's expense, independent legal counsel or other professional advisors in any matter within the scope of the role and duties of the Committee under this Charter;
- set and pay compensation for any advisors engaged by the Committee; and
- communicate directly with the internal and external auditors of the Company.

The Committee may delegate to one or more independent members of the Committee the authority to pre-approve non-audit services in satisfaction of the pre-approval requirement set forth in this section provided the pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the Committee at its first scheduled meeting following such pre-approval.

**ANNEX A**

**PROCEDURES FOR THE SUBMISSION OF  
COMPLAINTS AND CONCERNS REGARDING**

**ACCOUNTING, INTERNAL ACCOUNTING CONTROLS OR AUDITING MATTERS**

1. Horizon Petroleum Ltd. (the "Company") has designated the Audit Committee of its Board of Directors (the "Committee") to be responsible for administering these procedures for the receipt, retention, and treatment of complaints received by the Company or the Committee directly regarding accounting, internal accounting controls, or auditing matters.
2. Any employee of the Company may on a confidential and anonymous basis submit concerns regarding questionable accounting controls or auditing matters to the Committee by setting forth such concerns in a letter addressed directly to the Committee with a legend on the envelope such as "Confidential" or "To be opened by Committee only". If an employee would like to discuss the matter directly with a member of the Committee, the employee should include a return telephone number in his or her submission to the Committee at which he or she can be contacted. All submissions by letter to the Committee can be sent to:

Horizon Petroleum Ltd.

Suite 1500, 700 4<sup>th</sup> Avenue SW

Calgary, AB T2P 3J4

3. Any complaints received by the Company that are submitted as set forth herein will be forwarded directly to the Committee and will be treated as confidential if so indicated.
4. At each meeting of the Committee, or any special meetings called by the Chair of the Committee, the members of the Committee will review and consider any complaints or concerns submitted by employees as set forth herein and take any action it deems necessary in order to respond thereto.
5. All complaints and concerns submitted as set forth herein will be retained by the Committee for a period of seven years.