



## **Management's Discussion and Analysis Years Ended August 31, 2020 and 2019**

This management's discussion and analysis of financial position and results of operations ("MD&A"), prepared and dated as of August 23, 2021 provides an analysis of the operations and financial results of Horizon Petroleum Ltd. ("Horizon" or the "Company") for the years ended August 31, 2020 and 2019, and should be read in conjunction with the audited consolidated financial statements for the years ended August 31, 2020 and 2019 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

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

The Company is focused on oil and natural gas exploration and development.

Additional information on the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

The common shares of the Company trade on the TSX Venture Exchange ("TSXV") under the symbol "HPL". Since January 2020 the Company has been under a Cease Trade Order for failing to file its Financial Statements.

### **Going Concern**

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

To continue as a going concern and to meet its corporate objectives, which primarily consists of investigating new potential oil and natural gas properties in Europe, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future. Factors that could affect the availability of financing include, but are not limited to, the state of international debt, equity and commodity markets as well as investor perceptions and expectations.

The Financial Statements were prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. If this assumption were not appropriate, adjustments to the Financial Statements may be necessary. Material uncertainties as to the Company's ability to obtain additional financing to fund future operations may cast significant doubt on the Company's ability to continue as a going concern. The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through financing or other sources, and there are no assurances that such financing will be obtained.

## Forward-looking Statements

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

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

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

- oil and natural gas properties in which we may acquire an interest;
- our business strategy and planned acquisition and development strategy;
- expectations regarding our ability to raise capital;
- our future operating and financial results;
- the closing of the Primary Concessions and Secondary Concessions in Poland and the timing thereof;
- timing of production;
- drilling plans and timing and results therefrom; and
- expected costs and netbacks from the primary concession.

By their nature, forward-looking statements involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and which are usually beyond the control of management, that could cause actual results to be materially different from those expressed by such forward-looking statements and information. Risks and uncertainties include, but are not limited to, volatility in market price for crude oil, condensate and natural gas; industry conditions; currency fluctuation; imprecision of reserve and resource estimates; liabilities inherent in oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition from other producers; the lack of availability of qualified personnel or management; changes in the regulatory environment; changes in income tax laws or changes in property tax laws relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; and other risks identified in this MD&A under the heading “*Risk Factors*”.

With respect to forward-looking statements contained in this MD&A, we have made assumptions that: the economic and political environment in which we operate or expect to operate will remain stable; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which we operate or expect to operate will remain stable; and we will be able to obtain financing on acceptable terms when necessary.

Readers are cautioned that the foregoing lists of risks and assumptions are not exhaustive. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements or information. Forward-looking statements contained in this MD&A are made as of the date of this MD&A and we disclaim any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

## Highlights and Overview

### *Financing*

On June 13, 2018 the Company announced the initiation of a financing to raise up to \$5 million through a private placement, issuing up to 100,000,000 common shares at a price of \$0.05 per share. On September 26, 2018, the Company closed two tranches of the private placement issuing 22.1 million shares at \$0.05 per share for total gross proceeds of \$1,104,000. The financing is now closed; however, we continue to look for future financing. See the Company press releases of September 26, 2018 and October 16, 2018 for more information.

### *Poland*

During June 2017, the Company entered into a memorandum of understanding (“MOU”) regarding the acquisition of a 100% interest the Poland Subsidiaries which hold five conventional oil and natural gas concessions in Poland from San Leon Energy plc (“SLE”). Subsequently, the Company entered into a series of definitive agreements with SLE, in September 2017, for the acquisition of the Poland Subsidiaries (the “Acquisition”).

Under the terms of the MOU, the Company advanced USD\$200,000 to the counterparty to cover certain obligations relating to the concessions going forward where such obligations would be assumed by the Company upon the completion of the transaction. USD\$100,000 (\$133,608) of the option payment is non-refundable if the transaction is not completed due to any action or inaction on the part of the Company and has been expensed as part of property investigation costs for the year ended August 31, 2017, while the remaining USD\$100,000 (\$135,340) was advanced as a loan which bore interest at the rate of 6% per annum.

The definitive agreements were subsequently amended and pursuant to the amended terms, the Company agreed to pay the following, in exchange for a 100% interest in the subsidiaries holding the Cieszyn and Bielsko-Biala concessions (the “Primary Concessions”) in Poland:

- 1) Cash payment of USD\$1,080,000 (\$1,429,515);
- 2) \$1,000,000 in common shares of the Company. The common shares are to be issued at the lesser of:
  - a) Cdn\$0.20 per share, b) the lowest price per share at which the Company completes an equity placement for a minimum of \$1,000,000, up to but not including the date of closing of the acquisition, and c) the volume weighted average price of the Company’s common shares for the period of 10 trading days immediately prior to the closing date. There are various warranties the Company provided to SLE which must be maintained by the Company, including a requirement for the Company’s shares to remaining trading on the TSXV. If Horizon is unable to meet these requirements, it will be required to pay to SLE the equivalent value of the common shares in cash. The Company’s shares are currently cease-traded; and
- 3) A 6% net profits interest.

4) The consideration for the acquisition of the subsidiaries holding the other 3 concessions, being the Kotlarka, Prusice, and Buchowice concessions (“Secondary Concessions”) is €10,000 (\$14,845) per concession, the payment of administrative costs totaling USD\$130,000 (\$172,071) and the issuance of a 6% net profits interest. The Company subsequently withdrew the applications for these concessions in January, 2020.

5) The outstanding loan owing to the Company from SLE of USD\$100,000 (\$132,363) as at the closing date) was assigned to Energia Karpaty Zachodnie SP. Z.O.O SP.K., one of the Polish Subsidiaries. In addition, the Company accepted a transfer from SLE of certain intercompany loans. These loans have been eliminated in these consolidated financial statements on consolidation.

On August 12, 2019, the Acquisition closed. The consideration owing is payable to SLE upon completion of the Transformation Process as defined below. As this has not yet occurred, the consideration has been recorded as acquisition cost payable in the consolidated statements of financial position as at August 31, 2019 and 2020.

A transformation of the concessions to the new Polish concession laws (“Transformation Process”) is required by the Polish Government and has not yet been met. The Transformation Process has commenced for the Cieszyn and Bielsko-Biala concessions but is not complete. At this time, it is not possible to determine if, or when, the Transformation Process will be successfully completed.

The Acquisition has been accounted for as an acquisition of assets and liabilities of the Polish Subsidiaries as the Polish Subsidiaries do not meet the definition of a business under IFRS 3. The acquisition of the net assets of the Polish Subsidiaries were recorded at the estimated fair market value of consideration payable as detailed below. The excess of the consideration payable over the net assets of the Polish Subsidiaries at the closing date has been expensed as an acquisition cost as the Polish Subsidiaries did not hold any concessions that have completed the Transformation Process and as there is no guarantee that the transformations in process will be completed.

Consideration payable:

Acquisition cost payable at closing	\$2,796,694
-------------------------------------	-------------

Net assets acquired:

Cash	\$ 1,679
Receivables	11,697
Inventory	14,126
Accounts payable and accrued liabilities	(6,143)
Acquisition cost (expense)	2,775,335
<b>Total</b>	<b>\$2,796,694</b>

### *Deconsolidation*

The Company lost control of SAS Petromanas Energy (France) SAS (“Petromanas”) during 2020 when Petromanas entered a court approved liquidation process. The Company derecognized all assets and liabilities of this subsidiary in 2020 and recognized a gain on deconsolidation in the amount of \$790,713. Petromanas was inactive at the time of its deconsolidation.

### *Operational Results*

For the year ended August 31, 2020 the Company recorded income of \$562,749 (2019 – net loss of \$3,587,832) and net cash flow used in operations of \$172,924 (2019 - \$937,745).

The major components of the net income (loss) for the year ended August 31, 2020 were a gain on deconsolidation of \$790,713 (2019 - \$nil), acquisition costs of Poland subsidiaries of \$nil (2019 – \$2,775,335) and management and professional fees of \$191,361 (2019 – \$550,951). The source of funding for 2019 costs was the private placement closed in September 2018.

### **Quarterly Information**

	<b>3 months</b>	<b>3 months</b>	<b>3 months</b>	<b>3 months</b>
	<b>August 31 2020</b>	<b>May 31 2020</b>	<b>February 29 2020</b>	<b>November 30 2019</b>
<b>Total Assets</b>	59,310	(7,992)	151,463	211,423
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Working Capital (deficiency)</b>	(2,991,171)	(264,612)	(122,619)	(66,876)
<b>Profit (loss)and comprehensive</b>	46,361	677,593	(55,742)	(105,463)
Loss per-share (basic & diluted)	(0.02)	0.01	(0.00)	(0.00)
2020 - share #	59,857,176	59,857,176	59,857,176	59,857,176
2020 - EPS	0.00	0.01	(0.00)	(0.00)

  

	<b>3 months</b>	<b>3 months</b>	<b>3 months</b>	<b>3 months</b>
	<b>August 31 2019</b>	<b>May 31 2019</b>	<b>February 28 2019</b>	<b>November 30 2018</b>
<b>Total Assets</b>	305,671	548,424	748,253	997,156
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Working Capital (deficiency)</b>	(2,608,303)	221,160	434,342	686,950
<b>Profit (loss)and comprehensive</b>	(2,920,688)	(233,212)	(231,478)	(202,454)
Loss per-share (basic & diluted)	(0.00)	(0.00)	(0.00)	(0.05)
2019 - share #	57,756,299	57,756,299	57,756,299	57,756,299
2019 - EPS	(0.05)	(0.00)	(0.00)	(0.00)

**Annual  
Information**

	Year Ended Aug 31st		
	2020	2019	2018
<b>Total Assets</b>	59,310	305,671	405,244
<b>Total Revenue</b>	-	-	-
<b>Working Capital (deficiency)</b>	(2,991,171)	(2,608,303)	(158,142)
<b>Income (loss)</b>	562,749	(3,587,832)	(2,938,700)
<b>Income (loss) per share</b>	0.01	(0.06)	(0.08)
<b>Expenses</b>			
<b>Directors fees (Note 11)</b>	(21,000)	84,230	84,000
<b>Management fees (note 11)</b>	23,830	305,777	314,825
<b>Professional fees</b>	167,531	245,174	278,361
<b>Salaries &amp; Wages</b>	7,391	36,927	113,136
<b>Office</b>	57,116	41,966	66,729
<b>Property Investigation Cost (Note 7)</b>	13,642	13,244	628,075
<b>Rent</b>	4,993	47,584	79,843
<b>Shareholder communication</b>	2,620	17,143	84,123
<b>Investor Relations</b>	1,015	0	72,740
<b>Transfer agent &amp; related cost</b>	5,200	17,916	19,328
<b>Travel &amp; related costs</b>	0	9,567	59,887
<b>Share based payments (note 10 and 11)</b>	(2,670)	24,429	132,084
<b>Gain on deconsolidation of subsidiary (Note 2C)</b>	(790,713)	0	0
<b>Acquisition Cost (Note 15)</b>	0	2,775,335	0
<b>Foreign Exchange loss (Gain)</b>	(31,704)	(25,509)	3,131
<b>Financing Costs</b>	0	0	24,405
<b>Asset Impairment</b>	0	0	988,009
<b>Total Expenses</b>	(562,749)	3,593,783	2,948,676
<b>Other items</b>			
<b>Interest income</b>	0	5,951	9,976
<b>Income (loss) and comprehensive income (loss)</b>	<b>562,749</b>	<b>(3,587,832)</b>	<b>(2,938,700)</b>
<b>Basic &amp; Diluted weighted average number of common shares outstanding</b>	59,857,176	57,756,299	37,777,176

During the year ended August 31, 2020 ("current period"), the Company earned income of 562,749 compared to a loss of \$3,587,832 for year ended August 31, 2019 and \$2,938,700 for the year ended August 31, 2018 ("comparative periods"). There were several reasons for the increased net loss in the current period:

*Property Investigation Costs*

Property investigation costs during the current period were \$13,642 in 2020 and \$13,244 in 2019 versus \$628,075 for the comparative period of 2018. In Q1 of 2020, the Company concluded its investigation of opportunities in Poland. The property investigation costs for the current period and comparative period relate to these continued investigations.

*Management fees*

Management fees during the current period were \$23,830 in 2020 and \$305,777 in 2019 versus \$314,825 for the comparative period of 2018. Management fees consist primarily of payments made to the CEO,

the VP Business Development and the Interim CFO in 2019. Management fees decreased in 2020 due to the resignation of an Interim CFO and some temporary financial consulting and engineering support. Monthly fees paid to the CEO were ceased from September 2019 due to lack of funding.

*Professional fees*

Profession fees during the current period were \$167,531 in 2020 and \$245,174 in 2019 versus \$278,361 for the 2018 comparative period. Most of the decrease during the current period was due to legal fees incurred as part of managing the wind down of French assets and initial closing of the acquisition of the Polish Assets.

*Salaries and wages*

Salary and wages were \$7,391 for 2020 and \$36,927 for the 2019 period versus \$113,136 recorded in the comparative period of 2018. Salary & wages relate to one contracted administrative employee who was terminated upon the company receiving approval for the liquidation of our French subsidiary in March 2020.

*Director's fees*

Director fees include \$Nil in 2020 and \$84,230 in 2019 versus \$84,000 for the 2018 comparative period, accrued to three non-executive directors of the Company. During 2020, certain fees were waived by the directors which resulted in a recovery of \$21,000.

*Interest income*

Interest income was \$Nil for the current period versus a net financing income of \$5,951 in 2019 and \$9,976 in the 2018 comparative period. Interest income is generated by the investment of excess cash and by the interest-bearing acquisition deposit.

Horizon's projects have not generated revenue. Please see disclosure under Poland in the Highlights and Overview section of this MDA for the status of such projects and the conditions required to be satisfied prior to moving the Projects to the next stage.

## **Liquidity and Capital Resources**

As at August 31, 2020 the Company had a working capital deficiency of \$2,991,171 (2019 – 2,608,303) and cash and cash equivalents of \$47,220 (2019 – 220,144). The Company has decommissioning obligations of \$Nil as at August 31, 2020 (2019 – 954,926).

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

To continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include, but are not limited to, the progress and exploration results of the mineral properties, the state of international debt, equity and commodity markets, and investor perceptions and expectations.

The Company's Financial Statements were prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. If this assumption were not appropriate, adjustments to these annual consolidated financial statements may

be necessary. Material uncertainties as to the Company's ability to obtain additional financing to fund future operations may cast significant doubt on the Company's ability to continue as a going concern. The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through financing or other sources, and there are no assurances that such financing will be obtained.

### Exploration and Evaluation Assets

There were no assets available as at August 31 2020 as, Ledieux and Ger permits in France expired in 2018. Approval for an extension was declined by the French Government on February 12, 2020. The Ger permit was carried at \$Nil.

### Related Party Transactions

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

	Twelve months August 31, 2020	Twelve months August 31, 2019
Executive compensation (1)	\$ 18,484	\$ 300,500
Non-executive directors fees (2)	(21,000)	84,000
Share-based payments	(2,670)	24,429
	<u>\$ (5,186)</u>	<u>\$ 408,929</u>

(1) Executive compensation includes all management fees accrued to the Company's current CEO, VP Business Development and former corporate secretary of the company.

(2) Includes \$Nil (2019 - \$84,000) in directors' fees accrued to three non-executive directors of the Company. During 2020, certain fees were waived by the directors which resulted in a recovery of \$21,000.

During the year ended August 31, 2019, directors and officers subscribed for a total of 3,260,000 common shares for aggregate gross proceeds of \$163,000.

As at August 31, 2020, \$16,417 (2019 - \$65,257) was payable to directors and officers of the Company. These amounts were unsecured, non-interest bearing with no fixed terms of repayment

### Off Balance Sheet Arrangements

There are no off balance sheet arrangements.

### Commitments and Contingencies

- (a) The Company's oil and gas activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

- (b) The Company has discontinued oil and gas operations in various jurisdictions and has sold, dispersed of, or written down the carrying value of the related assets to nominal amounts. An estimate of the total liability, if any, for which the Company might become obligated as a result of its role as operator, guarantor, or indemnifier is not determinable, nor expected to be material, and no amount has been provided for in these consolidated financial statements.
- (c) Upon completion of the Transformation Process, the Poland concessions may be subject to annual licence fees and a mining usufruct fee. The requirement to pay such fees is contingent upon the completion of the Transformation Process, and accordingly no amounts have been recorded for these items in these consolidated financial statements.
- (d) During 2020, the Company received a tax assessment for Petromanas in the amount of €2,085,686 (\$3,248,039) relating to taxes assessed on a 2017 gain on intercompany debt forgiveness. The Company disagrees with the assessment and would have disputed the amount. However, during 2020, the Company lost control of Petromanas as it entered a court approved liquidation process (see Note 2(c)). Accordingly, no amounts have been accrued in these consolidated financial statements relating to this contingent liability.
- (e) The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations or liquidity. The outcome of these litigations cannot be reasonably determined, as a result, no amounts have been accrued as at August 31, 2020 and 2019.

### **Capital Resources and Commitments**

The Ledieux license expired on August 8, 2018. At the time of expiry, we had a commitment to spend €8 million on developing the block. This commitment expired with the permit. The Company applied for an extension to the permit under the same conditions as the previous permit but the application was declined by the French Government on February 12, 2020 with no further obligations.

### **Investor Relations**

The Company does not have any agreements with any firm to provide Investor Relations services.

### **Financial instruments and risk management:**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

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

All the Company's financial instruments approximate their fair value as at August 31, 2020 and August 31, 2019 due to their short-term nature.

The Company does not have any financial instruments recognized at fair value as at August 31, 2020 and 2019. The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities and acquisition cost payable approximate their fair values because of their short terms to maturity.

(a) Financial instrument risk exposure and risk management:

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

(b) Credit risk:

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

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest-bearing financial assets are comprised of cash and cash equivalents and acquisition deposit, which bear interest at fixed or variable rates. The Company is not exposed to material interest rate risk.

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows used in operations and the Company's holdings of cash. The Company's cash is currently invested in business accounts which are available on demand by the Company for its programs. As at August 31, 2020, the Company had cash of \$47,220 (2019 - \$220,144) to settle current liabilities of \$3,050,482 (2019 - \$2,901,995). The Company will require further financings to cover its expected cash requirements for the next year. (See note 1 to the consolidated financial statements.)

(e) Foreign currency:

The Company is exposed to foreign currency risk as some of its cash and accounts payable and accrued liabilities are held in United States dollars ("USD"), Euros and Polish Zloty. A portion of the Company's acquisition cost payable is denominated in USD and Euros. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The exposure of the Company's foreign denominated financial instruments is as follows:

	2020		2019	
	Amount in Foreign Currency \$	Amount in Canadian Dollars \$	Amount in Foreign Currency \$	Amount in Canadian Dollars \$
<i>United States dollars:</i>				
Cash	-	-	9,709	12,933
Accounts payable and accrued liabilities	8,319	10,841	19,824	26,406
Acquisition cost payable	1,210,000	1,576,786	1,210,000	1,611,765
<i>Euro</i>				
Cash	-	-	9,370	13,723
Accounts payable and accrued liabilities	105,423	164,213	-	-
Acquisition cost payable	30,000	46,730	30,000	43,936
<i>Polish Zloty</i>				
Cash	115,845	41,050	5,021	1,679
Receivables	-	-	34,980	11,697
Accounts payable and accrued liabilities	105,657	37,440	31,353	10,485

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, receivables, accounts payable and accrued liabilities and acquisition cost payable. Financial instruments are denominated in US dollars, Euros, and Polish Zloty. As at August 31, 2020, the net loss and comprehensive loss would have been \$86,003 (2019 - \$81,579) higher/lower, had the Canadian dollar strengthened/weakened by 5% as a result of foreign exchange gains/losses on translation of US dollar, Euros, and Polish Zloty denominated financial instruments.

### Capital Management

The Company's objectives when managing capital are:

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

In the management of capital, the Company includes shareholders' equity in the definition of capital. The Company is not exposed to externally imposed capital requirements. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of August 31, 2020, the Company is not compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets. There are no significant changes in the Company's approach to capital management during the years ended August 31, 2020 and 2019.

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

### **Current Share Data**

As of August 23, 2021, and the Company had:

- a) 59,857,176 common shares issued and outstanding;
- b) 43,333 stock options outstanding with an exercise price of \$0.90 per share, expiring on August 4, 2023, 341,665 stock options outstanding with an exercise price of \$0.60 per share, expiring on December 4, 2022, 991,667 stock options outstanding with an exercise price of \$0.07 per share, expiring on November 5, 2022, 108,333 stock options outstanding with an exercise price of \$0.09 per share, expiring on November 8, 2022.

Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com)

### **Subsequent Events**

On December 21, 2020, the Company received a loan in the amount of \$75,000. The loan bears interest at 10% and matures on December 21, 2021. The loan is secured against the assets of the Company.

### **Critical Accounting Estimates**

Horizon's financial and operating results contain estimates made by management in the following areas:

- Capital expenditures may be based on estimates regarding projects at various stages of evaluation, the total costs of which have not been invoiced to the Company;
- Expenses may be based on items have not been invoiced;
- Decommissioning obligations are based on estimates of future costs and the timing of expenditures;
- The recoverable value of capital assets is based on estimates that the Company expects to realize in the future; and
- Share-based compensation is based on estimates of the future volatility of the Company's common shares, among other factors.

Management's assumptions are based on factors that, in management's opinion, are relevant and appropriate. Management's assumptions may change over time as operating conditions change.

### **Decommissioning Obligations**

The Company recognizes the liability for the decommissioning associated with the abandonment of petroleum and natural gas wells, related facilities, the removal of equipment, and the restoration of land to its original condition. The fair value of the Company's obligation is recorded in the period a well or related

property is drilled, constructed or acquired. Fair value is estimated using the present value of the estimated future cash outflows to abandon the assets at the Company's risk-free interest rate based on the expected timing of such cash outflows. Future costs and their expected timing are estimates that are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates could be material in future periods.

### Share-based Compensation

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

### New accounting standards, amendments and interpretations:

#### *IFRS 9 – Financial Instruments*

Effective September 1, 2018, the Company adopted IFRS 9, Financial Instruments which resulted in changes to the accounting policy as described below. In accordance with the transitional provisions of the standard, the Company adopted this standard retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at September 1, 2018. There were no effects on opening balances at September 1, 2018 with respect to the adoption of this policy.

IFRS 9 replaces International Accounting Standard (“IAS”) 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) FVPL or FVOCI; establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	<b>Financial instrument classification</b>	
	<b>Under IAS 39</b>	<b>Under IFRS 9</b>
<b>Financial assets</b>		
Cash	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Acquisition cost payable	Other financial liabilities	Amortized cost

*IFRS 16 – Leases*

In 2016, the IASB issued IFRS 16, Leases (“IFRS 16”), replacing IAS 17, Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 was effective for annual periods beginning on or after January 1, 2019. The adoption of this IFRS had no material effect on the consolidated financial statements.

*Recent accounting pronouncements*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after September 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. Management is currently evaluating the impact of these pronouncements on the Company’s consolidated financial statements.

*IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)* were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

*IAS 1 – Presentation of Financial Statements (“IAS 1”)* was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

*IFRS 3 – Business Combinations (“IFRS 3”)* was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

*IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”)* were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

*IAS 16 – Property, Plant and Equipment (“IAS 16”)* was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is

available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

### **Risk, Uncertainties and Outlook**

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

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

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

The Company's future exploration activities will require permits from various governmental agencies charged with administering laws and regulations governing exploration, labor standards, occupational health and safety, control of toxic substances, waste disposal, land use, environmental protection and other matters. There are no guarantees that these permits will be issued or continued. Failure to comply with laws, regulations and permit conditions could result in fines and/or stop work orders, costs for conducting remedial actions and other expenses. In addition, legislation changes to existing laws and regulations could result in significant additional costs to comply with the revised terms and could also result in delays in executing planned programs pending compliance with those terms.

### **Disclaimer**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure document provided by the Company, which can be accessed [www.sedar.com](http://www.sedar.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.