HORIZON PETROLEUM LTD.

Condensed Consolidated Interim
Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

As at November 30, 2017 and for the three months
ended November 30, 2017 and 2016

HORIZON PETROLEUM LTD.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)
Unaudited
As at

	November 30, 2017	August 31, 2017
Assets		(Audited)
Current assets:		
Cash and cash equivalents	$ 1,393,103	$ 1,851,791
Receivables (note 6)	59,400	48,901
Prepaid expenses	9,541	12,554
	1,462,044	1,913,246
Exploration and evaluation assets (note 7)	2,918,875	2,802,698
Acquisition deposit (note 17)	128,808	125,788
	$ 4,509,727	$ 4,841,732
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 316,756	$ 176,102
Decommissioning obligations (note 10)	2,881,142	2,802,697
	3,197,898	2,978,799
Shareholders' equity (deficiency):		
Share capital (note 11)	17,548,206	17,548,206
Reserves (note 12)	682,772	624,754
Warrants (note 12)	97,358	97,358
Deficit	(17,016,507)	(16,407,385)
	1,311,829	1,862,933
	$ 4,509,727	$ 4,841,732

Going concern (note 1)
Commitments (note 5)

Approved by the Board:

"Yogeshwar Sharma"
Director – Yogeshwar Sharma

"Matthew Janisch"
Director - Matthew Janisch

See accompanying notes to the condensed consolidated interim financial statements.

HORIZON PETROLEUM LTD.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)
Three Months ended November 30,

		2017		2016
Expenses:				
Directors' fees	$	21,000	$	-
Foreign exchange loss (gain)		(2,217)		(1,338)
Investor relations		7,500		-
Management fees		54,000		24,000
Office		16,667		971
Professional fees		60,527		22,474
Property investigation costs (note 8)		303,337		30,000
Rent		7,485		6,000
Shareholder communications		43,187		-
Share-based payments (note 12)		58,018		21,085
Transfer agent and regulatory fees		4,611		2,349
Travel and related costs		37,682		-
		(611,797)		(105,541)
Other item:				
Interest expense (note 14)		-		(3,431)
Interest income		2,675		-
Loss and comprehensive loss for the period	**$**	**(609,122)**	**$**	**(108,972)**
Basic and diluted loss per common share	$	(0.02)	$	(0.01)
Basic and diluted weighted average number of common shares outstanding		37,777,176		8,394,942

See accompanying notes to the condensed consolidated interim financial statements.

HORIZON PETROLEUM LTD.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)
Three Months ended November 30,

	2017	2016
Cash provided by (used in):		
Operating activities		
Loss for the period	$ (609,122)	$ (108,972)
Items not affecting cash:		
Share-based payments	58,018	21,085
Unrealized foreign exchange gain	(3,335)	-
Interest expense (income)	(2,675)	3,431
Changes in non-cash working capital items	131,004	78,690
	(426,110)	(5,766)
Investing activities		
Exploration and evaluation expenditures (note 7)	(37,733)	-
Change in non-cash working capital	5,155	-
	(32,578)	-
Decrease in cash and equivalents during the period	(458,688)	(5,766)
Cash and equivalents, beginning of period	1,851,791	5,853
Cash and equivalents, end of period	$ 1,393,103	$ 87

See accompanying notes to the condensed consolidated interim financial statements.

HORIZON PETROLEUM LTD.
Condensed Consolidated Interim Statements of Changes in Equity (Deficit)
(Expressed in Canadian dollars)
(Unaudited)

	Number of shares	Share capital	Warrants	Reserves	Deficit	Total
Balance, August 31, 2016	8,394,942	$ 14,198,204	$ 33,440	$ 574,311	$ (15,235,969)	$ (430,014)
Loss for the period	-	-	-	-	(108,972)	(108,972)
Share-based payments	-	-	-	21,085	-	21,085
Balance, November 30, 2016	8,394,942	$ 14,198,204	$ 33,440	$ 595,396	$ (15,344,941)	$ (517,901)
Balance, August 31, 2017	37,777,176	$ 17,548,206	$ 97,358	$ 624,754	$ (16,407,385)	$ 1,862,933
Loss for the period	-	-	-	-	(609,122)	(609,122)
Share-based payments	-	-	-	58,018	-	58,018
Balance, November 30, 2017	37,777,176	$ 17,548,206	$ 97,358	$ 682,772	$ (17,016,507)	$ 1,311,829

During the year ended August 31, 2017, the Company completed a share consolidation on a six to one basis. All share numbers have been restated to account for the share consolidation (note 1).

See accompanying notes to the condensed consolidated interim financial statements.

1. Corporate information and Going Concern

Horizon Petroleum Ltd. ("Horizon" or the "Company") was incorporated in British Columbia. During the year ended August 31, 2014, the Company's domicile was officially changed to Jersey, Channel Islands. During the year ended August 31, 2016, the Company changed its domicile from Jersey, Channel Islands to Alberta, Canada. Consequently, the Company changed its name from Horizon Petroleum PLC to Horizon Petroleum Ltd. The principal business of the Company is the acquisition, exploration, and development of oil and gas properties.

The head office of the Company is located at 1500, 700 4th Ave. SW, Calgary, Alberta, T2P 3J4. The registered and records office of the Company is located at 15th Floor, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8.

The Company has not generated revenues from operations. These unaudited condensed consolidated interim financial statements have been 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 unaudited condensed consolidated interim 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.

The Company has incurred losses since inception and is currently not generating any revenues except for interest income. For the three months ended November 30, 2017, the Company used cash from operating activities of $426,110 (November 30, 2016 - $5,766). At November 30, 2017, the Company's cash balance was $1,393,103 (August 31, 2017 - $1,851,791) and the working capital was $1,145,288 (August 31, 2017 – $1,737,144). The Company will be required to spend the required capital expenditures as described in note 5 to keep the acquired French blocks in good standing.

2. Basis of presentation and statement of compliance

These unaudited condensed consolidated interim financial statements were authorized for issue on January 29, 2018 by the directors of the Company.

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed consolidated interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended August 31, 2017.

3. Significant accounting policies

The preparation of these unaudited condensed consolidated interim financial statements required management to make estimates and judgments and to form assumptions that affect the reported amounts of assets and liabilities. Management's estimates and judgments are continually evaluated and are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates. The significant accounting estimates and judgments applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in notes 3 and 5 to the Company's audited annual consolidated financial statements for the year ended August 31, 2017.

4. New accounting standards, amendments and interpretations:

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

IFRS 15 – Revenue from Contracts with Customers

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

IFRS 9 – Financial Instruments

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

IFRS 16 – Leases

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

The extent of the impact of adoption of these standards has not yet been determined. However, due to the fact that the Company has no revenue and has minimal transactions, the impact on adoption at this time is expected to be limited.

(Expressed in Canadian dollars)

5. Acquisition

During August 2017, the Company and Pentanova Energy Corp. ("PEC") (formerly PMI Resources Ltd. ("PMI")), completed a definitive agreement (share purchase agreement ("SPA")), under which PEC assigned to the Company its two Luxembourg subsidiaries, which indirectly hold a 100% working interest, through its wholly-owned subsidiary Petromanas SAS, in two hydrocarbon licences in southwest France known as Ledeuix and Ger.

The Ledeuix and Ger Permits will expire on August 8, 2018 and April 16, 2018, respectively. Under the terms of the license, the Company is required to spend €3 million on the Ger permit and €8 million on the Ledeuix permit prior to their expiry in order to move to the next exploration phase. The Company is currently working on extending the licences.

The fair values of the identifiable assets acquired and liabilities assumed by the Company were preliminarily allocated as follows:

Net assets		
Exploration and evaluation assets	$	2,104,458
Decommissioning obligations		(2,104,457)
	$	1
Consideration:		
Cash	$	1

The fair value of the decommissioning obligation was initially estimated using a credit adjusted rate of 10%.

6. Receivables

The Company's receivables are as follows:

		November 30, 2017		August 31, 2017
Interest income	$	5,804	$	3,129
GST receivable		53,596		45,772
	$	59,400	$	48,901

(Expressed in Canadian dollars)

7. Exploration and evaluation assets

		Cost
August 31, 2017	$	2,802,698
Additions during the period		37,733
Foreign exchange		78,444
November 30, 2017	$	2,918,875

8. Property investigation costs

All property investigation costs are related to the investigation of oil and gas opportunities within Europe.

9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

		November 30, 2017		August 31, 2017
Accounts payable	$	228,735	$	92,099
Due to related parties (Note 13)		72,797		49,003
Accrued liabilities		15,224		35,000
	$	316,756	$	176,102

10. Decommissioning obligations

The Company has estimated the present value of the decommissioning obligations which exist in relation to its properties to November 30, 2017 based on the best available information regarding the timing and amount of expected expenditure and recorded a provision of $2,881,142 (August 31, 2017 - $2,802,697). The present value of the future decommissioning obligation as November 30, 2017 assumes three years of settlement and anticipated in 2020, a discount rate of 0%, and an inflation rate of 1.0%.

Provision for reclamation	November 30, 2017	August 31, 2017
Balance, beginning of period	$ 2,802,697	$ -
Obligations acquired	-	2,104,457
Change in discount rate, pursuant to asset acquisition	-	696,575
Foreign exchange	78,445	1,665
Balance, end of period	$ 2,881,142	2,802,697

The decommissioning obligations acquired pursuant to the acquisition was initially recognized using a credit adjusted rate of 10%. It was subsequently revalued using the risk free rate at the time of the acquisition of 0%, resulting in a change of $696,575.

(Expressed in Canadian dollars)

11. Share capital

Authorized:

- Unlimited common shares without par value and an unlimited number of preferred shares without par value, all issued shares, consisting only of common shares that are fully paid.

  During May 2017, the Company's common shares were consolidated on a basis of six to one. The numbers of the shares presented in these audited annual consolidated financial statements have all been adjusted to reflect the impact of this share consolidation.

During the year ended August 31, 2017, the Company:

- issued 16,882,334 common shares at $0.12 per common share for gross proceeds totaling $2,025,895 pursuant to the completion of two tranches of a non-brokered private placement. In conjunction with the issuance of the shares, the Company incurred share issuance costs of $111,975 which included cash costs comprised of legal and filing fees of $19,758 and finders' fees payments of $92,217, as well as a non-cash cost of $52,404 relating to the valuation of the issuance of 767,640 finders' warrants. Each finder's warrant enabled the holder to acquire one additional common share for $0.12 per share for a one-year period. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: expected life one year; volatility – 110%; dividend rate – nil; risk free interest rate – 0.71%.

- Furthermore, under the SPA, PEC agreed to invest $1,500,000 into the Company by way of a third tranche of a non-brokered private placement. The Company issued 12,500,000 common shares at a price of $0.12 per share for gross proceeds totaling $1,500,000 pursuant to the completion of a non-brokered private placement.

12. Reserves

(a) Stock options:

Option plan:

The Company has a stock option plan covering the grant of options to its directors, officers and employees. A limit of 10% of the issued and outstanding common shares base can be issued in stock options without shareholder approval. The stock option plan provides that the options are for a maximum term of ten years and that the option exercise price shall be for not less than the market price on the grant date.

As at November 30, 2017, the Company had the following outstanding stock options:

	Number of options	Weighted average exercise price
Balance, August 31, 2017	603,664	$ 0.65
Granted	2,225,000	0.07
Balance, November 30, 2017	2,828,664	0.20
Number of options currently exercisable	873,110	$ 0.23

The weighted average remaining contractual life for the share options outstanding as at November 30, 2017 is 4.70 years (August 31, 2017 – 5.10 years).

(Expressed in Canadian dollars)

12. Reserves (continued)

(a) Stock options (continued):

As at November 30, 2017, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of options	Exercise price	Expiry date
95,333	$ 0.90	August 4, 2023
508,331	0.60	December 4, 2022
325,000	0.09	November 8, 2022
1,500,000	0.07	November 5, 2022
400,000	0.07	November 5, 2019
2,828,664		

(b) Share-based payments:

During the three months ended November 30, 2017, the Company granted 2,225,000 (November 30, 2016 – Nil) stock options. The fair value of the options granted during the period is $144,154 (2016 - $Nil), based on the Black-Scholes option pricing model. For the three months ended November 30, 2017, the share-based payments expense recognized was $58,018 (November 30, 2016 - $21,085).

The following assumptions were used for the Black-Scholes option pricing model:

	2017
Risk-free interest rate	1.63%
Expected life of options	5 years
Annualized volatility	164%
Dividend rate	0.00%
Forfeiture rate	0.00%

(c) Warrants:

Warrant transactions and the number of warrants are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, August 31, 2016	557,333	$ 0.45
Issued	767,640	0.12
Balance, August 31, 2017 and November 30, 2017	1,324,973	$ 0.26

As at November 30, 2017 and August 31, 2017, the Company had outsanding warrants enabling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
533,333	$ 0.45	August 2, 2018
24,000	0.45	August 2, 2018[(i)]
767,640	0.12	February 20, 2018[(i)]
1,324,973		

(i) finder's warrants

(Expressed in Canadian dollars)

13. Related party transactions

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

	November 30, 2017	November 30, 2016
Executive compensation (1) to (5)	$ 81,834	$ 73,500
Non-executive directors' fees (6)	21,000	-
Rent (7)	-	6,000
Interest(8)	-	3,431
Share-based payments	58,018	21,085
	$ 160,852	$ 104,016

(1) Includes $24,000 (2016 - $24,000) in management fees paid or accrued to the Company's VP- business development and $30,000 (2016 – Nil) to the Company's current CEO.

(2) Includes $9,000 (2016 - $9,000) in professional fees paid or accrued to the Company's former CFO.

(3) Includes $8,334 (2016 - $Nil) in professional fees paid or accrued to the Company's current CFO.

(4) Includes $Nil (2016 - $30,000) in property investigation costs paid or accrued to the current CEO of the Company.

(5) Includes $10,500 (2016 - $10,500) in professional fees paid or accrued to a company controlled by the corporate secretary of the Company.

(6) Includes $21,000 (2016 - $Nil) in directors' fees paid or accrued to three non-executive directors of the Company.

(7) Includes $Nil (2016 - $6,000) in rent paid or accrued to company with three directors of the Company in common.

(8) Includes $Nil (2016 - $3,431) in interest expense paid or accrued to directors of the Company (Note 14).

Included in accounts payable and accrued liabilities at November 30, 2017 is $72,797 (August 31, 2017 - $49,003) owing to related parties, all in respect of the above transactions. All related party transactions were conducted on arm's length terms.

14. Loans payable

Promissory notes payable

During the year ended August 31, 2017, the Company repaid, in full, all of the promissory notes along with related accrued interest of $13,065.

15. 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:

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

The carrying values of cash and cash equivalents, accounts receivables, acquistions deposit, accounts payable and accrued liabilities and promissory notes approximate their fair values because of their short terms to maturity.

(a) Financial instrument risk exposure and risk management:

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

Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, 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.

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 generate interest at fixed or variable rates. The Company is not exposed to material interest rate risk.

Foreign currency

The Company is exposed to foreign currency risk as some of its cash and equivalents and accounts payable and accrued liabilities are held in US Dollars (USD), GBP and EURO. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The exposure of the Company's cash and cash equivalents does not have significant exposure to changes in exchange rates.

(Expressed in Canadian dollars)

15. Financial instruments and risk management (continued)

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

	November 30, 2017		August 31, 2017	
	Amount in foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:				
Accounts payable and accrued liabilities	67,000	$ 83,750	3,500	$ 4,402
Great British Pounds:				
Accounts payable and accrued liabilities	-	-	3,360	5,453
Total financial liabilities		$ 83,750		$ 9,855

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 November 30, 2017, the Company had cash and equivalents of $1,393,103 to settle current liabilities of $316,756. The Company will require further financings to cover its expected cash requirements for the next twelve months. (See note 1 to these condensed consolidated interim financial statements).

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

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

17. Significant transaction

During June 2017, the Company entered into a memorandum of understanding ("MOU") regarding the acquisition of a 100% interest in up to five conventional oil and gas concessions in Poland from San Leon Energy plc ("SLE"). Subsequent to this, the Company entered into a series of definitive agreements with SLE, in September 2017, for the acquisition of the five concessions in onshore Europe.

17. Significant transaction (continued)

Under the terms of the MOU, the Company advanced US$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. US$100,000 (Cdn$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 US$100,000 (Cdn$128,808) was advanced as a loan which bears interest at the rate of 6% per anum.

Under the terms of the definitive agreements, the Company 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) Cdn$1,000,000 in common shares in the capital of Horizon (“Horizon Shares”), based on Horizon meeting specific issuance terms. The Horizon Shares are to be issued at the lesser of a) Cdn$0.20 per share, b) the lowest price per share at which Horizon completes an equity placement for a minimum of Cdn$1 million, up to but not including the date of closing of the acquisition (the “Completion Date”), and c) the volume weighted average price per Horizon Share for the period of 10 trading days immediately prior to the Completion Date. If Horizon is unable to meet the specific issuance terms by the Completion Date, it will be required to pay to SLE the equivalent value of the Horizon 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.