



HORIZON PETROLEUM LTD.

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

As at February 28, 2018 and for the three and
six months ended February 28, 2018 and 2017

HORIZON PETROLEUM LTD.

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

	February 28, 2018	August 31, 2017
		(Audited)
Current assets:		
Cash and cash equivalents	\$ 746,764	\$ 1,851,791
Receivables (note 6)	72,109	48,901
Prepaid expenses	5,324	12,554
	824,197	1,913,246
Exploration and evaluation assets (note 7)	3,011,272	2,802,698
Acquisition deposit (note 16)	127,911	125,788
	\$ 3,963,380	\$ 4,841,732

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 296,356	\$ 176,102
Decommissioning obligations (note 10)	2,932,356	2,802,697
	3,228,712	2,978,799
Shareholders' equity:		
Share capital (note 11)	17,548,206	17,548,206
Reserves (note 12)	710,685	624,754
Warrants (note 12)	97,359	97,358
Deficit	(17,621,582)	(16,407,385)
	734,668	1,862,933
	\$ 3,963,380	\$ 4,841,732

Going concern (note 1)

Commitments (note 5)

See accompanying notes to the condensed consolidated interim financial statements.

HORIZON PETROLEUM LTD.

Condensed Consolidated Interim Statements of Operations, Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months February 28, 2018	Three months February 28, 2017	Six months February 28, 2018	Six months February 28, 2017
Expenses:				
Directors' fees	\$ 21,000	\$ -	\$ 42,000	\$ -
Foreign exchange loss (gain)	4,442	(485)	2,225	(1,823)
Investor relations	27,740	-	35,240	-
Management fees	66,500	54,000	120,500	108,000
Office	10,925	3,910	27,592	4,881
Professional fees	110,493	44,623	171,020	67,097
Property investigation costs (note 8)	297,725	-	601,062	-
Rent	23,179	6,000	30,664	12,000
Shareholder communication	5,300	118,783	48,487	118,783
Share-based payments (note 12)	27,913	9,982	85,931	31,067
Transfer agent and regulatory fees	4,628	5,560	9,239	7,909
Travel and related costs	8,619	21,991	46,301	21,991
	(608,464)	(264,364)	(1,220,261)	(369,905)
Other Items:				
Interest income	3,389	-	6,064	-
Interest expense	-	(3,594)	-	(7,025)
	3,389	(3,594)	6,064	(7,025)
Loss and comprehensive loss for the period	\$ (605,075)	\$ (267,958)	\$ (1,214,197)	\$ (376,930)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.04)
Weighted average number of common shares outstanding	37,777,176	9,742,557	37,777,176	9,065,027

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)
Six Months ended February 28,

	2018	2017
Cash provided by (used in):		
Operating activities		
Loss for the period	\$ (1,214,197)	\$ (376,930)
Items not affecting cash:		
Share-based payments	85,931	31,067
Unrealized foreign exchange (gain)	(2,122)	-
Interest expense (income)	(3,770)	7,025
Changes in non-cash working capital items	100,885	(208,401)
	(1,033,273)	(547,239)
Financing activities		
Promissory notes payable	-	(137,636)
Shares issued for cash, net	-	1,746,167
	-	1,608,531
Investing activities		
Exploration and evaluation expenditures (note 7)	(78,916)	-
Change in non-cash working capital items	7,162	-
	(71,754)	-
Decrease in cash and equivalents during the period	(1,105,027)	1,061,292
Cash and equivalents, beginning of period	1,851,791	5,853
Cash and equivalents, end of period	\$ 746,764	\$ 1,067,145

See accompanying notes to the condensed interim financial statements.

HORIZON PETROLEUM LTD.

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian dollars)
(Unaudited)

	Number of shares	Share capital	Subscription Received	Warrants	Reserves	Deficit	Total
Balance, August 31, 2016	8,394,942	\$ 14,198,204	\$ -	\$ 33,440	\$ 574,311	\$ (15,235,969)	\$ (430,014)
Shares issued for cash, net	15,115,667	1,705,168	-	15,514	-	-	1,716,682
Subscription received in advance	-	-	29,485	-	-	-	29,485
Loss for the period	-	-	-	-	-	(376,930)	(376,930)
Share-based payments	-	-	-	-	31,067	-	31,067
Balance, February 28, 2017	23,510,609	\$ 15,903,372	\$ 29,485	\$ 48,954	\$ 605,378	\$ (15,612,899)	\$ 970,290
Balance, August 31, 2017	37,777,176	\$ 17,548,206	\$ -	\$ 97,358	\$ 624,754	\$ (16,407,385)	\$ 1,862,933
Loss for the period	-	-	-	-	-	(1,214,197)	(1,214,197)
Share-based payments	-	-	-	-	85,931	-	85,931
Balance, February 28, 2018	37,777,176	\$ 17,548,206	\$ -	\$ 97,358	\$ 710,685	\$ (17,621,582)	\$ 734,667

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 11).

See accompanying notes to the condensed consolidated interim financial statements.

HORIZON PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

As at February 28, 2018 and for the Three and Six Months Ended February 28, 2018 and 2017

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 six months ended February 28, 2018, the Company used cash from operating activities of \$1,033,273 (February 28, 2017 - \$547,239). At February 28, 2018, the Company’s cash balance was \$746,764 (August 31, 2017 - \$1,851,791) and the working capital, which we define to exclude decommissioning obligations, was \$527,841 (August 31, 2017 – \$1,737,144). In addition the Company has a decommissioning obligation of \$2,932,356 at February 28, 2018 (August 31, 2017 - \$2,802,697). 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 April 27, 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.

HORIZON PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

As at February 28, 2018 and for the Three and Six Months Ended February 28, 2018 and 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.

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 will expire on August 8, 2018. Under the terms of the license, the Company is required to spend €8 million on the Ledeuix permit prior to its expiry in order to move to the next exploration phase. The Company is currently working on extending the licences.

The Ger permit expired on April 16, 2018 and had a €3 million commitment to spend. On expiry the permit reverted back to the government of France and the commitment to spend also expired with no penalty to the Company.

HORIZON PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

As at February 28, 2018 and for the Three and Six Months Ended February 28, 2018 and 2017

5. Acquisition (continued)

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:

	February 28, 2018	August 31, 2017
Interest income	\$ 5,370	\$ 3,129
GST receivable	66,739	45,772
	\$ 72,109	\$ 48,901

7. Exploration and evaluation assets

	Cost
August 31, 2017	\$ 2,802,698
Additions during the period	78,916
Foreign exchange	129,658
February 28, 2018	\$ 3,011,272

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:

	February 28, 2018	August 31, 2017
Accounts payable	\$ 286,132	\$ 92,099
Due to related parties (Note 13)	-	49,003
Accrued liabilities	10,224	35,000
	\$ 296,356	\$ 176,102

HORIZON PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

As at February 28, 2018 and for the Three and Six Months Ended February 28, 2018 and 2017

10. Decommissioning obligations

The Company has estimated the present value of the decommissioning obligations which exist in relation to its properties to February 28, 2018 based on the best available information regarding the timing and amount of expected expenditure and recorded a provision of \$2,932,356 (August 31, 2017 - \$2,802,697). The present value of the future decommissioning obligation as February 28, 2018 assumes three years of settlement and anticipated in 2020, a discount rate of 0%, and an inflation rate of 1.0%.

	February 28, 2018	August 31, 2017
Provision for reclamation		
Balance, beginning of period	\$ 2,802,697	\$ -
Obligations acquired	-	2,104,457
Change in discount rate, pursuant to asset acquisition	-	696,575
Foreign exchange	129,659	1,665
Balance, end of period	\$ 2,932,356	\$ 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.

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 condensed consolidated interim financial statements have all been adjusted to reflect the impact of this share consolidation.

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.

HORIZON PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

As at February 28, 2018 and for the Three and Six Months Ended February 28, 2018 and 2017

12. Reserves (continued)

As at February 28, 2018, 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, February 28, 2018	2,828,664	0.20
Number of options currently exercisable	1,142,554	\$ 0.30

The weighted average remaining contractual life for the share options outstanding as at February 28, 2018 is 4.45 years (August 31, 2017 – 5.10 years).

As at February 28, 2018, 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 six months ended February 28, 2018 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 and six months ended February 28, 2018, the share-based payments expense recognized was \$27,913 and \$85,931 (three and six months ended February 28, 2017 \$9,982 and \$31,067).

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

	2018
Risk-free interest rate	1.63%
Expected life of options	5 years
Annualized volatility	164%
Dividend rate	0.00%
Forfeiture rate	0.00%

HORIZON PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

As at February 28, 2018 and for the Three and Six Months Ended February 28, 2018 and 2017

12. Reserves (continued)

(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	1,324,973	\$0.26
Expired	767,640	\$0.12
Balance, February 28, 2018	557,333	\$0.45

As at February 28, 2018, Company had outstanding 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⁾

(i) finder's warrants

13. Related party transactions

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

	February 28, 2018	February 28, 2017
Executive compensation (1) to (6)	\$ 176,167	\$ 147,000
Non-executive directors' fees (7)	42,000	-
Rent (8)	-	12,000
Interest (9)	-	7,025
Share-based payments	85,931	31,067
	\$ 304,098	\$ 197,092

(1) Includes Nil (2017 \$48,000) in management fees paid or accrued to the Company's former interim CEO.

(2) Includes \$60,000 (2017 \$60,000) in management fees paid or accrued to the Company's current CEO.

(3) Includes Nil (2017 \$18,000) in professional fees paid or accrued to the Company's former CFO.

(4) Includes \$29,167 (2017 Nil) in management fees paid or accrued to the Company's current CFO.

(5) Includes \$48,000 (2017 Nil) in management fees paid or accrued to the Company's current VP-Business Development.

(6) Includes \$39,000 (2017 - \$21,000) in professional fees paid or accrued to a company controlled by the corporate secretary of the Company.

(7) Includes \$42,000 (2017 - \$Nil) in directors' fees paid or accrued to three non-executive directors of the Company

(8) Includes Nil (2017 \$12,000) in rent paid or accrued to a company with three directors of the company in common.

(9) Includes Nil (2017 \$7,025) in interest expense paid or accrued to directors of the company (Note 14)

Included in accounts payable and accrued liabilities at February 28, 2018 is \$85,574 (August 31, 2017 - \$49,003) owing to related parties. All related party transactions were conducted on arm's length terms.

HORIZON PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

As at February 28, 2018 and for the Three and Six Months Ended February 28, 2018 and 2017

14. 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, acquisitions 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.

HORIZON PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

As at February 28, 2018 and for the Three and Six Months Ended February 28, 2018 and 2017

14. Financial instruments and risk management (continued)

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

	February 28, 2018		August 31, 2017	
	Amount in foreign currency	Amount in CAD dollars	Amount in foreign currency	Amount in CAD dollars
United States dollars:	(7,004)	\$ (9,012)	3,500	\$ 4,402
Great British Pounds:	-	-	3,360	5,453
Euro:	49,273	77,001	-	-
Total financial liabilities		\$ 67,989		\$ 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 February 28, 2018, the Company had cash and equivalents of \$746,764 to settle current liabilities of \$296,356. 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).

15. 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 exploration 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.

16. 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.

HORIZON PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

As at February 28, 2018 and for the Three and Six Months Ended February 28, 2018 and 2017

16. 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\$127,911) was advanced as a loan which bears interest at the rate of 6% per annum.

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.