Horizon

Horizon Petroleum Ltd.

Management's Discussion and Analysis
Three months Ended November 30, 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 three months ended November 30, 2019, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended November 30, 2019 (the "Interim Statements"). The Interim Statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting and do not include all the information required for full annual financial statements. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the year ended August 31, 2019 and the related notes thereto. All dollar amounts included in the Interim Statements and in this MD&A are expressed in Canadian dollars except where otherwise 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.

The common shares of the Company trade on the TSX Venture Exchange ("TSXV") under the symbol "HPL".

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 Interim 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 Interim 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 the Company's 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 of 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 information included in this MD&A includes, but is not limited to:

- oil and natural gas properties in which we may acquire an interest;
- business strategy and planned acquisition and development strategy;
- expectations regarding the Company's ability to raise capital;
- future operating and financial results;
- the completion of the Transformation Process to transform the Bielska-Biala and Cieszyn Concessions in Poland to the new concession laws and the timing thereof;
- plans with respect to relinquishing the Company's permits in France;
- 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

During the reporting periods the Company continued in its business development activities in Poland which are described below under Poland Transaction. These activities were largely focused on progressing the acquisition of natural gas concessions from San Leon Energy as described more fully below. The Company focused on preserving capital due to the challenging financial environment and limited expenses to essential general and administration expenses.

The Company's Interim CFO and Directors resigned his position in during the reporting period to pursue another business opportunity. David Winter has taken the responsibility of Interim-CFO in addition to his CEO duties until a replacement is made.

Poland Transaction

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.

In April 2019 the Company achieved pre-qualification to conduct oil and gas activities in Poland. The pre-qualification with the Polish Government allowed the Company to progress the acquisition of Polish subsidiaries.

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. Until the Transformation Process is completed there are no current operations on the concessions and the final work program to be executed on the concessions is still to be finalized under the Transformation Process. At this time, it is not possible to determine if, or when, the Transformation Process will be successfully completed. The timing of completing the Transformation process has been severely impacted by travel and work restrictions imposed to combat the Covid-19 pandemic.

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.

Horizon

Horizon Petroleum Ltd.

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
Total	$2,796,694

Asset Impairment

At November 30, 2019 the Company had a $954,926 well abandonment obligation on the Ger permit. There are no other spending obligations in France at November 30, 2019.

Operational Results

For the three months ended November 30, 2019 the Company had a loss of $105,463 with cash used in operating activities of $87,578 for the three months ended November 30, 2019. The loss for the three months ended November 30, 2018 was $202,454.

Quarterly Information

	Q1 2020			
	3 months November 30 2019 $	3 months August 31 2019 $	3 months May 31 2019 $	3 months February 28 2019 $
Total Assets	248,111	305,671	548,424	616,583
Total Revenue	**0**	**0**	**0**	**0**
Working Capital (deficiency)	(3,655,651)	(3,551,250)	356,500	434,342
Profit (loss)and comprehensive	(105,463)	(2,920,668)	(233,212)	(231,478)
Weighted average number of common shares	59,857,176	59,857,176	59,857,176	59,857,176
Loss per-share (basic & diluted)	0.00	0.00	0.00	0.00

	3 months November 30 2018 $	3 months August 31 2018 $	3 months May 31 2018 $	3 months February 28 2018 $
Total Assets	997,156	405,244	3,623,351	3,963,380
Total Revenue	**0**	**0**	**0**	**0**
Working Capital (deficiency)	686,950	(158,142)	221,205	527,841
Profit (loss)and comprehensive	(202,454)	1,481,037	243,466	605,075
Weighted average number of common shares	59,857,176	59,857,176	59,857,176	59,857,176
Loss per-share (basic & diluted)	(0.05)	(0.04)	(0.01)	(0.05)

Result of Operations

			2019	2018
Expenses				
	Directors Fees	$	0	21,000
	Management Fees		4,216	81,131
	Professional Fees		76,819	22,962
	Salaries and Benefits		531	18,767
	Office		16,096	2,462
	Property Investigation Cost		1,663	5,338
	Rent		1,493	19,124
	Shareholder Comm		231	4,939
	Inv. Relations		1,015	15,000
	Transfer Agent & Regulatory Fees		0	724
	Travel and Related Costs		0	497
	Share based Payments		0	17,665
	Foreign Exchange		3,399	(5,190)
Total Expenses			**105,463**	**204,419**
Financing Items:				
	Interest Income		0	1,965
Loss and Comprehensive Loss for the Period		**$**	**(105,463)**	**(202,454)**
Basic and diluted loss per common share			0.00	0.00
Basic and diluted weighted avergae number of common shares outstanding			59,857,176	53,140,692

Professional fees
Professional fees during the Current Period were $76,819 versus $22,962 for the Comparative Period. The largest increase in the three months ended November 30, 2019 versus the comparative period was due to the hiring of a financial advisory firm to assist in financing.

Property Investigation Costs
Property investigation costs during the Current Period were $1,663 versus $5,338 for the Comparative Period. For the Current Period and the Comparative Period, we have been focusing on completing the regulatory process in Poland which has not required a large amount of costs so far.

Management fees
Management fees during the Current Period were $4,216 versus $81,131 for the Comparative Period. Management fees consist primarily of payments made to the CEO and the Interim CFO. Management fees decreased during the three months ended November 30, 2019 versus the Comparative Period due to the Board deciding to cancel Board and Management fees to conserve capital.

Salaries and wages
Salaries and Benefits during the Current Period were $531 versus $18,767 for the Comparative Period. The Current Period and Comparative Period costs relate to an employee in France who is managing the French asset.

Directors fees
Directors fee during the Current Period were $0 and 21,000 for the comparative period. The reduction is due to the Board deciding to cancel Board and Management fees to conserve capital.

Office and Rent
Office and Rent during the Current Period was $16,096 and $1,493 and was consistent with the Comparative Period with expenditures of $2,462 and $19,124.

Travel and Related
Travel and Related costs during the Current Period were $0 versus Comparative Period expenditures of $497. The higher costs in the Comparative Period reflect the business development work being done in Europe during that period. Travel was reduced to essential travel only to conserve capital.

Horizon's projects have not generated revenue. Please see disclosure under Poland in the Highlights and Overview section of this MD&A 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

The Company had working capital of $ (66,876) and cash and equivalents on hand of $212,133 as at November 30, 2019. This compares to working capital of $47,398 and cash on hand of $220,144 as at August 31, 2019. The Company has an asset retirement obligation of $954,926 as at November 30, 2019.

In August 31, 2019 the Company incurred a long-term liability resulting from the classification of the purchase price of its Polish assets of $2,608,303.

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. The Company will need to raise further capital most likely through private placements. The capital for future developments of the Polish gas projects will be raised by a combination of debt and equity financings and future cashflows from an initial gas production from the gas fields.

To continue as a going concern and to meet its corporate and financial 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. Failure to obtain such financing on a timely basis could cause the Company to reduce capital spending and could lead to the loss of the concessions due to a failure to demonstrate financial capacity to complete the agreed work programs.

The Company's Interim 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 Interim 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

During fiscal 2019 we determined that there is no current market for the Ledieux assets and further we believe the expected future cash flow from the French assets are zero as we do not have the funds to develop the asset and any future fundraising would be directed towards the Company's opportunities in Poland .

After impairment, the carrying value of the Ledieux assets at November 30, 2019 and August 31, 2019 is nil.

In Poland, the Bielska-Biala and Cieszyn concessions are currently suspended until the Transformation Process has been completed with the Polish Government. Once completed Horizon will have title to the concessions and be able to commence operations under a work program that remains to be finalised with the Government.

Related Party Transactions

Included in accounts payable and accrued liabilities as at November 30, 2019 is $17,995 (August 31, 2019 - $44,763) owing to related parties. All related party transactions were conducted on arm's length terms.

Off Balance Sheet Arrangements

The Company has no off-Balance Sheet arrangements as at the date of this report.

Contingent Liabilities

The Company has no Contingent Liabilities as at the date of this report.

Capital Resources and Commitments

In France, the Ger license expired on April 16, 2018 and carries an outstanding obligation to abandon a previously drilled well. The Company valued the asset retirement obligation at $954,926 as at November 30th, 2019 (August 31, 2018 - $959,989). There is no current time frame required for abandoning this well. Funds for the abandonment are expected to come from the cash flow generated from a future acquisition, and/or a future equity issue. The Ger license also carried a commitment to spend of €3 million which expired with the license without penalty or obligation to the Company.

The Ledieux license expired on August 8, 2018. At the time of expiry, the Company 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 which may result in a further monetary commitment to develop the block. There is no timeframe as to when an extension may be granted or refused.

Proposed Transactions

See section on "Poland" under Highlights and Overview above.

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 of the Company's financial instruments approximate their fair value as at November 30, 2019 and August 31, 2018 due to their short term nature.

The Company does not have any financial instruments recognized at fair value. The carrying values of cash and cash equivalents, accounts receivables, acquisitions deposit, and accounts payable and accrued liabilities 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 and equivalents, 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 and equivalents, 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.

(e) 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 30th, 2019, the Company had cash and equivalents of $212,133 to settle current liabilities of $256,447. The Company will require further financings to cover its expected cash requirements for the next twelve months. (See note 1 to the Interim financial statements).

Business Risks and Uncertainties

The Company is a junior resource exploration and development company, with no material property interests. Resource exploration and development is inherently speculative in nature, and generally risky for many varied reasons. The Company has a limited history of operations and there can be no assurance the Company's business will be successful or profitable.

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

No History of Earnings

The Company has no history of earnings, limited cash reserves, and a limited business history. The Company is in the "start-up" phase of its plan to enter the oil and natural gas industry as a junior exploration company; and the operations are not sufficiently established such that it can mitigate the risks associated with itsplanned activities.

Substantial Capital Requirements: Liquidity

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

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

Dependence on Key Personnel

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

Conflicts of Interest

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

Management of Growth

Should the Company be successful in the development of the Bielska-Biala concessions, and in identifying and acquiring any further interests in a material oil and natural gas project orprojects, the Company may be subject to growth-related risks, capacity constraints and pressure on its internal systems and controls, particularly given the early stage of development and limited number of management personnel.

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

Issuance of Debt

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

Volatile Stock Price

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

Dividends

The Company has not paid any dividends and is unlikely to pay dividends in the immediate or foreseeable future. The future payment of dividends will be dependent upon realizing revenues, generating net income, the financial requirements to finance future growth, the overall financial condition, and other factors which the Board may consider appropriate in the circumstances. There is no assurance the Company will ever be in a position to pay dividends, or that the same will be paid even if net income was available for distribution.

Oil and Natural Gas Property Risks

Acquisition Risks

The Company currently has interests in Poland in connection with the Poland Transaction. There are further, though limited, potential acquisition, exploration, exploitation, development and production opportunities. Management will continue to evaluate prospects on an ongoing basis. The Company's long-term commercial success will depend on its ability to acquire, develop and commercially exploit natural gas reserves in Poland and Europe. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, it may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Exploration, Exploitation, Development and Production Risks

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

It is difficult to project the costs of implementing drilling programs due to the inherent uncertainties of drilling in the gas bearing reservoirs at the Lachowice gas field and also in unknown formations.

The costs associated with encountering various drilling conditions such as over-pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior wells or additional seismic data and interpretations thereof are difficult to predict.

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

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

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

No Assurance of Title

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

The Company is reliant on the successful completion of the Transform Process to convert the Bielska-Biala and Cieszyn concessions to the new concession law. This involves negotiations to finalise the work programs to be conducted and the value of the concession fees and guarantees that will be paid to the Government. These negotiations are yet to be concluded.

Licensing and Permitting Delays

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

Disruptions in Production

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

Shortages of Equipment and Access Restrictions

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

Industry Risks

The Company's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond the Company's control, including:

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

Because of these factors, the Company may be unable to execute projects on time, on budget or at all, and may notbe able to effectively market the oil and natural gas that it hopes to produce.

Environmental Concerns

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

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

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws or agricultural or other land use requirements will not result in a curtailment of future production and operations or a material increase in operating costs, gas development and exploration activities or otherwise adversely affect the Company's financial condition, results of operation or future prospects.

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

Our future operations will be subject to various Polish and European Union environmental laws. The Company intends to conduct its oil and gas activities in an environmentally responsible manner and in accordance with all applicable laws.

There can be no assurance that any new environmental laws, regulations, or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect upon the Company's business, financial condition and results of operations.

Climate Change Legislation

Governments around the world have become increasingly focused on addressing the impacts of global climate change, particularly in the reduction of gases with the potential to contribute to greenhouse gas levels in the atmosphere. The oil and natural gas industry is subject to stringent environmental regulations in Poland and Europe. The political climate is leading to new programs for environmental laws and regulations, particularly in relation to the reductions of emissions and emissions intensities and there is a risk that any such programs, laws and regulations, if proposes and enacted, will contain emission reduction targets that may result in operating restrictions and/or compliance costs to avoid a breach of applicable legislation.

Governments climate change policies are emerging and evolving at the regional, national and international levels in Poland and Europe. Political and economic events may significantly affect the scope and timing of climate change measures that are ultimately implemented. The implementation of such climate change strategies by the government in Poland or any country the Company may operate in the future for reducing greenhouse gas emissions could have a material impact on the future operations and financial condition of the Company. Furthermore, concerns about climate change have resulted in a number of concerned parties opposing the continued exploitation and development of hydrocarbons. Given the evolving nature of t he climate change debate and the resulting potential changes to climate change and environmental legislation, it is not possible to predict the impact of such changes on the Company, its future operations, its financial condition and its ability to raise capital or other financing and its future cost of capital.

Public Health Crises

A regional, national or international outbreak of a contagious disease, such as Covid-19, could have an adverse effect on local, regional and potentially global economies that may adversely impact the demand and prices for oil and gas. A public health crisis could also impact the Company's ability to conduct operations and may result in temporary shortages of personel to the extent that the Company's work force is impacted. Such an impact could have a material adverse effect on the Company's business, financial condition, organization, results of operations and future cash flows.

Governmental Regulation

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

Competition

The oil and natural industry is highly competitive. The Company actively competes for oil and natural gas rights and lands, reserve acquisitions, exploration, exploitation and development leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and natural gas companies, many of which have significantly greater financial and other resources. As such the Company cannot guarantee that it will be able to access the personnel required with the appropriate expertise and experience.

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 Interim 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 November 30, 2019 the Company had:

(a) 59,857,176 common shares issued and outstanding;

(b) 95,333 stock options outstanding with an exercise price of $0.90 per share, expiring on August 4, 2023, 508,331 stock options outstanding with an exercise price of $0.60 per share, expiring on December 4, 2022, 1,500,000 stock options outstanding with an exercise price of $0.07 per share, expiring on November 5, 2022, and 325,000 stock options outstanding with an exercise price of $0.09 per share, expiring on November 8, 2022; and

(c) 1,087,200 broker warrants with an exercise price of $0.05 per share, expiring on September 26, 2021.

Additional information is available on SEDAR at www.sedar.com

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 Interim 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.

Accounting standards, amendments and interpretations:

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 were effective for annual reporting periods beginning on or after January 1, 2020. The adoption of this IFRS had no material effect on the consolidated financial statements.

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 were effective for annual reporting periods beginning on or after January 1, 2020. 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 potential impact of these pronouncements on the Company's consolidated financial statements.

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 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 will be 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.

The extent of the impact of adoption of these standards has not yet been determined. However, since the Company has no revenue and has minimal transactions, the impact on adoption at this time would be limited.

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. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.