



**Management's Discussion and Analysis
Six months ended February 28, 2022**

This management's discussion and analysis of financial position and results of operations ("MD&A"), prepared and dated as of June 2, 2022 provides an analysis of the operations and financial results of Horizon Petroleum Ltd. ("Horizon" or the "Company") for six months ended February 28, 2022, and should be read in conjunction with the audited consolidated financial statements for the years ended August 31, 2021 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

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

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

Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

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

Going Concern

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

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

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

Forward-looking Statements

This MD&A contains or incorporates by reference forward-looking information and statements (together “forward looking statements”) which means disclosure regarding possible events, conditions, acquisitions, or results of operations that are based on assumptions about 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 statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward looking statements are only predictions and actual events, or results may differ materially. Although we believe that the expectations reflected in the forward-looking statements and information are reasonable it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies.

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

- substantial capital requirements and liquidity;
- business strategy and planned acquisition and development strategy;
- expectations regarding our ability to raise capital;
- 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;
- financing risks and dilution to shareholders;
- oil and natural gas properties in which we may acquire an interest; and
- future operating and financial results.

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 its limited activities in Poland which are described below under the section titled "Poland Acquisition". These activities were largely focused on progressing the acquisition of natural gas concessions from San Leon Energy plc as described more fully below. The onset of the Covid-19 pandemic, as well as the Company's limited financial resources, considerably delayed any further progress in Poland. At this time the Company is focused on pursuing potential financing transactions to allow it to progress its activities in Poland, as well as certain strategic alternatives. The Company is currently preserving capital to the extent possible and has limited expenses to essential general and administration expenses.

In January of 2020 the Company was issued with cease trade orders by the Alberta Securities Commission and British Columbia (the "CTOs") for failure to file its audited financial statements and associated annual filings. At present, the CTOs remain in full force and effect. On January 7, 2020 the Company was halted from trading on the TSXV as a result of the issuance of the CTOs. Subsequent to the issue of the CTOs, on February 14, 2022 the Company was transferred to the NEX board of the TSXV.

The Company's results are described more fully in the following sections:

Poland Acquisition

In June of 2017, the Company entered into a memorandum of understanding ("MOU") regarding the acquisition of a 100% interest in certain wholly owned Polish subsidiaries (the "Poland Subsidiaries") of San Leon Energy plc ("SLE"). Two of the Polish Subsidiaries hold two conventional oil and natural gas concessions in Poland, while the remaining two were formed by SLE to hold two additional concessions once finally awarded and ratified by the Polish government. The Company entered into a series of definitive agreements with SLE, in September 2017, for the acquisition of the Poland Subsidiaries (the "Acquisition"). An application for a fifth concession was submitted to the Polish Government by a subsidiary of SLE that was pending award. The Company agreed to acquire this fifth concession subject to the concession being awarded to SLE.

The Bielska-Biala and Cieczsyn Concessions (the "Primary Concessions") are held in a partnership structure by Energia Karpaty Zachodnie SP. Z.O.O SP.K. ("EKZ") and Energia Karpaty Zachodnie spolka z ograniczona odpowiedzialnoscia Sp. K. The Kotlarka concession and the Prucise concessions were to be held by Kotlarka Energy spolka z ograniczona odpowiedzialnoscia and Prucise Energy spolka z ograniczona odpowiedzialnoscia respectively once the award of these concessions had been finally ratified by the Polish government. The fifth concession, Buchowice, would have been acquired from SLE by EKZ upon award and ratification.

Under the terms of the MOU, the Company advanced USD\$200,000 to SLE to cover certain obligations relating to the concessions going forward where such obligations would be assumed by the Company upon the completion of the Acquisition. USD\$100,000 (\$133,608) of the advance was non-refundable if the transaction was 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 "Loan").

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:

- 5) 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 remain 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 Kotlarka and Prucise concessions, and for the Buchowice concession (together the "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 the Kotlarka and Prucise concessions in January 2020. SLE also withdrew the application for the Buchowice concession in January 2020. The Company considered that the financing environment for financing exploration programs had deteriorated such that it could not meet the financial capability to meet the exploration commitments. The Primary Concessions were the principal target for the Company as they contain the Lachowice gas discovery. Although the Secondary Concessions contained promising exploration potential, the Company considered the potential to be higher risk and difficult to finance in the prevailing financial environment and reached the decision to withdraw the applications. The withdrawal for the applications for the Secondary Concessions will not impact future operations in the Primary Concessions and allows the company to focus on completion of the Transformation Process for the Primary Concessions.

5) The 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 Company acquired control of the Polish Subsidiaries. However, the consideration owing for the Acquisition is not payable to SLE until such time as the Transformation Process (as defined below) is completed. As this has not yet occurred, the consideration has been recorded as a current liability in the consolidated statements of financial position as at August 31, 2021.

A transformation of the concessions to the new Polish concession laws ("Transformation Process") is required by the Polish government as a result of the implementation of amendments to Poland's geological

and mining laws. An application for the Transformation Process was submitted to the Polish government in December of 2016 for the Primary Concessions, however, is not yet complete. The licenses for the Primary Concessions expired in April and August of 2018, however, as the Transformation Process for the Primary Concessions had already commenced they are effectively in suspension pending a decision by the Polish government on 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, as well as by the Company's lack of financial resources. Completing the Transformation Process will involve negotiations with the Polish Government to finalise (i) the work programs to be conducted, and (ii) the value of the concession fees and guarantees that will be paid to the Polish government. At this time the Company does not have the financial resources necessary to complete these negotiations and the Company is unable at this time to provide detail on the expected costs to complete the Transformation Process for the Primary Concessions. The Company is investigating financing options to allow it to re-engage the Polish government for purposes of progressing the Transformation Process.

Strategy and Outlook

At this time, the Company does not have adequate resources to further the Transformation Process, and does not have the financial resources to pay the consideration owing for the Acquisition if the Transformation Process is successfully completed. As such, management is investigating potential financing transactions that would provide the Company with the resources to complete the Transformation Process and provide the required consideration for the Acquisition. In addition, the Company is investigating strategic alternatives in the oil and gas sector. Management continues to believe that completing the Transformation Process will provide long-term shareholder value, and intends to pursue completion of this at this time. However, there can be no reliance on the success of any potential financing transactions, the successful completion of the Transformation Process, or that Horizon will have sufficient capital to pay the consideration for the Acquisition if the Transformation Process is completed.

Deconsolidation

In France, there were no active assets as at February 28, 2022 as, Ledieux and Ger permits in France expired in 2018. Approval for an extension for the Ledieux permit was declined by the French Government on February 12, 2020 as part of its policy to no longer issue permits and concessions for oil and gas exploitation. That left the Company's subsidiary SAS Petromanas Energy France SAS ("Petromanas") with no assets with no opportunity for further funding. The Company then applied to have Petromanas enter a court approved liquidation process which was granted in April 2020. The Company derecognized all assets and liabilities of this subsidiary in 2020 and recognized a gain on deconsolidation in the amount of \$790,713. Petromanas was inactive at the time of its deconsolidation. The liquidation process remains ongoing.

Operational Results

For the six months ended February 28, 2022 the Company recorded a loss of \$156,383 (2021 – income of \$142,972) and net cash flow used in operations of - \$86,413 (2021 – cash flows from operations of \$51,690).

The major components of the net loss for the six months ended February 28, 2022 were CRA reassessment refund recoveries of \$19,930, professional fees of \$91,836 (2021 – \$64,493), and Luxembourg subsidiary management fees of \$31,025. The source of funding for 2022 & 2021 costs was a private loan received in December 2020, included on the condensed interim consolidated statement of financial position as a note payable of \$170,812 at February 28, 2022 (August 31, 2021 - \$100,000).

Result of Operations

Six Months ended February 28 2022

| | Three Months Ended February 28 | | Six Months Ended February 28 | |
|---------------------------------------|-----------------------------------|-------------------|---------------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Expenses | | | | |
| Directors fees (recovered) (Note 10) | \$ - | \$ (108,702) | \$ - | \$ (108,702) |
| Management fees (recovered) (Note 10) | 31,025 | (132,148) | 31,025 | (116,564) |
| Professional fees | 86,051 | 63,780 | 91,836 | 64,493 |
| Insurance | - | - | 5,754 | - |
| Office expense (recovered) | (9,815) | 2,802 | (9,815) | 3,769 |
| Bank fees | 698 | - | 1,301 | - |
| Well monitoring | 7,380 | - | 7,380 | - |
| Transfer agent and regulatory fees | 20,592 | 869 | 23,896 | 1,821 |
| Foreign exchange | (18,441) | - | (4,249) | 232 |
| Write off deferred exploration cost | - | 11,979 | - | 11,979 |
| Total Expenses | 135,931 | (161,420) | 147,128 | (142,972) |
| Financing Items: | | | | |
| Accrued loan interest | 6,268 | 0 | 9,255 | |
| Current year income | \$ (142,199) | \$ 161,421 | (156,383) | 142,972 |

During the current period ended February 28, 2022 ("current period"), the Company had a loss of \$156,383 compared to income of \$142,972 for comparable period ended February 28, 2021 ("prior period"). An analysis of the operating results are as follows:

Management fees

Management fees during the current period were \$31,025 compared to a recovery of \$116,564 in the prior period as a management fee for Luxembourg subsidiaries was recognized and monthly fees due to the CEO were ceased from the end of September 2019 due to lack of funding.

Professional fees

Professional fees during the current period were \$91,836 compared to \$64,493 in the prior period.

Interest Expense

Interest expense was \$9,255 for the current period compared to \$nil in the prior period. Interest relates to the note payable balance of \$170,812.

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

Liquidity and Capital Resources

As at February 28, 2022 the Company had a working capital deficiency of \$3,232,218 compared to August 31, 2021 \$3,075,835, and cash and cash equivalents of \$16,391 (August 31, 2021 - \$50,804).

The Company's working capital requirements going forward will be reviewed and defined once the Transformation Process in Poland has been completed and the work program on the assets has been finally agreed with the Polish Government.

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 field.

To continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include, but are not limited to, the progress and exploration results of the oil and gas 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 Financial Statements were prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. If this assumption were not appropriate, adjustments to these annual consolidated financial statements may be necessary. Material uncertainties as to the Company's ability to obtain additional financing to fund future operations may cast significant doubt on the Company's ability to continue as a going concern. The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through financing or other sources, and there are no assurances that such financing will be obtained.

Exploration and Evaluation Assets

The Company has no active licenses or concessions.

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

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

| | Six months February 28 2022 | Six months February 28 2021 |
|---|-----------------------------------|-----------------------------------|
| Executive compensation ⁽¹⁾⁽³⁾ | \$ - | \$ (132,148) |
| Non-executive directors fees ⁽²⁾ | - | (108,702) |
| | \$ - | \$ (240,850) |

- (1) Executive compensation includes all management fees accrued to the Company's current CEO.
(2) During 2021, certain fees were waived by the directors which resulted in a recovery of \$108,000.
(3) During 2021, certain fees were waived which resulted in a recovery of \$132,000.

As at February 28, \$nil (2021 - \$nil) was payable to directors and officers of the Company.

Off Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Commitments and Contingencies

- (a) The Company's oil and gas activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.
- (b) The Company has discontinued oil and gas operations in various jurisdictions and has sold, dispersed of, or written down the carrying value of the related assets to nominal amounts. An estimate of the total liability, if any, for which the Company might become obligated as a result of its role as operator, guarantor, or indemnifier is not determinable, nor expected to be material, and no amount has been provided for in these consolidated financial statements.
- (c) Upon completion of the Transformation Process, the Poland concessions may be subject to annual licence fees and a mining usufruct fee. The exact amounts of such fees remains to be finalised with the Government. The requirement to pay such fees is contingent upon the completion of the Transformation Process, and accordingly no amounts have been recorded for these items in these consolidated financial statements.
- (d) During 2020, the Company received a tax assessment for Petromanas in the amount of €2,085,686 (\$3,248,039) relating to taxes assessed on a 2017 gain on intercompany debt forgiveness. The Company disagrees with the assessment and would have disputed the amount. However, during 2020, the Company lost control of Petromanas as it entered a court approved liquidation process (see Note 2(c)). Accordingly, no amounts have been accrued in these consolidated financial statements relating to this contingent liability.

During 2021 the Company was advised that the liquidator for Petromanas commenced action against the Company's subsidiary Gallic Lux 2 in order to recover the amount owing pursuant to the tax

assessment. The Company believes the claims are without merit. As the ultimate resolution of this dispute cannot be predicted at this time, no liability has been accrued related to it as at February 28, 2022.

- (e) The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations or liquidity. The outcome of these litigations cannot be reasonably determined, as a result, no amounts have been accrued as at February 28, 2022 and 2021.

Subsequent event:

On May 17, 2022, the third-party lender initiated a claim in the amount of \$188,904 for repayment of the note payable plus interest and other costs. The amount owed on the note payable as at August 31, 2021 has been accrued and included on the statement of financial position. The additional advances received subsequent to February 28, 2022 will be accrued in the period of their receipt.

On June 2, 2022 the Company served a notice terminating the Reactivation Agreement with the arm's length company.

Capital Resources and Commitments

The Company has no active concessions in Poland until such time as the Transformation Process is completed. The work and financial commitments and fees will be finalized on conclusions of the Transformation Process.

The Company no longer has any assets in France and has no further obligations.

Investor Relations

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

Financial Instruments and Risks:

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

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

All the Company's financial instruments approximate their fair value as at February 28, 2022 and August 31, 2021 due to their short-term nature.

The Company does not have any financial instruments recognized at fair value as at February 28, 2022 and 2021. The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities and acquisition cost payable approximate their fair values because of their short terms to maturity.

(a) Financial instrument risk exposure and risk management:

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

(b) Credit risk:

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. 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 receivables 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. There are no interest-bearing instruments which bear interest at fixed or variable rates. The Company is not exposed to material interest rate risk.

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows used in operations and the Company's holdings of cash. The Company's cash is currently invested in business accounts which are available on demand by the Company for its programs. As at February 28 2022, the Company had cash of \$16,391 (August 31, 2021 \$50,804) to settle current liabilities of 3,007,699 (August 31 2021 - \$3,138,220). The Company will require further financings to cover its expected cash requirements for the next year. 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 expects to finance its current and future obligations through one or more private placement equity financings once the CTOs have been lifted to further work on the Transformation Process. If the Company cannot raise the capital to fund the future operations it could risk losing the Primary Concessions.

The Company entered into a Reactivation Agreement (the "Reactivation Agreement") and a Loan and Security Agreement (the "Loan and Security Agreement") with an arm's-length company listed on the TSX Venture Exchange for the purpose of re-activating Horizon. Horizon is currently subject to the CTO. Trading in Horizon's shares was suspended by the TSX Venture Exchange ("TSXV") pursuant to a Bulletin issued on January 7, 2020, and Horizon was moved the NEX on February 14, 2022.

Under the Loan and Security Agreement, Horizon borrowed \$75,000, to be used solely for the purpose of paying certain accounts payable in connection with the proposed reactivation of the Company. The loan bears interest at an annual rate of 10%, has a term of one year, and is secured by a security interest to and in

favour of the lender in all of Horizon's present and after-acquired personal property. The Lender loaned additional amounts to the Company as follows: \$25,000 in August 2021, and \$52,000 in November of 2021. On March 2, 2022, the counterparty under the Loan Agreement demanded full payment of the amounts due and owing loaned under the Loan Agreement and subsequent loans (see Subsequent Event note of page 10).

The Reactivation Agreement provides, among other things, that (i) Horizon will prepare and file all continuous disclosure documents necessary to obtain the lifting of the CTO and the reinstatement of trading of Horizon's shares on the TSXV; (ii) at such time as the CTO is lifted, Horizon will effect a "best efforts" private placement in a minimum amount of \$250,000, to provide working capital for future operations and in order to obtain the reinstatement of trading on the TSXV; (iii) no later than the closing date of the private placement, or such earlier date as may be chosen by the arm's-length listed company in its sole discretion, the current directors of Horizon will resign and will be replaced by directors nominated by the listed company; and (iv) at such time as Horizon has filed audited financial statements for its fiscal years ended August 31, 2019 and August 31, 2020 and 2021, respectively, on SEDAR, Horizon will call an annual meeting of shareholders. The Company has subsequently served a termination notice to the arm's length company dated June 2, 2022 (see Subsequent Event note. The Company will continue to prepare and file all continuous disclosure documents necessary to obtaining the lifting of the CTO and to complete a "best efforts" private placement to provide working capital for future operations.

(e) Business Risks and Uncertainties

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. The Company cannot guarantee that the Transformation Process will be successfully completed. If the Transformation Process is not successful the licenses for the Primary Concessions will expire.

(f) Foreign currency:

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, receivables, accounts payable and accrued liabilities and acquisition cost payable. Financial instruments are denominated in US dollars, Euros, and Polish Zloty. As at February 28, 2022, net loss and comprehensive loss for the period would have been immaterially higher/lower, had the Canadian dollar strengthened/weakened as a result of foreign exchange gains/losses on translation of US dollar, Euros, and Polish Zloty denominated financial instruments.

Capital Management

The Company's objectives when managing capital are:

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

In the management of capital, the Company includes shareholders' equity in the definition of capital. The Company is not exposed to externally imposed capital requirements. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture

Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of February, 28 2022, the Company is not compliant with the policies of the TSXV. As a result of the Company’s failure to maintain the continued listing requirements of the TSXV, the Company’s tier classification was changed from Tier 2 to NEX, effective on February 16, 2022. Trading in the Company’s shares continues to be suspended.

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets. There are no significant changes in the Company’s approach to capital management during the period ended February 28 2022 and August 31 2021.

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

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 our 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 our 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 its planned 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 reduce or 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, or if 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 success and growth. The Company does not have and may not acquire any key man insurance policies and therefore there is a risk that the death or departure of any member of management would have a material adverse effect on 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 or projects, 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 ability to 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 Acquisition, which are subject to a number of risks, including those related to completion of the Transformation Process. There are further 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.

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 our control, including:

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

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

Environmental Concerns

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

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

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require 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, our reputation may also be adversely affected, which could limit our 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 proposed 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 the 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 personnel to the extent that the Company's workforce 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.

Current Share Data

As of February 28, 2022, and the Company had:

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

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

Funding activities

On December 21, 2020, the Company received a loan in the amount of \$75,000. The loan bears interest at 10% and matures on December 21, 2021. On August 31, 2021 the company received a second advance of \$25,000 and on November 3, 2021 a third advance of \$52,000 under the same terms and conditions. The loan is secured against the assets of the Company.

Critical Accounting Estimates

Horizon's financial and operating results contain judgements, estimates and assumptions made by management that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed below:

- (a) Share-based payment transactions:
The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10 of the financial statements.

(b) Decommissioning liabilities:

Decommissioning liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. The cost estimates are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. See Note 8.

(c) Income, value added, withholding and other taxes:

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities.

All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded. Such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(d) Business combinations vs. asset acquisitions

Determination of whether a set of assets acquired and liabilities assumed constitute a business requires the Company to make certain judgments, taking into account all facts and circumstances. In making this determination, the Company considers items including, but not limited to: whether there are inputs and processes attributable to the set of assets and liabilities, the extent of the infrastructure in place, the work required to bring the acquired assets to production and whether the project has resources or reserves. Such judgments are inherently uncertain and could have a significant effect on the method of accounting for the acquisition and the disclosures required. See Note 15.

(e) Impairment of exploration and evaluation properties

While assessing whether any indications of impairment exist for exploration and evaluation properties, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation properties and equipment. Internal sources of information include the manner in which exploration and evaluation properties are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include but are not limited to estimates of the discounted future pre-tax cash flows expected to be derived from the Company's exploration and evaluation properties, costs to sell the properties and the appropriate discount rate. Reductions in oil and gas price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves and resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation properties and equipment.

(f) Commitments and contingencies

See Note 16 of the financial statements.

Decommissioning Obligations

The Company recognizes the liability for the decommissioning associated with the abandonment of petroleum and natural gas wells, related facilities, the removal of equipment, and the restoration of land to its original condition. The fair value of the Company's obligation is recorded in the period a well or related property is drilled, constructed or acquired. Fair value is estimated using the present value of the estimated future cash outflows to abandon the assets at the Company's risk-free interest rate based on the expected timing of such cash outflows. Future costs and their expected timing are estimates that are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates could be material in future periods.

Share-based Compensation

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

Accounting standards, amendments and interpretations:

During the year ended August 31, 2021, the Company adopted a number of amendments and improvements of existing standards. These included IAS 1. These new standards and changes did not have any material impact on the Company's financial statements.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing September 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. Management is currently evaluating the impact of these pronouncements on the Company's consolidated financial statements.

IAS 1 – Presentation of Financial Statements (“IAS 1”) 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 is permitted.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the

contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

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.