HORIZON PETROLEUM LTD.

Consolidated Financial Statements
(Expressed in Canadian dollars)

For the years ended August 31, 2024 and 2023

Independent Auditor's Report

To the Shareholders of Horizon Petroleum Ltd.

Opinion

We have audited the consolidated financial statements of Horizon Petroleum Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred losses since inception and, as of August 31, 2024, the Company had a working capital deficiency. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor’s report is Jessica Glendinning.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
December 19, 2024

HORIZON PETROLEUM LTD.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
As at August 31, 2024 and 2023

		2024		2023
Assets				
Current Assets				
Cash	$	**76,408**	$	158,841
Prepaid expenses		**16,869**		4,950
Receivables		**22,864**		36,804
Total Assets	**$**	**116,141**	**$**	**200,595**
Liabilities and Shareholders' Deficiency				
Current Liabilities				
Accounts payable and accrued liabilities (Note 8)	$	**905,097**	**$**	407,660
Acquisition cost payable (Note 12)		**2,676,503**		2,681,297
Total Liabilities		**3,581,600**		3,088,957
Shareholders' deficiency				
Share capital (Note 6)		**20,167,048**		19,798,645
Stock option reserve (Note 7)		**160,765**		30,088
Warrants (Note 7)		**111,631**		315,591
Deficit		**(23,904,903)**		(23,032,686)
Total Shareholders' Deficiency		**(3,465,459)**		(2,888,362)
Total Liabilities and Shareholders' Deficiency	**$**	**116,141**	**$**	**200,595**

Going concern (Note 1)
Commitments and contingencies (Notes 12 and 13)
Subsequent events (Note 14)

See accompanying notes to the consolidated financial statements.

Approved by the Board

"Charle Gamba"
Director

"David Winter"
Director

HORIZON PETROLEUM LTD.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
Years Ended August 31, 2024 and 2023

		2024		2023
Expenses:				
Salaries and benefits (Note 8)	**$**	**380,184**	$	195,009
Professional fees		**311,859**		430,206
Stock based compensation (Note 7)		**130,677**		30,088
Office		**164,004**		147,969
Management fees (Note 8)		**87,738**		243,197
Directors fees (Note 8)		**75,000**		-
Transfer agent and regulatory fees		**28,095**		37,562
Foreign exchange loss		**7,905**		133,474
Bank charges		**2,346**		(5,528)
Gain on settlement of debt		**-**		(56,880)
Total expenses		**1,187,808**		**1,155,097**
Financing				
Interest		-		2,243
Loss and comprehensive loss	**$**	**1,187,808**	**$**	**1,157,340**
Basic and fully diluted loss per common share	$	**(0.04)**	$	(0.05)
Weighted average number of common shares outstanding, basic and fully diluted		**28,082,299**		22,096,736

See accompanying notes to the consolidated financial statements

HORIZON PETROLEUM LTD.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
Years ended August 31, 2024 and 2023

		2024		2023
Operating Activities				
Loss for the year	$	(1,187,808)	$	(1,157,340)
Gain on settlement of debt		-		(56,880)
Stock based compensation		130,677		30,088
Unrealized foreign exchange loss		(4,794)		133,022
Changes in non-cash working capital				
Receivables		13,940		(16,946)
Prepaid expenses		(11,919)		8,921
Accounts payable and accrued liabilities		497,437		(282,007)
Cash flow (used in) operating activities		**(562,467)**		**(1,341,142)**
Financing Activities				
Proceeds on share and warrant issue		500,000		1,726,846
Share and warrant issue costs		(19,966)		(84,037)
Proceeds on note payable		-		-
Repayment of note payable		-		(163,000)
Cash flow from financing activities		**480,034**		**1,479,809**
Change in cash during the year		(82,433)		138,667
Cash beginning of year		158,841		20,174
Cash end of year	**$**	**76,408**	**$**	**158,841**

Supplemental information:				
Finders warrants issued	S	3,431	$	29,583
Finders units issued	$	Nil	$	1,533

See accompanying notes to the consolidated financial statements

HORIZON PETROLEUM LTD.

Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)
Years ended August 31, 2024 and 2023

	Number of Shares	Share capital	Warrants	Stock option reserve	Deficit	Total
Balance at August 31, 2022	11,971,435	18,471,426	-	875,955	(22,751,301)	(3,403,920)
Shares issued	11,814,700	1,423,542	-	-	-	1,423,542
Share issue costs	-	(96,323)	-	-	-	(96,323)
Warrants issued	-	-	329,592	-	-	329,592
Warrant issue costs	-	-	(14,001)	-	-	(14,001)
Stock based compensation	-	-	-	30,088	-	30,088
Stock options expired	-	-	-	(875,955)	875,955	-
Net loss for the year	-	-	-	-	(1,157,340)	(1,157,340)
Balance at August 31, 2023	**23,786,135**	**$ 19,798,645**	**$ 315,591**	**$ 30,088**	**$ (23,032,686)**	**$ (2,888,362)**
Shares issued	10,000,000	500,000	-	-	-	**500,000**
Share issue costs	-	(18,597)	-	-	-	**(18,597)**
Warrants issued	-	(113,000)	113,000	-	-	-
Finders Warrants issued			3,431	-	-	**3,431**
Warrant issue costs	-	-	(4,800)	-	-	**(4,800)**
Warrants expired	-	-	(315,591)	-	315,591	-
Stock based compensation	-	-	-	130,677	-	**130,677**
Net loss for the year	-	-	-	-	(1,187,808)	**(1,187,808)**
Balance at August 31, 2024	**33,786,135**	**$ 20,167,048**	**$ 111,631**	**$ 160,765**	**$ (23,904,903)**	**$ (3,465,459)**

See accompanying notes to the consolidated financial statements

1. Corporate information and going concern:

Horizon Petroleum Ltd. ("Horizon" or the "Company") was incorporated in Alberta, Canada. The principal business of the Company is the acquisition, exploration, and development of oil and gas properties.

The registered and records office of the Company are located at 1000, 250 – 2nd Street SW, Calgary, Alberta T2P 0C1.

The business of exploring for oil and gas reserves involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The Company's continued existence is dependent upon the preservation of its properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Although the Company has taken steps to verify title to the concessions in which it has an interest, in accordance with industry standards for the current stage of exploration of such concessions, these procedures do not guarantee the Company's title. Concession title may be subject to government licensing registration or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations, restriction and political uncertainty. See Notes 12, 13 and 14 regarding the status of the Company's oil and gas concessions in Poland.

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

The Company has incurred losses since inception and is currently not generating any revenues except for interest income. For the fiscal year ended August 31, 2024, the Company used cash from operating activities of $562,467 (2023 $1,341,142) and the Company had a working capital deficiency as at August 31, 2023 of $3,465,459 (2023 $2,888,362).

2. Basis of presentation and statement of compliance:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with international Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Board of Directors on December 19, 2024.

(b) Basis of consolidation and presentation:

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Control exists when the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all of the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The preparation of financial statements requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

2. Basis of presentation and statement of compliance (continued):

(c) Company Subsidiaries:

The Company holds 100% of the below subsidiaries:

Legal Business Name of Subsidiary	Country of Incorporation
Gallic Lux 1	Luxembourg
Gallic Lux 2	Luxembourg
Energia Karpaty Zachodnie Sp. Z.O.O.	Poland
Energia Karpaty Zachodnie spolka z ograniczona odpowiedzialnoscia Sp. K.	Poland
Kotlarka Energy spolka z ograniczona odpowiedzialnoscia	Poland
Prusice Energy spolka z ograniczona odpowiedzialnoscia	Poland

The above subsidiaries in Poland (the “Polish Subsidiaries”) were acquired during 2019 (Note 12).

The Company had a 100% interest in SAS Petromanas Energy (France) SAS (“Petromanas”) but lost control during 2020 when Petromanas entered a court approved liquidation process. The Company derecognized all assets and liabilities of this subsidiary in 2020.

See Note 14 for further information on subsidiaries.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except as otherwise noted below.

(a) The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the period end date exchange rates. Non-monetary items carried at historical cost are translated at the functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the presentation currency of the consolidated financial statements.

(b) Cash and equivalents:

Cash and equivalents include cash held with different financial institutions. All funds are readily available to the Company.

(c) Financial instruments:

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit or loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized cost", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of loss. The Company's cash and receivables are classified as financial assets at amortized cost.

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flow from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, notes payable and acquisition cost payable, which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in the consolidated statements of loss.

(d) Impairment of non-financial assets:

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit ("CGU") exceeds its recoverable amount.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, of no impairment loss had been recognized.

3. Significant accounting policies (continued):

(e) Exploration and evaluation ("E&E") assets:

Pre-license or property investigation costs are recognized in the consolidated statement of loss as incurred.

Exploration and evaluation costs, including the costs of acquiring leases and licenses, initially are capitalized as exploration and evaluation assets. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. In assessing the indicators of impairment, the Company considers whether the period for which the Company has the right to explore has expired or will expire in the near future; whether substantive expenditure on further exploration is budgeted or planned; whether a decision has been made to discontinue exploration activities and whether sufficient data exists to indicate that the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale. For purposes of impairment testing, exploration and evaluation assets are allocated to related CGUs. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and/or probable reserves are determined to exist. Upon determination of proven and/or probable reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property and equipment.

(f) Decommissioning obligations:

Decommissioning obligations are legal obligations connected with the abandonment and reclamation of the Company's oil and natural gas assets. These obligations are measured at management's best estimate of the expenditure required to settle the obligation and are discounted to present value when the effect is material. Cash flows for decommissioning obligations are adjusted to take risks and uncertainties into account and are inflated and discounted using a risk-free discount rate. Initially, the net present value of the estimated decommissioning obligations is recorded as a liability, with a corresponding increase in the carrying amount of the related asset. Revaluations of the decommissioning obligations at each reporting period take into account changes in estimated future cash flows and the discount rate. Any change in the carrying amount of the provision due to change in the present value is accreted over the estimated time period until the obligation is to be settled; the accretion expense is recognized as financing costs. Actual costs incurred upon the settlement of the decommissioning obligations are charged against the decommissioning obligations.

3. Significant accounting policies (continued):

(f) Decommissioning obligations (continued)

Any difference between the estimated decommissioning obligation and the actual retirement costs incurred is recorded as a gain or loss. Management reviews the decommissioning obligation estimate and changes, if any, are applied prospectively. Revisions made to the decommissioning obligation estimate are recorded as an increase or decrease to the decommissioning obligation with a corresponding change made to the carrying amount of the related asset. The asset is depreciated over the remaining useful life of the underlying asset.

The carrying amount of both the liability and the capitalized asset, net of accumulated depreciation, are derecognized if the asset is subsequently disposed.

(g) Share capital:

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share options and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(h) Share-based payments:

Where non-cash equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of loss over the vesting period. Vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non- vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

3. Significant accounting policies (continued):

(h) Share-based payments (continued):

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All non-cash equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

(i) Income taxes:

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted, or substantively enacted by the reporting date.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are offset if there is a legal enforceable right to offset the tax liabilities and assets, and they related to income taxes levied by the same tax authority.

(j) Loss per share:

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed by using the weighted average number of shares outstanding plus additional shares for the assumed exercise of stock options and warrants, if dilutive.

3. Significant accounting policies (continued):

(j) Loss per share (continued):

The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Diluted loss per share for the years presented excludes all outstanding stock options and warrants as they are anti-dilutive.

(k) Leases:

A contract is a lease (or may contain a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability. The lease liability is subsequently measured at amortized cost using the effective interest method.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4. New accounting standards, amendments and interpretations:

New Accounting Standards

During the year ended August 31, 2024, the Company adopted IAS 1 and IAS 8, as improvements of existing standards. This new standard 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, 2024. 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.

4. New accounting standards, amendments and interpretations (continued):

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 21 – Lack of Exchangeability – amendment to IAS 21. In August 2023, the IASB amended IAS 21 to clarify when a currency is exchangeable into another currency; and how a company estimates a spot rate when a currency lacks exchangeability.

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on financial statements. The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted.

IFRS 9 Fincancial Instruments and IFRS 7 Financial Instruments – Disclosures. In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments – Disclosures. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to asses the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI.

The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted.

IFRS 18 – Presentation and Disclosure in Financial Statements. In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. The new standards replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted.

5. Critical accounting estimates and judgments:

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions 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:
Management determines fair values for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards is determined at the date of grant using Black-Scholes valuation technique. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments for share-based payments include estimating the future volatility of the share price, expected dividend yield, and future employee turnover rates.

Assumptions and judgments for determining the value of warrants include estimating the future volatility of the share price, expected dividend yield, expected risk-free rate of return, among others. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could affect the fair value estimates.

5. Critical accounting estimates and judgments (continued):

(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.

(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) 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. 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.

(Expressed in Canadian dollars)

5. Critical accounting estimates and judgments (continued):

(e) Commitments and contingencies

See Note 13.

6. Share capital:

Authorized:

- Unlimited common shares without par value and an unlimited number of preferred shares without par value.

Issued and outstanding, basic and fully diluted: 33,786,135

Activity for the year ended August 31, 2024:

During the period of March 1 to May 31, 2024 the Company issued a total of 10,000,000 units at $0.05 per unit for gross proceeds of $500,000. The units were issued under a private placement announced on January 2, 2024 and were closed in three tranches. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one additional common share at a price of $0.075 for a period of 12 months from the date of purchase.

The fair value of the common shares and warrants was determined using the Black-Scholes option pricing model. 800,000 of these units were subscribed for by the officers of the Company.

In conjunction with the issuance of the shares, the Company incurred share and warrant issuance costs consisting of legal and filing fees, finders' fees payments and non-cash costs relating to the valuation of the issuance of finders warrants. Each finder's warrant enabled the holder to acquire one common share for $0.075 per share expiring 12 months from the date of grant.

					Share and Warrant Issue Costs		
Date of share issue	**# of Units**	**# of Finders Warrants**	**Share Valuation**	**Warrant valuation**	**Cash Costs**	**Finder Warrant Valuation**	**Finder Fees Cash**
March 1, 2024	3,100,000	21,000	$ 120,000	$ 35,000	$ -	$ 731	$ 1,050
March 28, 2024	5,500,000	70,000	$ 213,000	$ 62,000	$ -	$ 2,700	$ 3,500
May 21, 2024	1,400,000	-	$ 54,000	$ 16,000	$ 15,416	$ -	$ -
	10,000,000	91,000	$ 387,000	$ 113,000	$ 15,416	$ 3,431	$ 4,550

(Expressed in Canadian dollars)

6. Share capital (continued):

Date of share issue	# of Units	Black-Scholes Variables: Current Share Price	Expected Life	Expected Price Volatility	Expected Dividend Rate	Risk Free Interest Rate
March 1, 2024	3,121,000	$ 0.04	1 year	120%	-	4.72%
March 28, 2024	5,570,000	$ 0.04	1 year	120%	-	4.72%
May 21, 2024	1,400,000	$ 0.04	1 year	120%	-	4.25%
	10,091,000					

7. Reserves:

a. Stock options:

(i) Option plan:

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

The following table reflects the continuity of stock options for the years ended August 31, 2024 and 2023:

	Grant Date	Number of Options	Weighted average exercise price
Balance August 31, 2022		**297,000**	**$ 1.20**
Expired		(198,333)	$ 0.35
Expired		(21,667)	$ 0.45
Expired		(8,667)	$ 4.50
Expired		(68,333)	$ 3.00
Issued	May 25, 2023	1,900,000	$ 0.25
Balance August 31, 2023		**1,900,000**	**$ 0.25**
Issued	April 11, 2024	1,040,000	$ 0.075
Balance August 31, 2024		**2,940,000**	**$ 0.19**

(Expressed in Canadian dollars)

7. Reserves (continued):

At August 31, 2024, 980,000 options are vested and exercisable. Options vest one third on each anniversary of the grant.

The weighted average contractual life for the share options outstanding as at August 31, 2024 is 4.05 years (August 31, 2023 – 4.74 years).

The fair value of the options granted in 2024 was determined using the Black-Scholes option pricing model with the following assumptions: current share price $0.075, expected life – five years; expected volatility based on peer company comparatives – 120%; expected dividend rate – nil; risk free interest rate – 3.77%.

The fair value of the options granted in 2023 was determined using the Black-Scholes option pricing model with the following assumptions: current share price $0.025, expected life – five years; expected volatility based on peer company comparatives – 120%; expected dividend rate – nil; risk free interest rate – 4.24%.

Out of the total of 1,040,000 options issued in 2024, 965,000 options (fair valued at $32,080) were issued to directors and officers of the Company.

For the year ended August 31, 2024, the share-based payments expense recognized was $130,677 (2023 – $30,088).

For the year ended August 31, 2024, options valued at $ Nil expired (2023 - $875,955).

b. Warrants:

The following table reflects the continuity of warrants for the years ended August 31, 2024 and 2023:

	Number of Warrants	Weighted average exercise price
Balance August 31, 2022	-	-
Issued	10,444,000	0.25
Issued	1,882,950	0.80
Issued	1,620	0.40
Balance August 31, 2023	12,328,570	$ 0.33
Expired	(10,444,000)	0.25
Expired	(1,882,950)	0.80
Expired	(1,620)	0.40
Issued	10,091,000	0.075
Balance August 31, 2024	10,091,000	$ 0.075

(Expressed in Canadian dollars)

7. Reserves (continued):

As at August 31, 2024, the Company had outstanding warrants enabling the holder to acquire common shares as follows:

Number of warrants	Exercise price		Expiry date
3,121,000	$	0.075	March 1, 2025
5,570,000	$	0.075	March 28, 2025
1,400,000	$	0.075	May 21, 2025
10,091,000	$	0.075	

8. Related party transactions:

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

	Twelve Months August 31, 2024		Twelve Months August 31, 2023	
Executive Compensation (a)	$	360,000	$	318,000
Directors Fees (b)	$	75,000	$	-
Share-based payments (c)	$	113,111	$	25,020

(a) Executive compensation includes all management fees and salaries accrued to the Company's current CEO, President and CFO. Compensation included in Salaries and benefits and *Management fees o* n the Consoldiated Statement of Loss and Comprehensive Loss.

(b) Directors fees includes all fees paid to the Company's three independent Directors.

(C) Share based payments are the value of options granted to the Company's current CEO, President and CFO and Directors. See Note 7.

As at August 31, 2024, $285,000 (2023 - $nil) of unpaid wages and $75,000 (2023 - $nil) of unpaid Directors fees were payable to the Company's officers and three independent Directors. These amounts were unsecured, non-interest bearing with no fixed terms of repayment.

Refer to Note 13 for more details on commitments and contingencies for certain management contracts.

Refer to Note 6 for more details of related party participation in the 2024 share issue.

9. 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).

The Company does not have any financial instruments carried at fair value as at August 31, 2024 and 2023.

The carrying values of cash, 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. 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. The Company has no interest-bearing financial instruments which bear interest at variable rates. The Company is not exposed to material interest rate risk.

9. Financial instruments and risk management (continued):

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows used in operations and the Company's holdings of cash. The Company's cash is currently invested in business accounts which are available on demand by the Company for its programs. As at August 31, 2024, the Company had cash of $76,408 (2023 - $158,841) to settle current liabilities of $3,581,600 (2023 - $3,088,957).

(e) Foreign currency:

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

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 USD, Euros, and Polish Zloty.

	2024		**2023**	
	Amount in Foreign Currency	Amount in Canadian Dollars $	Amount in Foreign Currency	Amount in Canadian Dollars $
United States dollars:				
Cash	6,101	8,231	67,607	91,480
Accounts payable & accrued liabilities	(17,745)	(23,941)	0	0
Acquisition cost payable	(1,210,000)	(1,632,532)	(1,210,000)	(1,637,251)
Euro:				
Accounts payable & accrued liabilities	(113,772)	(169,555)	(133,268)	(224,478)
Acquisition cost payable	(30,000)	(44,709)	(30,000)	(44,046)
Polish Zloty:				
Cash	25,810	8,979	19,553	6,436
Receivables	19,886	6,919	50,769	16,711
Accounts payable & accrued liabilities	(368,797)	(128,304)	(85,475)	(28,135)

9. Financial instruments and risk management (continued):

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 USD, Euros, and Polish Zloty. As at August 31, 2024, the net loss and comprehensive loss would have been $97,000 (2023 - $90,000) higher/lower, had the Canadian dollar strengthened/weakened by 5% as a result of foreign exchange gains/losses on translation of USD, Euros, and Polish Zloty denominated financial instruments.

10. 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' deficiency 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.

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 were no significant changes in the Company's approach to capital management during the years ended August 31, 2024 and 2023.

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

(Expressed in Canadian dollars)

11. Income tax:

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

	2024 $	2023 $
(Loss) before income taxes	(1,187,808)	(1,157,340)
Expected income tax recovery based on statutory rate	(315,000)	(307,000)
Adjustment to expected income tax recovery:		
Share based compensation	35,000	8,000
Expenses not deductible for tax purposes	(24,000)	(2,000)
Foreign operations with difference in tax rates	17,000	20,000
Change in tax rates	-	
Change in unrecorded deferred tax asset	287,000	281,000
Other		
Deferred income tax provision (recovery)	-	-

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

Unrecognized deferred tax assets	2024 $	2023 $
Non-capital loss carry-forwards	36,167,000	32,181,000
Share issue costs	150,000	77,000
Mineral property costs	161,000	161,000
Total	36,478,000	32,419,000

At August 31, 2024, non-capital losses of $9,464,000 incurred in Canada will expire in 2044. Operating losses in Luxembourg were $26,743,000 which will expire starting in 2040. The potential future benefits of these losses have not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

12. Acquisition of subsidiaries in Poland:

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

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

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

a) Cash payment of USD$1,080,000 ($1,468,260).

b) $1,000,000 in common shares of the Company. The common shares are to be issued at the lesser of: a) $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, and

c) a 6% net profits interest.

d) 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 ($14,920) per concession, the payment of administrative costs totaling USD$130,000 ($175,310) and the issuance of a 6% net profits interest. The Company subsequently withdrew the applications for these concessions in January, 2020.

d) The outstanding loan owing to the Company from SLE of USD$100,000 ($134,900 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.

12. Acquisition of subsidiaries in Poland (continued):

On August 12, 2019, the Acquisition closed. The consideration owing is payable to SLE upon completion of the Transformation Process as defined below. As at August 31, 2024 the Transformation Process was not complete and the consideration has been recorded as acquisition cost payable in the consolidated statements of financial position as at August 31, 2024 and 2023.

A transformation of the concessions to the new Polish concession laws ("Transformation Process") is required by the Polish Government. The Transformation Process was ongoing at August 31, 2024 but was not completed. The Transformation Process was completed after August 31, 2024 end. See Note 14.

The cost of the Acquisition was impaired in a prior year. As the Transformation Process was not complete as at August 31, 2024, no impairment reversal was recognized.

13. Commitments and contingencies:

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

(b) The Company has discontinued oil and gas operations in various jurisdictions and has sold, dispersed of, or written down the carrying value of the related assets to nominal amounts. An estimate of the total liability, if any, for which the Company might become obligated as a result of its role as operator, guarantor, or indemnifier is not determinable, nor expected to be material, and no amount has been provided for in these consolidated financial statements.

(c) Upon completion of the Transformation Process, the Poland concessions may be subject to annual licence fees and a mining usufruct fee. The requirement to pay such fees is contingent upon the completion of the Transformation Process, and accordingly no amounts have been recorded for these items in these consolidated financial statements. See Note 14.

(d) During 2020, the Company received a tax assessment for Petromanas in the amount of €2,085,686 ($3,108,319) 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. 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 August 31, 2024 and 2023.

13. Commitments and contingencies (continued):

(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.

(f) The Company is party to certain management contracts. At the year-end these contracts contain minimum commitments of approximately $350,000 for each of three executives, totaling $1,050,000. The payment is triggered by termination without due cause or a corporate change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

14. Subsequent events:

<u>Private Placement</u>

On August 8, 2024 the Company announced a non-brokered Private Placement financing of up to $1,000,000 on a Subscription Receipts and Units basis with an offering price of $0.11.

The Subscription Receipts were convertible upon satisfaction of the release conditions into one common share and one common share purchase warrant of the Company exercisable for a period of four years from closing at a price of $0.30 per common share. The Release Conditions were the granting of the final executed licences for the Bielsko-Biala and Cieszyn concessions located in southwest Poland and the graduation of the Company to Tier 2 of the TSX Venture Exchange.

The units were comprised of one common share in the capital of the Company and one transferable share purchase warrant entitling the holder to acquire one common share at a price of CAD$0.20 per share. The warrants have a term of 12 months following the closing date. Funds from the unit subscriptions were immediately available for use by the Company.

In total, between the first and second tranches of the private placement, the Company issued 1,045,455 units and 8,609,408 Subscription Receipts for gross proceeds of $1,062,035.

Horizon paid a finder's fees of $8,117 cash and finder warrants to acquire 73,788 Common Shares at a price of $0.20 per share for a period of 12 months following the closing date.

The release conditions were satisfied on November 26, 2024 and all Subscription Receipt funds were released to the Company.

14. Subsequent events (continued):

Share for Debt

Company settled certain outstanding debt to management and directors in the amount of $345,000 in exchange for shares of the Company at a price of $0.11 per common share. The debt was the result of deferred salaries owing to management totalling $270,000 and fees owing to the three independent directors totalling $75,000. The debt settlement was approved at a meeting of disinterested shareholders held on October 23, 2024.

Consideration owing on Polish Concessions

On October 30, 2024 the Company negotiated an amendment to its definitive agreement with SLE to extend the due date for payment on the consideration owing. Following the granting of the Bielsko-Biala concession, the consideration owing is now due on the earlier of April 30, 2025 or 5 days after an equity closing of USD $2,000,000 or greater.

Granting of Polish Concessions and Reinstatement to TSX-Venture Exchange

The Company received the final, signed concession agreements for a 100% working interest in the Bielsko-Biala and Cieszyn concessions located in southwest Poland on November 19, 2024. This was the final requirement for reinstatement to the TSX-Venture Exchange which occurred on November 26, 2024.

Dissolution of Luxembourg Subsidiaries

On November 29, 2024 the Company’s Luxembourg subsidiaries, Gallic Lux 1 and Gallic Lux 2 were dissolved.

Granting of Stock Options

On December 5, 2024, the Company's Board of Directors approved the grant of stock options exercisable for a total of 1,420,000 common shares to its directors, officers and consultants. The stock options were granted at an exercise price of $0.16 and expire on December 5, 2029. The stock options shall vest equally over three years from the date of grant and were granted pursuant to the Company's stock option plan.