



HORIZON PETROLEUM LTD.

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

As at and for the three and nine months ended  
May 31, 2024

**NOTIFICATION OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

In accordance with National Instrument 51-101 released by the Canadian Security Administrators, the Company discloses that its auditors have not reviewed the unaudited interim condensed consolidated financial statements as at and for the three and nine months ended May 31, 2024

# HORIZON PETROLEUM LTD.

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

| As at   | May 31, 2024       | August 31, 2023    |
|---|--------------------|--------------------|
| <b>Assets</b>   |                    |                    |
| Current Assets  |                    |                    |
| Cash  | \$ 210,350         | \$ 158,841         |
| Prepaid expenses                                      | 7,511              | 4,950              |
| Receivables   | 20,067             | 36,804             |
| <b>Total Assets</b>                                   | <b>\$ 237,928</b>  | <b>\$ 200,595</b>  |
| <b>Liabilities and Shareholders' Deficiency</b>       |                    |                    |
| Current Liabilities                                   |                    |                    |
| Accounts payable and accrued liabilities              | \$ 629,493         | \$ 407,660         |
| Acquisition cost payable (Note 9)                     | 2,701,958          | 2,681,297          |
| <b>Total Liabilities</b>                              | <b>3,331,451</b>   | <b>3,088,957</b>   |
| <b>Shareholders' deficiency</b>                       |                    |                    |
| Share capital (Note 4)                                | 20,177,533         | 19,798,645         |
| Stock option reserve (Note 5)                         | 114,530            | 30,088             |
| Warrants (Note 5)                                     | 115,061            | 315,591            |
| Deficit   | (23,500,647)       | (23,032,686)       |
| <b>Total Shareholders' Deficiency</b>                 | <b>(3,093,523)</b> | <b>(2,888,362)</b> |
| <b>Total Liabilities and Shareholders' Deficiency</b> | <b>\$ 237,928</b>  | <b>\$ 200,595</b>  |

Going concern (Note 1)  
Commitments and contingencies (Notes 9 and 10)

See accompanying notes to the interim condensed consolidated financial statements.

Approved by the Board

“Charle Gamba”  
Director

“David Winter”  
Director

# HORIZON PETROLEUM LTD.

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

|   | Three months ended |                 | Nine months ended |                   |
|---|--------------------|-----------------|-------------------|-------------------|
|   | May 31,<br>2024    | May 31,<br>2023 | May 31,<br>2024   | May 31,<br>2023   |
| Expenses:   |                    |                 |                   |                   |
| Salaries and benefits (Note 6)                        | \$ 101,764         | \$ 97,610       | \$ 288,569        | \$ 97,610         |
| Professional fees                                     | 74,153             | 18,684          | 195,688           | 232,060           |
| Management fees                                       | 20,415             | 20,153          | 69,529            | 193,757           |
| Stock based compensation (Note 5)                     | 36,458             | 62,760          | 84,442            | 62,760            |
| Office  | 32,374             | 47,408          | 62,024            | 43,218            |
| Transfer agent and regulatory fees                    | 11,712             | 28,282          | 19,294            | 33,246            |
| Shareholder communication                             | 10,256             | 18,819          | 21,544            | 20,283            |
| Travel and entertainment                              | 8,048              | 8,920           | 8,048             | 19,620            |
| Bank charges  | 735                | 555             | 1,801             | 1,714             |
| Foreign exchange loss (gain)                          | 20,340             | (18,948)        | 32,613            | 77,382            |
| Gain on settlement of debt                            | -                  | -               | -                 | (67,784)          |
| <b>Total expenses</b>                                 | <b>316,255</b>     | <b>284,243</b>  | <b>783,552</b>    | <b>713,866</b>    |
| Financing   |                    |                 |                   |                   |
| Interest  | -                  | -               | -                 | 2,243             |
| <b>Loss and comprehensive loss</b>                    | <b>\$ 316,255</b>  | <b>284,243</b>  | <b>783,552</b>    | <b>\$ 716,109</b> |
| Weighted average loss per common share, basic         | \$ (0.01)          | \$ (0.01)       | \$ (0.03)         | \$ (0.03)         |
| Weighted average loss per common share, fully diluted | \$ (0.01)          | \$ (0.01)       | \$ (0.03)         | \$ (0.03)         |
| Weighted average number of common                     |                    |                 |                   |                   |
| shares outstanding, basic                             | 30,919,106         | 21,640,069      | 26,151,463        | 21,640,069        |
| Weighted average number of common                     |                    |                 |                   |                   |
| shares outstanding, fully diluted                     | 38,120,255         | 21,640,069      | 28,540,523        | 21,640,069        |

See accompanying notes to these unaudited interim condensed consolidated financial statements

# HORIZON PETROLEUM LTD.

Interim Condensed Consolidated Statements of Cash Flows  
Unaudited (Expressed in Canadian dollars)

|   | Three months ended |                   | Nine months ended |                    |
|---|--------------------|-------------------|-------------------|--------------------|
|   | May 31,            |                   | May 31,           |                    |
|   | 2024               | 2023              | 2024              | 2023               |
| <b>Operating Activities</b>                     |                    |                   |                   |                    |
| Loss for the period                             | \$ (316,255)       | \$ (284,243)      | \$ (783,552)      | \$ (716,109)       |
| Stock based compensation                        | 36,458             | 62,760            | 84,442            | 62,760             |
| Gain on settlement of debt                      | -                  | -                 | -                 | (67,784)           |
| Unrealised foreign exchange loss                | 1                  | (15,350)          | (2)               | 114,407            |
| Changes in non-cash working capital             |                    |                   |                   |                    |
| Receivables                                     | (5,102)            | (10,940)          | 16,737            | (10,727)           |
| Prepaid expenses                                | 1,276              | (21,099)          | (2,561)           | (12,109)           |
| Accounts payable and accrued liabilities        | (67,482)           | (88,050)          | 242,494           | (503,593)          |
| <b>Cash flow (used in) operating activities</b> | <b>(351,104)</b>   | <b>(356,922)</b>  | <b>(442,443)</b>  | <b>(1,133,155)</b> |
| <b>Financing Activities</b>                     |                    |                   |                   |                    |
| Proceeds on share and warrant issue             | 500,000            | 98,613            | 500,000           | 1,750,334          |
| Share and warrant issue costs                   | (6,050)            | (7,521)           | (6,050)           | (107,524)          |
| Proceeds on note payable                        | -                  | -                 | -                 | -                  |
| Repayment of note payable                       | -                  | -                 | -                 | (110,000)          |
| <b>Cash flow from financing activities</b>      | <b>493,950</b>     | <b>91,092</b>     | <b>493,950</b>    | <b>1,532,810</b>   |
| Change in cash during the period                | 142,846            | (265,830)         | 51,507            | 399,655            |
| Cash, beginning of period                       | 67,504             | 685,658           | 158,841           | 20,173             |
| <b>Cash, end of period</b>                      | <b>\$ 210,350</b>  | <b>\$ 419,828</b> | <b>\$ 210,348</b> | <b>\$ 419,828</b>  |

See accompanying notes to these unaudited interim condensed consolidated financial statements

# HORIZON PETROLEUM LTD.

Interim Condensed Consolidated Statements of Changes in Shareholders' Deficiency  
Unaudited (Expressed in Canadian dollars)

|                                     | Number of<br>Shares | Share<br>capital     | Warrants          | Stock<br>Option<br>Reserve | Deficit                | Total                 |
|-------------------------------------|---------------------|----------------------|-------------------|----------------------------|------------------------|-----------------------|
| <b>Balance at August 31, 2022</b>   | <b>11,971,435</b>   | <b>\$ 18,471,426</b> | <b>\$ -</b>       | <b>\$ 875,955</b>          | <b>\$ (22,751,301)</b> | <b>\$ (3,403,920)</b> |
| Shares issued                       | 11,814,700          | 1,327,219            | -                 | -                          | -                      | 1,327,219             |
| Warrants issued                     | -                   | -                    | 315,591           | -                          | -                      | 315,591               |
| Stock options                       | -                   | -                    | -                 | 62,760                     | -                      | 62,760                |
| Net loss for the period             | -                   | -                    | -                 | -                          | (716,109)              | (716,109)             |
| <b>Balance at May 31, 2023</b>      | <b>23,786,135</b>   | <b>\$ 19,798,645</b> | <b>\$ 315,591</b> | <b>\$ 938,715</b>          | <b>\$ (23,467,410)</b> | <b>\$ (2,414,459)</b> |
| <b>Balance at August 31, 2023</b>   | <b>23,786,135</b>   | <b>\$ 19,798,645</b> | <b>\$ 315,591</b> | <b>\$ 30,088</b>           | <b>\$ (23,032,686)</b> | <b>\$ (2,888,362)</b> |
| Shares issued                       | 10,000,000          | 378,888              | -                 | -                          | -                      | 378,888               |
| Warrants issued                     | -                   | -                    | 115,061           | -                          | -                      | 115,061               |
| Stock based compensation            | -                   | -                    | -                 | 84,442                     | -                      | 84,442                |
| Stock options expired               | -                   | -                    | -                 | -                          | -                      | -                     |
| Warrant expired                     | -                   | -                    | (315,591)         | -                          | 315,591                | -                     |
| Net loss for the period             | -                   | -                    | -                 | -                          | (783,552)              | (783,552)             |
| <b>Balance at February 29, 2024</b> | <b>33,786,135</b>   | <b>\$ 20,177,533</b> | <b>\$ 115,061</b> | <b>\$ 114,530</b>          | <b>\$ (23,500,647)</b> | <b>\$ (3,093,523)</b> |

See accompanying notes to these unaudited interim condensed consolidated financial statements

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and nine months ended May 31, 2024 and 2023

## 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 – 2<sup>nd</sup> 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 titles 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 9 and 10 regarding the status of the Company's oil and gas concessions in Poland.

The Company has not generated revenues from operations. These interim condensed 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 interim condensed 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 its inception and is currently not generating any revenue except for interest income. For the nine-month ended May 31, 2024 the Company used cash from operating activities of \$442,443 (nine-month period ended May 31, 2023 \$1,133,155). As at May 31, 2024 the Company had a working capital deficiency of \$3,093,523 (August 31, 2023 \$2,888,362).

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and nine months ended May 31, 2024 and 2023

## 2. Basis of presentation and statement of compliance:

### (a) Statement of compliance:

These interim condensed 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 interim condensed consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2024.

### (b) Basis of consolidation and presentation:

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

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

These interim condensed 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 interim condensed 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.

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Notes to the Interim Condensed Consolidated Financial Statements  
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As at and for the three and nine months ended May 31, 2024 and 2023

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

### (c) Company Subsidiaries:

The Company holds 100% of the below subsidiaries:

| <b>Legal Business Name of Subsidiary</b>                                 | <b>Country of Incorporation</b> |
|--|---------------------------------|
| 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 9).

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.

## 3. New accounting standards, amendments and interpretations:

### New Accounting Standards

During the period ended May 31, 2024, the Company adopted a number of amendments and improvements of existing standards. These included IAS 1 and IAS 8. 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, 2024. Many are not applicable or do not have a significant impact on the Company and have been excluded. Management is currently evaluating the impact of these pronouncements on the Company’s interim condensed consolidated financial statements.

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.



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## 4. Share capital:

Authorized:

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

Share Consolidation:

- On November 27, 2023 the Company executed a share consolidation of its common shares on the basis of one new common share for every existing five common shares. The effects of this consolidation have been reflected retrospectively throughout these interim condensed consolidated financial statements. Prior to the consolidation there were 118,930,676 pre-consolidation shares outstanding. Following the consolidation there were 23,786,135 post-consolidation shares outstanding.

Issued and outstanding:

Basic: 33,786,135

Fully diluted: 44,846,175

Activity for the period:

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 \$0.02 per share and an additional common share for \$0.05 per share and expire 12 months from the date of purchase.

| Date of share issue | # of Units | # of Finders Warrants | Share Valuation | Warrant valuation | Share and Warrant Issue Costs |                          |                  |
|---------------------|------------|-----------------------|-----------------|-------------------|-------------------------------|--------------------------|------------------|
|                     |            |                       |                 |                   | 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         | \$ 1,500                      | \$ -                     | \$ -             |
|                     | 10,000,000 | 91,000                | \$ 387,000      | \$ 113,000        | \$ 1,500                      | \$ 3,431                 | \$ 4,550         |

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

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## 4. 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       | 3,100,000         | \$ 0.04                 | 1 year        | 120%                      | -                      | 4.72%                   |
| March 28, 2024      | 5,500,000         | \$ 0.04                 | 1 year        | 120%                      | -                      | 4.72%                   |
| May 21, 2024        | 1,400,000         | \$ 0.04                 | 1 year        | 120%                      | -                      | 4.25%                   |
|                     | <u>10,000,000</u> |                         |               |                           |                        |                         |

## 5. 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 nine months ended May 31, 2024:

|                         | Grant Date     | Number of Options | Weighted average exercise price |
|-------------------------|----------------|-------------------|---------------------------------|
| Balance August 31, 2023 | May 25, 2023   | 1,900,000         | \$ 0.25                         |
| Issued                  | April 11, 2024 | 1,040,000         | \$ 0.075                        |
| Balance May 31, 2023    |                | 2,940,000         | \$ 0.19                         |

The weighted average contractual life for the share options outstanding as at May 31, 2024 is 4.30 years (August 31, 2023 – 4.74 years).

The options vest 1/3 on grant date, 1/3 on the first anniversary and 1/3 on the second anniversary. The options expire 5 years from the date of the grant.

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## 5. Reserves (continued):

The fair value of the 1,900,000 options granted on May 25 2023 was determined using the Black-Scholes option pricing model with the following assumptions: current share price \$0.125, expected life – five years; expected volatility based on peer company comparatives – 120%; expected dividend rate – nil; risk free interest rate – 4.24%.

The fair value of the 1,040,000 options granted on April 11, 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%.

For the nine months ended May 31, 2024, the share-based payments expense recognized was \$84,442. (May 31, 2023 – \$62,760).

### b. Warrants:

The following table reflects the continuity of warrants for the nine months ended May 31, 2024:

|                         | Number of Warrants | Weighted average exercise price |
|-------------------------|--------------------|---------------------------------|
| Balance August 31, 2023 | 12,328,570         | \$ 0.35                         |
| Expired                 | 4,800,000          | 0.25                            |
| Expired                 | 5,200,000          | 0.25                            |
| Expired                 | 204,000            | 0.25                            |
| Expired                 | 240,000            | 0.25                            |
| Expired                 | 1,570,000          | 0.80                            |
| Expired                 | 68,250             | 0.40                            |
| Expired                 | 244,700            | 0.80                            |
| Expired                 | 1,620              | 0.40                            |
| Issued                  | 10,091,000         | 0.075                           |
| Balance May 31, 2024    | 10,091,000         | \$ 0.075                        |

As at May 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       |                |

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## 5. Reserves (continued):

For the nine months ended May 31, 2024, warrants valued at \$315,591 expired (nine months ended May 31, 2023-\$Nil).

## 6. Related party transactions:

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

|                            | Nine Months  |         | Nine Months  |         |
|----------------------------|--------------|---------|--------------|---------|
|                            | May 31, 2024 |         | May 31, 2023 |         |
| Executive Compensation (a) | \$           | 288,569 | \$           | 228,000 |
| Share-based Payments (b)   | \$           | 75,969  | \$           | -       |

(a) Executive compensation includes all management fees and salaries accrued to the Company's current CEO, President and CFO.

(b) Share-based payments are the value of options granted to the Company's current CEO, President, CFO and Directors. See Note 5.

Refer to Note 10 for more details on commitments and contingencies for certain management contracts.

## 7. 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 May 31, 2024 and 2023.

The carrying values of cash, receivables, accounts payable and accrued liabilities, notes payable and acquisition cost payable approximate their fair values because of their short terms to maturity.

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:

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and nine months ended May 31, 2024 and 2023

## 7. Financial instruments and risk management (continued):

### (a) 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.

### (b) 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.

### (c) 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 May 31, 2024, the Company had cash of \$210,350 (August 31, 2023 - \$158,841) to settle current liabilities of \$3,331,451 (August 31, 2023 - \$3,088,957).

### (d) 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.

## 8. 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.

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

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As at and for the three and nine months ended May 31, 2024 and 2023

## 8. Capital management (continued):

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.

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 nine-month period ended May 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.

## 9. 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 (\$1,465,400);

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## 9. Acquisition of subsidiaries in Poland (continued):

b) \$1,000,000 in common shares of the Company. The common shares are to be issued at the lesser of: a) \$1.00 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 (\$14,680) per concession, the payment of administrative costs totaling USD\$130,000 (\$176,391) and the issuance of a 6% net profits interest. The Company subsequently withdrew the applications for these concessions in January 2020.

e) The outstanding loan owing to the Company from SLE of USD\$100,000 (\$132,363 as at the closing date) was assigned to Energia Karpaty Zachodnie SP. Z.O.O SP.K., one of the Polish Subsidiaries. In addition, the Company accepted a transfer from SLE of certain intercompany loans. These loans have been eliminated in these interim condensed consolidated financial statements on consolidation.

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

A transformation of the concessions to the new Polish concession laws ("Transformation Process") is required by the Polish Government and has not yet been met. The Transformation Process commenced for the Cieszyn and Bielsko-Biala concessions but is not complete. At this time, it is not possible to determine if, or when, the Transformation Process will be successfully completed.

## 10. 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.

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## 10. Commitments and contingencies (continued):

- (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 interim condensed consolidated financial statements.
- (c) Upon completion of the Transformation Process, the Poland concessions may be subject to annual license 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 interim condensed 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. Accordingly, no amounts have been accrued in these interim condensed 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 May 31, 2024, and May 31, 2023.

- (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 period end these contracts contain minimum commitments of approximately \$544,000. As a triggering event has not taken place, the contingent payments have not been reflected in these interim condensed consolidated financial statements.