Building a European Conventional Natural Gas Development Company

CORPORATE PRESENTATION

THE VALUE PROPOSITION

WHY INVEST IN HORIZON NOW?

- *We are a Canadian, publicly listed company*
- *Acquired two highly prospective concessions that contain a large natural gas development In Poland with significant upside potential for reserve growth*
- ***An independent evaluation values the 2P reserves > US $84.5 million. Additional 2C contingent resources valued at over US $431.0 million.***
- *High gas price, increasing demand. Commodity price for natural gas in Poland is 5 times that in North America . Natural gas is of strategic importance to Polish energy security.*
- ***Currently valued in the market at CAD $7-8 million. A significant market value re-rating is expected near term as asset values > US $500 million recognised.***
- *Experienced management team with worldwide experience including Poland – we have a track record of reserve, production and corporate growth*

STRATEGY

- **Acquire conventional natural gas and oil development and production assets in Europe and Mediterranean region**
- Target growing, liberalized natural gas markets that offer high commodity prices
- Low entry cost opportunities, high operating netbacks, access to infrastructure, low minimum economic thresholds
- **Mitigate risk and capital exposure by selective partnering with industry or financial partners to fund a promoted portion of capital development costs**
- Employ technologies to eliminate methane leakage from all gas and oil infrastructure
- Longer term, aggregate gas assets to build a European gas-weighted company, position the company for a lower carbon future
- **Management team and Board with track record of international oil and gas reserves and corporate growth**

EUROPEAN NATURAL GAS: STRONG FUNDAMENTALS

DOMESTIC NATURAL GAS PRODUCTION CONTINUES TO DECLINE

- Legacy North Sea and Dutch natural gas fields are mature and declining
- Prior to current energy crisis, 86% of supply from 3 countries: Russia (42%), Norway (34%), Algeria (10%).
- LNG imports currently meet approximately 20% of natural gas demand. LNG imports are growing but will not fully replace Russian gas.

DEMAND CONTINUES TO GROW

- Natural gas comprises ~24% of European energy matrix
- Large consumer base and infrastructure expected to absorb incremental LNG
- Natural gas can provide the "reliable" base load to replace coal
- The Russian invasion of Ukraine underscored the dependence of Europe on Russian natural gas supplies and the urgency to develop new sources to replace Russian natural gas imports
- Political will to boost domestic production, particularly in Central/Eastern Europe, to reduce dependence on Russian natural gas imports
- EU has approved natural gas as acceptable energy source in the transition to renewable sources
- Importance of natural gas in the European energy matrix and the energy transition to renewable sources

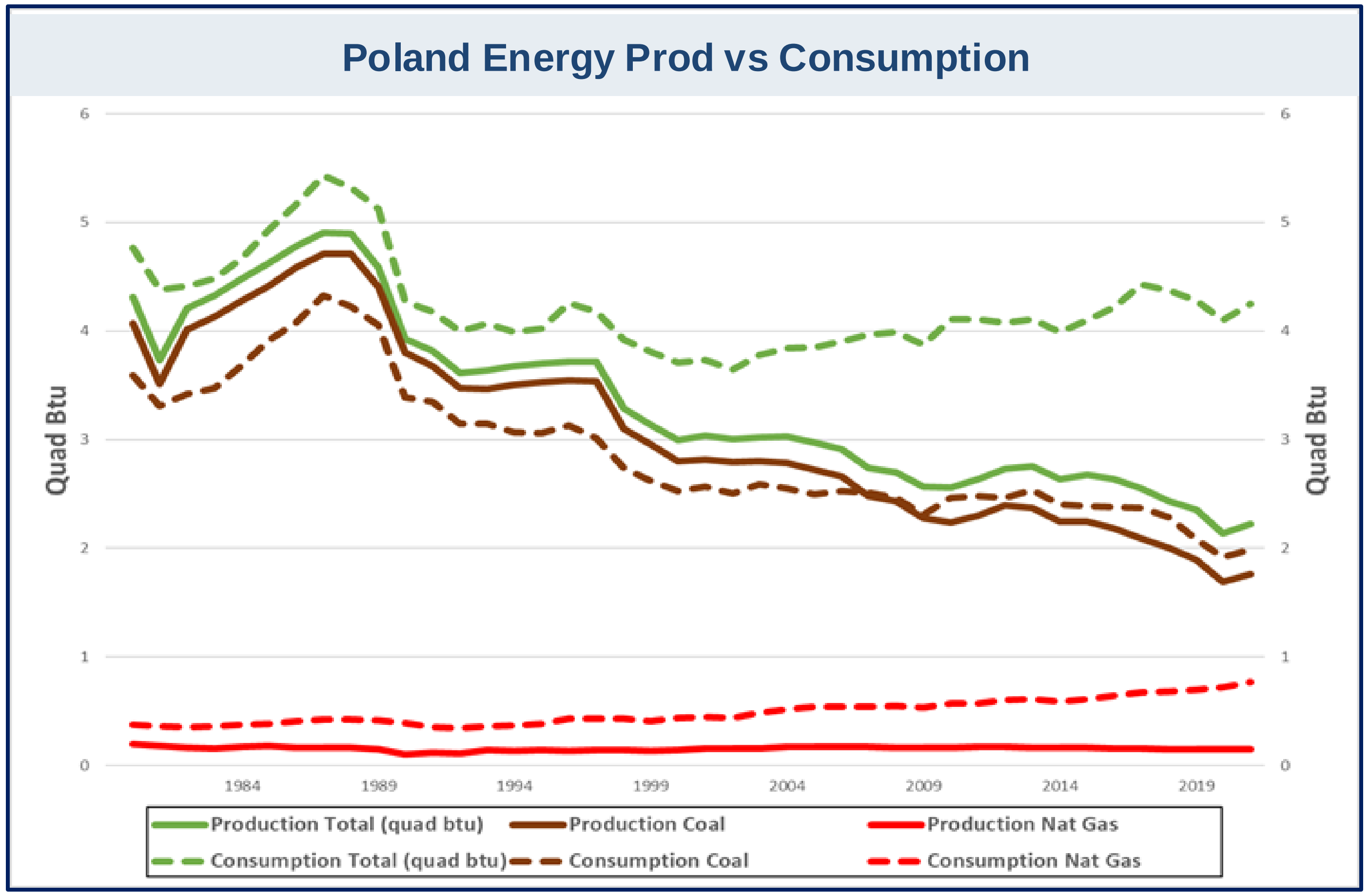
Sources: International Energy Agency (IEA), Various industry sources

POLISH NATURAL GAS MARKET

Natural Gas Fundamentals

- Rising demand with increasing imports and flat domestic production
- Strong political push to find alternative sources of gas to replace Russian supply
- Strong political and environmental push to replace coal in power generation (75 – 80 % of Polish power is still from coal)
- Low royalties - stable political, regulatory & fiscal regime
- Under-developed conventional natural gas resources
- Unconventional players exited the country reducing the competition for sizeable conventional opportunities
- Extensive, under-utilized and accessible natural gas infrastructure

IEA Country Energy Policies: Poland 2023 Review



- Polish natural gas prices are linked to the Natural Gas Energy Index on the Polish Power Exchange (POLPX)
- The Index provides the spot energy price as well as a 3-year forward strip, published daily on the Polish Power Exchange website (www.tge.pl/en)
- Gas price as of January 06, 2025: $US 16/mmbtu

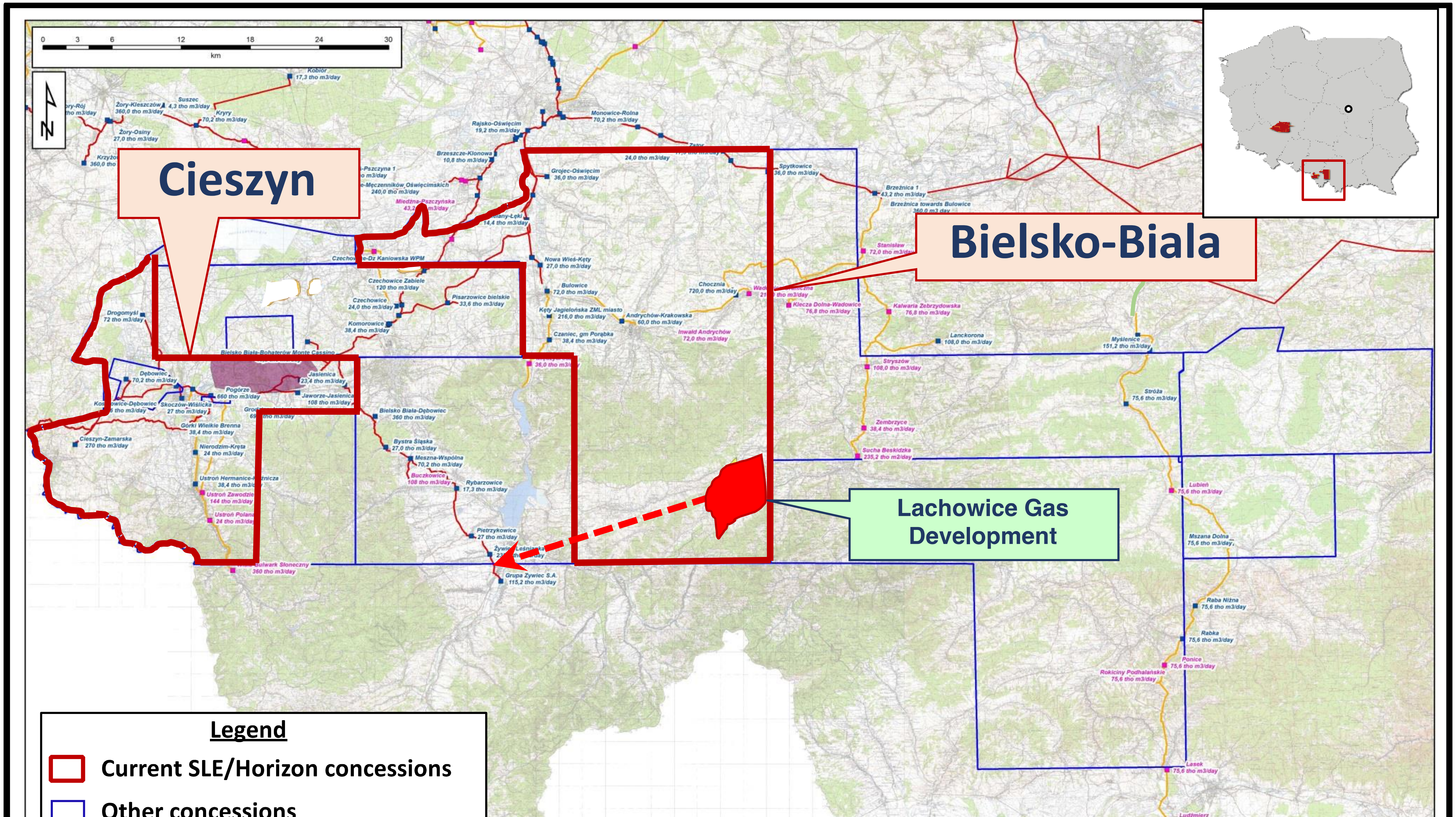
POLISH ASSETS: SUMMARY

FOUNDATION ASSET

- Acquired 100% interest in a conventional natural gas development asset in Poland
- **197 Bcfe 2P net reserves + 2C Risked Contingent Resources with US$515MM Before Tax NPV_{10} in core field area [2,3,4]**
- Upside potential to access 1.2 TCF Gas in place
- **Establish early production scheme and cash flow in late 2025/Q1 2026**
- Acquisition cost: US$1.08 MM, C$1 MM in Horizon shares or cash, 6% Net Profit Interest

1. *See detailed biographies in Appendix*
2. *See "Forward-Looking Information" at the end of this presentation*
3. *See important risk advisory and Resource Definitions in the Appendix*
4. *Reserve report prepared by APEX Global Energy Inc. effective August 31, 2024 in accordance with NI51-101 and COGEH based on low price forecast*

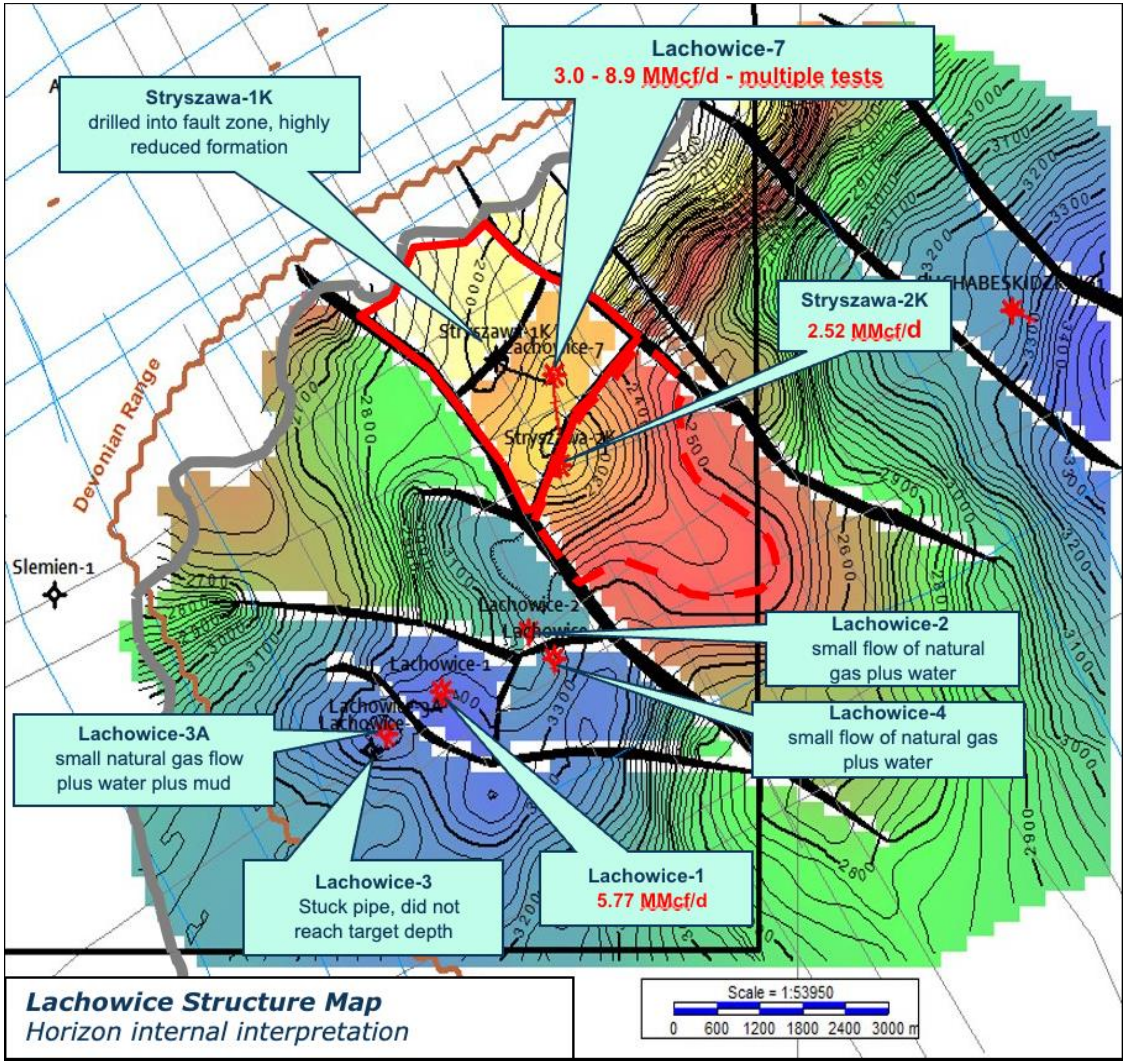
POLISH ASSETS: LOCATION



- 1,130 km² (279,229 acres) in two licenses (Bielsko-Biala, Cieszyn) in the Carpathian foreland basin

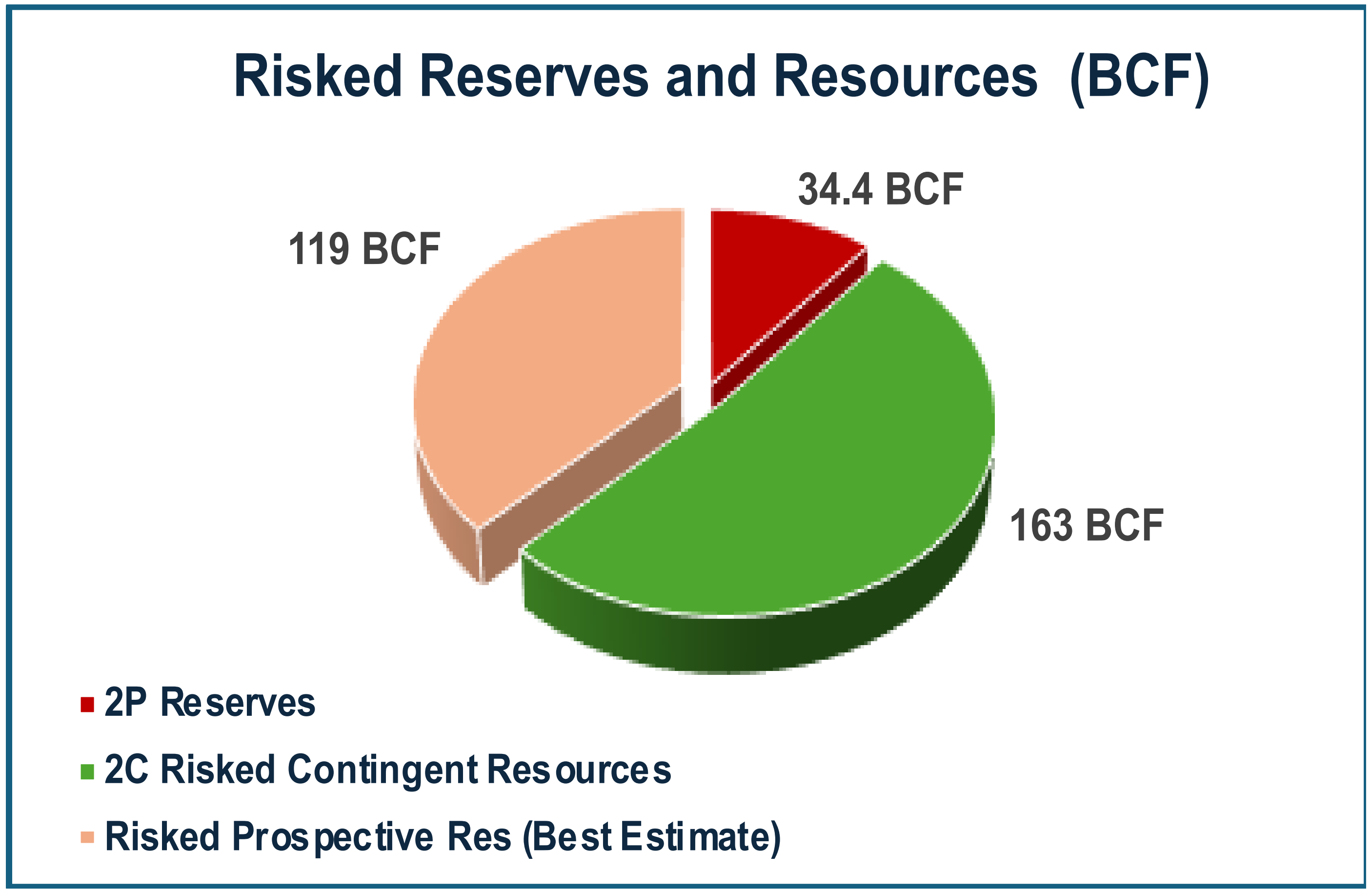
BIELSKO-BIALA CONCESSION: LACHOWICE FIELD

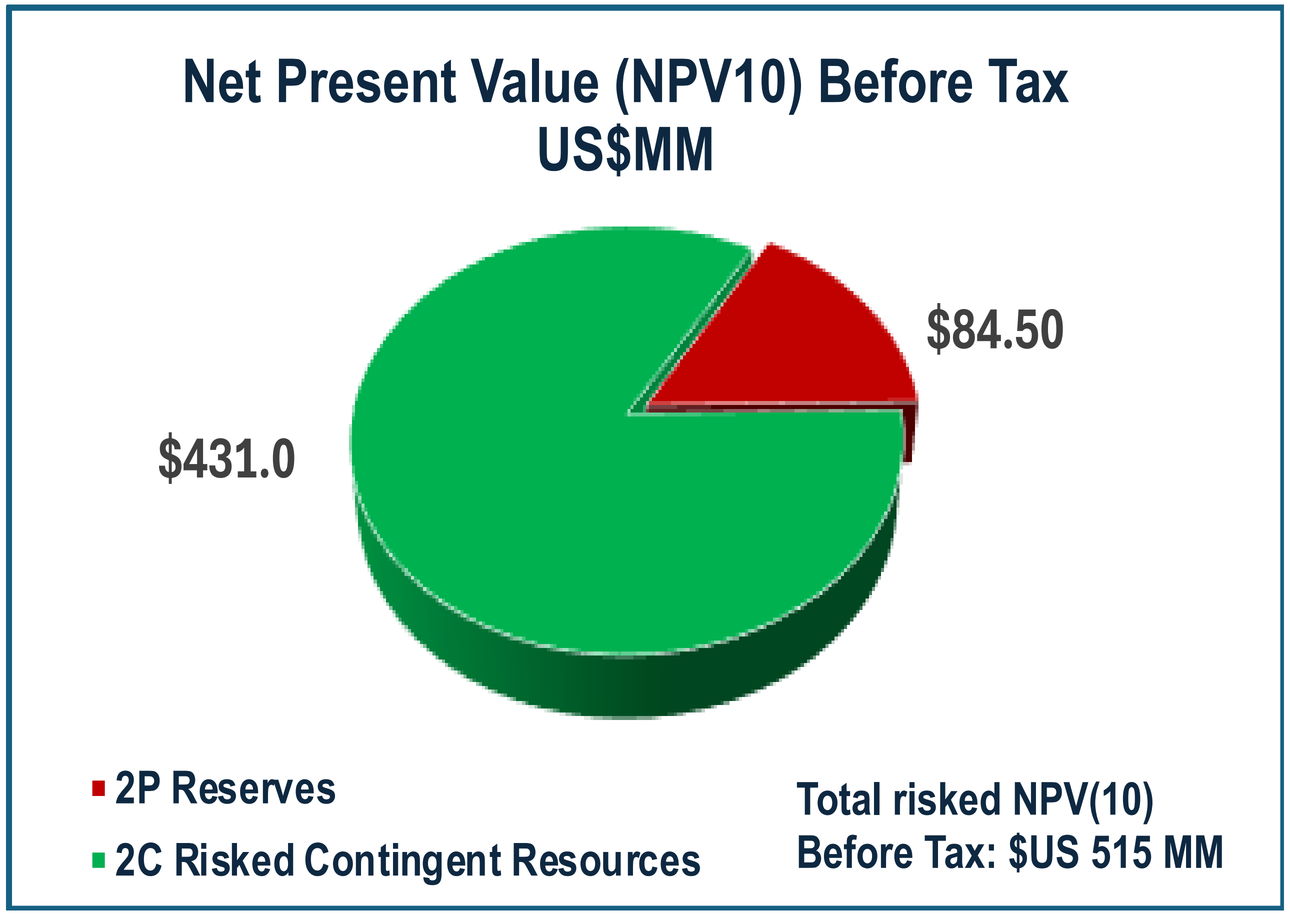
- Located in the Carpathian foothills
- 950 km of legacy 2D seismic
- **Discovered with Lachowice-1 in 1986**
- Seven wells drilled 1986 – 1996:
  - 130m - >300m gas columns
  - **Tested gas rates up to 8.9 MMscf/d (see map)**
  - Well productivity was compromised by poor drilling and operating practices
- Devonian aged naturally fractured carbonate reservoirs
- **Development with highly deviated wells to optimize access to fracture systems**



LACHOWICE RESERVES AND RESOURCES [1, 2, 3]

- 2P reserves assigned to the Lachowice-1, Lachowice-7 and Stryszawa-2K wells
- Risked Contingent resources in the fractures and tight matrix natural gas reservoirs in Lachowice-1, 2, 3a, 4, 7 and Stryszawa-2K wells
- Risked Prospective Resources assigned to undrilled fault compartments





1. *Reserve report prepared by APEX Global Energy Inc. effective August 31, 2024 in accordance with NI51-101 and COGEH*
2. *See important risk advisory and resource definitions in the Appendix*
3. *Contingent Resources further sub-classified as Development Unclarified*
4. *Polish Corporate Income Tax Rate = 19%*

LACHOWICE ASSET MANAGEMENT PLAN

INITIAL DEVELOPMENT

- Gas to power or CNG to establish production and cashflow within 12 months
- **Target production of 1.0 - 1.5 MMscf/d from workover Lachowice-7 well.**
- First cash flow forecast late 2025/Q1 2026
- Revenues of ~US$7-9MM/year in electricity or compressed natural gas sales
  - Converts 2P reserves to 1P and PDP reserve categories

FULL FIELD DEVELOPMENT

- Target full Field Development of Lachowice within 3-4 years
- **Target production 15 MMscf/d (risked) in 2027. Increasing to 40+MMscf/d in 2028**
  - Converts portion of 2C contingent resources to reserve categories
  - Converts 3P and 2P reserves to Proven and Proven Developed Producing categories
- **Target free cash flow of approximately US$13 million/yr in 2027 rising to over US$100mm/yr in 2028**

LACHOWICE ASSET MANAGEMENT PLAN

UPSIDE POTENTIAL

- Assess the exploration potential of the remainder of the Bielsko-Biala and Cieszyn concessions within 12 months
  - Exploration drilling within the next three years to add further reserves and contingent resources
  - **Exploration drilling to be funded from cashflow.**

FINANCIAL STRATEGY

- Flexible financing strategy to finance development and minimize dilution to equity shareholders. Potential sources of capital include:
  - Re-invested cashflows,
  - **Conversion of contingent resources to reserve categories and 2P reserves into 1P and PDP increases access to debt financing or other debt instruments**
  - Potential Offtake agreements with oil and gas traders
  - **Potential to attract an industry partner to fund a promoted portion of the capital requirements**

FORECAST LACHOWICE CASH FLOWS & OPERATING METRICS

Production-mmcf/day-Poland

	2025	2026	2027	2028	2029	2030	2031	2032	2033	Avg Remaining Field Life
Phase 1-G2P-mmcf/day	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Phase 2-Full Development - mm	0.0	0.0	15.5	43.0	40.6	41.8	41.8	42.1	35.7	13.6
Total-mmcf/day	0.0	2.1	15.5	43.0	40.6	41.8	41.8	42.1	35.7	13.6

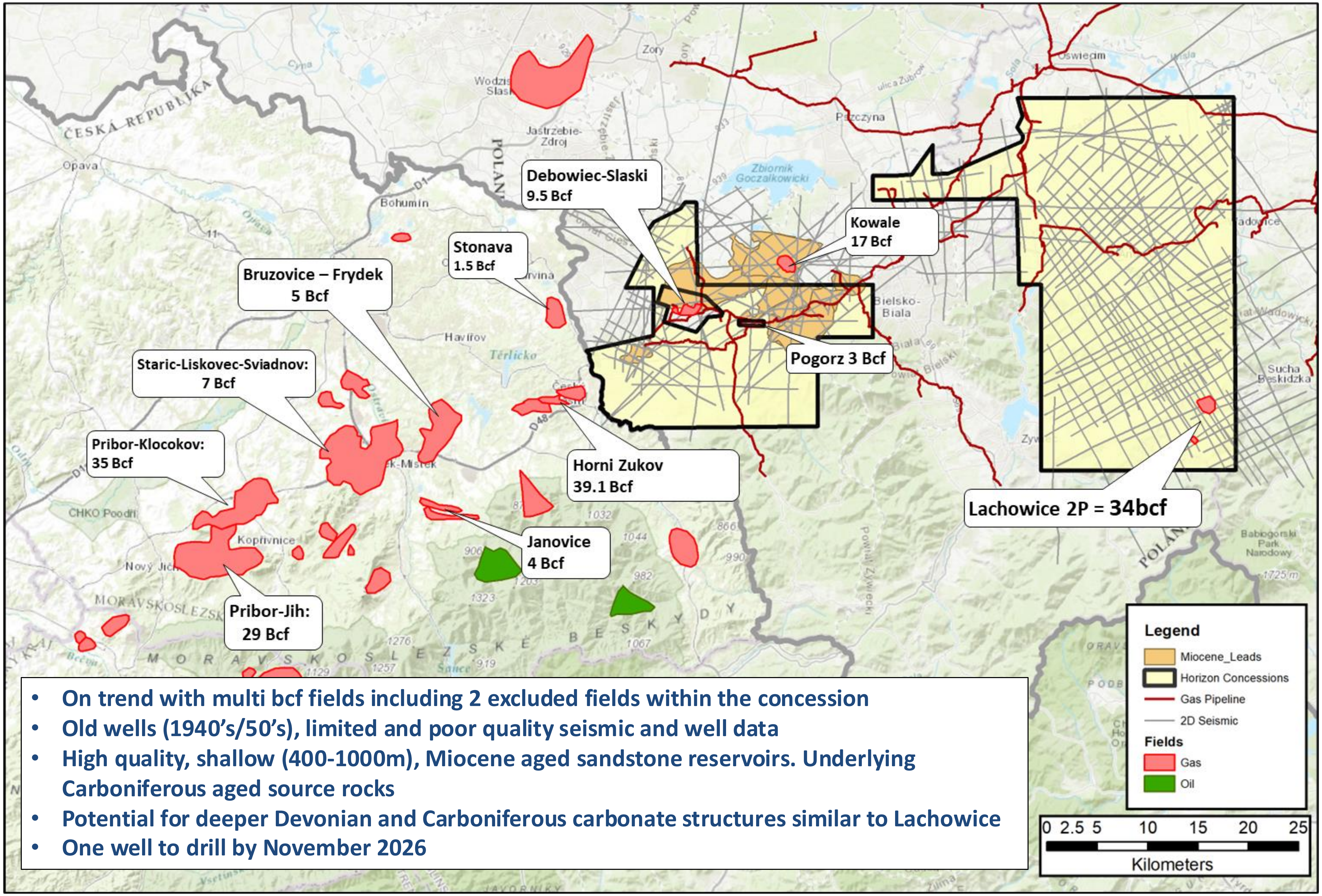
Cash-flows-$US millions-In-Country Poland

	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total Field Life
EBITDA	(1)	4	50	114	126	133	136	140	121	1,954
Capex (Phase 1 & 2)	8	39	37	24	12	17	12	-	-	153
Free Cash Flow	(9)	(35)	13	110	114	116	124	140	121	1,801
Cummulative Free Cash Flow	(9)	(43)	(30)	80	194	310	433	573	694	1,801
Cummulative After Tax Free Cash Flow	(9)	(44)	(38)	48	140	232	332	447	546	1,465

OPERATING METRICS-POLAND

Finding & Development	Capital-US$ millions	Reserves- bcfe	F&D-US$/mcfe
	$ 153	197	$ 0.78
Operating Net Back	Op Cash Flow-US$ millions	Prod'n- bcfe	Op Net Back-US$/mcfe
	1,978	197	$ 10.04
Recycle Ratio	Op Net back-US$/mcfe	F&D-US$/mcfe	Recycle Ratio
	$ 10.04	$ 0.78	12.9
Gas Price	February 28, 2025 Price-US$/mcf	Avg Reserve Report Price-US$/mcf	Breakeven price-US$/mcf
	$ 15.38	$ 11.85	$ 2.00
Breakeven Reserves Per Well	Capex per well-US$ millions	Op Net Back-$/mcfe	Break-even-bcfe
	$ 12	$ 10.04	1.20

CIESZYN CONCESSION



- On trend with multi bcf fields including 2 excluded fields within the concession
- Old wells (1940's/50's), limited and poor quality seismic and well data
- High quality, shallow (400-1000m), Miocene aged sandstone reservoirs. Underlying Carboniferous aged source rocks
- Potential for deeper Devonian and Carboniferous carbonate structures similar to Lachowice
- One well to drill by November 2026

CAPITAL STRUCTURE

SYMBOL:	TSX-Venture: HPL	
SHARE PRICE*	CAD	$0.13
52 WEEK HIGH/LOW	CAD	$0.04 - $0.25
MARKET CAPITALIZATION	CAD	7,266,137
SHARES OUTSTANDING		55,893,364
FULLY DILUTED SHARES		58,908,364

- *SHARE PRICE – April 2, 2025*
- *WARRANTS – MAY 2025 EXPIRY - 840,000 @ $0.075*
- *WARRANTS – SEPT 2028 EXPIRY - 8,962,433 @ $0.30*
- *WARRANTS – OCT 205 EXPIRY – 1,045,455 @ $0.20*
- *STOCK OPTIONS - 1,900,000 @ $0.25, 1,040,000 @ $0.075, 1,420,000 @ $0.16, 80,000 @ $0.15*
- *FULLY DILUTED SHARES – considers in the money*

TRADING COMPARABLES

COMPANY	HORIZON PETROLEUM	MCF ENERGY	CANCAMBRIA ENERGY	NG ENERGY	TENAZ ENERGY	TOUCHSTONE EXPLORATION	ALVOPETROL
LOCATION	POLAND	AUSTRIA, GERMANY	HUNGARY	COLOMBIA	CANADA, HOLLAND	TRINIDAD	BRAZIL
GAS WEIGHTING	100%	100%	100%	100%	56%	64%	100%
1P RESERVES (bcfe)	0	0	0	52	45	32	23
2P RESERVES (bcfe)	33	0	0	161	70	67	54
NPV_{10} 1P (C $ MM)	0	0	0	140	120	346	222
NPV_{10} 2P (C $ MM)	122	0	0	374	199	608	453
PRODUCTION (MMscf/d)	0	0	0	23	15	31	10
MARKET CAPITALIZATION (C $ MM)	**8**	**18**	**57**	**242**	**357**	**99**	**171**

Market Valuations based on share prices dated February 28, 2025
Data sourced from company websites, presentations and regulatory filings.

GROWTH STRATEGY[1]

Commence Development Of Polish Reserves To Establish Near Term Cash Flow And Significant Medium- Term Growth

- **Target first natural gas production to generate and sell electricity in 2025 establishing annual revenues of ~$US 7-9MM from the Lachowice #7 well**
- Full field development to build production to 40+ MMscf/d with forecast EBITDA of US$100MM+ per year by 2028
- **Development funding sourced from cashflows and promoted partnerships with industry or financial partners**
- Pursue exploration and step out wells in both license areas (consider strategic farmouts)
- Assess opportunities for further revenues from carbon sequestration, geothermal energy

Longer Term, Acquire Similar, Undervalued Assets

- Establish cash flow to fund further development of acquired assets in addition to the Lachowice development
- **Build natural gas and oil reserve development inventory**
- Several low-cost natural gas and oil development and production opportunities identified by management

1. *See "Forward-Looking Information" at the end of this presentation*

WHY INVEST IN HORIZON[1,2,3]

- **Compelling entry valuation to access 197 Bcfe 2P net reserves + 2C Contingent Resources with US$515 MM Before Tax NPV_{10}**
- Near-term work program to initiate early production and cash flow targeting late 2025
- **Exposure to high European gas prices**
  - strategic importance of natural gas, replacement of coal as main energy source
- Large upside natural gas production and reserve potential which will be fully funded from future cash flow
- Apply proven technologies to eliminate methane leakage and minimize carbon footprint
- **First step in long-term growth strategy targeting significant reserve and acreage positions in proven basins with high demand and high natural gas price market**
- **Management team with track record of international oil and gas reserves and corporate growth**

1. *See "Forward-Looking Information" at the end of this presentation*
2. *See important risk advisory and Resource Definitions in the Appendix*
3. *Reserve report prepared by APEX Global Energy Inc. effective August 31, 2024 in accordance with NI51-101 and COGEH*

CORPORATE INFORMATION

Dr. David A. Winter, CEO
dawinter@horizon-petroleum.com
+1 (403) 619-2957

Roger McMechan, President and COO
roger.mcmechan@horizon-petroleum.com
+1 (403) 870 1653

Corporate Website
www.horizon-petroleum.com

APPENDIX

MANAGEMENT: INTERNATIONAL EXPERIENCE

DR DAVID WINTER, CEO

- 40 years experience in technical, management and leadership roles living and working in Latin America, Middle East, SE Asia and UK North Sea. British Petroleum, Sun Oil, Canadian Occidental (now CNOOC), Alberta Energy Company (now Ovintiv), Calvalley Petroleum
- Founder and Director of Canacol Energy Ltd. and Founder, prior CEO and Director of Excelsior Energy Limited, an oil sands-focused exploration company
- BSc (Hons) in Geology from the University of London, an MSc in Structural Geology and Rock Mechanics from Imperial College, University of London and a PhD in Structural Geology from Edinburgh University

ROGER McMECHAN, PRESIDENT AND COO

- 40 years of diverse engineering experience in managing domestic and international oil and gas operations
- Senior management positions for Petro Canada and Burlington Resources in North Africa and Canada; Executive VP and Director of Winstar Resources with operations in Canada, Tunisia, Hungary and Romania; CEO and Director of Iskander Energy, a private company that operated in Bulgaria, Georgia, Poland and Ukraine; Technical Director of Block Energy Plc with operations in Georgia
- BSc in Mechanical Engineering from the University of Waterloo

IAN HABKE, CFO

- Chartered Accountant with over 30 years of experience in the oil and gas industry
- Acquired significant knowledge in the areas of oil and gas operations, strategic planning and budgeting, cost control, financial reporting, M&A activities, tax planning, investor relations and supply management. Experience gained in both junior and large companies including increasingly senior financial management roles with Nexen (now CNOOC) in the UK, Canada and Yemen
- Bachelor of Commerce degree from the University of Alberta

DR CEZARY FILIPOWICZ, POLAND COUNTRY MANAGER – WARSAW, POLAND

- 40 years of professional oil and gas experience in business: UOS Services and Drilling; founder and Deputy President PKN Orlen; Director AB Mazeikiu Nafta – Lithuania; Director International Pipeline Company MPR “SARMATIA” Ltd, Director of the Rep Office in Poland of the Ukrainian Joint Stock Company “UKRTRANSNAFTA”; and President of the International Oil Company MTN "Golden Gate" S.A.
- Chief Ecologist: Bank for Environmental Protection (BOS Bank S.A.); director “GeoCO2 Consortium”; coordinator - Polish Carbon Capture & Storage (CCS) pilot project.
- Served as an advisor to the Deputy Prime Minister, Minister of Economy of the Republic of Poland and to the Chancellery of the President of the Republic of Poland. Doctorate and a BSc in geology from the University of Warsaw.

BOARD OF DIRECTORS

SHERN TAN LIANG

- Founder and CEO of One Tree Partners, a licensed asset management firm in Singapore that has had over US$1bn in mining and commercial deal flow
- Held increasingly senior management and executive roles at Citibank, UBS and Goldman Sachs in Singapore
- Bachelor of Business Administration (BBA) degree from the University of Michigan

DR. CHARLE GAMBA

- Founder, President and CEO at Canacol Energy Ltd.
- 30 years of oil and gas experience in SE Asia, the Middle East, West Africa, Canada, and Latin America. Imperial Oil, Canadian Occidental (now CNOOC), Alberta Energy Company (now Ovintiv) and Occidental Petroleum. Served on the board of directors of several publicly listed and private oil and gas companies.
- B.Sc., M.Sc. and PhD in Geology.

RICCARDO M. MONTI

- Executive Chairman of Triboo, a leading Italian company in the sectors of digital services and e-commerce, listed on the Milan Stock Exchange
- Executive VP of the Italy-China Foundation, established in 2003 to foster economic, political and cultural exchanges between the two countries
- Prior President of Interporto Sud Europa S.p.A, Director of Alilauro and Chairman of Italferr S.p.A. Worked with corporations and governments in over 50 countries dealing with privatization and projects of international expansion and relocation

ROGER McMECHAN , DR. DAVID WINTER

- See Management slide

DISCLAIMER

FORWARD-LOOKING INFORMATION

This information contained in this corporate presentation and the accompanying verbal presentation (the "Presentation") contains forward-looking statements and forward-looking information (collectively, "forward-looking information") within the meaning of applicable securities laws relating to the plans of Horizon Petroleum Inc. (the "Company") and other aspects of its anticipated future operations, management focus, strategies, financial, operating and production results, industry conditions, commodity prices and business opportunities. All statements in this Presentation, other than statements of historical fact, that address events or developments that the Company expects to occur, are forward-looking information. In addition, and without limiting the generality of the foregoing, this Presentation contains forward-looking information regarding anticipated netbacks, anticipated potential of the acquisition, the closing and timing of closing of any potential offering, the use of proceeds of any potential offering, decisions regarding additional listings, production guidance, capital program and allocation thereof, future production, development and drilling plans, well economics, future cost reductions, potential growth, the current operating plans with respect to the Company's assets in France, and the source of funding the Company's capital spending. ***Any and all future operating activities as well as the ability of the Company to continue as a going concern will require an infusion of capital into the Company in the immediate future and the Company makes no representations as to the likelihood of this occurring.*** *Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. Such statements are not guarantees of future performance and actual results may differ materially from those in forward looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include, but are not limited to, market prices, exploration and drilling success, continued availability of capital and financing and general economic, market or business conditions.*

The forward-looking information is based on certain key expectations and assumptions made by the Company's management, including expectations and assumptions concerning prevailing commodity prices and differentials, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; the ability to efficiently integrate assets and employees acquired through acquisitions, including the acquisition, the ability to market natural gas successfully and the Company's ability to access capital.

Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Company' actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that we will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this presentation in order to provide securityholders with a more complete perspective on future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release and we disclaim any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

FOFI and other Financial Matters

This Presentation contains future-oriented financial information and financial outlook information (collectively, "FOFI") about the Company's prospective results of operations, operating netbacks and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this Presentation was made as of the date of this press release and was provided for the purpose of providing further information about the Corporation's anticipated future business operations. Readers are cautioned that the FOFI contained in this Presentation should not be used for purposes other than for which it is disclosed herein.

Cautionary Statements

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For the purpose of Section 21 of the Financial Services and Markets Act 2000 of the UK ("FSMA"), any invitation or inducement to engage in any investment activity included within the Presentation is directed only at (i) investment professionals (within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) (the "FPO")); (ii) certified sophisticated investors (within article 50(1) of the FPO); (iii) self-certified sophisticated investors (within article 50A(1) of the FPO); (iv) persons of a kind described in article 49(2) of the FPO; (v) certified high net worth individuals (within article 48(2) of the FPO); (vi) associations of high net worth or sophisticated investors (within article 51 of the FPO); and (vii) any other persons to whom the Presentation for the purposes of Section 21 of FSMA can otherwise lawfully be made (all such persons together being referred to as "relevant persons"), and must not be acted on or relied upon by persons other than relevant persons.

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RISK ADVISORY

The reserve and resource estimates of natural gas and natural gas liquids reserves provided in this presentation are estimates only, and there is no guarantee that the estimated reserves and/or resources will be recovered. Actual reserves and resources may eventually prove to be greater than, or less than, the estimates provided herein. It should not be assumed that the estimates of future net revenues presented herein represent the fair market value of the reserves and/or resources. There are numerous uncertainties inherent in estimating quantities of natural gas and natural gas liquids reserves and/or resources and the future cash flows attributed to such reserves and/or resources.

These risks and uncertainties include but are not limited to:

1. *the fact that there is no certainty that the zones of interest will exist to the extent estimated or that the zones will be found to have natural gas with characteristics that meet or exceed the minimum criteria in terms of net pay thickness and/or porosity, or that the natural gas will be commercially recoverable to the extent estimated;*
2. *the fact that there is no certainty that any portion of the probable reserves and contingent and prospective resources will be commercially viable to produce;*
3. *the fact that the Company must hire an operations team and executive in both Calgary, Poland and France in order to execute on each country's development plan, and there are no guarantees that suitably qualified technical and professional staff and/or consultants will be available;*
4. *the lack of additional financing to fund the Company's development activities and continued operations;*
5. *the risks associated with obtaining approvals to access land to drill wells or install infrastructure and facilities in a reasonable time frame; the Polish and French regulatory regimes are relatively stable but are marked with long approval processes relative to North American jurisdictions;*
6. *the risks in acquiring or constructing adequate natural gas infrastructure to produce and sell natural gas, and whether capacity will be available in the existing main pipeline system at reasonable costs;*
7. *the risk that there may not be a drilling rig available to drill the required wells, and the risk that if a rig mobilization is required from outside of Poland and/or France that the costs may be prohibitive;*
8. *risks inherent in the international oil and natural gas industry;*
9. *fluctuations in foreign exchange and interest rates;*
10. *the number of competitors in the oil and gas industry with greater technical, financial and operations resources and staff;*
11. *fluctuations in world prices and markets for oil and natural gas due to domestic, international, political, social, economic and environmental factors beyond the Company's control;*
12. *changes in government regulations affecting oil and natural gas operations;*
13. *potential liabilities for pollution or hazards against which the Company cannot adequately insure or which the Company may elect not to insure;*
14. *contingencies affecting the classification as reserves versus resources which relate to the following issues as detailed in the COGE Handbook: ownership considerations, drilling requirements, testing requirements, regulatory considerations, infrastructure and market considerations, timing of production and development, and economic requirements;*
15. *the fact that there is no certainty that any portion of the prospective resources will be discovered and if discovered, there is no certainty that it will be commercially viable to produce any portion of the resources; and*
16. *other factors beyond the Company's control. Any reference in this press release to DPIIP, contingent resources and prospective resources are not, and should not be confused with oil and natural gas reserves.*

Any reference in the presentation to PIIP, contingent resources and/or prospective resources are not and should not be confused with oil and natural gas reserves.

RISK ADVISORY

Estimates of resources always involve uncertainty, and the degree of uncertainty can vary widely between accumulations/projects and over the life of a project. Consequently, estimates of resources should generally be quoted as a range according to the level of confidence associated with the estimates. An understanding of statistical concepts and terminology is essential to understanding the confidence associated with resources definitions and categories. These concepts, which apply to all categories of resources, are outlined below. The range of uncertainty of estimated recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. Resources should be provided as low, best, and high estimates as follows:

- *Low Estimate and/or 1C in the case of Contingent Resources: This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.*
- *Best Estimate and/or 2C in the case of Contingent Resources: This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.*
- *High Estimate and/or 3C in the case of Contingent Resources: This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.*

This approach to describing uncertainty may be applied to reserves, contingent resources, and prospective resources. There may be significant risk that sub commercial and undiscovered accumulations will not achieve commercial production, however, it is useful to consider and identify the range of potentially recoverable quantities independently of such risk.

The main contingencies identified in the Lachowice Reserves Report are the successful recompletion of existing abandoned wells, the expected decline rates and the approval and completion of new development and new re-entries. The table below outlines the positive and negative factors which may be relevant to the Resource Report assumptions and estimates.

Unrecoverable Petroleum Quantity is that portion of the Discovered or Undiscovered PIIP which is estimated at the effective date not to be recoverable by future development. It is that portion of the PIIP remaining after the recoverable Contingent or Prospective Resource is removed. A portion of this petroleum quantity may become recoverable in the future as commercial circumstances or technological improvements occur, but are given no value at the Effective Date. The remaining portion may never be recovered due to physical and chemical restraints in petroleum reservoirs.

Boe means a barrel of oil equivalent on the basis of 6 Mcf of natural gas to 1 barrel of oil equivalent. Mcfe means one thousand cubic feet of natural gas equivalent on the basis of 6 Mcfe : 1 barrel of oil. A Boe conversion ratio of 6 Mcf : 1 Boe and 6 Mcfe : 1 Bbl are based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the price of crude compared to the price of natural gas at various times can be significantly different from the energy equivalence of 6 Mcf : 1 boe or 6 Mcfe : 1 Bbl, using Boe's and Mcfe's may be misleading as an indication of value.

RESOURCE DEFINITIONS

Total Petroleum Initially in Place ("PIIP") refers to the total quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes the petroleum that exists in known accumulations prior to production and the estimated quantities yet to be discovered in the various leads and prospects identified by seismic and inferred by geology. A portion of the PIIP will be recoverable as determined by ultimate recovery factors and the estimated recoverable portion is further classified as Reserves, Contingent Resources or Prospective Resources.

Discovered Petroleum Initially in Place ("Discovered PIIP" or "DPIIP") is the total quantity of Petroleum that is estimated as of the effective date of the Report to be contained in known accumulations prior to production.

Past Production is the cumulative quantity of Petroleum that has been recovered as of the effective date of the Report. It is the sum of all raw production which includes sales and non-sales product quantities as measured and reported by the operators. It is not included in any values given the reserves, contingent resources or prospective resources, having already been produced and sold.

Future Production is sub-classified as reserves, contingent resources or prospective resources.

Multiple development projects may be applied to each known accumulation which may be separated vertically into different formations or by area in different pools; each project will recover a portion of the PIIP according to its unique reservoir characteristics. The projects will be subdivided into Commercial and Sub-Commercial at the effective date with the estimated recoverable petroleum quantities being classified as Reserves and Contingent Resources.

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from the effective date under defined conditions. Reserves must be discovered, recoverable, commercial, and remaining as of the effective date based on the development projects applied. Reserves are further categorized into Proven, Probable and Possible according to the level of certainty associated with the estimates, and may be sub-classified based upon production status and project maturity.

Reserves are classified according to the degree of certainty associated with the estimates. Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be commercially recoverable from known accumulations, from a given date forward, based on:

- analysis of drilling, geological, geophysical, and engineering data;
- the use of established technology; and
- economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Proved Reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves (1P).

Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves (2P)

RESOURCE DEFINITIONS

Possible Reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves (3P)

Company Gross Reserves are the Company's working interest (operating or non-operating) share before deducting royalties and without including any royalty interests of the Company.

Resources are defined in the Canadian Oil and Gas Evaluation Handbook (COGEH) Volume 1, section 5 as follows:

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied projects are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality.

Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources, the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be sub classified based on project maturity and/or characterized by their economic status.
Not all technically feasible development plans will be commercial. The commercial viability of a development project is dependent on the forecast of fiscal conditions over the life of the project. For Contingent Resources, the risk component relating to the likelihood that an accumulation will be commercially developed is referred to as the "chance of development." For contingent resources, the chance of commerciality is equal to the chance of development.

Development Pending are contingencies that are being actively pursued; expect resolution in a reasonable time period; are directly influenced by the developer with both, internal approvals and commitment and development timing and; have a high chance of development (>80%).

Development on Hold are contingencies with major non-technical contingencies identified; have a reasonable chance of development (>50%); have contingencies that are beyond the control of the developer including but not limited to: external approvals, economic factors, market access, political factors and social license.

Development Unclarified are contingencies that have not been clearly defined; the project is currently under active evaluation; significant further appraisal may be required; progress is expected in a reasonable time period; chance of development is difficult to assess and could be a big range (20%-80%).

Development Not Viable are contingencies that have been identified; the project was evaluated and considered not viable or significant further appraisal may be required; progress is not expected in a reasonable time period and; has a low chance of development (<50%).

Contingent Resources –Development Pending and –Development On Hold are considered economic, Contingent Resources –Development Unclarified have economics that are undetermined, and Contingent Resources –Development Not Viable are considered sub-economic.
Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub classified based on project maturity.
Not all exploration projects will result in discoveries. The chance that an exploration project will result in the discovery of petroleum is referred to as the "chance of discovery." Thus, for an undiscovered accumulation, the chance of commerciality is the product of two risk components — the chance of discovery and the chance of development.

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