



HORIZON PETROLEUM LTD.

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

As at and for the three and six months ended  
February 28, 2025 and February 29, 2024

# HORIZON PETROLEUM LTD.

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

As at	February 28, 2025	August 31, 2024
<b>Assets</b>		
Current Assets		
Cash	\$ 291,363	\$ 76,408
Prepaid expenses	66,481	16,869
Receivables	60,843	22,864
<b>Total Assets</b>	<b>\$ 418,687</b>	<b>\$ 116,141</b>
<b>Liabilities and Shareholders' Deficiency</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 669,219	\$ 905,097
Acquisition cost payable (Note 9)	2,779,108	2,676,503
<b>Total Liabilities</b>	<b>3,448,327</b>	<b>3,581,600</b>
<b>Shareholders' deficiency</b>		
Share capital (Note 4)	21,767,369	20,167,048
Stock option reserve (Note 5)	239,183	160,765
Warrants (Note 5)	485,558	111,631
Deficit	(25,521,750)	(23,904,903)
<b>Total Shareholders' Deficiency</b>	<b>(3,029,640)</b>	<b>(3,465,459)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>\$ 418,687</b>	<b>\$ 116,141</b>

Going concern (Note 1)  
Commitments and contingencies (Notes 9 and 10)  
Subsequent events (Note 11)

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		Six months ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Expenses:				
Consulting fees	\$ 270,118	\$ -	\$ 310,758	\$ -
Poland licenses	-	-	238,714	-
Shareholder communications and related	217,067	-	220,334	-
Salaries and benefits (Note 6)	109,664	95,790	214,627	186,805
Professional fees	138,685	85,248	176,386	121,535
Operations and development	87,296	-	87,296	-
Stock based compensation (Note 6)	59,539	23,992	78,418	47,984
Management fees	43,072	32,498	67,667	49,114
Office costs	3,904	25,263	63,190	40,938
Travel costs	7,399	-	48,813	-
Transfer agent and regulatory fees	23,677	5,053	39,103	7,582
Bank charges	1,646	518	2,477	1,066
Foreign exchange loss (gain)	48,526	2,807	116,967	12,273
Gain on settlement of debt	(16,237)	-	(47,903)	-
<b>Total expenses</b>	<b>994,356</b>	<b>271,169</b>	<b>1,616,847</b>	<b>467,297</b>
<b>Loss and comprehensive loss</b>	<b>\$ 994,356</b>	<b>\$ 271,169</b>	<b>\$ 1,616,847</b>	<b>\$ 467,297</b>
Basic and diluted loss per common share	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.04)</b>	<b>\$ (0.02)</b>
Weighted average number of common shares outstanding, basic and diluted	<b>44,926,858</b>	<b>23,786,135</b>	<b>44,926,858</b>	<b>23,786,135</b>

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)

	Six months ended February 28,	
	2025	2024
<b>Operating Activities</b>		
Loss for the period	\$ (1,616,847)	\$ (467,297)
Stock based compensation	67,667	47,984
Gain on settlement of debt	(47,903)	-
Unrealised foreign exchange loss	150,508	(1)
Changes in non-cash working capital		
Receivables	(37,979)	21,839
Prepaid expenses	(49,612)	(3,837)
Accounts payable and accrued liabilities	109,122	309,975
<b>Cash flow (used in) operating activities</b>	<b>(1,425,044)</b>	<b>(91,337)</b>
<b>Financing Activities</b>		
Proceeds on share and warrant issue	1,262,040	-
Share issue costs	(69,742)	-
Proceeds on warrants issued	436,950	-
<b>Cash flow from financing activities</b>	<b>1,629,248</b>	<b>-</b>
Change in cash during the period	204,204	(91,337)
Cash, beginning of period	76,408	158,841
<b>Cash, end of period</b>	<b>\$ 280,612</b>	<b>\$ 67,504</b>

See accompanying notes to these unaudited interim condensed consolidated financial statements

Supplemental information

Shares issued for debt	\$ 345,000	\$ -
------------------------	------------	------

# HORIZON PETROLEUM LTD.

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

	Number of Shares	Share Capital	Warrants	Stock Option Reserve	Deficit	Total
<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>
Stock based compensation	-	-	-	47,984	-	47,984
Warrant expired	-	-	(296,211)	-	296,211	-
Net loss for the period	-	-	-	-	(467,297)	(467,297)
<b>Balance at February 29, 2024</b>	<b>23,786,135</b>	<b>\$ 19,798,645</b>	<b>\$ 19,380</b>	<b>\$ 78,072</b>	<b>\$ (23,203,772)</b>	<b>\$ (3,307,675)</b>
<b>Balance at August 31, 2024</b>	<b>33,786,135</b>	<b>\$ 20,167,048</b>	<b>\$ 111,631</b>	<b>\$ 160,765</b>	<b>\$ (23,904,903)</b>	<b>\$ (3,465,459)</b>
Shares issued	20,155,729	2,111,251	-	-	-	2,111,251
Share issue costs	-	(60,873)	-	-	-	(60,873)
Warrants issued	-	(450,057)	450,057	-	-	-
Finder warrants issued	-	-	26,372	-	-	26,372
Warrant issue costs	-	-	(35,241)	-	-	(35,241)
Warrants exercised	-	-	(67,261)	-	-	(67,261)
Stock based compensation	-	-	-	78,418	-	78,418
Net loss for the period	-	-	-	-	(1,616,847)	(1,616,847)
<b>Balance at February 28, 2025</b>	<b>53,941,864</b>	<b>\$ 21,767,369</b>	<b>\$ 485,558</b>	<b>\$ 239,183</b>	<b>\$ (25,521,750)</b>	<b>\$ (3,029,640)</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 six months ended February 28, 2025 and February 29, 2024

## 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.

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

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 six months ended February 28, 2025 the Company used cash from operating activities of \$1,414,293 (six-month period ended February 29, 2024 - \$91,337). As at February 28, 2025 the Company had a working capital deficiency of \$3,029,640 (August 31, 2024 - \$3,465,459).

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

## 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") as applicable to the preparation of interim financial statements, including International Account Standard ("IAS") 34, "Interim Financial Reporting". The policies set out in the Company's annual consolidated financial statements for the year ended August 31, 2024 were consistently applied to all periods presented unless otherwise noted below.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2025.

### (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 condensed interim financial statements in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Certain disclosures included in annual financial statements have been condensed or omitted.

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

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

### (c) Company Subsidiaries:

The Company holds 100% of the subsidiaries below:

Legal Business Name of Subsidiary	Country of Incorporation
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.

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

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

### *New Accounting Standards*

During the period ended February 28, 2025, the Company adopted a number of amendments and improvements of existing standards. These included IAS 21 and IFRS 3. 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 to the Company and have been excluded. Management is currently evaluating the impact of these pronouncements on the Company’s consolidated financial statements.

*IFRS 9 Financial 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 assess 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.



# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

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

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.

*IFRS – 6 Exploration and evaluation expenditures during predevelopment phase:* In order to enhance the relevance to the decision-making needs of users and improve comparability with its peers, the Company has voluntarily changed its accounting policy with respect to exploration properties and deferred exploration expenditures, consistent with the guidance provided in IFRS 6 – Exploration for and Evaluation of Mineral Resources and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The new accounting policy was applied retrospectively. However, as there was no capitalized exploration asset value as at August 31, 2024, no changes were required to the financial statements as previously reported. In prior periods the Company's policy was to capitalize exploration expenditures until such time the predevelopment phase is completed. Once the predevelopment phase is complete, being when technical feasibility and commercial viability of the property are demonstrated, the Company will capitalize expenditures related to Poland.

The Company elected to change this accounting policy to expense all future predevelopment expenses.

Expenditures during the predevelopment phase are expensed as incurred. The Company is currently in the predevelopment phase in Poland and all related expenditures are recorded as expenses. Expenditures are required in the predevelopment phase in Poland.

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

## 4. 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:

- 53,941,864

During the period of September 17 to October 31, 2024, the Company issued a total of 8,609,409 units at \$0.11 per unit for gross proceeds of \$947,035. The units were issued under a private placement announced on August 8, 2024 and were closed in two 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 \$0.30 for a period of 48 months from the date of purchase.

181,818 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 \$0.20 per share expiring 12 months from the date of grant.

On September 18, 2024 and November 18, 2024 the Company issued a total of 121,000 Finder Warrants at a price of \$0.075 per share.

On October 30, 2024 the Company issued 3,136,365 common shares at \$0.11 per share in payment of \$345,000 in unpaid wages to officers of the Company and Directors fees. No issue costs were incurred.

October 31, 2024, the Company issued a total of 1,045,455 units at \$0.11 per unit for gross proceeds of \$115,000. The units were issued under a private placement announced on August 8, 2024. 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 \$0.20 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. 181,818 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 fees of \$2,513.

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

## 4. Share capital (continued):

On January 7, 2025 the Company issued 35,000 shares on the exercises of Finders Warrants at a price of \$0.075.

On January 15, 2025 the Company issued 1,538,500 units at \$0.13 per unit for gross proceeds of \$200,005 under a private placement. 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 \$0.30 for a period of 48 months from the date of purchase.

Between December 2, 2024 and February 25, 2025, the Company issued 5,670,000 shares on the exercise of share purchase warrants at a price of \$0.075.

Date of share issue	# of Units	Black-Scholes Variables				
		Current Share Price	Expected Life	Expected Price Volatility	Expected Dividend Rate	Risk Free Interest Rate
September 17, 2024	6,530,227	\$ 0.07	4 year	120%	-	3.35%
October 31, 2024	2,079,182	\$ 0.07	4 year	120%	-	3.34%
October 31, 2024	1,045,455	\$ 0.09	1 year	120%	-	3.35%
January 15, 2025	1,538,500	\$ 0.13	4 year	120%	-	2.60%

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

## 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 six months ended February 28, 2025:

	Grant Date	Number of Options	Weighted average exercise price
	May 25, 2023	1,900,000	\$ 0.250
	April 11, 2024	1,040,000	\$ 0.075
Balance August 31, 2024		2,940,000	\$ 0.190
Issued	December 5, 2024	1,420,000	\$ 0.160
Issued	December 26, 2024	80,000	\$ 0.130
Balance February 28, 2025		4,440,000	\$ 0.160

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.

The weighted average contractual life for the share options outstanding as at February 28, 2025 is 3.95 years (August 31, 2024 – 4.05 years).

The fair value of the 1,420,000 options granted on December 5, 2024 was determined using the Black-Scholes option pricing model with the following assumptions: current share price \$0.15, expected life – five years; expected volatility based on peer company comparatives – 120%; expected dividend rate – nil; risk free interest rate – 2.75%. 1,340,000 of the options were granted to insiders.

The fair value of the 80,000 options granted on December 23, 2024 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 – 2.75%.

For the six months ended February 28, 2025 the shares based payments expense was \$78,418 (February 29, 2024-\$47,984).

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

## 5. Reserves (continued):

### b. Warrants:

The following table reflects the continuity of warrants for the six months ended February 28, 2025:

	Number of Warrants	Weighted average exercise price
Balance August 31, 2024	10,091,000	\$ 0.075
Issued	8,609,409	0.300
Issued	1,045,455	0.200
Issued	423,024	0.200
Exercised	(121,000)	0.075
Balance November 30, 2024	20,047,888	0.180
Issued	1,538,500	0.300
Exercised	(5,705,000)	0.075
Balance February 28, 2025	15,881,388	0.230

As at February 28, 2025, the Company had outstanding warrants enabling the holder to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
3,390,000	\$ 0.075	March 28, 2025
840,000	\$ 0.075	May 21, 2025
35,000	\$ 0.075	March 28, 2025
6,530,227	\$ 0.300	September 17, 2028
2,079,182	\$ 0.300	October 31, 2028
279,236	\$ 0.200	September 17, 2025
143,788	\$ 0.200	October 31, 2025
1,045,455	\$ 0.200	October 30, 2025
1,538,500	\$ 0.300	January 15, 2029
15,881,388	\$ 0.230	

For the six months ended February 28, 2025, warrants valued at \$Nil expired (six months ended February 29, 2024-\$296,211).

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

## 6. Related party transactions:

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

	Six Months February 28, 2025	Six Months February 29, 2024
Executive Compensation (a)	\$ 180,000	\$ 186,805
Share-based payments (b)	\$ 64,907	\$ 44,597

(a) Executive compensation includes all management fees and salaries accrued to the Company's current CEO, President and CFO. Compensation is included in Salaries and benefits on the Interim Condensed Consolidated Statement of Loss and Comprehensive Loss.

(b) Share based payments are the estimated fair value of options granted to the Company's current CEO, President and 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 February 28, 2025 and August 31, 2024.

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.

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

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

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:

### (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 February 28, 2025, the Company had cash of \$291,363 (August 31, 2024 - \$76,408) to settle current liabilities of \$3,448,327 (August 31, 2024 - \$3,581,600).

### (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.

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

## 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.

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 six-month periods ended February 28, 2025 and February 29, 2024.

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.



# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

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

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 (\$1,547,964);

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. 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 to the earlier of April 30, 2025 or 5 days after an equity closing of USD \$2,000,000 or greater. On November 19, 2024 the Company received the final, signed concession agreements for a 100% working interest in the Bielsko-Biala and Cieszyn concessions located in southwest Poland. The consideration has been recorded as acquisition cost payable in the consolidated statements of financial position as at February 28, 2025 and August 31, 2024.

## 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.

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

## 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) The Poland concessions are subject to annual mining usufruct fees of Polish Zloty 460,000 (\$166,666) and surface lease rentals paid to landowners of Polish Zloty 98,295 (\$35,614). The fees are due in December and January of each year respectively.
- (d) On November 29, 2024 the Company received the final, signed concession agreements for a 100% working interest in the Bielsko-Biala and Cieszyn concessions.

Under the licenses the Company has the following work commitments:

Bielsko Biala		
18 Months OBLIGATIONS:	18 Months OBLIGATIONS:	12 Months OBLIGATIONS:
Reprocessing and re-interpretation geological and seismic data	Drill a new well up to 5000m depth including long term tests	Acquire 150km <sup>2</sup> 3D seismic and/or 200km of 2D seismic
Workover L7 well and interpret test results		
Cieszyn		
30 months OBLIGATIONS:	12 months OBLIGATIONS:	12 months OBLIGATIONS:
Reprocessing and re-interpretation geological and seismic data	Drill a new well <u>up to</u> 1500 m and long term tests	Drill a new well <u>up to</u> 1500 m and long term test
Drill a new well <u>up to</u> 1500 m and long term tests		

The Company is required to perform the work commitments within the time period allotted, which started on the date the licenses were granted. Failure to perform the work commitments in the time allotted could result in the licenses reverting to the Government of Poland. The work program in one period must be completed for the Company to retain the license and move onto the next phase of development. There is no minimum dollar amount to be spent. If the program is not completed, there are no penalties owing, or liabilities accruing. Therefore, no amounts have been recorded.

# HORIZON PETROLEUM LTD.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited (Expressed in Canadian dollars)

As at and for the three and six months ended February 28, 2025 and February 29, 2024

## 10. Commitments and contingencies (continued):

- (e) 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 February 28, 2025 and August 31, 2024. Gallic Lux 2 was dissolved on November 29, 2024

- (f) 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.
- (g) 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.

## 11. Subsequent events:

### *Agreements*

On March 25, 2025 the Company negotiated a further amendment to its definitive agreement with San Leon Energy plc (SLE) to extend the due date for payment on the consideration owing to the earlier of June 30, 2025, or 5 days after an equity closing of USD \$2,000,000 or greater.

### *Exercise of warrants*

3,425,000 \$0.075 warrants with an expiration date of March 28, 2025 were exercised for gross proceeds of \$254,250. There were no unexercised or expired warrants.