



HORIZON PETROLEUM LTD.

Consolidated Financial Statements
(Expressed in Canadian dollars)

For the years ended August 31, 2025 and 2024

Independent Auditor's Report

To the Shareholders of Horizon Petroleum Ltd.

Opinion

We have audited the consolidated financial statements of Horizon Petroleum Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS Accounting Standards").

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a losses since inception and, as of August 31, 2025, the Company had a working capital deficiency. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the

adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

McGovern Hurley LLP

A handwritten signature in black ink that reads "McGovern Hurley LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
March 2, 2026

HORIZON PETROLEUM LTD.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at August 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash	\$ 111,385	\$ 76,408
Receivables	32,066	22,864
Prepaid expenses	192,043	16,869
Total Assets	\$ 335,494	\$ 116,141
Liabilities and Shareholders' Deficiency		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 1,108,771	\$ 905,097
Short term debt (Note 6)	699,121	-
Acquisition cost payable (Note 14)	2,711,465	2,676,503
Total Liabilities	4,519,357	3,581,600
Shareholders' deficiency		
Share capital (Note 8)	22,136,414	20,167,048
Stock option reserve (Note 9)	365,863	160,765
Warrants (Note 9)	472,933	111,631
Deficit	(27,159,073)	(23,904,903)
Total Shareholders' Deficiency	(4,183,863)	(3,465,459)
Total Liabilities and Shareholders' Deficiency	\$ 335,494	\$ 116,141

Going concern (Note 1)

Commitments and contingencies (Notes 14 and 15)

Subsequent events (Note 16)

See accompanying notes to the consolidated financial statements.

Approved by the Board

"Charle Gamba"

Director

"David Winter"

Director

HORIZON PETROLEUM LTD.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
Years Ended August 31, 2025 and 2024

	2025	2024
Expenses:		
Professional fees	\$ 483,985	\$ 311,859
Salaries and benefits (Note 10)	476,974	380,184
Shareholder communication	456,994	-
Consulting fees	455,076	-
Operations and development	396,003	-
Poland licenses	238,714	-
Stock based compensation (Note 9)	205,098	130,677
Management fees	167,291	87,738
Office	130,357	164,004
Transfer agent and regulatory fees	67,498	28,095
Travel	53,486	-
Bank charges	7,886	2,346
Directors fees (Note 10)	-	75,000
Foreign exchange loss	80,378	7,905
Gain on settlement of debt	(16,236)	-
Total expenses before interest	3,203,504	1,187,808
Interest Expense (Note 6)	50,666	-
Loss and comprehensive loss	\$ 3,254,170	\$ 1,187,808
Basic and fully diluted loss per common share	\$ (0.06)	\$ (0.04)
Weighted average number of common shares outstanding, basic and fully diluted	51,294,902	28,082,299

See accompanying notes to the consolidated financial statements

HORIZON PETROLEUM LTD.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
Years ended August 31, 2025 and 2024

	2025	2024
Operating Activities		
Loss for the year	\$ (3,254,170)	\$ (1,187,808)
Stock based compensation	205,098	130,677
Gain on settlement of debt	(16,236)	-
Unrealised foreign exchange loss	80,378	(4,794)
Interest accretion on short-term debt	50,666	-
Changes in non-cash working capital		
Receivables	(9,202)	13,940
Prepaid expenses	(175,174)	(11,919)
Accounts payable and accrued liabilities	519,494	497,437
Cash flow (used in) operating activities	(2,599,146)	(562,467)
Financing Activities		
Proceeds on share and warrant issue	1,262,040	500,000
Share issue costs	(69,742)	(19,966)
Proceeds on debenture	720,000	-
Debenture issue costs	(35,000)	-
Proceeds on warrant exercise	756,825	-
Cash flow from financing activities	2,634,123	480,034
Change in cash during the year	34,977	(82,433)
Cash, beginning of year	76,408	158,841
Cash, end of year	\$ 111,385	\$ 76,408
Supplemental information		
Shares issued for debt	\$ 345,000	\$ Nil
Broker warrants issued on debenture	\$ 8,351	\$ Nil
Finders warrants issued	\$ 34,723	\$ 3,431

See accompanying notes to the consolidated financial statements

HORIZON PETROLEUM LTD.

Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)
Years ended August 31, 2025 and 2024

	Number of Shares	Share Capital	Warrants	Stock Option Reserve	Deficit	Total
Balance at August 31, 2023	23,786,135	\$ 19,798,645	\$ 315,591	\$ 30,088	\$ (23,032,686)	(2,888,362)
Shares issued	10,000,000	500,000	-	-	-	500,000
Share issue costs	-	(18,597)	-	-	-	(18,597)
Warrants issued	-	(113,000)	113,000	-	-	-
Finder warrants issued	-	-	3,431	-	-	3,431
Warrant issue costs	-	-	(4,800)	-	-	(4,800)
Warrant expired	-	-	(315,591)	-	315,591	-
Stock based compensation	-	-	-	130,677	-	130,677
Net loss for the year	-	-	-	-	(1,187,808)	(1,187,808)
Balance as August 31, 2024	33,786,135	\$ 20,167,048	\$ 111,631	\$ 160,765	\$ (23,904,903)	(3,465,459)
Shares issued	24,420,729	2,480,296	-	-	-	2,480,296
Share issue costs	-	(60,873)	-	-	-	(60,873)
Warrants issued	-	(450,057)	480,057	-	-	30,000
Finder warrants issued	-	-	34,723	-	-	34,723
Warrant issue costs	-	-	(37,047)	-	-	(37,047)
Warrants exercised	-	-	(116,431)	-	-	(116,431)
Stock based compensation	-	-	-	205,098	-	205,098
Net loss for the year	-	-	-	-	(3,254,170)	(3,254,170)
Balance at August 31, 2025	58,206,864	\$ 22,136,414	\$ 472,933	\$ 365,863	\$ (27,159,073)	(4,183,863)

See accompanying notes to the consolidated financial statements

HORIZON PETROLEUM LTD.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended August 31, 2025 and 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 – 2nd Street SW, Calgary, Alberta T2P 0C1.

The business of exploring for oil and gas reserves involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The Company's continued existence is dependent upon the preservation of its properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Although the Company has taken steps to verify title to the concessions in which it has an interest, in accordance with industry standards for the current stage of exploration of such concessions, these procedures do not guarantee the Company's title. Concession title may be subject to government licensing registration or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, 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 14, 15 and 16 regarding the status of the Company's oil and gas concessions in Poland.

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

The Company has incurred losses since inception and is currently not generating any revenues except for interest income. For the fiscal year ended August 31, 2025, the Company used cash from operating activities of \$2,599,146 (2024 \$562,467) and the Company had a working capital deficiency as at August 31, 2025 of \$4,183,863 (2024 \$3,465,459).

HORIZON PETROLEUM LTD.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended August 31, 2025 and 2024

2. Basis of presentation and statement of compliance:

(a) Statement of compliance:

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 2, 2026.

(b) Basis of consolidation and presentation:

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

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

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

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

HORIZON PETROLEUM LTD.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended August 31, 2025 and 2024

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

(c) Company Subsidiaries:

The Company holds 100% of the below subsidiaries:

Legal Business Name of Subsidiary	Country of Incorporation
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 14).

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.

HORIZON PETROLEUM LTD.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended August 31, 2025 and 2024

3. Material accounting policies:

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

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

(b) Cash and equivalents:

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

(c) Financial instruments:

Financial assets

Initial recognition and measurement

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

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

Subsequent measurement – financial assets at amortized cost

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

HORIZON PETROLEUM LTD.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended August 31, 2025 and 2024

3. Material accounting policies (continued):

(c) Financial instruments (continued):

Subsequent measurement – financial assets at FVPL

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

Subsequent measurement – financial assets at FVOCI

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

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

Derecognition

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

Impairment of financial assets

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

HORIZON PETROLEUM LTD.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended August 31, 2025 and 2024

3. Material accounting policies (continued):

(c) Financial instruments (continued):

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement – financial liabilities at amortized cost

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

Derecognition

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

(d) Impairment of non-financial assets:

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

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

HORIZON PETROLEUM LTD.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended August 31, 2025 and 2024

3. Material accounting policies (continued):

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

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.

Exploration and evaluation costs during the predevelopment phase are expensed as incurred. The Company is currently in the predevelopment phase. The predevelopment phase is complete when the technical feasibility and commercial viability of the property are demonstrated.

Exploration and evaluation costs during the development phase, including the costs of acquiring leases and licenses, will be initially capitalized as property, plant and equipment. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

(f) Decommissioning obligations:

Decommissioning obligations are legal obligations connected with the abandonment and reclamation of the Company's oil and natural gas assets. These obligations are measured at management's best estimate of the expenditure required to settle the obligation and are discounted to present value when the effect is material. Cash flows for decommissioning obligations are adjusted to take risks and uncertainties into account and are inflated and discounted using a risk-free discount rate. Initially, the net present value of the estimated decommissioning obligations is recorded as a liability, with a corresponding increase in the carrying amount of the related asset or an expense if there is no related asset recognized in the statement of financial position. Revaluations of the decommissioning obligations at each reporting period take into account changes in estimated future cash flows and the discount rate.

Any change in the carrying amount of the provision due to change in the present value is accreted over the estimated time period until the obligation is to be settled; the accretion expense is recognized as financing costs. Actual costs incurred upon the settlement of the decommissioning obligations are charged against the decommissioning obligations.

HORIZON PETROLEUM LTD.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended August 31, 2025 and 2024

3. Material accounting policies (continued):

(f) Decommissioning obligations (continued):

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

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

(g) Share capital:

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

(h) Share-based payments:

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

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

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

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

HORIZON PETROLEUM LTD.

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended August 31, 2025 and 2024

3. Material accounting policies (continued):

(h) Share-based payments (continued):

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

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

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

(i) Income taxes:

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

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

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

HORIZON PETROLEUM LTD.

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3. Material accounting policies (continued):

(j) Loss per share:

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

The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(k) Leases:

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

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

4. New accounting standards, amendments and interpretations:

New Accounting Standards

During the year ended August 31, 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, 2025. 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.

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

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.

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

5. Critical accounting estimates and judgments:

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

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

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

(a) Share-based payment transactions:

Management determines fair values for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards is determined at the date of grant using Black-Scholes valuation technique. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments for share-based payments include estimating the future volatility of the share price, expected dividend yield, and future employee turnover rates.

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5. Critical accounting estimates and judgments (continued):

(a) Share-based payment transactions (continued):

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

(b) Decommissioning liabilities:

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

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

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

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

(d) Short-term debt

Management estimated the interest rate used to discount the short-term debt to its present value based on interest rates for similar instruments issued by comparable companies. The warrants issued as part of the debenture issuances were assigned the residual value after calculating the present value of the short-term debt.

(e) Commitments and contingencies

See Note 15.

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6. Short-term debt:

On May 20, 2025 the Company closed a secured non-convertible debenture of 720,000 debenture units of the Company at a price of \$1 per unit, for aggregate gross proceeds of \$720,000 (“the Debentures”). Each unit consists of an aggregate of \$1 principal amount of secured subordinated debentures and 5 common share purchase warrants. The common share purchase warrants are exercisable at \$0.20 per warrant and expire on May 20, 2026. The Debentures are not convertible into equity securities of the Company. The Debenture is secured against the assets and properties of the Company pursuant to the terms of a general security agreement issued in favor of the debenture holders.

The Debenture of \$720,000 matures on May 20, 2026 and bears interest at 15 per cent per annum, payable on maturity. The Company may prepay the debentures at any time prior to the maturity date.

In connection with the Debenture, the Company paid \$35,000 in cash issuance costs and awarded 175,000 finders warrants with a term of 1 year and an exercise price of \$0.20. The finders warrants were valued at \$6,544 using a Black Scholes model with a risk free rate of 2.26%, a volatility of 120% and a current share price of \$0.135.

The liability portion was calculated by using an estimated discount rate of 20% based on comparable industry data. See more details on the following table:

Balance August 31, 2024	\$ -
Short term debt obtained	720,000
Less: allocated to warrants	(30,000)
Less: issuance costs	(41,545)
Add: interest and accretion expense	50,666
Balance August 31, 2025	\$ 699,121

The Debenture requires the Company to maintain its regulatory filings up to date. Subsequent to August 31, 2025, the Company failed to file its annual financial statements on time and is in breach of the agreement.

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7. Decommissioning obligations:

The Company has estimated the present value of the decommissioning obligations which exist in relation to its properties to August 31, 2025. The estimate is based on the best available information regarding the timing and amount of expected expenditure and the Company has recorded a provision of \$9,747. The obligation is calculated by estimating the current cost of decommissioning, applying a 2.5% inflation rate between the current period and the settlement date of November 30, 2029 and calculating the current period present value of the future obligation at a 20% discount rate based on comparable industry data.

8. 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:

- 58,206,864

Activity for the year ended August 31, 2025:

During the period from 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.

271,818 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 423,024 finder's 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 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.

HORIZON PETROLEUM LTD.

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8. Share capital (continued):

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.

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.

The fair value of the common shares and warrants was determined using the Black-Scholes option pricing model.

In fiscal 2025, the Company issued 10,000,000 shares on the exercise of share purchase warrants at a price of \$0.075.

In fiscal 2025 the Company issued 91,000 shares on the exercise of finders 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, 2025	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 Consolidated Financial Statements
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9. Reserves:

a. Stock Options:

(i) Option plan:

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

The following table reflects the continuity of stock options for the years ended August 31, 2025 and 2024:

	Grant Date	Number of Options	Weighted average exercise price
Balance August 31, 2023		1,900,000	\$ 0.025
Issued	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 August 31, 2025		4,440,000	\$ 0.180

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 August 31, 2025 is 3.46 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 directors and officers.

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 year ended August 31, 2025 the share based payments expense was \$205,098 (August 31, 2024 - \$130,677).

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9. Reserves (continued):

b. Warrants:

The following table reflects the continuity of warrants for the years ended August 31, 2025 and 2024:

	Number of Warrants	Weighted average exercise price
Balance August 31, 2023	12,328,570	\$ 0.330
Expired	(10,444,000)	0.250
Expired	(1,882,950)	0.800
Expired	(1,620)	0.400
Issued	10,091,000	0.075
Balance August 31, 2024	10,091,000	\$ 0.075
Issued	10,147,909	0.300
Issued	1,468,479	0.200
Issued	3,775,000	0.075
Exercised	(10,091,000)	0.075
Balance August 31, 2025	15,391,388	\$ 0.266

As at August 31, 2025, the Company had outstanding warrants enabling the holder to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
279,236	\$ 0.200	September 17, 2025
143,788	\$ 0.200	October 31, 2025
1,045,455	\$ 0.200	October 30, 2025
3,775,000	\$ 0.200	May 20, 2026
6,530,227	\$ 0.300	September 17, 2028
2,079,182	\$ 0.300	October 31, 2028
1,538,500	\$ 0.300	January 15, 2029
15,391,388	\$ 0.266	

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10. Related party transactions:

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

	Twelve Months August 31, 2025	Twelve Months August 31, 2024
Executive Compensation (a)	\$ 396,344	\$ 360,000
Directors Fees (b)	\$ -	\$ 75,000
Share-based payments (c)	\$ 173,923	\$ 113,111

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

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

(c) Share based payments are the value of options granted to the Company's current CEO, President and CFO and Directors. See Note 8.

As at August 31, 2025, \$225,000 (2024 - \$285,000) of unpaid wages and \$Nil (2024-\$75,000) of unpaid Directors fees were payable to the Company's officers and three independent Directors. These amounts were unsecured, non-interest bearing with no fixed terms of repayment.

Refer to Note 15 for more details on commitments and contingencies for certain management contracts.

Refer to Note 8 for more details of related party participation in the 2025 share issue.

HORIZON PETROLEUM LTD.

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11. Financial instruments and risk management:

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

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

The Company does not have any financial instruments carried at fair value as at August 31, 2025 and 2024.

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

- (a) Financial instrument risk exposure and risk management:

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

- (b) Credit risk:

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Company limits the exposure to credit risk by only investing its cash with high credit quality financial institutions in business and saving accounts. The carrying amount of cash and receivables represents the Company's maximum exposure to credit risk.

- (c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing financial instruments which bear interest at variable rates. The Company is not exposed to material interest rate risk.

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11. Financial instruments and risk management (continued):

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows used in operations and the Company's holdings of cash. The Company's cash is currently invested in business accounts which are available on demand by the Company for its programs. As at August 31, 2025, the Company had cash of \$111,385 (2024 - \$76,408) to settle current liabilities of \$4,519,357 (2024 - \$3,581,600).

(e) Foreign currency:

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

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, receivables, accounts payable and accrued liabilities and acquisition cost payable. Financial instruments are denominated in USD, Euros, and Polish Zloty.

	2025		2024	
	Amount in Foreign Currency	Amount in Canadian Dollars	Amount in Foreign Currency	Amount in Canadian Dollars
		\$		\$
United States dollars:				
Cash	6,812	9,370	6,101	8,231
Accounts payable & accrued liabilities	(29,917)	(41,152)	(17,745)	(23,941)
Acquisition cost payable	(1,210,000)	(1,664,374)	(1,210,000)	(1,632,532)
Euro:				
Cash	485	780	-	-
Accounts payable & accrued liabilities	(118,270)	(190,145)	(113,772)	(169,555)
Acquisition cost payable	(30,000)	(48,232)	(30,000)	(44,709)
Polish Zloty:				
Cash	44,450	16,761	25,810	8,979
Receivables	67,049	25,282	19,886	6,919
Accounts payable & accrued liabilities	(413,391)	(155,879)	(368,797)	(128,304)

HORIZON PETROLEUM LTD.

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11. Financial instruments and risk management (continued):

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, receivables, accounts payable and accrued liabilities and acquisition cost payable. Financial instruments are denominated in USD, Euros, and Polish Zloty. As at August 31, 2025, the net loss and comprehensive loss would have been \$102,000 (2024 - \$97,000) lower, had the Canadian dollar strengthened by 5% as a result of foreign exchange gains/losses on translation of USD, Euros, and Polish Zloty denominated financial instruments. The reverse effect would have occurred had the Canadian dollar weakened by 5%.

12. Capital management:

The Company's objectives when managing capital are:

To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to acquire, explore, and develop other mineral properties.

To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.

To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

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

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets. There were no significant changes in the Company's approach to capital management during the years ended August 31, 2025 and 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.

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements, other than those of the TSX Venture Exchange ("TSXV"), which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. As of August 31, 2025, the Company is not in compliance with the TSXV capital requirements, the impact of which could not be ascertained by management as of the reporting date.

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13. Income tax:

Provision for Income Taxes

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

	2025	2024
	\$	\$
Loss before income taxes	(3,254,170)	(1,187,808)
Expected income tax recovery based on statutory rate	(862,000)	(315,000)
Adjustment to expected income tax recovery:		
Share based compensation	54,000	35,000
Expenses not deductible for tax purposes	28,000	(24,000)
Foreign operations with difference in tax rates	168,000	17,000
Change in unrecorded deferred tax assets	612,000	287,000
Deferred income tax provision (recovery)	-	-

Deferred Income Tax

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

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

	2025	2024
	\$	\$
Unrecognized deferred tax assets		
Non-capital loss carry-forwards-Canada	11,664,000	9,424,000
Non-capital loss carry-forwards-Luxembourg	-	26,743,000
Share issue costs	163,000	150,000
Mineral property costs	161,000	161,000
Deferred income tax provision (recovery)	11,988,000	36,478,000

At August 31, 2025, non-capital losses of \$11,664,000 incurred in Canada will expire in 2044. Operating losses in Luxembourg were \$Nil. The potential future benefits of these losses have not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

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14. 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 Polish 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 Polish 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 (\$137,420) 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 (\$1,484,136).
- b) \$1,000,000 in common shares of the Company. The common shares are to be issued at the lesser of: a) \$0.20 per share, b) the lowest price per share at which the Company completes an equity placement for a minimum of \$1,000,000, up to but not including the date of closing of the acquisition, and c) the volume weighted average price of the Company’s common shares for the period of 10 trading days immediately prior to the closing date. There are various warranties the Company provided to SLE which must be maintained by the Company, including a requirement for the Company’s shares to remain trading on the TSXV. If Horizon is unable to meet these requirements, it will be required to pay to SLE the equivalent value of the common shares in cash, and
- c) a 6% net profits interest.
- d) The consideration for the acquisition of the subsidiaries holding the other 3 concessions, being the Kotlarka, Prusice, and Buchowice concessions (“Secondary Concessions”) is €10,000 (\$16,062) per concession, the payment of administrative costs totaling USD\$130,000 (\$178,646) 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 (\$134,900 as at the closing date) was assigned to Energia Karpaty Zachodnie SP. Z.O.O SP.K., one of the Polish Subsidiaries. In addition, the Company accepted a transfer from SLE of certain intercompany loans. These loans have been eliminated in these consolidated financial statements on consolidation.

HORIZON PETROLEUM LTD.

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14. Acquisition of subsidiaries in Poland (continued):

On August 12, 2019, the Acquisition closed. On June 23, 2025 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 October 31, 2025 or 5 days after an equity closing of USD \$2,000,000 or greater. See Note 16 Subsequent events for further details.

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 August 31, 2025 and August 31, 2024.

15. Commitments and contingencies:

- (a) The Company's oil and gas activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.
- (b) The Company has discontinued oil and gas operations in various jurisdictions and has sold, dispersed of, or written down the carrying value of the related assets to nominal amounts. An estimate of the total liability, if any, for which the Company might become obligated as a result of its role as operator, guarantor, or indemnifier is not determinable, nor expected to be material, and no amount has been provided for in these consolidated financial statements.
- (c) The Poland concessions are subject to annual mining usufruct fees of Polish Zloty 371,000 (\$140,000) and surface lease rentals paid to landowners of Polish Zloty 92,000 (\$34,717). The fees are due in December and January of each year respectively.

The Company is required to perform the work commitments within the time period allotted, which started on November 19, 2024, 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.

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15. Commitments and contingencies (continued):

- (d) During 2020, the Company received a tax assessment for Petromanas in the amount of €2,085,686 (\$3,340,304) relating to taxes assessed on a 2017 gain on intercompany debt forgiveness. The Company disagrees with the assessment and would have disputed the amount. However, during 2020, the Company lost control of Petromanas as it entered a court approved liquidation process. Accordingly, no amounts have been accrued in these consolidated financial statements relating to this contingent liability.

During 2021 the Company was advised that the liquidator for Petromanas commenced action against the Company's subsidiary Gallic Lux 2 in order to recover the amount owing pursuant to the tax assessment. The Company believes the claims are without merit. As the ultimate resolution of this dispute cannot be predicted at this time, no liability has been accrued related to it as at August 31, 2025 and 2024. Gallic Lux 2 was dissolved on November 29, 2024.

- (e) The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations or liquidity. The outcome of these litigations cannot be reasonably determined, as a result, no amounts have been accrued.
- (f) The Company is party to certain management contracts. At the year-end these contracts contain minimum commitments of approximately \$350,000 for each of three executives, totaling \$1,050,000. The payment is triggered by termination without due cause or a corporate change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

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16. Subsequent events:

Consideration owing to San Leon

On October 31, 2025, the due date for payment of the consideration owing to San Leon Energy ("SLE") for the acquisition of the 100% interest in the Polish Subsidiaries past without payment being made. SLE can begin proceedings to reclaim ownership of the Polish Subsidiaries.

Convertible Debenture

Between December 19, 2025 and February 27, 2026 the Company closed three tranches of a convertible debenture unit financing for a total of \$445,000.

The debentures bear interest from the applicable issuance date at 15% per annum until the date that is 24 months following the closing date (the "Maturity Date") with interest paid annually in arrears. The debentures will be second position secured behind the \$720,000 of debentures issued on May 20, 2025 and due May 20, 2026 (the "May 2025 Debentures").

Each holder of a secured convertible debenture unit shall have the right, at its option, at any time up to and including the Maturity Date, to convert any or all of the secured convertible debenture units into equity units ("Equity Units") on the basis of each \$1,000 principal amount for (i) 10,000 common shares of the Company issued at \$0.10 per common share, and (ii) 5,000 common share purchase warrants with each warrant exercisable until thirty-six months from closing the debentures, into one (1) common share at a price of \$0.15.

Directors and officers of the Company subscribed for \$125,000 of the convertible debentures.

In connection with the tranche, the Company paid finder's fees of \$21,000 cash and 210,000 finder warrants with an exercise price of \$0.10 per warrant with an expiry date of December 24, 2027.

Management Cease Trade Order

On January 8, 2026 the Company was placed under a Management Cease Trade Order ("MCTO") for failure to file the audited consolidated financial statements for the year ended August 31, 2025, annual management's discussion and analysis for the same period and management certifications of annual filings by the December 29, 2025 required date. (collectively, the "Annual Filings"). The MCTO restricts the Company's management from all trading in securities of the Company until such time as the Annual Filings have been filed by the Company and the MCTO is no longer in effect. The MCTO does not affect the ability of other shareholders of the Company to trade in securities of the Company.