Horizon Petroleum Ltd.

Management's Discussion and Analysis
Three months ended November 30, 2023

This management's discussion and analysis of financial position and results of operations ("MD&A"), prepared and dated as of January 25, 2024 provides an analysis of the operations and financial results of Horizon Petroleum Ltd. ("Horizon" or the "Company") for the three months ended November 30, 2023, and should be read in conjunction with the audited consolidated financial statements for the years ended August 31, 2023 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

Management is responsible for the preparation and integrity of the Company's financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the Company's financial statements and MD&A, is complete and reliable.

The Company is focused on oil and natural gas exploration and development.

Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Going Concern

The development of the Company will depend on the Company's ability to obtain additional financing. In the past, the Company has relied on private placements to meet its cash requirements.

To continue as a going concern and to meet its corporate objectives, which primarily consists of investigating new potential oil and natural gas properties in Europe, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future. Factors that could affect the availability of financing include, but are not limited to, the state of international debt, equity and commodity markets as well as investor perceptions and expectations.

The Financial Statements were 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 the Financial Statements may be necessary. Material uncertainties as to the Company's ability to obtain additional financing to fund future operations may 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.

Forward-looking Statements

This MD&A contains or incorporates by reference forward-looking information and statements (together “forward looking statements”) which means disclosure regarding possible events, conditions, acquisitions, or results of operations that are based on assumptions about the Company’s future conditions and courses of action.

In certain cases, forward-looking statements can be identified by the use of words such as “plans”, expects” or “does not expect”, “estimates”, “forecasts”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, or “might” occur, suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward looking statements are only predictions and actual events, or results may differ materially. Although we believe that the expectations reflected in the forward-looking statements and information are reasonable it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies.

In particular, forward-looking statements included in this MD&A include, but are not limited to:

- substantial capital requirements and liquidity;
- business strategy and planned acquisition and development strategy;
- expectations regarding our ability to raise capital;
- the completion of the Transformation Process to transform the Bielska-Biala and Cieszyn Concessions in Poland to the new concession laws and the timing thereof;
- financing risks and dilution to shareholders;
- oil and natural gas properties in which we may acquire an interest; and
- future operating and financial results.

By their nature, forward-looking statements involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and which are usually beyond the control of management, which could cause actual results to be materially different from those expressed by such forward-looking statements and information. Risks and uncertainties include, but are not limited to, volatility in market price for crude oil, condensate and natural gas; industry conditions; currency fluctuation; imprecision of reserve and resource estimates; liabilities inherent in oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition from other producers; the lack of availability of qualified personnel or management; changes in the regulatory environment; changes in income tax laws or changes in property tax laws relating to the oil and natural gas industry; ability to access sufficient capital from internal and external sources; and other risks identified in this MD&A under the heading “*Risk Factors*”.

With respect to forward-looking statements contained in this MD&A, we have made assumptions that: the economic and political environment in which we operate or expect to operate will remain stable; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which we operate or expect to operate will remain stable; and we will be able to obtain financing on acceptable terms when necessary.

Readers are cautioned that the foregoing lists of risks and assumptions are not exhaustive. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements or information.

Forward-looking statements contained in this MD&A are made as of the date of this MD&A and we disclaim any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Highlights and Overview

During 2023 the Company focused its activities on Poland to complete the transformation of its Bielska-Biala and Cieszyn concessions to the new Polish concession laws (Transformation Process). The Company submitted its amended application in August 2023 and is awaiting an official response. An initial transformation application was made by the previous owner in 2016 but the application was not complete. Progress towards completing the Transformation Process was significantly affected by the Covid-19 pandemic as it restricted travel, made arranging financing difficult, and significantly slowed the work of the Polish ministries. Concluding the Transformation Process is the final regulatory step required before the Company can begin developing the Bielska-Biala and Ciezsyn licenses. We expect a final conclusion on our application to be made in early 2024. See the section Poland Acquisition below for more detail on the history of the acquisition of the Polish concessions.

During 2023 the Company successfully raised $1.7 million through private placements to fund its ongoing operations in Canada and Poland. However, we will need significant financing to develop its Poland opportunities as well as its business development activities in other countries. A successful conclusion of the transformation process will allow the Company to approach the equity market with a concrete development in Poland and we are hopeful of success in raising the required capital.

Poland Acquisition

In June of 2017, the Company entered into a memorandum of understanding ("MOU") for the acquisition of a 100% interest in a number of wholly owned Polish subsidiaries (the "Poland Subsidiaries") of San Leon Energy plc ("SLE"). The MOU covered the purchase of four Poland Subsidiaries, two which hold the Bielska-Biala and Cieszyn concessions (the "Primary Concessions") and two which were to hold two additional concessions once finally awarded and ratified by the Polish government. In addition, an application for a fifth concession was submitted to the Polish Government by a subsidiary of SLE that was pending award. The Company agreed to acquire this fifth concession subject to the concession being awarded to SLE.

The Company entered into a series of definitive agreements with SLE, in September 2017, for the acquisition of the Poland Subsidiaries (the "Acquisition").

In January 2020 the Company withdrew the applications for the non-primary concessions leaving only the Bielska-Biala and Cieszyn concessions. Although the withdrawn concessions contained promising exploration potential, the Company considered the concessions to be higher risk and difficult to finance. The Primary Concessions were the principal target for the Company as they contain the Lachowice gas discovery. The Primary Concessions are not affected by the withdrawn applications.

Under the definitive agreements, which were amended post September 2017, the Company agreed to pay the following, in exchange for a 100% interest in the Poland Subsidiaries holding the Primary Concessions:

1. cash payment of USD$1,080,000 ($1,466,018);
2. $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. The Company's shares are currently cease-traded and are no longer listed for trading on the TSXV; and
3. a 6% net profits interest.
4. 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 ($14,909) per concession, the payment of administrative costs totaling USD$130,000 ($176,448) and the issuance of a 6% net profits interest. The Company subsequently withdrew the applications for these concessions in January 2020.

On August 12, 2019, after all conditions were met, the Company acquired control of the Poland Subsidiaries. However, the consideration owing for the Acquisition is not payable to SLE until such time as the Transformation Process (as defined below) is completed. As this has not yet occurred, the consideration has been recorded as a current liability in the interim condensed consolidated statements of financial position as at November 30, 2023.

A transformation of the concessions to the new Polish concession laws ("Transformation Process") is required by the Polish government as a result of the implementation of amendments to Poland's geological and mining laws. An application for the Transformation Process was submitted to the Polish government by SLE in December of 2016 for the Primary Concessions. The licenses for the Primary Concessions expired in April and August of 2018, however, as the Transformation Process for the Primary Concessions had already commenced, they are effectively in suspension pending a decision by the Polish government on the Transformation Process. An amended application for the transformation of the Primary Concessions was submitted by the Company in August 2023. At this time, it is not possible to determine if, or when, the Transformation Process will be successfully completed. Progress towards completing the Transformation Process was significantly affected by the Covid-19 pandemic as it restricted travel, made arranging financing difficult, and significantly slowed the work of the Polish ministries. Completing the Transformation Process will involve negotiations with the Polish Government to finalize (i) the work programs to be conducted, and (ii) the value of the concession fees and guarantees that will be paid to the Polish government. At this time the Company does not have the financial resources necessary to complete these negotiations and the Company is unable at this time to provide details on the expected costs to complete the Transformation Process for the Primary Concessions. The Company is investigating financing options to allow it to re-engage the Polish government for purposes of progressing the Transformation Process.

Strategy and Outlook

At this time, the Company does not have adequate resources to further the Transformation Process and does not have the financial resources to pay the consideration owing for the Acquisition if the Transformation Process is successfully completed. As such, management is investigating potential financing transactions that would provide the Company with the resources to complete the Transformation Process and provide the required consideration for the Acquisition. In addition, the Company is investigating strategic alternatives in the oil and gas sector, including those not involving completion of the Transformation Process. Management continues to believe that completing the Transformation Process will provide long-term shareholder value and intends to pursue completion of this at this time. However, there can be no reliance on the success of any potential financing transactions, the successful completion of the Transformation Process, or that Horizon will have sufficient capital to pay the consideration for the Acquisition if the Transformation Process is completed.

Operational Results

For the three-month period ended November 30, 2023 the Company recorded a loss and comprehensive loss of $196,128 (three-month period ended November 30, 2022 – $165,133) and net cash flow used in operations of 107,551 (three-month period ended November 30, 2022 - $432,823).

The major components of the loss and comprehensive loss for the three-months ended November 30, 2023 were Salaries and benefits of $91,015 (three-months ended November 30, 2022-nil), Professional fees of $36,287 (three-months ended November 30, 2022-$65,991), Management fees of $16,616 (three-months ended November 30, 2022-$76,042), office costs of $15,675 (three-months ended November 30, 2022-$27,171and stock based compensation of $23,992 (three-months ended November 30, 2022– nil).

Quarterly Information

	3 months November 30 2023 $	3 months August 31 2023 $	3 months May 31 2023 $	3 months February 28 2023 $
Total Assets	71,157	200,595	476,393	710,184
Total Revenue	-	-	-	-
Working Capital (deficiency)	(3,060,499)	(2,888,362)	(2,414,459)	(2,284,068)
Profit (loss)and comprehensive	(196,128)	(441,231)	(284,243)	(266,733)
Weighted average number of common shares outstanding, basic and diluted	23,786,135	22,166,685	21,640,069	20,436,002
Loss per-share (basic & diluted)	(0.01)	(0.02)	(0.01)	(0.01)

	3 months November 30 2022 $	3 months August 31 2022 $	3 months May 31 2022 $	3 months February 28 2022 $
Total Assets	437,177	53,903	32,573	24,379
Total Revenue	-	-	-	-
Working Capital (deficiency)	(2,641,132)	(3,403,920)	(3,387,336)	(3,232,218)
Profit (loss) and comprehensive	(165,133)	8,988	(162,249)	(142,199)
Weighted average number of common shares outstanding, basic and diluted	18,638,835	11,971,435	11,971,435	11,971,435
Loss per-share (basic & diluted)	(0.01)	0.00	(0.01)	(0.01)

Annual Information

Three Months Ended		November 30, 2023		November 30, 2022
Expenses:				
Salaries and benefits (Note 6)	$	91,015	$	-
Professional fees		36,287		65,991
Stock based Compensation (Note 5)		23,992		-
Management fees		16,616		76,042
Office		15,675		27,171
Bank charges		549		-
Transfer agent and regulatory fees		2,529		3,786
Foreign exchange loss		9,465		39,163
Gain on settlement of debt		-		(47,020)
Total expenses		**196,128**		**165,133**
Loss and comprehensive loss	**$**	**196,128**	**$**	**165,133**
Basic and diluted loss per common share (Note 4)	$	(0.01)	$	(0.01)
Weighted average number of common shares outstanding, basic and diluted		23,786,135		18,638,835

Quarterly Information and Analysis

During the three month period ended November 30, 2023 (the "current period") the Company had a loss and comprehensive loss of $196,128 compared to a loss and comprehensive loss of $165,133 for the three month period ended November 30, 2022 (the "prior period"). An analysis of the operating results are as follows:

Salaries and benefits and Management Fees
During the current period, salaries and benefits and management fees totaled $107,631 compared to $76,072 for the prior period. During the current period, the Company had three executive staff in Calgary paid $120,000 per person per year and a general manager in Poland with a management fee of $US 6,000 per month. In the prior period Calgary executive staff were paid a management fee but only on a part-time bases.

Professional fees
During the current period, professional fees totaled $36,287 compared to $65,991 for the prior period. Professional fees were higher in the prior period as the company incurred legal fees to lift the cease trade order, engineering fees to prepare a 2022 reserve report and account support fees. During the current period, legal fees were down by $17,461 due to lower activity and no reserve report was prepared saving an additional $13,789.

Stock based compensation.
Stock based compensation for the three months ended November 30, 2023 was $23,992 compared to nil for the prior period. New stock options were granted in May 2023.

Office costs
During the current period, office costs totaled $15,675 compared to $ 27,171 for the prior period. Prior period costs were higher due to the set-up of new offices in Calgary in the quarter ended November 30, 2022.

Foreign Exchange
Foreign exchange losses for current period were $9,465 compared to $39,163 for the prior period. In both years, the foreign exchange gains and losses were derived from the conversion of foreign currency denominated accounts payable and acquisition costs payable.

Gain on settlement of debt
Gain on settlement of debt for the three months ended November 30, 2023 was $Nil compared to $47,020 for the prior year. The gain on settlement of debt in the prior period relates to the renegotiation of balances owing to accounts and notes payable holders.

Liquidity and Capital Resources

As at November 30, 2023, the Company had cash and cash equivalents of $51,290 and a working capital deficiency of $3,060,499 compared to cash and cash equivalents of $158,841 and a working capital deficiency of $2,888,362 as at August 31, 2023.

The future development of the Company will depend on the Company's ability to obtain additional financing. In the past, the Company has relied on private placements to meet its cash requirements. The Company will need to raise further capital, most likely through the equity markets. The Company currently intends to raise the capital required for completion of the Transformation Process through equity financings.

To continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include, but are not limited to, the state of international debt, equity and commodity markets, and investor perceptions and expectations. Failure to obtain such financing on a timely basis could cause the Company to further reduce capital spending and could lead to the loss of the Primary Concessions, or the failure of the Company to successfully complete the Transformation process due to an inability to demonstrate financial capacity to complete the agreed work programs, if and when determined pursuant to negotiations with the Polish government.

The Company's Financial Statements were 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 the annual consolidated financial statements may be necessary. Material uncertainties as to the Company's ability to obtain additional financing to fund future operations may 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.

Exploration and Evaluation Assets

The Company has no active licenses or concessions.

In Poland, the Bielska-Biala and Cieszyn concessions are currently suspended until the Transformation Process has been completed with the Polish Government. Once completed Horizon will have title to the concessions and be able to commence operations under a work program that remains to be finalized with the Government.

Related Party Transactions

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

	Three Months November 30, 2023		Three Months November 30, 2022	
Executive Compensation (a)	$	90,000	$	83,300
Share-based Payments (b)	$	20,806	$	-

(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 Consoldiated Statement of Loss and Comprehensive Loss.

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

Refer to the Commitments and Contingencies section below for details on certain management contracts.

Off Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Commitments and Contingencies

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

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

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

(d) During 2020, the Company received a tax assessment for Petromanas in the amount of €2,085,686 ($3,248,039) relating to taxes assessed on a 2017 gain on intercompany debt forgiveness. The Company disagrees with the assessment and would have disputed the amount. However, during 2020, the Company lost control of Petromanas as it entered a court approved liquidation process (see Note 2(c)). 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 November 30, 2023 and August 31, 2023.

(e) The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable, and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations or liquidity. The outcome of these litigations cannot be reasonably determined, as a result, no amounts have been accrued.

(f) The Company is party to certain management contracts. At November 30, 2023 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 consolidated financial statements.

Capital Resources and Commitments

The Company has no active concessions in Poland until such time as the Transformation Process is completed. The work and financial commitments and fees will be finalized on conclusion of the Transformation Process.

The Company no longer has any assets in France and has no further obligations.

Investor Relations

The Company does not have any agreements with any firm to provide Investor Relations services.

Financial Instruments and Risks:

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 November 30, 2023 or August 31, 2023.

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

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 November 30, 2023, the Company had cash of $51,290 (August 31, 2023 - $158,480) to settle current liabilities of $3,060,499 (August 31, 2023 - $3,088,957).

(d) Foreign currency:

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

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. As of August 12, 2022, the Company was granted reinstatement with the policies of the TSXV.

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 three months ended November 30, 2023 or the year ended August 31, 2023.

In order to maximize ongoing exploration and future development efforts, the Company does not pay dividends. Notwithstanding the risks described in the Corporate information and going concern section of the MD&A, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

Business Risks and Uncertainties

The Company is a junior resource exploration and development company, with no material property interests. Resource exploration and development is inherently speculative in nature, and generally risky for many varied reasons. The Company has a limited history of operations and there can be no assurance our business will be successful or profitable.

Readers should consider the investment risks set out below and those described elsewhere in this MD&A, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The risks set out below are considered to be the most significant, but not definitive of all possible risks associated with an investment in the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Board is currently unaware or which they consider not to be material in relation to our business, the assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. No History of Earnings

The Company has no history of earnings, limited cash reserves, and a limited business history. The Company is in the "start-up" phase of its plan to enter the oil and natural gas industry as a junior exploration company; and the operations are not sufficiently established such that it can mitigate the risks associated with its planned activities.

Substantial Capital Requirements: Liquidity

The Company will require significant amounts of new capital to carry out any oil and natural gas property acquisitions, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain business opportunities and reduce or terminate its operations. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes, or if debt or equity financing is available, that it will be on terms the Company deems acceptable. Moreover, future activities may require the Company to alter its capitalization significantly. The Company's inability to access sufficient capital for its operations could have a material adverse effect on the business, financial condition and results of operations.

The Company may be required to issue securities on terms less favorable than made to current shareholders in order to raise sufficient capital to fund its business plan in a timely manner. Any future transaction involving the issuance of Common Shares or securities convertible into Common Shares will result in dilution, possibly substantial, to existing shareholders.

Dependence on Key Personnel

The Company's success is currently dependent on the services of its directors and officers; and in the future may be dependent upon key employees. The experience of these individuals is a key factor to its future success and growth. The Company does not have and may not acquire any key man insurance policies and therefore there isa risk that the death or departure of any member of management would have a material adverse effect on its business. Investors who are not prepared to rely on existing management should not invest in the Company's securities.

Conflicts of Interest

There are potential conflicts of interest to which the Company's directors and officers may be subject in connection with its operations. Some directors and officers may be, or may become, engaged in other ventures in the oil and natural gas industry in which the Company would not have an interest, and situations might arise where proposed directors and officers will be in direct conflict with the Company. Conflicts of interest will be governed by the procedures established by applicable corporate laws.

Management of Growth

Should the Company be successful in completion of the Transformation Process and the development of the Primary Concessions, and in identifying and acquiring any further interests in a material oil and natural gas project projects, the Company may be subject to growth-related risks, capacity constraints and pressure on its internal systems and controls, particularly given the early stage of development and limited number of management personnel.

The Company's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability to deal with this growth could have a material adverse impact on its business, operations and prospects.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire the assets or shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. The level of indebtedness from time to time could impair its ability to obtain additional financing in the future, on a timely basis, to take advantage of business opportunities that may arise.

Volatile Stock Price

The price of the Common Shares is expected to be highly volatile and will be drastically affected by the success of exploration and development results as well as global commodities markets. The Company cannot predict the results of future activities nor of commodity pricing.

Dividends

The Company has not paid any dividends and is unlikely to pay dividends in the immediate or foreseeable future. The future payment of dividends will be dependent upon realizing revenues, generating net income, the financial requirements to finance future growth, the overall financial condition, and other factors which the Board may consider appropriate in the circumstances. There is no assurance the Company will ever be in a position to pay dividends, or that the same will be paid even if net income was available for distribution.

Oil and Natural Gas Property

Acquisition Risks

The Company currently has interests in Poland in connection with the Acquisition, which are subject to a number of risks, including those related to completion of the Transformation Process. There are further potential acquisition, exploration, exploitation, development and production opportunities. Management will continue to evaluate prospects on an ongoing basis. The Company's long-term commercial success will depend on its ability to acquire, develop and commercially exploit natural gas reserves in Poland and Europe. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, it may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Exploration, Exploitation, Development and Production Risks

Oil and natural gas exploration, exploitation and development involves a high degree of risk and there is no assurance that expenditures made on the Company's future exploration, exploitation and development activities will result in new discoveries of oil or natural gas in commercial quantities.

It is difficult to project the costs of implementing drilling programs due to the inherent uncertainties of drilling in the gas bearing reservoirs at the Lachowice gas field and also in unknown formations. The costs associated with encountering various drilling conditions such as over-pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior wells or additional seismic data and interpretations thereof are difficult to predict.

Future oil and natural gas exploration, exploitation and development may involve unprofitable efforts, not only from any non-producing wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions.

While close well-supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash-flow levels to varying degrees.

In addition, oil and natural gas operations are subject to the usual risks including encountering unexpected formations or pressures, premature declines of reservoir pressures, blow-outs, cratering, sour natural gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

No Assurance of Title

Title to or rights in oil and natural gas properties may involve certain inherent risks due to, among other things, problems arising from complex and historical title holdings, unregistered claims and changing governmental rules and policies. Although we will conduct reasonable investigations with respect to the validity of ownership, there can be no assurance that it will hold good and marketable title to any of its concessions or future acquired properties.

Licensing and Permitting Delays

The Company's operations will require licenses and permits from various governmental authorities, including successful completion of the Transformation Process. There can be no assurance that the Company will be successful in completing the Transformation Process, or that it will be able to obtain all necessary licenses and permits that may be required to carry out the exploration and development of its projects in a timely manner or at all.

Disruptions in Production

Other factors affecting the exploration and development of oil and natural gas properties that could affect future profitability include: (i) expiration or termination of leases, permits or licenses, (ii) changes in market prices for commodities or suspension of deliveries; (iii) future litigation; (iv) the timing and amount of insurance recoveries; (v) work stoppages or other labour difficulties; (vi) worker vacation schedules and related maintenance activities; and (vii) changes in the market and general economic conditions. Weather conditions, equipment replacement or repair, fires, amounts of natural materials and other geological conditions can have a significant impact on operating results.

Shortages of Equipment and Access Restrictions

Exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for a limited supply of equipment or access restrictions may adversely affect the availability of such equipment and may delay exploration and development activities, which could in turn adversely affect the Company's continued operations.

Industry Risks

The Company's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond our control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the supply of and demand for oil and natural gas;
- commodity prices;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- currency fluctuations;
- greenhouse gas regulations;
- the availability and productivity of skilled labour; and
- regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Company may be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it hopes to produce.

Environmental Concerns

All phases of the oil and natural business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations.

Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. Compliance with such legislation can require significant expenditures, and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws or agricultural or other land use requirements will not result in a curtailment of future production and operations, or a material increase in operating costs, gas development and exploration activities or otherwise adversely affect the Company's financial condition, results of operation or future prospects.

In certain areas where the Company may operate, spills, releases and other environmental and safety issues can occur as a result of sabotage and damage to wells and pipelines. Depending on the cause and severity of an environmental incident, our reputation may also be adversely affected, which could limit our ability to obtain permits and implement future plans.

Our future operations will be subject to various Polish and European Union environmental laws. The Company intends to conduct its oil and gas activities in an environmentally responsible manner and in accordance with all applicable laws.

There can be no assurance that any new environmental laws, regulations, or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect upon the Company's business, financial condition and results of operations.

Climate Change Legislation

Governments around the world have become increasingly focused on addressing the impacts of global climate change, particularly in the reduction of gases with the potential to contribute to greenhouse gas levels in the atmosphere. The oil and natural gas industry is subject to stringent environmental regulations in Poland and Europe. The political climate is leading to new programs for environmental laws and regulations, particularly in relation to the reductions of emissions and emissions intensities and there is a risk that any such programs, laws and regulations, if proposes and enacted, will contain emission reduction targets that may result in operating restrictions and/or compliance costs to avoid a breach of applicable legislation.

Governments climate change policies are emerging and evolving at the regional, national and international levels in Poland and Europe. Political and economic events may significantly affect the scope and timing of climate change measures that are ultimately implemented. The implementation of such climate change strategies by the government in Poland or any country the Company may operate in the future for reducing greenhouse gas emissions could have a material impact on the future operations and financial condition of the Company. Furthermore, concerns about climate change have resulted in a number of concerned parties opposing the continued exploitation and development of hydrocarbons. Given the evolving nature of the climate change debate and the resulting potential changes to climate change and environmental legislation, it is not possible to predict the impact of such changes on the Company, its future operations, its financial condition and its ability to raise capital or other financing and its future cost of capital.

Public Health Crises

A regional, national or international outbreak of a contagious disease, such as Covid-19, could have an adverse effect on local, regional and potentially global economies that may adversely impact the demand and prices for oil and gas. A public health crisis could also impact on the Company's ability to conduct operations and may result in temporary shortages of personnel to the extent that the Company's workforce is impacted. Such an impact could have a material adverse effect on the Company's business, financial condition, organization, results of operations and future cash flows.

Governmental Regulation

The oil and natural gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possible expropriation or cancellation of contract rights and property interests, as well as with respect to prices, taxes, export quotas, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for oil and natural gas, increase the Company's costs and have a material adverse effect on the Company and its business.

Competition

The oil and natural industry is highly competitive. The Company actively competes for oil and natural gas rights and lands, reserve acquisitions, exploration, exploitation and development leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and natural gas companies, many of which have significantly greater financial and other resources. As such the Company cannot guarantee that it will be able to access the personnel required with the appropriate expertise and experience.

Current Share Data

Share Consolidation:

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

As of November 30, 2023 the Company had:

a) 23,786,135 common shares issued and outstanding;

b) 1,900,000 stock options outstanding entitling the holder to purchase one common share at a price of $0.25 per share. 633,333 of the options vested on May 25, 2023, the grant date. The remaining options vest equally on the first and second anniversary of the grant. All options expire on May 25, 2028:

c) 1,570,000 warrants outstanding entitling the holder to purchase one common share at a price of $0.80 per share expiring on February 2, 2024,

d) 68,250 finder warrants exercisable at $0.40 expiring on February 2, 2024. On exercise, holder to receive one common share and one warrant entitling the holder to purchase one common share at a price of $0.80 expiring on February 2, 2024.

e) 228,700 warrants outstanding entitling the holder to purchase one common share at a price of $0.80 per share expiring on March 20, 2024,

f) 1,620 warrants outstanding entitling the holder to purchase one common share at a price of $0.40 per share expiring on March 20, 2024,

g) 16,000 finder warrants exercisable at $0.40 expiring on March 20, 2024. On exercise, holder to receive one common share and one warrant entitling the holder to purchase one common share at a price of $0.80 expiring on March 20, 2024.

Additional information is available on SEDAR at www.sedar.com

Critical Accounting Estimates

Horizon's financial and operating results contain judgements, estimates and assumptions made by management 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:

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share- based payment transactions are disclosed in Note 8 of the financial statements.

(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) Business combinations vs. asset acquisitions

Determination of whether a set of assets acquired and liabilities assumed constitute a business requires the Company to make certain judgments, taking into account all facts and circumstances. In making this determination, the Company considers items including, but not limited to: whether there are inputs and processes attributable to the set of assets and liabilities, the extent of the infrastructure in place, the work required to bring the acquired assets to production and whether the project has resources or reserves. Such judgments are inherently uncertain and could have a significant effect on the method of accounting for the acquisition and the disclosures required.

(e) Impairment of exploration and evaluation properties

While assessing whether any indications of impairment exist for exploration and evaluation properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation properties and equipment. Internal sources of information include the manner in which exploration and evaluation properties are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include but are not limited to estimates of the discounted future pre-tax cash flows expected to be derived from the Company's exploration and evaluation properties, costs to sell the properties and the appropriate discount rate. Reductions in oil and gas price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves and resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation properties and equipment.

(f) Commitments and contingencies

See Note 10 of the November 30, 2023 financial statements.

Decommissioning Obligations

The Company recognizes the liability for the decommissioning associated with the abandonment of petroleum and natural gas wells, related facilities, the removal of equipment, and the restoration of land to its original condition. The fair value of the Company's obligation is recorded in the period a well or related property is drilled, constructed or acquired. Fair value is estimated using the present value of the estimated future cash outflows to abandon the assets at the Company's risk-free interest rate based on the expected timing of such cash outflows. Future costs and their expected timing are estimates that are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates could be material in future periods.

Share-based Compensation

Share-based compensation is a non-cash expense calculated in respect of options and warrants granted. The calculation is based on the estimated fair value of the options and warrants at the time granted and is recognized as an expense over the respective vesting periods. The fair value of options is estimated using the Black-Scholes pricing model based on estimates and assumption for the expected life, volatility, risk-free interest rate, forfeiture rate, and dividend yield. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates could be material in future periods.

Accounting standards, amendments and interpretations:

New Accounting Standards

During the year ended August 31, 2023, the Company adopted a number of amendments and improvements to existing standards. These included IAS 16, IAS 37 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, 2023. Many are not applicable or do not have a significant impact on the Company and have been excluded. Management is currently evaluating the impact of these pronouncements on the Company's interim condensed consolidated financial statements.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") was amended in February 2021 to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier adoption is permitted.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

Disclaimer