



Management's Discussion and Analysis Three and Six months Ended February 28, 2021

This management's discussion and analysis of financial position and results of operations ("MD&A"), prepared and dated as of August 23, 2021 provides an analysis of the operations and financial results of Horizon Petroleum Ltd. ("Horizon" or the "Company") for the three and six months ended November 30, 2019, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended February 28, 2021 (the "Interim Statements"). The Interim Statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting and do not include all the information required for full annual financial statements. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the year ended August 31, 2020 and the related notes thereto. All dollar amounts included in the Interim Statements and in this MD&A are expressed in Canadian dollars except where otherwise 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.

The common shares of the Company trade on the TSX Venture Exchange ("TSXV") under the symbol "HPL".

Going Concern

The development of the Company will depend on the Company's ability to obtain additional financings. 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 Interim 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 Interim 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 our 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 of 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 information included in this MD&A includes, but is not limited to:

- oil and natural gas properties in which we may acquire an interest;
- our business strategy and planned acquisition and development strategy;
- expectations regarding our ability to raise capital;
- our future operating and financial results;
- the closing of the acquisition of the Primary Concessions and Secondary Concessions in Poland and the timing thereof;
- our plans with respect to extending or relinquishing our permits in France;
- timing of production;
- drilling plans and timing and results therefrom; and
- expected costs and netbacks from the primary concession.

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, that 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

Financing

In December 2020 the Company entered into a one year loan agreement with a third party. The loan is repayable after one year at an accruing interest rate of 10% that is not due for the initial six months.

Poland

In January 2021 the company withdrew its license applications for the Prusice and Kotlarka concessions. These were exploration concessions with little likelihood for financing in the current financial environment. The regulatory delays in Poland have affected Horizon's development plan. The Company will work to accelerate the development timing wherever possible.

Readers are advised that the Acquisition of the Lachowice field assets in Poland has not yet been completed.

In parallel with closing the acquisition with SLE we continue to seek financing and M&A opportunities in Europe that could provide Horizon with production and/or cash flow.

Operational Results

For the three and six months ended February 28, 2021 the Company had a loss and comprehensive loss of (161,420) and \$142,972 respectively with cash used in operating activities of \$39,711 for the six months ended February 28, 2021. The loss and comprehensive loss for the three and six months ended February 28, 2021 were \$55,742 and \$161,200 respectively.

During the six months ended February 28, 2021 the Company had nil expenditures on Property Investigation

Quarterly Information

		Q2 2021			
		3 months	3 months	3 months	3 months
CAD \$		February 28 2021	November 30 2020	August 31 2020	May 31 2020
Total Assets		99,621	74,317	59,310	(7,992)
Total Revenue		0	0	0	0
Working Capital (deficiency)		(217,451)	(386,253)	367,655	(264,612)
Profit (loss) and comprehensive		161,420	(18,448)	(52,403)	677,593
Loss per-share (basic & diluted)		(0.00)	(0.00)	(0.02)	0.01
		3 months	3 months	3 months	3 months
		February 29 2020	November 30 2019	August 31 2019	May 31 2019
Total Assets		151,463	211,423	305,669	548,424
Total Revenue		0	0	0	0
Working Capital (deficiency)		(122,619)	(66,876)	47,398	211,160
Profit (loss) and comprehensive		(55,742)	(105,463)	(2,920,668)	(233,212)
Loss per-share (basic & diluted)		(0.00)	(0.00)	(0.00)	(0.00)

Result of Operations

		Three Months Ended Feb 28th		Six Months Ended Feb 28th	
		2021	2020	2021	2020
Expenses					
Directors Fees	\$	(108,702)	\$ 0	\$ (108,702)	\$ 0
Foreign Exchange		0	(1,130)	232	2,269
Inv. Relations		0	0	0	1,015
Management Fees		(132,148)	5,346	(116,564)	9,562
Office		599	4,752	1,614	20,847
Professional Fees		63,780	43,151	64,493	119,971
Property Investigation Cost		0	0	0	1,663
Miscellaneous		2,203	0	0	0
Rent		0	1,500	0	2,993
Salaries and Benefits		0	6,860	0	7,391
Share based Payments		0	0	0	0
Shareholder Comm		0	1,304	0	1,535
Transfer Agent & Regulatory Fees		869	0	1,821	0
Travel and Related Costs		0	0	0	0
Luxembourg Taxes		0	0	2,155	0
Write-off deferred exploration cost		11,979	0	11,979	0
Total Expenses		(161,420)	61,783	(142,972)	167,246
Financing Items:					
Interest Income		0	6,040	0	6,040
Loss and Comprehensive Loss for the Period	\$	161,420	\$ (55,742)	\$ 142,972	\$ (161,205)
Basic and diluted loss per common share		0.00	\$ (0.02)	\$ 0	\$ (0.01)
Basic and diluted weighted average number of common shares outstanding		59,857,176	59,857,176	59,587,176	56,480,380

Professional fees

Professional fees during the three months ended February 2021 were \$63,780 and \$64,493 for the six month period versus \$43,151 and \$119,971 for the Comparative prior Period

Property Investigation Costs

Property investigation costs during the six month Period were \$nil versus \$nil and \$1,663 for the three and six month prior Comparative Period as we have been focusing on completing the regulatory process in Poland which has not required a large amount of cost.

Management fees

Management fees during the Current Period were \$(132,148) and \$(116,564) versus \$5,346 and \$9,562 for the Comparative Period. Management fees were cancelled during the three months ended February 28, 2021 versus the Comparative Period due to the Board deciding to cancel Board and management fees to conserve capital from August 2019.

Salaries and wages

Salaries and Benefits during the Current Period were \$0 and \$0 versus \$6,860 and \$7,391 for the Comparative Period.

Directors fees

Directors fee during the Current Period were \$(108,702) and \$(108,702) versus \$nil and \$nil. The reduction is due to the Board deciding to cancel Board and management fees to conserve capital.

Office and Rent

Office and Rent during the Current Period was \$599 and \$1,614 and was consistent with the Comparative Period with expenditures of \$6,252 and \$23,840. The office was closed as of the end of September 2020.

Travel and Related

Travel and Related costs during the Current Period were \$0 and \$0 versus Comparative Period expenditures of \$0 and \$0. Travel was restricted due to the impacts of the Covid pandemic in Canada and Poland.

Horizon's projects have not generated revenue. Please see disclosure under Poland in the Highlights and Overview section of this MD&A for the status of such projects and the conditions required to be satisfied prior to moving the Projects to the next stage.

Liquidity and Capital Resources

The Company had working capital deficit of \$(217,451) and cash and equivalents on hand of \$98,910 as at February 28, 2021. This compares to a working capital deficit of \$(367,655) and cash on hand of \$47,220 as at August 31, 2020.

In August 31, 2019 the Company incurred a long-term liability resulting from the classification of the purchase price of its Polish assets of \$2,608,303. The Company has a decommissioning obligations of \$Nil as at February 28, 2021 (2020 – 954,926).

The development of the Company will depend on the Company's ability to obtain additional financings. 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 and financial 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 progress and exploration results of the mineral properties, the state of international debt, equity and commodity markets, and investor perceptions and expectations.

The Company's Interim 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 these Interim 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

For the quarter ended February 28, 2021 the Company has no Exploration or Evaluation assets.

Related Party Transactions

There are no third party expenses incurred in the current year. Amounts recorded as due to Management and Directors from prior years were cancelled and written off in the second quarter of the 2021 fiscal year have been reclassified as prior year expenses in the third quarter.

Off Balance Sheet Arrangements

The Company has no off-Balance Sheet arrangements as at the date of this report.

Commitments and Contingencies

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 licence 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.

- (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 as at February 28, 2021.

Capital Resources and Commitments

The company has nil capital commitments as of February 28, 2020.

Proposed Transactions

See section on "Poland" under Highlights and Overview above.

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).

All of the Company's financial instruments approximate their fair value as at February 28, 2021, 2019 and August 31, 2020 due to their short term nature.

The Company does not have any financial instruments recognized at fair value. The carrying values of cash and cash equivalents, accounts receivables, acquisitions deposit, and accounts payable and accrued liabilities 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 equivalents, accounts receivable and acquisition deposit. The Company limits the exposure to credit risk by only investing its cash with high credit quality financial institutions in business and saving accounts, and guaranteed investment certificates, which are available on demand by the Company. The carrying amount of cash and equivalents, accounts receivables and acquisition deposit 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's interest bearing financial assets are comprised of cash and cash equivalents and acquisition deposit, which bear interest at fixed or variable rates. The Company is not exposed to material interest rate risk.

(d) Foreign currency:

The Company is exposed to foreign currency risk as some of its cash and equivalents and accounts payable and accrued liabilities are held in US Dollars (USD), Polish PLN and EURO. 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 cash and cash equivalents does not have significant exposure to changes in exchange rates.

(e) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows used in operations and the Company's holdings of cash. The Company's cash is currently invested in business accounts which are available on demand by the Company for its programs. As at February 28, 2021, the Company had cash and equivalents of \$98,910 to settle current liabilities of \$2,771,816. The Company will require further financings to cover its expected cash requirements for the next twelve months. (See note 1 to the Interim financial statements).

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 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.

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 Interim Statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

Current Share Data

As of February 28, 2021 the Company had:

- (a) 59,857,176 common shares issued and outstanding;
- (b) 95,333 stock options outstanding with an exercise price of \$0.90 per share, expiring on August 4, 2023, 508,331 stock options outstanding with an exercise price of \$0.60 per share, expiring on December 4, 2022, 1,500,000 stock options outstanding with an exercise price of \$0.07 per share, expiring on November 5, 2022, and 325,000 stock options outstanding with an exercise price of \$0.09 per share, expiring on November 8, 2022; and
- (c) 1,087,200 broker warrants with an exercise price of \$0.05 per share, expiring on September 26, 2021.

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

Critical Accounting Estimates

Horizon's financial and operating results contain estimates made by management in the following areas:

- Capital expenditures may be based on estimates regarding projects at various stages of evaluation, the total costs of which have not been invoiced to the Company;
- Expenses may be based on items have not been invoiced;
- Decommissioning obligations are based on estimates of future costs and the timing of expenditures;
- The recoverable value of capital assets is based on estimates that the Company expects to realize in the future; and
- Share-based compensation is based on estimates of the future volatility of the Company's common shares, among other factors.

Management's assumptions are based on factors that, in management's opinion, are relevant and Appropriate. Management's assumptions may change over time as operating conditions change.

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 Interim 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.

New accounting standards, amendments and interpretations:

During the six months ended February 28, 2021 the Company adopted IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments. The adoption of this policy had no effect on the financial statements for the period.

A number of new standards, and amendments to standards and interpretations, are not yet effective as at February 28, 2021 and have not been applied in preparing the accompanying Interim Statements.

IFRS 16 – Leases

On January 13, 2016 the IASB issued IFRS 16 – Leases, which will supersede IAS 17 – Leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The extent of the impact of adoption of these standards has not yet been determined. However, since the Company has no revenue and has minimal transactions, the impact on adoption at this time would be limited.

Risk, Uncertainties and Outlook

As a company active in the mineral resource acquisition and exploration industry, the Company is exposed to several risks, including the financial risks associated with the fact that it has no operating cash flow and may need to access the capital markets to finance its activities.

The Company is reliant upon its existing management, and if the services of such personnel were withdrawn for any reason, this could have a material adverse impact on the Company's operating activities.

There is intense competition within the resource industry to acquire properties of merit, and the Company competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no assurances that the Company will be able to execute its exploration programs on its proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring in areas that lack infrastructure, such as the availability of essential supplies and services.

The Company's future exploration activities will require permits from various governmental agencies charged with administering laws and regulations governing exploration, labor standards, occupational health and safety, control of toxic substances, waste disposal, land use, environmental protection and other matters. There are no guarantees that these permits will be issued or continued. Failure to comply with laws, regulations and permit conditions could result in fines and/or stop work orders, costs for conducting remedial actions and other expenses. In addition, legislation changes to existing laws and regulations could result in significant additional costs to comply with the revised terms and could also result in delays in executing planned programs pending compliance with those terms.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure document provided by the Company, which can be accessed www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.