

LOAN AND SECURITY AGREEMENT

\$75,000.00 Cdn.

December 21, 2020

FOR VALUE RECEIVED, **HORIZON PETROLEUM LTD.** (the “**Borrower**”), acknowledges itself indebted and promises to pay to [REDACTED] (the “**Lender**”) SEVENTY-FIVE THOUSAND (\$75,000.00 Cdn.) CANADIAN DOLLARS (the “**Principal Amount**”) advanced by the Lender to the Borrower on the date hereof, together with interest, and all other amounts payable hereunder from time to time (collectively, the “**Obligations**”) in the manner and at the times and at the place specified in this Loan and Security Agreement (this “**Agreement**”).

1. PAYMENT OF PRINCIPAL

1.1 The Principal Amount shall be for a term of up to one (1) year and shall be payable in full on the first anniversary date of this Agreement (the “**Maturity Date**”) if not otherwise payable by the terms hereof prior thereto, in which case such earlier date shall become the Maturity Date. Notwithstanding the foregoing, the Principal Amount shall become immediately due and payable on the earlier of the happening of an Event of Default as provided for in Sections 10.1 and 10.2. The Principal Amount may be prepaid without prior notice to the Lender.

2. USE OF PROCEEDS

2.1 The Principal Amount shall be used by the Borrower solely for the purposes of paying certain accounts payable in connection with its reactivation on the TSX Venture Exchange (the “**Permitted Use**”), including payments to the auditor of the Borrower. For clarity, prior to advance and use of any proceeds from the Principal Amount, the Lender, at its sole discretion, shall pre-approve with its prior written consent to the Borrower, if such use of proceed qualifies as a Permitted Use, and upon such determination any such Permitted Use payment may be paid directly by the Lender, at its sole discretion.

3. INTEREST

3.1 The Borrower shall pay interest at rate equal to ten percent (10.00%) per annum from the date hereof until the earlier of the Maturity Date or the happening of an Event of Default as provided for in Sections 9.1 and 9.2 (the “**Interest Rate**”), with such interest payable semi-annually in arrears by the Borrower on the Principal Amount outstanding from time to time until the repayment of the Principal Amount on the Maturity Date. Interest shall be calculated on the Principal Amount outstanding during such period and on the basis of the number of days elapsed in a year of 365 or 366 days, as the case may be.

3.2 (a) Notwithstanding any other provision hereof, in the event that any amount due hereunder is not paid when due (whether by maturity, demand, acceleration or otherwise), the Borrower shall pay interest on such unpaid amount (including, without limitation, interest on interest), if and to the fullest extent permitted by applicable law, from the date that such amount is due until the date that such amount is paid in full, and such interest shall accrue daily, be calculated and

compounded on each interest payment date and be payable on demand, after as well as before maturity, default and judgment, at a rate per annum that is equal to the Interest Rate.

- (b) If the rate of interest applicable before or after maturity, default or judgment as stipulated herein is unenforceable under applicable law, the Borrower shall and hereby agrees to pay interest on any amount at an interest rate equal to the highest rate that could be recovered under applicable law if the parties had not contractually agreed in respect of such matters and any excess shall be cancelled automatically and, if paid, shall be credited by the Lender on the Principal Amount, or, to the extent the Principal Amount shall have been or would have been paid in full, refunded to the Borrower.

3.3 The obligation of the Borrower to pay interest at the Interest Rate shall not merge in any judgment obtained in respect of any obligation hereunder.

4. PLACE OF PAYMENT OF PRINCIPAL AMOUNT, INTEREST AND OTHER AMOUNTS

4.1 All payments in respect of the Principal Amount, interest, and other amounts to be made by the Borrower to the Lender pursuant to this Agreement shall be made on the day such amount is due and if such day is not a day on which banks are open for business in Calgary, Alberta (a “**Banking Day**”) on the Banking Day next following by deposit or transfer to an account in Calgary, Alberta, as the Lender may from time to time stipulate in writing to the Borrower or failing any such stipulation, by cheque delivered to such other place in Canada as the Lender may stipulate in writing to the Borrower.

4.2 Each amount paid hereunder shall be paid in such form of funds as may from time to time be customarily used in Calgary, Alberta for the settlement of banking transactions required to give effect to the provisions of this Agreement on the day such payment is to be made.

4.3 All payments made by the Borrower hereunder shall be applied in the following order:

- (a) to amounts due hereunder as fees, costs and expenses;
- (b) to amounts due hereunder as interest, if any; and
- (c) to amounts due hereunder in respect of the Principal Amount.

5. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

5.1 The Borrower represents and warrants as follows to the Lender and acknowledges and confirms that the Lender is relying upon such representations and warranties:

(a) Validity and Enforceability

This Agreement constitutes a valid and legally binding obligation of the Borrower enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency and other laws of general application limiting the enforceability of creditors' rights and to the fact that specific performance is an equitable remedy available only in the discretion of the court. Neither the creation, issuance, execution or delivery of this Agreement or any other document, nor compliance with the terms and conditions of any of them, (i) has resulted or will result in a breach of, or constitute a default under, any loan agreement, indenture, trust deed or any other agreement or instrument to which the Borrower is a party or by which it is bound, (ii) requires any approval or consent of any governmental authority or agency having jurisdiction except such as has already been obtained or (iii) has resulted or will result in the creation of or the obligation to create any mortgage, charge, lien, security interest or other encumbrance on any asset of the Borrower.

(b) Absence of Litigation

There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any its undertakings and assets, at law, in equity or before any arbitrator or before or by any governmental department, body, commission, board, bureau, agency or instrumentality having jurisdiction in the premises in respect of which there is a possibility of a determination adverse to the Borrower and which could, if determined adversely, materially affect the Borrower, and the Borrower is not in default with respect to any law, regulation, order, writ, judgment, injunction or award of any competent government, commission, board, agency, court, arbitrator or instrumentality.

5.2 The representations and warranties set out in this Section 5 shall survive the creation, issuance, execution and delivery of this Agreement and shall enure to the Lender notwithstanding any investigations or examinations which may be made by the Lender or any representative of the Lender.

6. AFFIRMATIVE COVENANTS

6.1 The Borrower hereby covenants and agrees with the Lender that, unless the Lender otherwise consents in writing:

(a) Punctual Payment

The Borrower shall duly and punctually pay the Principal Amount, all interest thereon, if any, and all fees and other amounts required to be paid by the Borrower hereunder in the manner specified herein.

(b) Corporate Existence

The Borrower shall maintain its corporate existence in good standing.

(c) Conduct of Business

To the extent permitted by law, the Borrower shall do or cause to be done all things necessary to keep in full force and effect all qualifications to carry on business in each jurisdiction in which its business is carried on.

(d) Litigation

The Borrower shall promptly give written notice to the Lender of any litigation, proceeding or dispute affecting the Borrower if the result could, if determined against the interests of the Borrower, have a material adverse effect on the Borrower and from time to time furnish to the Lender all reasonable information requested by the Lender concerning the status of any such litigation, proceeding or dispute.

7. NEGATIVE COVENANTS OF THE BORROWER

7.1 The Borrower hereby covenants and agrees with the Lender that, unless the Lender otherwise consents in writing:

(a) No Dissolution

The Borrower shall not liquidate, dissolve or wind-up or take any steps or proceedings in connection therewith or otherwise to terminate its corporate existence.

(b) No Merger, Amalgamation, etc.

The Borrower shall not amalgamate, merge, consolidate or otherwise enter into any other form of business combination with any other person nor enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other corporation whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise.

8. COSTS AND EXPENSES

8.1 The Borrower agrees to pay within ten (10) Banking Days of demand by the Lender all reasonable costs and expenses in connection with the preparation, negotiation and enforcement of rights of the Lender under this Agreement, including, without limitation, all reasonable costs and expenses sustained by the Lender as a result of any failure by the Borrower to perform or observe any of its obligations hereunder.

9. SECURITY

- 9.1 For value received (the receipt and sufficiency of which is hereby acknowledged) as general and continuing collateral security for the due payment and performance of the Obligations, the Borrower hereby grants, assigns, conveys, mortgages, pledges and charges as and by way of a specific mortgage, pledge and charge and grants a continuing security interest to and in favour of the Lender in all present and after-acquired personal property of the Borrower of whatever kind and wherever situate, and all proceeds thereof (hereinafter called the “**Collateral**”), to secure payment and performance of all Obligations owing by the Borrower to the Lender.

10. EVENTS OF DEFAULT AND MATURITY

- 10.1 The occurrence and continuance of any one or more of the following events (each such event being herein referred to as an “**Event of Default**”) shall constitute a default under this Agreement:
- (a) if the Borrower defaults in payment of the Principal Amount when due and payable,
 - (b) if the Borrower defaults in payment of any interest when due and payable hereunder and such default continues for five (5) Banking Days;
 - (c) if the Borrower defaults in payment of any other amount not specifically referred to herein payable by the Borrower hereunder when due and payable and such default continues for five (5) Banking Days after notice of such default has been given by the Lender to the Borrower;
 - (d) if the Borrower neglects to observe or perform any other covenant or obligation herein contained and, after notice has been given by the Lender to the Borrower specifying such default and requiring the Borrower to put an end to same, the Borrower shall fail to remedy such default within five (5) days after the giving of notice;
 - (e) if a decree or order of a court of competent jurisdiction is entered adjudging the Borrower a bankrupt or insolvent or approving as properly filed a petition seeking the winding-up of the Borrower under the *Companies’ Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada) or the *Winding-Up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of the assets of, the Borrower or ordering the winding up or liquidation of its affairs;
 - (f) if the Borrower becomes insolvent, makes any assignment in bankruptcy or makes any other assignment for the benefit of creditors, makes any proposal under the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time, or any comparable law, seeks relief under the *Companies’ Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada) or any other

bankruptcy, insolvency or analogous law, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, sequestrator or other person with similar powers of itself or of all or any substantial portion of its assets, or files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar law affecting creditors' rights or consents to, or acquiesces in, the filing of such a petition, or takes any corporate action in furtherance of any of the foregoing; or

- (g) if any representation or warranty made by the Borrower in this Agreement or in any certificate or other document at any time required to be delivered hereunder or thereunder to the Lender shall prove to have been incorrect or misleading in any material respect on and as of the date thereof.

10.2 If any Event of Default shall occur, the Lender, at its option, may by notice given to the Borrower declare all of the obligations, liabilities and indebtedness of the Borrower hereunder, including, without limitation, the obligation of the Borrower to pay the Principal Amount and interest thereafter, and other amounts outstanding hereunder to be immediately due and payable, all without notice, presentment, protest, demand, notice of dishonour or any other demand or notice whatsoever, all of which are hereby expressly waived by the Borrower. In such event the Lender may, in its discretion, exercise any right (including the rights provided in Section 9 against the Collateral) or recourse and/or proceed by any action, suit, remedy or proceeding against the Borrower authorized or permitted by law for the recovery of all the Obligations and proceed to exercise any and all rights hereunder or any replacements thereof and no such remedy for the enforcement of the rights of the Lender shall be exclusive of or dependent on any other remedy but any one or more of such remedies may from time to time be exercised independently or in combination, including without limitation, the rights and remedies of a secured party under the *Personal Property Security Act* (Alberta) (the “PPSA”), including all amendments thereto.

10.3 For greater certainty, it is expressly understood and agreed that the rights and remedies of the Lender hereunder or under any other document or instrument executed pursuant to this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law or by equity; and any single or partial exercise by the Lender of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or any other document or instrument executed pursuant to this Agreement shall not be deemed to be a waiver of or to alter, affect or prejudice any other right to remedy or other rights or remedies to which the Lender may be lawfully entitled for such default or breach. Any waiver by the Lender of the strict observance, performance or compliance with any term, covenant, condition or other matter contained herein and any indulgence granted, either expressly or by course of conduct, by the Lender shall be effective only in the specific instance and for the purpose for which it was given and shall be deemed not to be a waiver of any rights and remedies of the Lender under this Agreement or any other document or instrument executed

pursuant to this Agreement as a result of any other default or breach hereunder or thereunder.

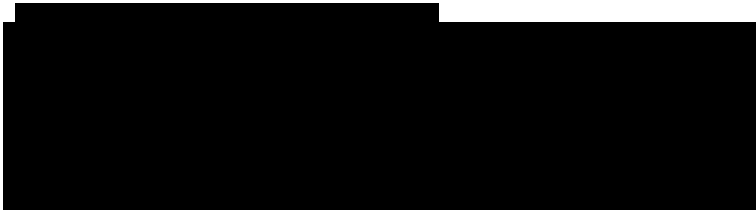
11. NOTICES

- 11.1 Any demand, notice or communication to be made or given hereunder shall be in writing and may be made or given by personal delivery or by transmittal by telecopy, e-mail or other electronic means of communication which produces a physical copy addressed to the respective parties as follows:

To the Borrower:

Horizon Petroleum Ltd.
PO Box. 86036 Marda Loop RPO
Calgary, Alberta T2T 6B7
Attention: Dr. David A. Winter, Chief Executive Officer
Email: dawinter@horizon-petroleum.com

To the Lender:



or to such other address or telecopy number or email address as any party may from time to time notify the other in accordance with this Section 11.1. Any demand, notice or communication made or given by personal delivery shall be conclusively deemed to have been given at the time of and on the day of actual delivery thereof, or, if made or given by telecopy or such other electronic means of communication, at 9:00 a.m. on the first day following the transmittal thereof.

12. SEVERABILITY

- 12.1 Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13. AMENDMENTS AND WAIVERS

- 13.1 Any provision of this Agreement may be amended only if the Lender so agrees in writing. Any waiver and any consent by the Lender under any provision of this Agreement must be in writing and may be given subject to any conditions thought fit by the person giving that waiver or consent. Any waiver or consent shall be effective only in the instance and for the purpose for which it is given.

14. FURTHER ASSURANCES

14.1 The Borrower, shall at the request of the Lender, promptly cure any default by it in the execution and delivery of this Agreement. The Borrower, at its expense, shall promptly execute and deliver to the Lender, upon request by the Lender, all such other and further documents, agreements, opinions, certificates and instruments in compliance with, or accomplishment of the covenants and agreements of the Borrower hereunder or more fully to state the obligations of the Borrower as set out herein or to make any recording, file any notice or obtain any consent, all as may be reasonably necessary or appropriate in connection therewith.

15. TIME OF THE ESSENCE

15.1 Time shall be of the essence of this Agreement.

16. SURVIVAL

16.1 The representations, warranties and covenants of the Borrower shall continue in full force and effect until such time as the entire Principal Amount shall have been repaid to the Lender and all of the Obligations shall have been discharged.

17. SUCCESSORS AND ASSIGNS

17.1 This Agreement shall enure to the benefit of and be binding upon the parties hereto and their successors and permitted assigns.

18. NO FIDUCIARY OBLIGATIONS

18.1 The Lender shall not by virtue of this Agreement in any way or for any purpose incur any fiduciary or similar obligations to the Borrower or any other person.

19. RIGHTS OF PARTIES INDEPENDENT

19.1 The rights available to the Lender under this Agreement and at law shall be deemed to be several and not dependent on each other and each such right accordingly shall be construed as complete in itself and not by reference to any other such right. Any one or more and/or any combination of such rights may be exercised by the Lender from time to time and no such exercise shall exhaust the rights or preclude the Lender from exercising any one or more of such rights or combination thereof from time to time thereafter or simultaneously.

20. APPLICABLE LAW

20.1 This Agreement shall be governed by and construed in accordance with the laws in force in the Province of Alberta without regard to principles of conflict of laws and shall be treated in all respects as an Alberta contract. There shall be no application of any conflict of laws rule which would result in any laws other than laws in force in the Province of Alberta applying to this Agreement.

21. FINANCING STATEMENTS

21.1 The Borrower acknowledges receipt of a copy of this Agreement and copies of any of the verification statements pertaining to the financing statements filed under the PPSA and under the personal property security statutes of other provinces, as applicable, by the Lender in respect of Section 9 of this Agreement. To the extent permitted by applicable law, the Borrower irrevocably waives the right to receive a copy of each financing statement or financing change statement (or any verification statement pertaining thereto) filed under the PPSA or under such other personal property security statutes by the Lender in respect of Section 9 of this Agreement or any other security agreement, and releases any and all claims or causes of action it may have against any Lender for failure to provide any such copy.

22. EXECUTION

22.1 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. Transmission of a copy of an executed signature page of this Agreement (including any amendments to this Agreement) by facsimile transmission or e-mail in pdf format, shall be as effective as delivery of an original executed counterpart hereof.

23. ATTORNMENT

23.1 The Borrower hereby:

- (a) irrevocably submits and attorns to the exclusive jurisdiction of the Courts of the Province of Alberta for all matters arising out of or in connection with this Agreement or the transactions contemplated hereby;
- (b) waives all right to object to jurisdiction in any legal action, suit or proceeding relative to this Agreement which it may now or hereafter have by reason of domicile or otherwise;
- (c) waives any objection to the laying of venue in such Courts of any such action, suit or proceeding;
- (d) waives and agrees not to plead or claim that any such action, suit or proceeding has been brought in an inconvenient forum; and
- (e) waives any right it may have to, or to apply for, trial by jury in connection with any matter arising out of or in connection with this Agreement or the transactions contemplated hereby.

IN WITNESS WHEREOF the Borrower and the Lender have executed this Agreement as of the date first above written.

HORIZON PETROLEUM LTD., as Borrower

Per: (signed) *"David A. Winter"* _____

David A. Winter
Chief Executive Officer

[REDACTED], as
Lender

Per: [REDACTED]