

QUARTERLY REPORT

PERIOD ENDING 31 MARCH 2021 [ASX:HZN]

HIGHLIGHTS

- Production volumes rose 1% to 345,408 bbls.
- Sales volumes decreased 28% to 315,848 bbls with the reduction entirely due to the timing of oil liftings.
- Revenue inclusive of hedge settlements was also impacted by the timing of oil liftings and decreased by 8% to US\$17.4 million.
- Net cash increased to US\$13.2 million at 31 March 2021 and following the cash receipts from late March liftings is expected to increase to approximately US\$19 million by 30 April 2021.
- The two well infill drilling program in China Block 22/12 was successfully completed exceeding pre-drill expectations.
- A workover to the Maari MR6A well in NZ commenced and is progressing well with the potential to restore up to 1,000 bopd gross.
- Fabrication of the facilities for the WZ12-8E development is on-track with planned first production Q1 CY2022.
- Capital management initiatives commenced with an on-market share buy-back of up to 100 million shares. Currently 15.6 million shares have been bought back at an average price of AUD\$0.087 / share.
- In addition, an off-market unmarketable parcel buy-back was completed resulting in the acquisition of 2.7 million shares being bought back at a price of AUD\$0.083 / share.
- Additional hedging was put in place to further protect cashflows from short term commodity price volatility. The Company now has 160,000 bbls of oil swaps covering production to June 2021 at a weighted average fixed price of US\$54.48/bbl.

CHIEF EXECUTIVE OFFICER'S COMMENTARY

This was another strong quarter for Horizon, the result of continued firming of the oil price, increased production levels, and low cash operating costs. As a result, the Company share price has increased by nearly 50% since the start of 2021.

We continue to work closely with our joint venture Operators to identify incremental value-adding projects – aimed at keeping our field production as high as possible. In addition, we are pleased to report that there have been no accidents or incidents at our producing operations. This is despite intense activity such as the fabrication of the WZ12-8E platform, infill drilling at Beibu and a technically challenging workover at Maari. Our respective Operators are to be commended.

The various capital management initiatives announced during the quarter have been successfully implemented and were a significant milestone in the evolution of the Company. The off-market unmarketable parcel buy-back was concluded swiftly and allowed approximately 1,000 (~20%) of Horizon's shareholders an opportunity to sell and realise their shares without incurring brokerage and other costs. Furthermore, the on-market buy-back is progressing well with 15.6 million shares bought back to date.

We continue to focus on strategies which can achieve growth and value for the company - and have reviewed several possibilities which could achieve that objective. This remains a priority.

Chris Hodge
Chief Executive Officer

FINANCIAL SUMMARY

PRODUCTION	Q3 FY2021 bbls	Q2 FY2021 bbls	CHANGE %	FINANCIAL YTD 2021 bbls
BLOCK 22/12 [BEIBU GULF], OFFSHORE CHINA				
Crude oil production	221,513	219,334	1.0%	655,227
Crude oil sales	204,148	201,160	1.5%	601,486
PMP 38160 [MAARI AND MANAIA], OFFSHORE NEW ZEALAND				
Crude oil production	123,895	122,692	1.0%	336,772
Crude oil inventory on hand	20,695	9,850	>100%	20,695
Crude oil sales	111,700	236,161	[52.7%]	347,862
TOTAL PRODUCTION				
Crude oil production	345,408	342,026	1.0%	991,999
Crude oil sales	315,848	437,321	[27.8%]	949,348
PRODUCING OIL AND GAS PROPERTIES				
	US\$'000	US\$'000		US\$'000
BLOCK 22/12 [BEIBU GULF], OFFSHORE CHINA				
Production revenue ¹	12,406	8,848	40.2%	29,605
Operating expenditure	1,672	2,511	[33.4%]	6,306
Workovers	33	1,808	[98.2%]	2,288
Amortisation	4,031	3,991	1.0%	11,923
PMP 38160 [MAARI AND MANAIA], OFFSHORE NEW ZEALAND				
Production revenue ¹	7,476	10,646	[29.8%]	18,122
Operating expenditure	2,834	1,982	43.0%	8,218
Inventory adjustment ²	[442]	4,975	[>100%]	750
Amortisation	2,139	2,119	1.0%	5,815
TOTAL PRODUCING OIL AND GAS PROPERTIES				
Production revenue¹	19,882	19,494	2.0%	47,727
Oil hedging settlements	[2,465]	[614]	>100%	[4,073]
Total revenue [incl. hedging gains/(losses)]	17,417	18,880	[7.7%]	43,654
Direct production operating expenditure	4,539	6,301	[28.0%]	16,812
Net operating income³	12,878	12,579	2.4%	26,842
Amortisation	6,170	6,110	1.0%	17,738
EXPLORATION AND DEVELOPMENT				
Papua New Guinea exploration & pre-development	-	132		388
PMP 38160 [Maari and Manaia], New Zealand	320	359		982
Block 22/12 [Beibu Gulf], offshore China	4,110	5,221		9,525
Total capital expenditure	4,430	5,712		10,895
Cash on hand	32,179	33,035		32,179
Senior debt facility⁴	18,940	23,030		18,940
Net Cash⁴	13,239	10,005		13,239

¹ Represents gross revenue excluding hedge gains and losses.

² Represents an accounting adjustment for cost of crude oil inventory sold or produced during the period (includes amortisation of \$0.2 million).

³ Represents total revenue less direct production operating expenditure (including workover costs).

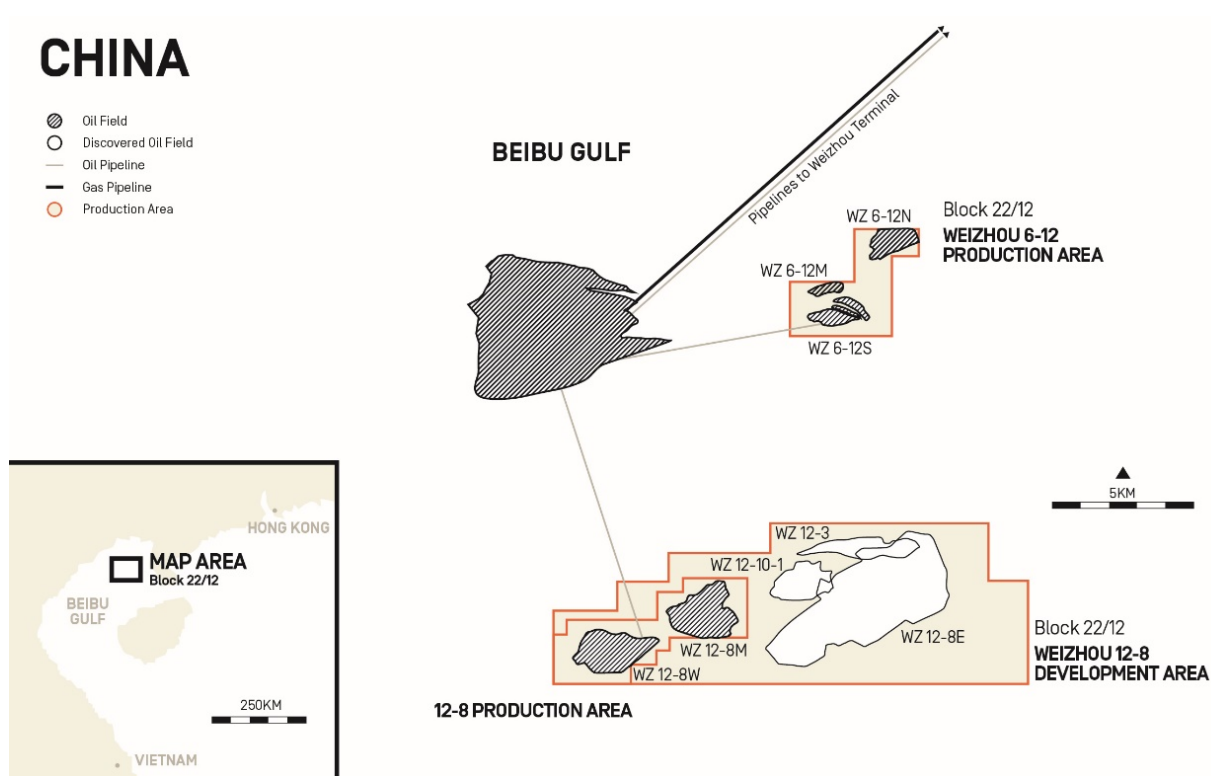
⁴ Represents principal amounts drawn down at 31 March 2021.

⁵ Amounts may not cast due to the rounding of balances.

Note: Financial results contained in this quarterly are unaudited.

PRODUCTION

Block 22/12, Beibu Gulf, offshore China (Horizon: 26.95%)



Horizon's Beibu Gulf fields continued the strong performance with a 1% increase in production from the prior quarter. Production for the 2021 financial year to date averaged 8,873 bopd [Horizon net 26.95%: 2,391 bopd] with production for the quarter averaging 9,133 bopd [Horizon net 26.95%: 2,461 bopd]. At the date of this report and following the successful completion of the recent two well infill drilling programme, gross production is approximately 9,500 bopd. Net sales for the quarter were 204,148 bbls, with net sales for the 2021 financial year to date of 601,486 bbls.

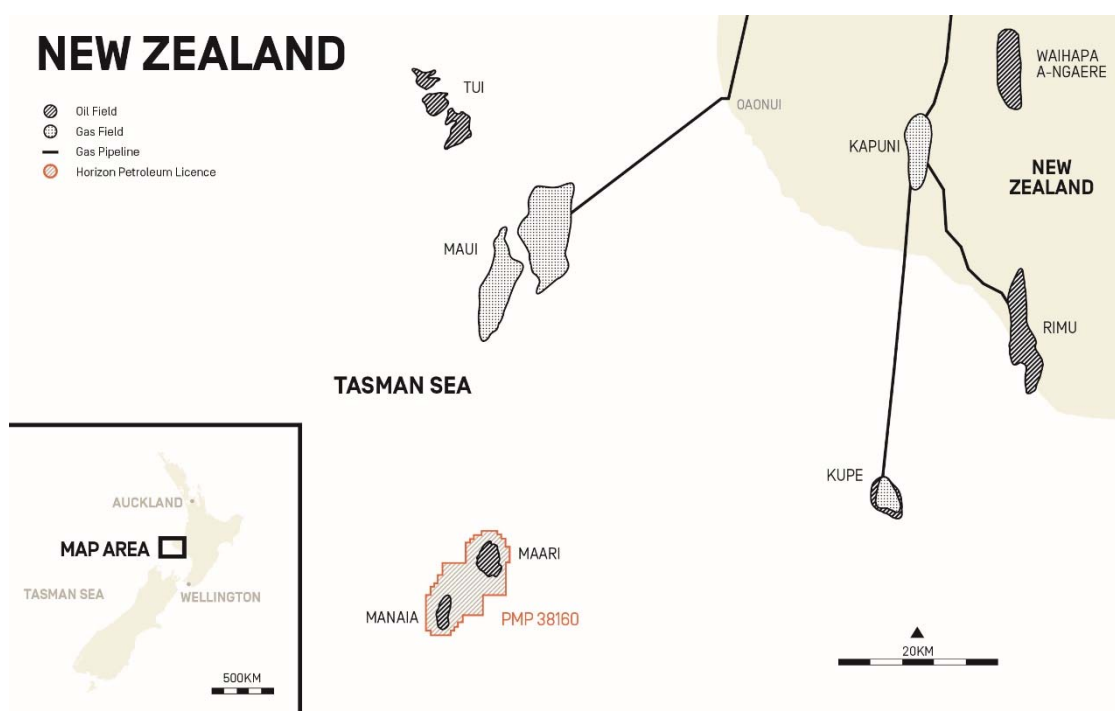
Cash operating costs for the 2021 financial year to date were US\$13.12/bbl produced, inclusive of the costs of workovers. Average cash operating costs in the quarter reduced 33% to US\$7.70/bbl [produced] following the completion of workovers in the prior period. This consistent, low cost production ensures continued strong free cashflow generation from the Beibu fields.

During the quarter, the two well infill drilling campaign comprising of the WZ6-12-A11 and -A3S2 wells was completed with combined initial gross production test rates of 2,473 bopd, exceeding expectations. The success of the two wells, coupled with the recovery in oil prices has further encouraged the joint venture to evaluate other infill well opportunities within the Block.

During the quarter, fabrication of the WZ12-8E wellhead platform was further progressed by the development Operator, Roc Oil (China) Company (ROC). Project milestones are continuing to be achieved safely and within budget. Fabrication of the wellhead platform modules and jacket are progressing well in the China construction yards as can be seen in the photos below. Once fabrication and assembly are completed, the wellhead platform will be towed out to the field during Q3 CY2021. First production remains on schedule for Q1 CY2022, with gross oil production from this first phase expected to average a first-year oil rate of approximately 4,000 bopd adding to existing production from the WZ6-12 and WZ12-8 fields. Horizon’s share of project development costs to date is approximately US\$2.6 million, with total project costs estimated at approximately US\$15 million (net to HZN).



PMP 38160, Maari/Manaia fields, Taranaki Basin, offshore New Zealand [Horizon: 26%]



Gross oil production for the quarter increased 1% to an average of 5,295 bopd (Horizon net 26%: 1,377 bopd) following the successful completion of workovers to the MR7A and MR9 wells in the prior quarter and with continued water injection into the fields to maintain pressure support. Production for the 2021 financial year to date averaged 4,727 bopd (Horizon net 26%: 1,229 bopd).

The workover to the MR6A well commenced in late March and is progressing well with the operator advising that the clean-out of the well has been successfully concluded, with the new completion now being run into the well. The

workover is expected to be completed over the coming weeks with the potential to restore approximately 1,000 bopd to field production.

Average cash operating costs for the quarter were US\$22.87/bbl [produced]. Cash operating costs for the 2021 financial year to date are US\$24.40/bbl produced, inclusive of the costs of workovers. This represents a 12% reduction from the 2020 financial year to date and has been achieved despite the impact to production from the COVID-19 led deferral of workovers during the 2021 financial year.

Sales for the 2021 financial year to date were 347,862 bbls generating US\$18.1 million in revenue. Revenue for the quarter was US\$7.5 million generated on 111,700 bbls sold. Crude oil inventory at 31 March 2021 was 20,695 bbls.

The previously advised acquisition by Jadestone Energy Inc. [AIM:JSE, TSXV:JSE] of OMV New Zealand Limited's 69% interest in the Maari project continues to progress with Jadestone and OMV agreeing to further extend the long stop date for the transaction to 30 June 2021 as a precautionary measure, owing to delays in the regulatory approval process. We understand that both parties remain fully committed to the transaction and expect completion to occur during the first half of this calendar year. OMV will continue as operator of the Maari project until, and subject to, completion of the proposed transaction.

The estimates of petroleum reserves and resources contained in this statement are based on, and fairly represent, information and supporting documentation prepared by staff and independent consultants under the supervision of Mr Gavin Douglas, General Manager – Production and Exploration, of Horizon Oil Limited. Mr Douglas is a full-time employee of Horizon Oil Limited and is a member of the American Association of Petroleum Geologists. Mr Douglas' qualifications include a Master of Reservoir Evaluation and Management from the Heriot Watt University, UK and more than 23 years of relevant experience. Mr Douglas consents to the use of the petroleum reserves and resources estimates in the form and context in which they appear in this statement.

Authorisation

This ASX announcement is approved and authorised for release by the Company Secretary on 29 April 2021.

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