QUARTERLY REPORT

PERIOD ENDING 31 DECEMBER 2021 (ASX:HZN)

HIGHLIGHTS

Increased Production into a Higher Oil Price

- Production volumes increased by 6.7% to 343,852 bbls.
- Sales volumes at Beibu increased by 14% to 219,211 bbls owing to a successfully executed workover program and other production optimisation initiatives. However, total sales for the quarter were impacted by a delay of the scheduled Maari lifting (~116,000 bbls (net)) to early January.
- Revenue (inclusive of hedge settlements) for the quarter was US$16.6 million (~A$23 million) at an average realised oil price of ~US$79/bbl (excluding hedge settlements), with a further ~US$10 million of Maari revenue recorded in early January 2022 following the deferred lifting.
- Net operating cash flow[1] for the quarter was US$9.9 million (~A$14 million).
- Cash reserves were US$23.6 million (net cash US$14.7 million) at 31 December 2021 following a scheduled debt repayment of US$3.8 million.
- Current hedge position includes 250,000 bbls covering the period to 30 June 2022 using a mixture of swaps, puts and collars with a weighted average floor price of ~US$76/bbl. This covers approximately a third of forecast sales volumes with the majority of these instruments retaining exposure to higher oil prices.

China Beibu Gulf WZ12-8E Development – production platform installed on location

- The project continues to progress well. The platform was successfully installed on location and preparations are being made for the arrival of the drilling rig. Development drilling is expected to commence in February 2022 with first oil expected by early Q2 CY 2022.

CHIEF EXECUTIVE OFFICER'S COMMENTARY

This has been another very positive quarter with significantly increased production at Beibu following a successfully executed workover program and other production optimisation initiatives. The increased production rates during a period of higher oil prices will continue to drive revenues and free cashflow generation.

At Maari, the shut-in MR8A well was returned to production and the deferral of the Maari lifting to early January 2022 has opportunistically pushed the lifting into a higher oil price environment which will further boost revenue and cashflow for the financial year.

We were very pleased to see the safe arrival and installation of the WZ12-8E production platform in at Beibu and look forward to the commencement of development drilling next month.

We anticipate a strong second half of the financial year with the Company poised for further production growth with WZ12-8E commencing production, and with proposed additional infill drilling in Block 22/12. The timing of production growth into a higher oil price environment bodes well for further enhanced cashflow generation.

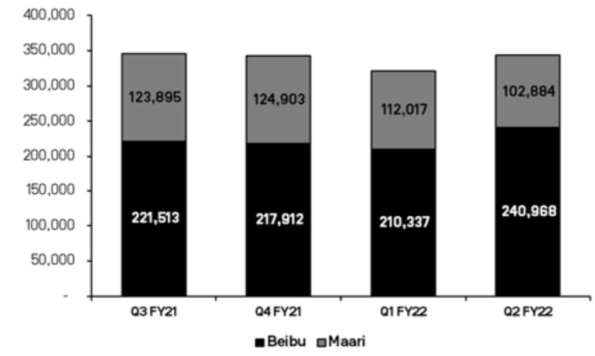
Chris Hodge
Chief Executive Officer

[1] Net operating income after operating expenditure, excluding extraordinary items

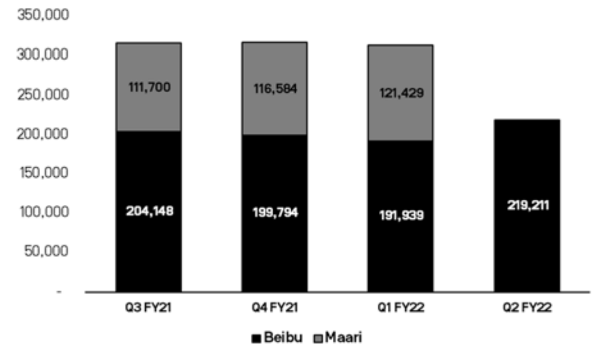
COMPARATIVE PERFORMANCE

PERIOD ENDING 31 DECEMBER 2021

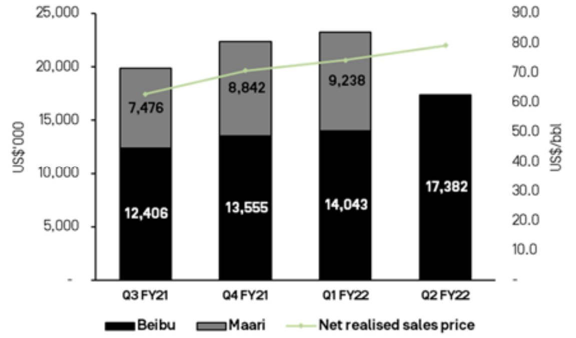
OIL PRODUCTION (bbls)



OIL SALES (bbls)

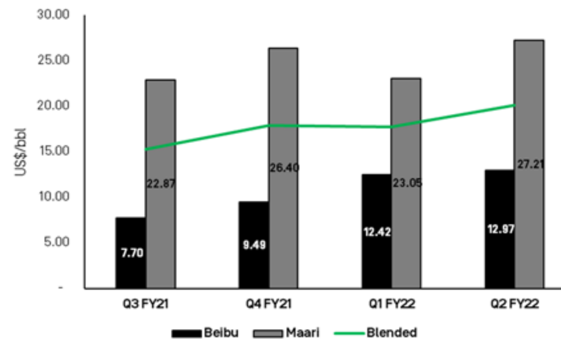


REVENUE[1]



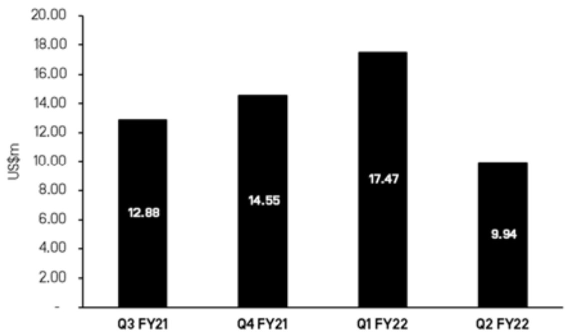
[1] excluding hedge settlements

OPERATING EXPENDITURE[1] (/bbl)



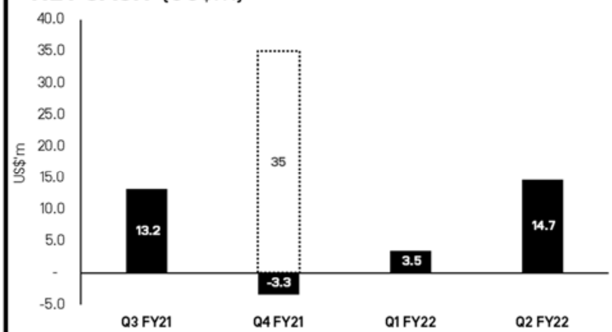
[1] excluding workover expenditure

OPERATING CASH FLOW (US$m)



* Operating cash flow represents cash in-flows from revenue less operating expenditure

NET CASH[1] (US$m)



[1] Net cash balance in Q4 FY21 includes proceeds from the exercise of the general options, subsequently returned to shareholders.

FINANCIAL SUMMARY

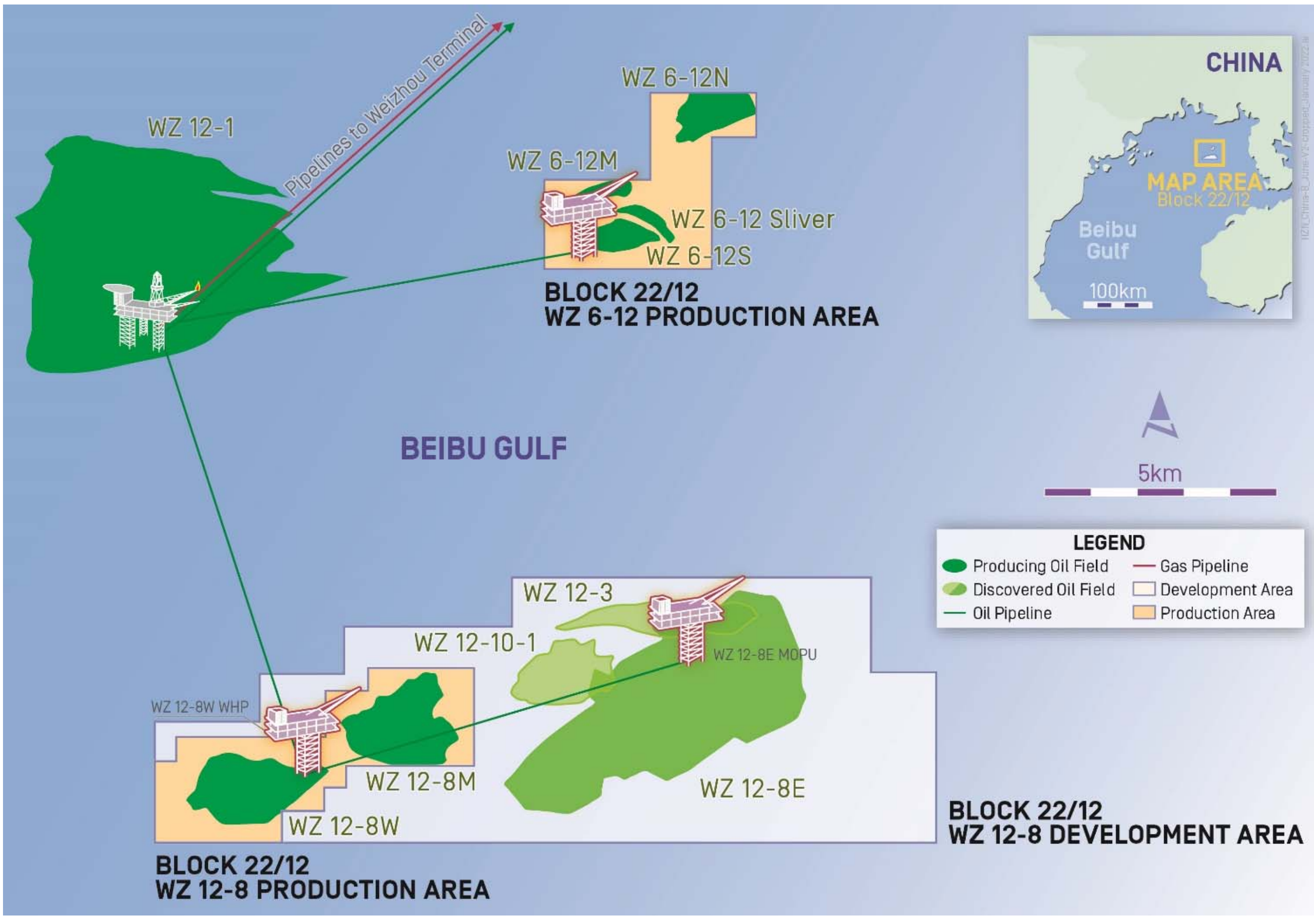
Production	Q2 FY2022 bbls	Q1 FY2022 bbls	CHANGE %	CALENDAR YEAR 2021 bbls
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Crude oil production	240,968	210,337	14.6%	890,729
Crude oil sales	219,211	191,939	14.2%	815,092
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Crude oil production	102,884	112,017	(8.2%)	463,698
Crude oil inventory on hand	118,821	17,581	>100%	118,821
Crude oil sales	-	121,429	(100%)	349,713
TOTAL PRODUCTION				
Crude oil production	**343,852**	**322,354**	**6.7%**	**1,354,428**
Crude oil sales	**219,211**	**313,368**	**(30%)**	**1,164,805**
PRODUCING OIL AND GAS PROPERTIES	**US$'000**	**US$'000**		**US$'000**
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Production revenue[1]	17,382	14,043	23.8%	57,387
Operating expenditure	3,125	2,612	19.6%	9,494
Special oil gain levy	881	396	>100%	1,461
Amortisation	4,496	3,925	14.6%	16,417
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Production revenue[1]	-	9,238	(100%)	25,555
Operating expenditure	2,799	2,608	7.3%	11,540
Workovers	721	-	100%	721
Inventory adjustment[2]	(5,091)	378	(>100%)	(5,515)
Amortisation	1,976	2,143	(7.8%)	8,415
Total Producing Oil and Gas Properties				
Production revenue[1]	**17,382**	**23,281**	**(25.3%)**	**82,942**
Oil hedging settlements	**(792)**	**(588)**	**34.7%**	**(6,325)**
Total revenue (incl. hedging gains/(losses))	**16,590**	**22,693**	**(26.9%)**	**76,617**
Direct production operating expenditure	6,646	5,220	27.3%	21,772
Net operating cash flow[3]	**9,944**	**17,473**	**(43.1%)**	**54,844**
Amortisation	6,472	6,068	6.7%	24,832
EXPLORATION AND DEVELOPMENT				
PMP 38160 (Maari and Manaia), New Zealand	501	70		2,951
Block 22/12 (Beibu Gulf), offshore China	3,262	2,198		10,646
Total capital expenditure	**3,763**	**2,268**		**13,597**
Cash on hand	**23,627**	**16,277**		**23,627**
Senior debt facility[4]	**8,906**	**12,740**		**8,906**
Net Cash[4]	**14,721**	**3,537**		**14,721**

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 $2.0 million).
3 Represents total revenue less direct production operating expenditure (including workover costs).
4 Represents principal amounts drawn down at 31 December 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 to produce above budget with gross oil production increasing 14.6% in the quarter, resulting in an average quarterly production rate of 9,719 bopd (Horizon net 26.95%: 2,619 bopd). At the date of this report production is approximately 9,600 bopd following the successful completion of a multi-well workover program and other production optimisation initiatives. Gross production for the full 2021 calendar year has averaged 9,055 bopd (Horizon net 26.95%: 2,440 bopd). Net sales for the quarter were 219,211 bbls, an increase of 14.2% from the previous quarter. Net sales for the full 2021 calendar year were 815,092 bbls.

Cash operating costs for the 2021 calendar year averaged US$10.46/bbl produced, exclusive of the costs of workovers. Average cash operating costs in the quarter were US$12.97/bbl (produced), impacted by some operating costs which are oil price linked.

Good progress was made on the 12-8E project during the quarter. Key activities completed included:

- Laying and trenching of the 12-8E export pipeline, installation of the expansion joint and riser at the 12-8W end of the pipeline;
- Completion of platform HYSY 163 repairs and commissioning of utility systems;
- Platform receiving its Chinese Classification Society (CCS) certificate;
- Platform sail away from the Zhoushan shipyard on 19 December and dry tow for a distance of 1,050 nautical miles to project location; and
- Approved basis of well design for development wells A1 to A7.

In the first week of January the platform was set in position, legs lowered, and deck jacked up to design height (refer photos below). Offshore personnel have now been mobilised to the platform for mechanical completion and other pre-production activities. The lay vessel, Lan Hai 300, has been remobilised to the project location for subsea power cable laying. The COSL Strike drilling rig is scheduled to arrive on site in mid-February to commence development drilling and anticipated first oil remains unchanged in the first half of Q2 CY2022.

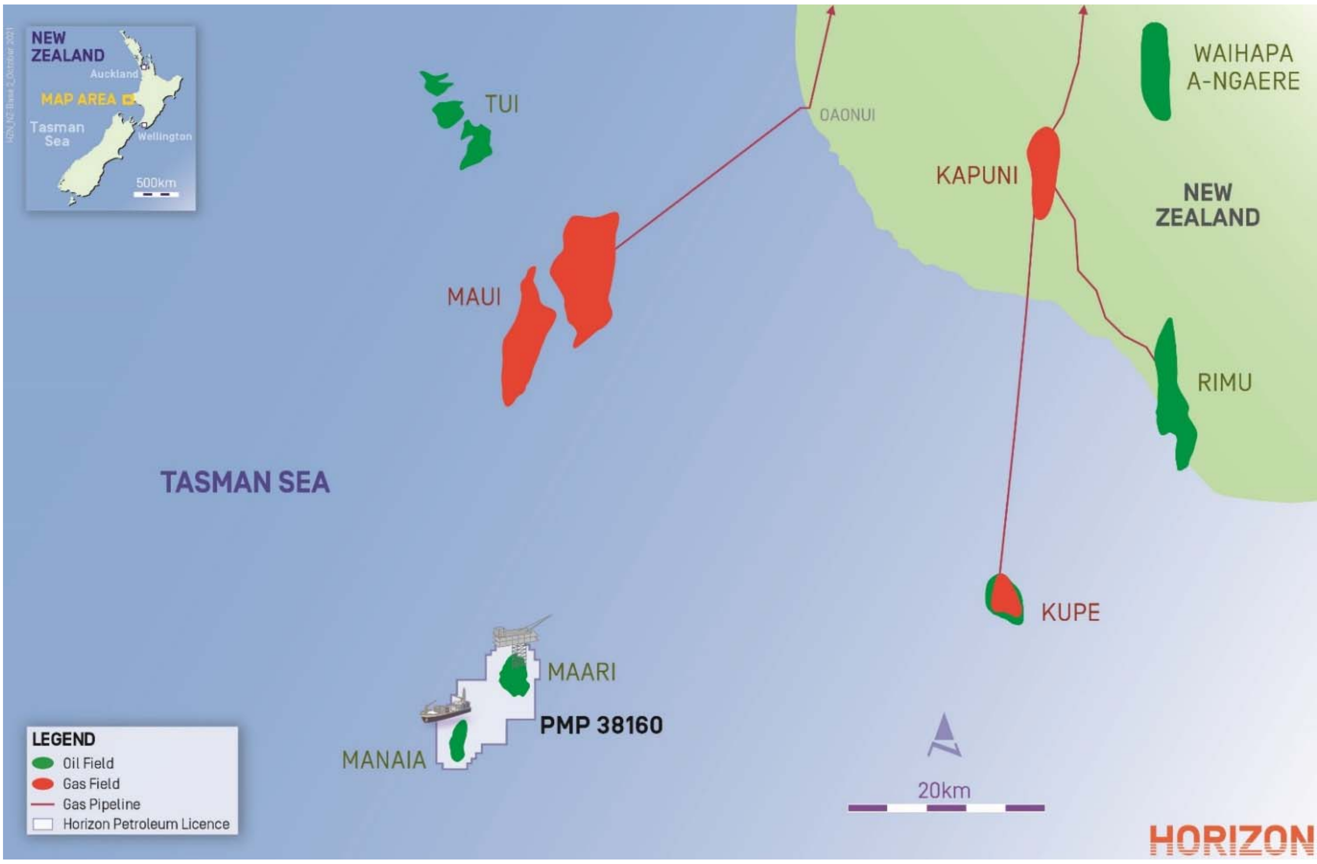
The gross oil production from this first phase of the development is expected to average a first-year oil rate of approximately 4,000 bopd, incremental to ongoing production from the WZ6-12 and WZ12-8W fields. As previously advised, project development costs and platform lease costs are linked to the oil price providing the project with a natural hedge to the oil price. Whilst these costs are linked to the oil price, they are capped at an oil price between US$70-75/bbl, accordingly Horizon's share of the capital costs are still forecast to be ~US$19 million, despite the increase in oil price to over US$87/bbl. In addition, oil price hedging was implemented in late 2020, when oil prices were below US$45/bbl to mitigate the impact on capital costs from a rising oil price. Based on the current oil price these hedges will insulate Horizon's cashflow from ~US$2 million of additional capital costs. At 31 December 2021 US$3.7 million of 12-8E capital costs have been paid, with the majority of the remaining payment schedule coinciding with the commencement of production.

The joint venture is also continuing to evaluate and mature various infill and near-field appraisal and exploration targets within Block 22/12 with a view to drilling some of these opportunities during the first half of this calendar year.

Aerial view of platform HYSY 163 mounted on dry tow barge

Platform in-place

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



Gross oil production for the quarter averaged 4,301 bopd (Horizon net 26%: 1,118 bopd) with production for the full 2021 calendar year averaging 4,886 bopd (Horizon net 26%: 1,270 bopd). At the date of this report gross production was approximately 4,600 bopd following the completion of the MR8A well workover during the quarter. Production levels have been impacted by the precautionary shut-in of the MR6A well after low levels of sand were detected in the produced well fluid earlier in 2021. Progress is being made with the installation of a temporary desander on the wellhead platform which is scheduled to be installed over the coming months to enable production from this well to be reinstated.

Cash operating costs for the quarter were US$27.21/bbl (produced), excluding workovers. Cash operating costs for the full 2021 calendar year have averaged US$24.89/bbl produced, excluding the costs of workovers.

Crude oil inventory at 31 December 2021 was 118,821 bbls due to the deferral of Maari liftings in the quarter to early January 2022. The early January 2022 lifting, with a parcel size of ~116,000 bbls (net to HZN), is forecast to generate revenue of approximately US$10 million with the associated cash receipt in early February 2022.

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. The long-awaited NZ decommissioning legislation which includes trailing liabilities for previous owners following a change in control received Royal Assent in December 2021, which the Company understands was a necessary step before the NZ government would determine whether to approve the transaction. Now that the legislation has been enacted, we would anticipate a final decision by the NZ government during the first half of CY2022. This will pave the way for progressing further potential near term production additions and extracting greater value from Maari. 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 24 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 27 January 2022.

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