

QUARTERLY REPORT

PERIOD ENDING 31 MARCH 2022 [ASX:HZN]

HIGHLIGHTS

WZ12-8E Project commenced production from 11 April

- The project is currently producing from the first well in line with expectation. A second well has been drilled and is commencing clean-up flow.

Continued Strong cashflow

- Sales volumes increased 45% during the quarter to 317,965 bbls enhanced by a Maari lifting which was deferred from the prior quarter.
- Revenue for the quarter increased by 79% to US\$31.1 million (~A\$43 million) (excluding hedge settlements) at an average realised oil price of ~US\$98/bbl, driven by the increased sales volume and higher oil prices.
- Production volumes for the quarter were 317,784 bbls, a 7.6% decline due to a planned maintenance shut down at Maari and natural reservoir decline at Beibu.
- Net operating cash flow¹ for the quarter was US\$23.5 million (~A\$33 million).
- Cash reserves were US\$32.4 million (net cash US\$27.5 million) at 31 March 2022, with a further ~US\$4 million of debt repaid.
- The Company maintains leverage to higher oil prices with a minimal hedge position of 20,000bbls of oil swaps remaining to 31 May 2022. These swaps have a weighted average price of ~US\$86/bbl. Hedge settlements of US\$0.9 million were made during the quarter, including the cash receipts from the WZ12-8E capital cost oil hedges.

CHIEF EXECUTIVE OFFICER'S COMMENTARY

The quarter was dominated by the sail-away of the WZ12-8E platform, followed by successful installation, hook-up and commissioning and the commencement of a 7-well development drilling programme.

We were very pleased therefore to announce first oil from the project in early April – on time, safely, and on budget. It is expected that the project will deliver an average of 4,700 bopd [gross] during 2022.

Financially the quarter was stellar – with revenue for the quarter reaching US\$31.1 million thereby increasing the company's net cash to US\$27.5 million.

Looking ahead to the next quarter, we anticipate to progressively increase production as each new WZ12-8E development well is drilled. We also look forward to finalising preparations (and JV approvals) for a WZ6-12 drilling and workover program designed to restore and enhance production.

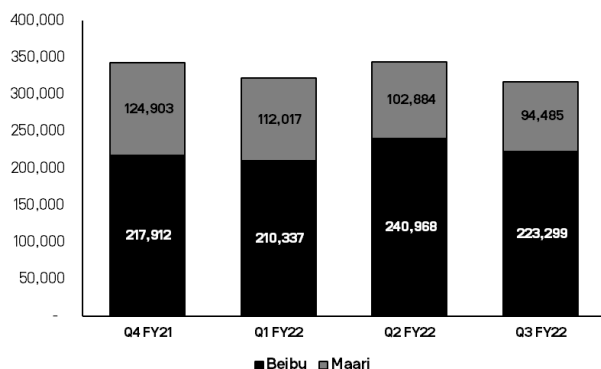
Chris Hodge
Chief Executive Officer

¹ Net operating income after operating expenditure, excluding extraordinary items

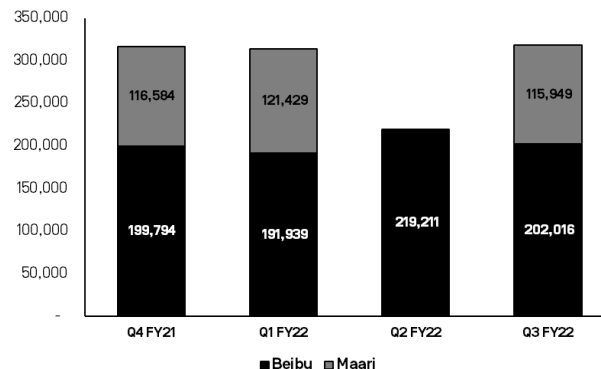
COMPARATIVE PERFORMANCE

PERIOD ENDING 31 MARCH 2022

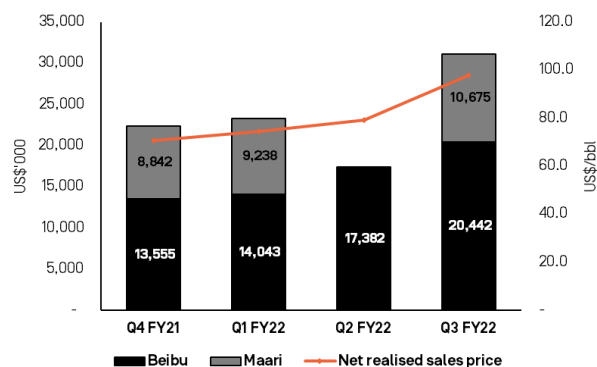
OIL PRODUCTION (bbls)



OIL SALES (bbls)

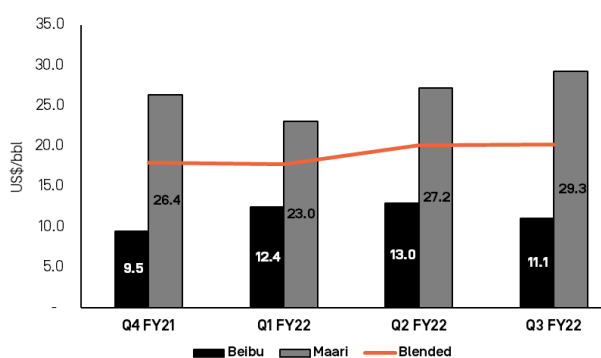


REVENUE¹



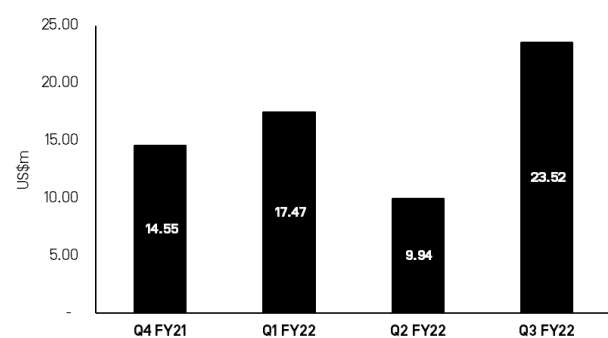
¹ excluding hedge settlements

OPERATING EXPENDITURE¹ (/bbl)



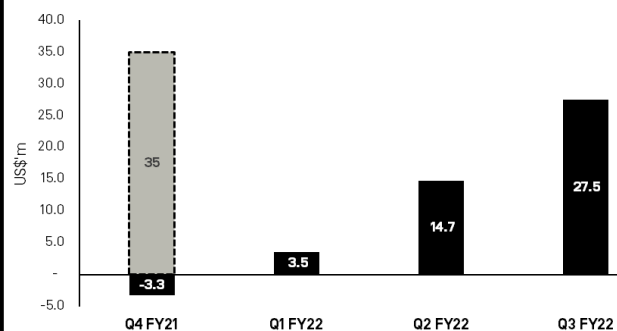
¹ excluding workover expenditures

OPERATING CASH FLOW (US\$m)



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

NET CASH¹ (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 | Q3 FY2022 bbls | Q2 FY2022 bbls | CHANGE % | FINANCIAL YTD 2022 bbls |
|---|----------------------|----------------------|-----------------|-------------------------------|
| BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA | | | | |
| Crude oil production | 223,299 | 240,968 | [7.3%] | 674,604 |
| Crude oil sales | 202,016 | 219,211 | [7.8%] | 613,166 |
| PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND | | | | |
| Crude oil production | 94,485 | 102,884 | [8.2%] | 309,386 |
| Crude oil inventory on hand | 93,829 | 118,821 | [21.0%] | 93,829 |
| Crude oil sales | 115,949 | - | 100% | 237,379 |
| TOTAL PRODUCTION | | | | |
| Crude oil production | 317,784 | 343,852 | [7.6%] | 983,990 |
| Crude oil sales | 317,965 | 219,211 | 45.0% | 850,545 |
| PRODUCING OIL AND GAS PROPERTIES | | | | |
| | US\$'000 | US\$'000 | | US\$'000 |
| BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA | | | | |
| Production revenue ¹ | 20,442 | 17,382 | 17.6% | 51,867 |
| Operating expenditure | 2,476 | 3,125 | [20.8%] | 8,214 |
| Special oil gain levy | 2,540 | 881 | >100% | 3,816 |
| Amortisation | 4,166 | 4,496 | [7.3%] | 12,587 |
| PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND | | | | |
| Production revenue ¹ | 10,675 | - | 100% | 19,913 |
| Operating expenditure | 2,769 | 2,799 | [1.1%] | 8,176 |
| Workovers | - | 721 | [100%] | 721 |
| Inventory adjustment ² | 1,635 | [5,091] | >100% | [3,078] |
| Amortisation | 1,811 | 1,976 | [8.3%] | 5,929 |
| Total Producing Oil and Gas Properties | | | | |
| Production revenue¹ | 31,117 | 17,382 | 79.0% | 71,780 |
| Oil hedging settlements | [2,350] | [792] | >100% | [3,729] |
| Total revenue [incl. hedging gains/(losses)] | 28,767 | 16,590 | 73.4% | 68,051 |
| Direct production operating expenditure | 5,245 | 6,646 | [21.1%] | 17,111 |
| Net operating cash flow³ | 23,522 | 9,944 | >100% | 50,940 |
| Amortisation | 5,977 | 6,472 | [7.6%] | 18,516 |
| EXPLORATION AND DEVELOPMENT | | | | |
| PMP 38160 (Maari and Manaia), New Zealand | 384 | 501 | | 955 |
| Block 22/12 (Beibu Gulf), offshore China | 3,089 | 3,262 | | 8,549 |
| Cash receipts from 12-8E capital cost oil hedges | [1,467] | [923] | | [2,390] |
| Total capital expenditure | 2,006 | 2,840 | | 7,114 |
| Cash on hand | 32,433 | 23,627 | | 32,433 |
| Senior debt facility⁴ | 4,946 | 8,906 | | 4,946 |
| Net Cash⁴ | 27,487 | 14,721 | | 27,487 |

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 \$0.5 million).

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

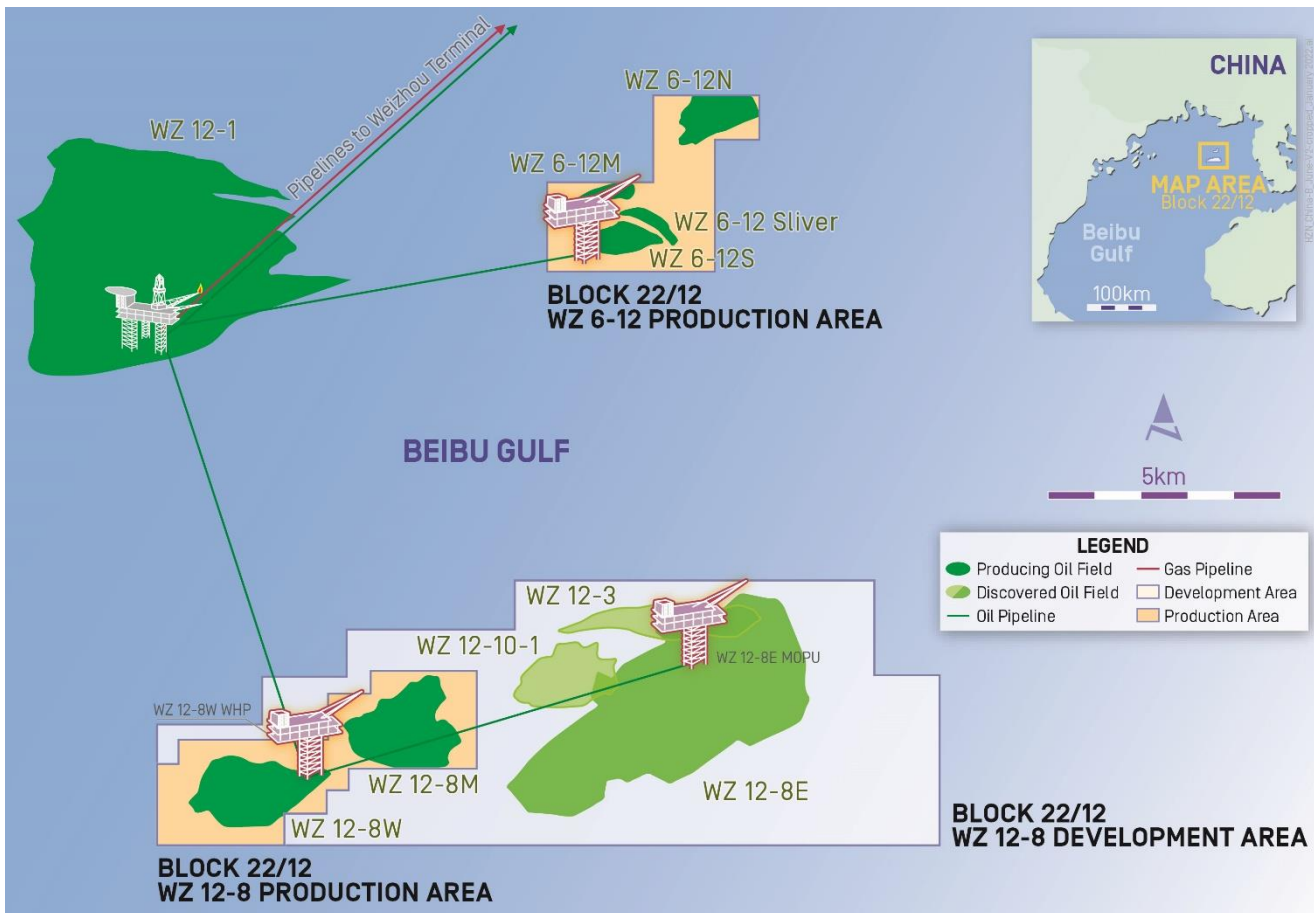
⁴ Represents principal amounts drawn down at 31 March 2022.

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%]

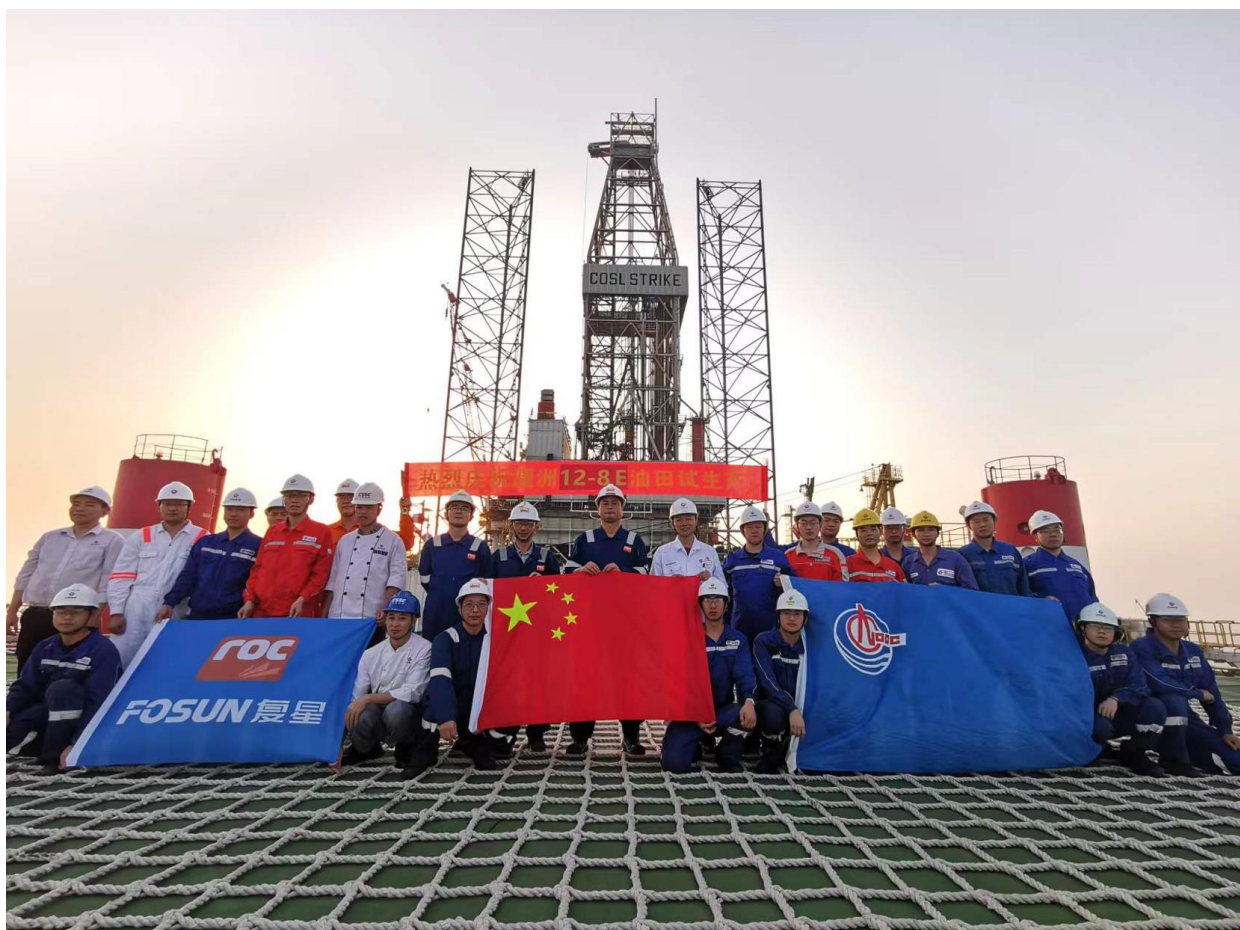


Horizon's Beibu Gulf fields continued to produce above budget with gross oil production for the quarter averaging 9,006 bopd [Horizon net 26.95%: 2,427 bopd], and production for the 2022 financial year to date averaging 9,136 bopd [Horizon net 26.95%: 2,462 bopd]. Prior to the WZ12-8E field being commissioned, field production was approximately 8,500 bopd [gross]. Following production commencing from the WZ12-8E A2H well in early April, total field production has increased to an average of approximately 11,000 bopd [gross] to date. Net sales for the quarter were 202,016 bbls, generating revenue in excess of US\$20 million for the quarter. Net sales for the 2022 financial year to date were 613,166 bbls, generating revenue of ~US\$52 million.

Year to date cash operating costs for the 2022 financial year averaged US\$12.17/bbl produced, exclusive of the costs of workovers. Average cash operating costs in the quarter were US\$11.09/bbl [produced].

The joint venture continues to evaluate and mature a number of infill and near-field appraisal and exploration targets and well workovers within Block 22/12 with a view to executing later this calendar year.

WZ12-8 East Project



On 11 April 2022, the Company announced that following the successful installation, hook-up and commissioning of facilities for the WZ12-8 East Project, first production had been achieved from the first development well in the Jiaowei reservoir, WZ12-8E A2H. The second well in the drilling program, the WZ12-8E A1H well targeting the nearby Weizhou reservoir has recently been drilled and completed, and has commenced clean-up flow. The Strike drilling rig is currently preparing to batch drill the next two development wells in the Jiaowei reservoir, the WZ12-8E A3H and A4H wells. The planned water disposal well (WZ12-8E A7) will follow, which will also drill a secondary appraisal objective in the deeper Weizhou sand, and potentially produce from it in the event of an oil discovery.

Pleasingly, construction and drilling activities to date have been undertaken safely within budget and on schedule. The Project is expected to reach an average daily gross production rate of approximately 4,700 barrels of crude oil during 2022, with peak production expected to be approximately 10,000 barrels per day [gross].

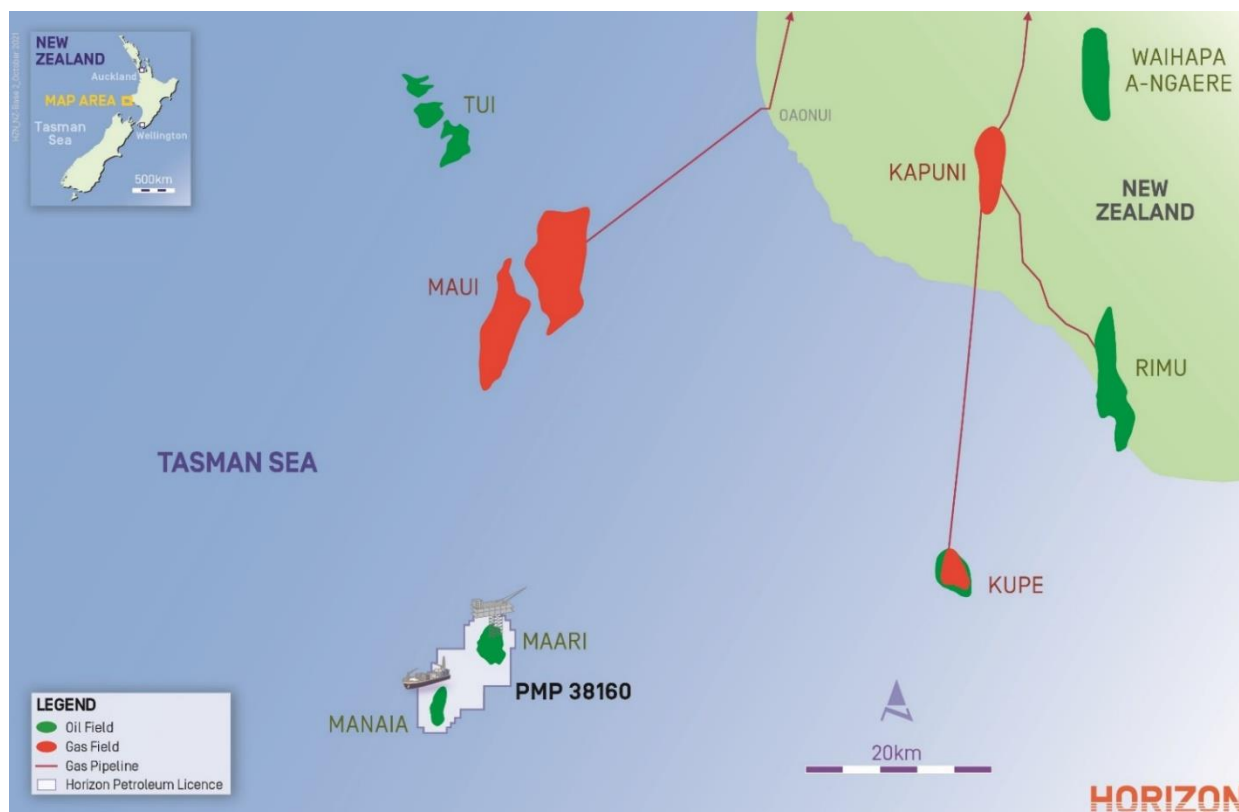
About the WZ12-8 East Project

The WZ12-8 East Project represents the first phase of a possible multi-phase development, depending on the production performance of this first phase. The initial phase will use a total of five production wells to develop the western side of the large Jiaowei reservoir and one production well from the smaller nearby Weizhou reservoir. Further development of the Jiaowei reservoir will be considered by the joint venture following the first phase results.

The WZ12 8 East Project utilises the HYSY163 self-elevating wellhead platform which is being leased by the joint venture from the contractor CEDC. The platform is linked to the existing WZ12 8 West platform via a new pipeline and subsea power cable, with oil then exported via existing CNOOC facilities to CNOOC's Weizhou Terminal.

The remaining development costs are to be internally funded using Horizon's existing cash reserves and field production revenue. Roc Oil is the current operator of the WZ12-8 East Project, with CNOOC to assume operatorship by the end of 2022.

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



Gross oil production for the quarter averaged 4,038 bopd [Horizon net 26%: 1,050 bopd] with year to date production for the 2022 financial year averaging 4,343 bopd [Horizon net 26%: 1,129 bopd]. Production during the quarter was impacted by a scheduled 10-day annual maintenance shut down, following which gross production was reinstated at approximately 4,800 bopd. Production levels continue to be affected by the precautionary shut-in of the MR6A well after low levels of sand were detected in the produced well fluid in 2021. Installation of a temporary desander on the wellhead platform was completed in early April 2022, with well testing underway.

Cash operating costs for the quarter included additional costs associated with the scheduled maintenance shut down and were US\$29.31/bbl (produced), excluding workovers. Year to date cash operating costs for the 2022 financial year have averaged US\$26.42/bbl produced, excluding the costs of workovers.

Crude oil inventory at 31 March 2022 was 93,829 bbls, with the next scheduled lifting to take place in May 2022. Maari crude continues to attract strong premiums with the scheduled May 2022 lifting contracted at a premium of US\$7/bbl.

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 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 28 April 2022.

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