# QUARTERLY REPORT

## PERIOD ENDING 30 JUNE 2022 [ASX:HZN]

## HIGHLIGHTS

### Production commenced from the WZ12-8E oil project

- Production from the WZ12-8E project commenced at the beginning of the quarter, reaching up to 5,900 bopd gross [1,500 bopd Horizon net] from three wells prior to a temporary shut-in towards the end of the quarter for repair works to the flexible production hose.
- Production was restarted on 24 July following the successful execution of repairs.
- All six development wells have now been successfully drilled and are on production. As of 25 July, the WZ 12-8E field was producing 7,889 bopd gross, with total Beibu production of in excess of 15,200 bopd gross (over 4,100 bopd net to Horizon).

### Highest quarterly revenue in 8 years

- Production volumes were 348,214 bbls, a 9.6% increase over the prior quarter.
- Sales volumes increased 12% during the quarter to 345,558 bbls.
- Revenue for the quarter increased 39% to US$40.1 million (~A$58 million) (including hedge settlements) at an average realised oil price of ~US$113/bbl.
- Revenue for the financial year increased 70% to US$108.1 million (A$157 million).
- Net operating cash flow[1] for the quarter increased 38% to US$32.5 million (~A$47 million); net operating cashflow for the financial year increased 102% to US$83.4 million (A$121 million).
- Cash operating costs of US$22/bbl produced for the quarter.
- Cash reserves were US$44.1 million (net cash US$42.8 million) at 30 June 2022, with a further US$9.9 million associated with May 2022 revenue received shortly after 30 June 2022.
- The Company maintains leverage to higher oil prices with a minimal hedge position of 45,000 bbls of swaps and put options which hedge the period July – September 2022. These hedges have a weighted average price of ~US$109/bbl.

## CHIEF EXECUTIVE OFFICER'S COMMENTARY

The strong quarterly performance caps off what has been a very positive FY22 and continues to highlight the company's leverage to the oil price, low-cost operations, and resultant strong cash generation.

The higher realised oil price, coupled with robust production from our assets, resulted in an upward revision to the FY22 revenue and EBITDAX guidance. Revenue for the financial year increased 70% to US$108 million (A$157 million) generating net operating cash flow of US$83 million (A$121 million).

We were very pleased to announce first oil from the WZ 12-8E project in early April and were encouraged by initial production results. The temporary disruption to WZ12-8E production has been rectified, with strong rates noted as production ramps up.

Looking ahead to the 2023 financial year, we look forward to finalising preparations (and JV approvals) for a WZ6-12 drilling and workover program designed to restore and enhance production. We are optimistic for another great year ahead.

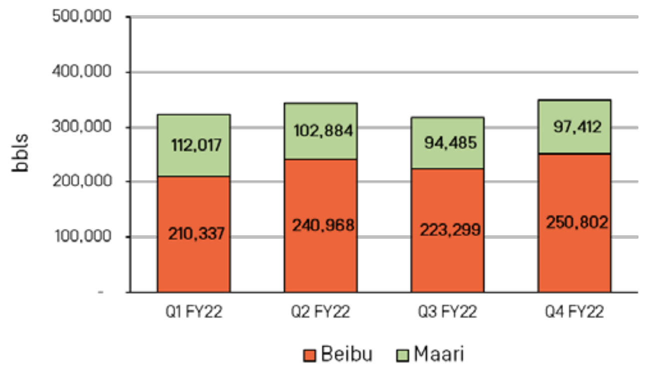
**Richard Beament**
**Chief Executive Officer**

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

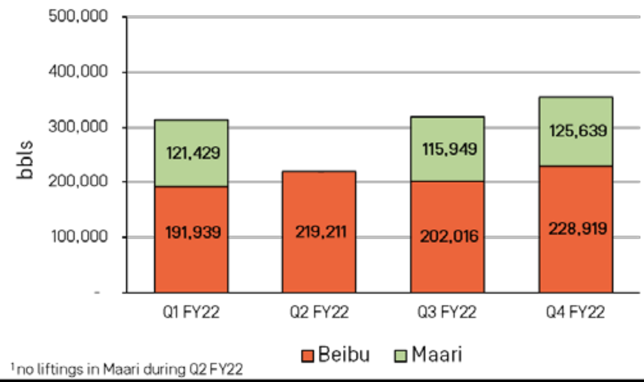
# COMPARATIVE PERFORMANCE

## PERIOD ENDING 30 JUNE 2022

OIL PRODUCTION (bbls)

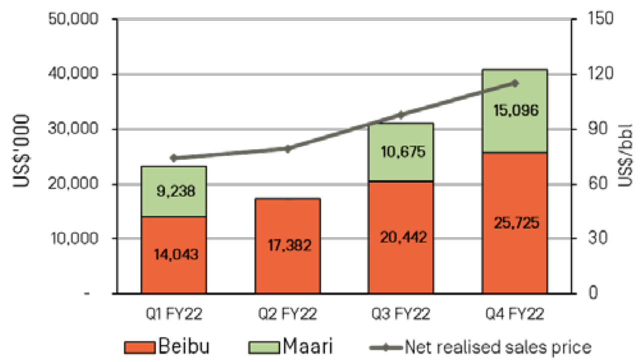



OIL SALES[1] (bbls)



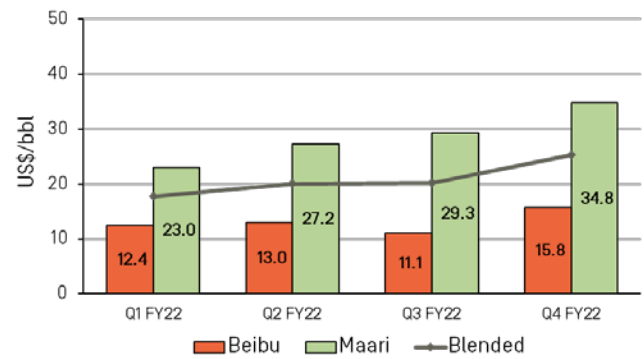

[1] no liftings in Maari during Q2 FY22

REVENUE[1,2] (US$'000)



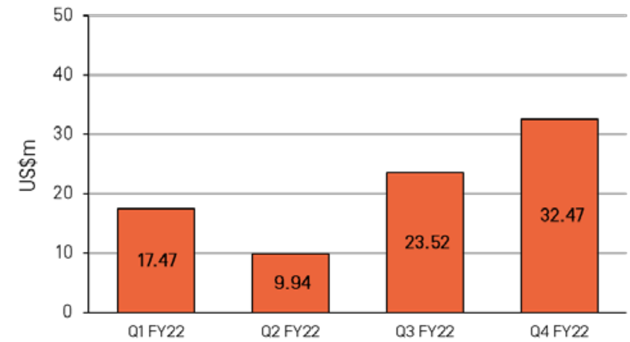

[1] excluding hedge settlements [2] no liftings in Maari during Q2 FY22

OPERATING EXPENDITURE[1] (US/bbl)



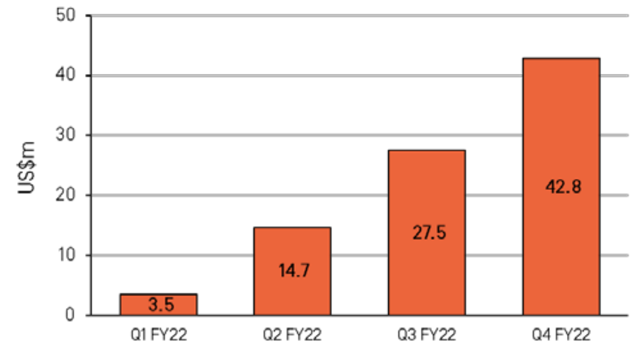

[1] excluding workover expenditures

OPERATING CASH FLOW[1] (US$m)




[1] operating cash flow represents cash in-flows from revenue less operating expenditure

NET CASH (US$m)




**Note**: Financial results contained in this quarterly on pages 2 and 3 are unaudited.

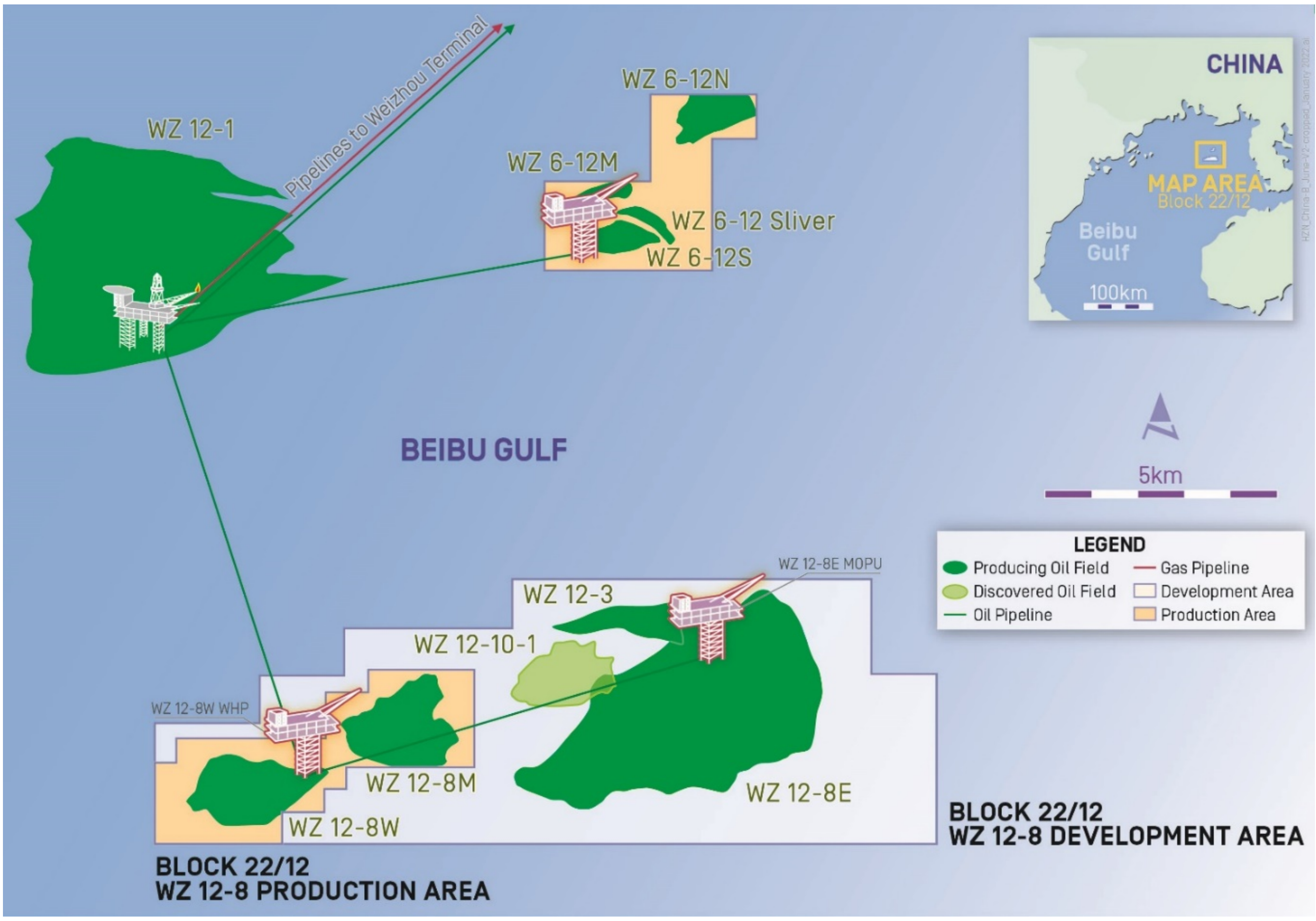
# FINANCIAL SUMMARY

| Production | Q4 FY2022 bbls | Q3 FY2022 bbls | CHANGE % | FINANCIAL YEAR 2022 bbls |
|---|---|---|---|---|
| **BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA** | | | | |
| Crude oil production | 250,802 | 223,299 | 12.3% | 925,405 |
| Crude oil sales | 228,919 | 202,016 | 13.3% | 842,086 |
| **PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND** | | | | |
| Crude oil production | 97,412 | 94,485 | 3.1% | 406,798 |
| Crude oil inventory on hand | 57,831 | 93,829 | (38.4%) | 57,831 |
| Crude oil sales | 125,639 | 115,949 | 8.4% | 363,017 |
| **TOTAL PRODUCTION** | | | | |
| **Crude oil production** | **348,214** | **317,784** | **9.6%** | **1,332,203** |
| **Crude oil sales** | **354,558** | **317,965** | **11.5%** | **1,205,103** |
| **PRODUCING OIL AND GAS PROPERTIES** | **US$'000** | **US$'000** | | **US$'000** |
| **BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA** | | | | |
| Production revenue[1] | 25,725 | 20,442 | 25.8% | 77,593 |
| Operating expenditure | 3,952 | 2,476 | 59.6% | 12,166 |
| Special oil gain levy | 3,737 | 2,540 | 47.1% | 7,553 |
| Amortisation | 6,635 | 4,166 | 59.3% | 19,222 |
| **PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND** | | | | |
| Production revenue[1] | 15,096 | 10,675 | 41.4% | 35,009 |
| Operating expenditure | 3,388 | 2,769 | 22.4% | 11,564 |
| Workovers | 270 | - | 100% | 991 |
| Inventory adjustment[2] | 947 | 1,635 | (42.1%) | (2,131) |
| Amortisation | 1,867 | 1,811 | 3.1% | 7,796 |
| **Total Producing Oil and Gas Properties** | | | | |
| **Production revenue[1]** | **40,821** | **31,117** | **31.2%** | **112,602** |
| **Oil hedging settlements** | **(740)** | **(2,350)** | **(68.5%)** | **(4,469)** |
| **Total revenue (incl. hedging gains/(losses))** | **40,081** | **28,767** | **39.3%** | **108,133** |
| Direct production operating expenditure | 7,610 | 5,245 | 45.1% | 24,721 |
| **Net operating cash flow[3]** | **32,471** | **23,522** | **38.0%** | **83,412** |
| Amortisation | 8,502 | 5,977 | 42.3% | 27,018 |
| **EXPLORATION AND DEVELOPMENT[5]** | | | | |
| PMP 38160 (Maari and Manaia), New Zealand | 57 | 384 | | 1,012 |
| Block 22/12 (Beibu Gulf), offshore China | 10,421 | 3,089 | | 18,970 |
| Cash receipts from 12-8E capital cost oil hedges | - | (1,467) | | (2,390) |
| **Total capital expenditure** | **10,478** | **2,006** | | **17,592** |
| **Cash on hand** | **44,086** | **32,433** | | **44,086** |
| **Senior debt facility[4]** | **1,237** | **4,946** | | **1,237** |
| **Net Cash[4]** | **42,849** | **27,487** | | **42,849** |

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 $0.7 million).
3 Represents total revenue less direct production operating expenditure (including workover costs).
4 Represents principal amounts drawn down at 30 June 2022.
5 Represents exploration and development accounting cost which is inclusive of accruals.
6 Amounts may not cast due to the rounding of balances.

# PRODUCTION

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




Horizon's Beibu Gulf fields continued to produce well, with gross oil production for the quarter averaging 10,227 bopd (Horizon net 26.95%: 2,756 bopd), and production for the 2022 financial year averaging 9,407 bopd (Horizon net 26.95%: 2,535 bopd).

Net sales for the quarter were 228,919 bbls, generating revenue in excess of US$25.7 million for the quarter. Net sales for the 2022 financial year were 842,086 bbls, generating revenue of US$77.6 million.

Cash operating costs for the 2022 financial year averaged US$13.15/bbl produced, exclusive of the costs of workovers. Average cash operating costs in the quarter were US$15.76/bbl (produced) which was impacted by the commencement of production from the WZ12-8E project. As foreshadowed, the WZ12-8E project uses a leased platform with the resultant rental costs included in cash operating costs.

### WZ12-8 East oilfield operations

On 10 June 2022, production from the WZ12-8E oilfield in the Beibu Gulf was temporarily shut-in following detection of an issue with the flexible hose connecting field to the WZ12-8W wellhead platform.

Production from the field was restarted on 24 July with wells progressively brought back on-line following the successful execution of repairs. As of 25 July, the field was producing approximately 7,889 barrels of oil per day gross (Horizon net 2,126 bopd). Total Beibu production is currently 15,245 barrels of oil per day gross (Horizon net 4,109 bopd).

All development wells WZ12-8E A1, A2, A3, A4, A5 and A6 have been successfully drilled and completed and are on production. The COSL Strike rig is currently completing the WZ12-8E A7 water disposal well – an operation which will conclude the WZ12-8E Phase 1 drilling programme.

The joint venture will now review overall WZ12-8E field data and performance before considering additional development drilling.


COSL Strike drilling rig alongside the WZ 12-8E wellhead platform

### WZ6-12 East A8 exploration well

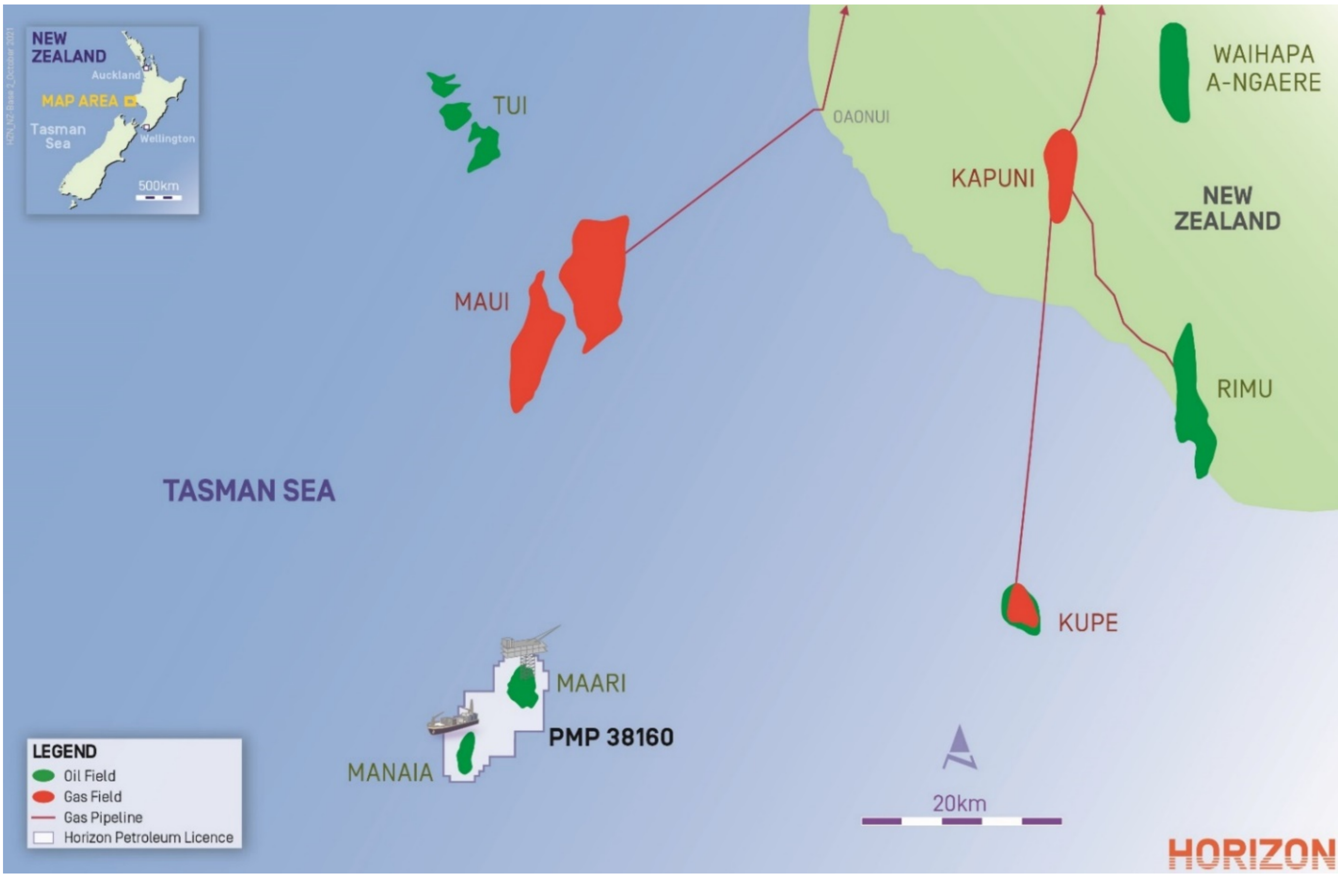
During July, the WZ6-12 A8 exploration well was successfully drilled to a total depth of 3,597m measured depth (MD) and intersected both the targeted Tertiary stacked sandstones as well as Basement. The well intersected two minor oil columns of approximately 3.6m true vertical depth (TVD) and 2.0m (TVD) in the target sandstone intervals. However, the Basement target failed to encounter hydrocarbons.

The well has been plugged and abandoned, which frees up a rig slot on the WZ12-8E platform for a possible Phase 2 development well. In the meantime, the joint venture continues to assess the geological and commercial implications of the well result.

### WZ6-12 drilling and workover programme

The joint venture is finalising preparations (and approvals) for a WZ6-12 drilling and workover program designed to restore and increase production from the WZ6-12 area later this calendar year.

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




Gross oil production for the quarter averaged 4,117 bopd (Horizon net 26%: 1,070 bopd) with production for the 2022 financial year averaging 4,287 bopd (Horizon net 26%: 1,115 bopd).

Production during the quarter was impacted by an MN1 electric submersible pump (ESP) failure which occurred in May. A workover was commenced in July to replace the ESP, with production from the well expected to be reinstated during the current quarter. In April, a temporary desander was installed on the wellhead platform to manage low levels of sand which were detected in the produced well fluid from the MR6A well. While the temporary desander was able to process the sand production, the well did not produce hydrocarbons and so was shut in, and the unit demobilised. The joint venture is planning a subsequent workover on the MR6A well which involves setting a plug along the wellbore to isolate the damaged, sand producing section of the well, with the aim of reinstating oil production.

Cash operating costs have been impacted by the MR6A sanding issue and MN1 ESP failure and averaged US$28.43/bbl produced for the 2022 financial year and US$34.78/bbl for the quarter, excluding the costs of workovers.

Sales for the 2022 financial year were 363,017 bbls generating revenue of US$35.0 million. Revenue for the quarter was US$15.1 million generated on 125,639 bbls sold. Crude oil inventory at 30 June 2022 was 57,831 bbls, with the next lifting provisionally set to take place in September 2022. Maari crude continues to attract strong premiums with the May 2022 lifting sold at a premium to dated Brent 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 remains unchanged and regulatory approval processes are continuing.

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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, Chief Operating Officer, 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 25 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 July 2022.

For more information please contact:

**Horizon Oil Limited**
**Richard Beament** CEO

T: +61 2 9332 5000
F: +61 2 9332 5050
E: info@horizonoil.com.au

Level 6, 134 William St
Woolloomooloo NSW 2011
**www.horizonoil.com.au**