

QUARTERLY REPORT

PERIOD ENDING 30 SEPTEMBER 2022 [ASX:HZN]

HIGHLIGHTS

20% distribution yield for shareholders

- Capital return of AUD 1.35 cents and a Dividend of AUD 1.65 cents, totalling A\$48 million paid to shareholders on 20 October 2022. Further capital management initiatives under constant review.

Strong production and financial metrics

- Production volumes increased 18.9% during the quarter to 414,155 bbls driven by almost 30% increase in Block 22/12 production.
- Sales volumes increased 16.0% during the quarter to 411,410 bbls.
- Revenue for the quarter increased 4.7% to US\$42.0 million [~A\$66 million] (including hedge settlements) at an average realised oil price of ~US\$102/bbl.
- Record premium achieved for the September Maari lifting, highlighting the tightness of the physical crude market.
- Net operating cash flow¹ for the quarter increased 4.6% to US\$34.0 million [~A\$53million].
- Cash operating costs of US\$19.3/bbl produced for the quarter, including the cost of workovers in China and NZ.
- Cash reserves were US\$68.3² million (net cash US\$48.6² million) at 30 September 2022, with a further US\$11.9 million received shortly after quarter end pertaining to the Maari September 2022 lifting. Subsequent to the quarter end, A\$48.0 million [~US\$30.7 million] was paid to shareholders as noted above.

Continued investment in production growth

- Completion of the WZ6-12 drilling programme which successfully drilled two infill wells, WZ6-12-A12S1 into the WZ6-12-M1 reservoir and WZ6-12 A10S1 into the WZ6-12N reservoir. On 24 October A10S1 was cleaning-up at 1,369 bopd gross (Horizon net 369 bopd), while production from A12S1 was scheduled to come online shortly.
- The Block 22/12 Joint Venture has commenced a WZ12-8E Phase 2 development that will drill at least three additional wells from the WZ12-8E wellhead platform.

CHIEF EXECUTIVE OFFICER'S COMMENTARY

This has been another exceptional quarter for the Company with production from the Group's Block 22/12 fields driving production growth following the ramp up in WZ12-8E production and a successful WZ6-12 workover program. Following on from this success, the Block 22/12 JV has just completed a two well infill drilling programme at the WZ6-12 fields, which is being immediately followed by a minimum three WZ12-8E Phase 2 drilling programme. The increased drilling activity over recent months has led to over a 50% increase on average in gross production rates from the Block 22/12 fields over the last three months to end October, when compared to the long-term average of 9,000 to 10,000 bopd. Importantly, we expect these production rates to be further enhanced in the near term as additional development wells are brought onto production. This accelerated development effort seeks to take advantage of the current high oil price environment and rig availability, whilst building on the knowledge and favourable results from recent development drilling.

We were delighted to finalise payment of the distributions totalling AUD 3 cent per share earlier this month, and whilst this period has seen elevated capital expenditure levels associated with the Block 22/12 development drilling, we are pleased to see continued strong free cashflow generation driving further balance sheet strength.

With regard to the termination of the OMV/Jadestone Maari transaction, we are pleased that this matter has been concluded. With OMV remaining as operator, we look forward to continuing to build on our strong relationship with them in order to extract maximum value from the Maari asset.

I look forward to welcoming our shareholders in person to the 2022 Annual General Meeting to be held on 16 November.

Richard Beament

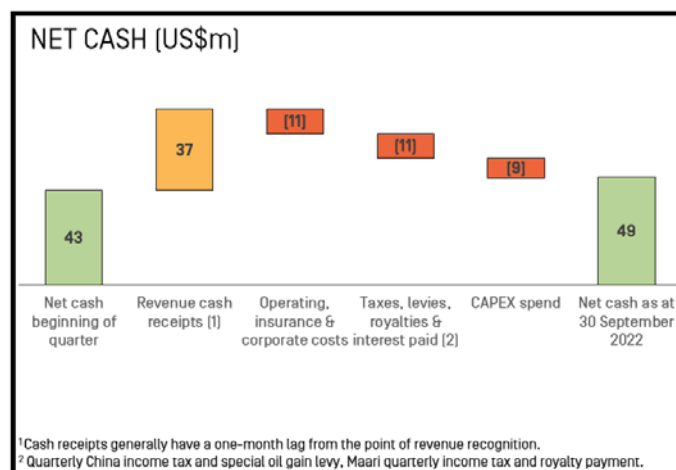
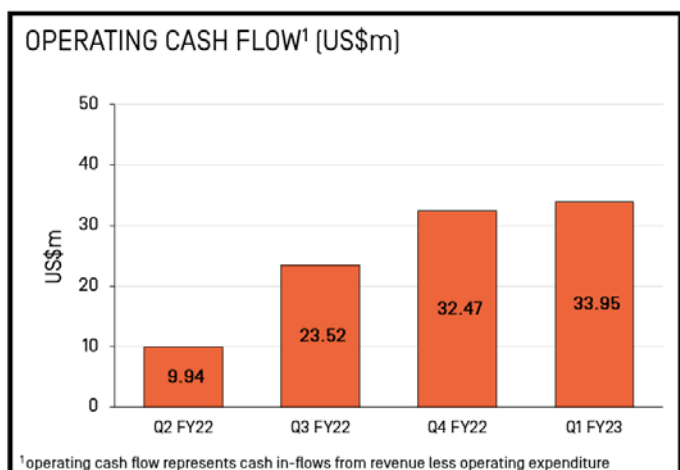
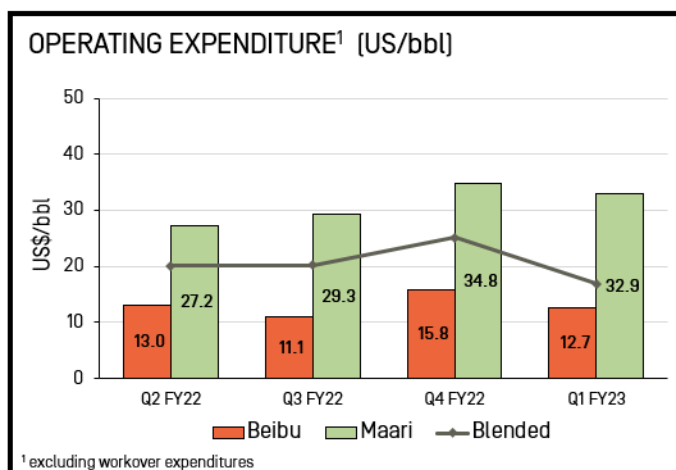
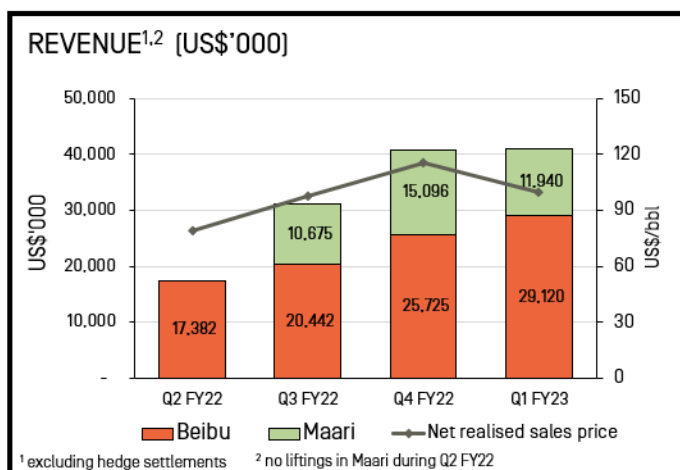
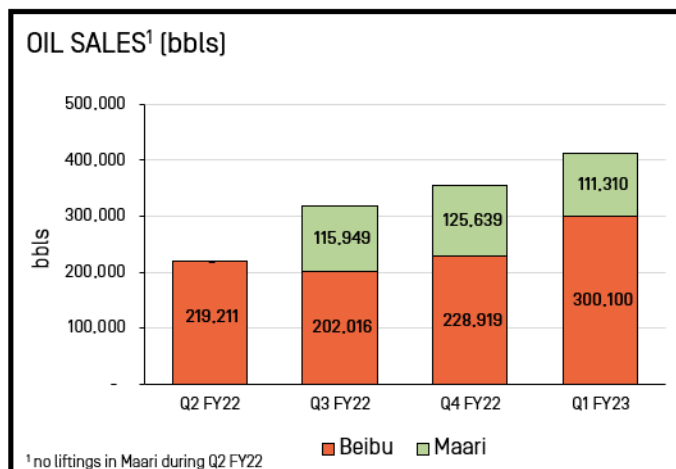
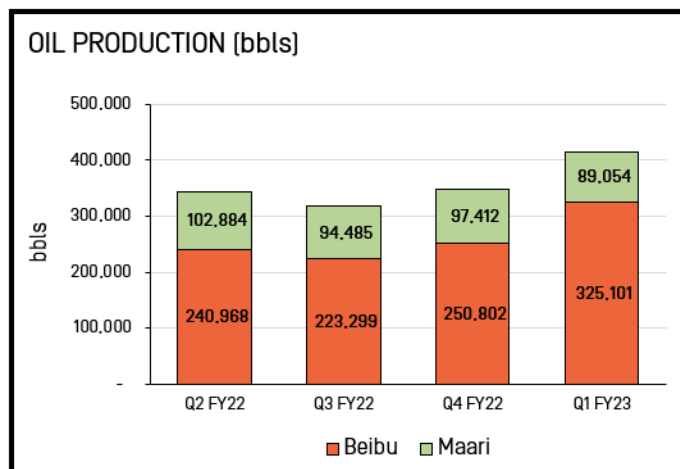
Chief Executive Officer

¹ Net operating income after operating expenditure, excluding extraordinary items.

² Cash for the quarter excludes Horizon's share (US\$8.9 million) of Block 22/12 JV cash. This cash was paid to the joint venture in September 2022 for Horizon's share of WZ 12-8E development costs.

COMPARATIVE PERFORMANCE

PERIOD ENDING 30 SEPTEMBER 2022



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

FINANCIAL SUMMARY

Production	Q1 FY2023 bbls	Q4 FY2022 bbls	CHANGE %	CALENDAR YTD 2022 bbls
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Crude oil production	325,101	250,802	29.6%	799,202
Crude oil sales	300,100	228,919	31.1%	731,035
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Crude oil production	89,054	97,412	[8.6%]	280,951
Crude oil inventory on hand	24,012	57,831	[58.5%]	24,012
Crude oil sales	111,310	125,639	[11.4%]	352,898
TOTAL PRODUCTION				
Crude oil production	414,155	348,214	18.9%	1,080,153
Crude oil sales	411,410	354,558	16.0%	1,083,933
PRODUCING OIL AND GAS PROPERTIES				
	US\$'000	US\$'000		US\$'000
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Production revenue ¹	29,120	25,725	13.2%	75,287
Operating expenditure	4,122	3,952	4.3%	10,550
Special oil gain levy	3,237	3,737	[13.4%]	9,514
Amortisation	10,569	6,635	59.3%	21,370
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Production revenue ¹	11,940	15,096	[20.9%]	37,711
Operating expenditure	2,929	3,388	[13.5%]	9,086
Workovers	949	270	>100%	1,219
Inventory adjustment ²	1,675	947	76.9%	4,257
Amortisation	1,887	1,867	1.0%	5,565
Total Producing Oil and Gas Properties				
Production revenue¹	41,060	40,821	0.6%	112,998
Oil hedging settlements	892	[740]	>100%	[2,198]
Total revenue [incl. hedging gains/(losses)]	41,952	40,081	4.7%	110,800
Direct production operating expenditure	8,000	7,610	5.1%	20,855
Net operating cash flow³	33,952	32,471	4.6%	89,945
Amortisation	12,456	8,502	46.5%	26,935
EXPLORATION AND DEVELOPMENT				
PMP 38160 (Maari and Manaia), New Zealand	644	57		1,085
Block 22/12 (Beibu Gulf), offshore China	3,110	10,421		16,620
Cash receipts from 12-8E capital cost oil hedges	-	-		[2,390]
Total capital expenditure	3,754	10,478		15,315
Cash on hand	68,256⁵	44,086		68,256
Senior debt facility⁴	19,634	1,237		19,634
Net Cash⁴	48,622⁵	42,849		48,622

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 \$0.6 million).

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

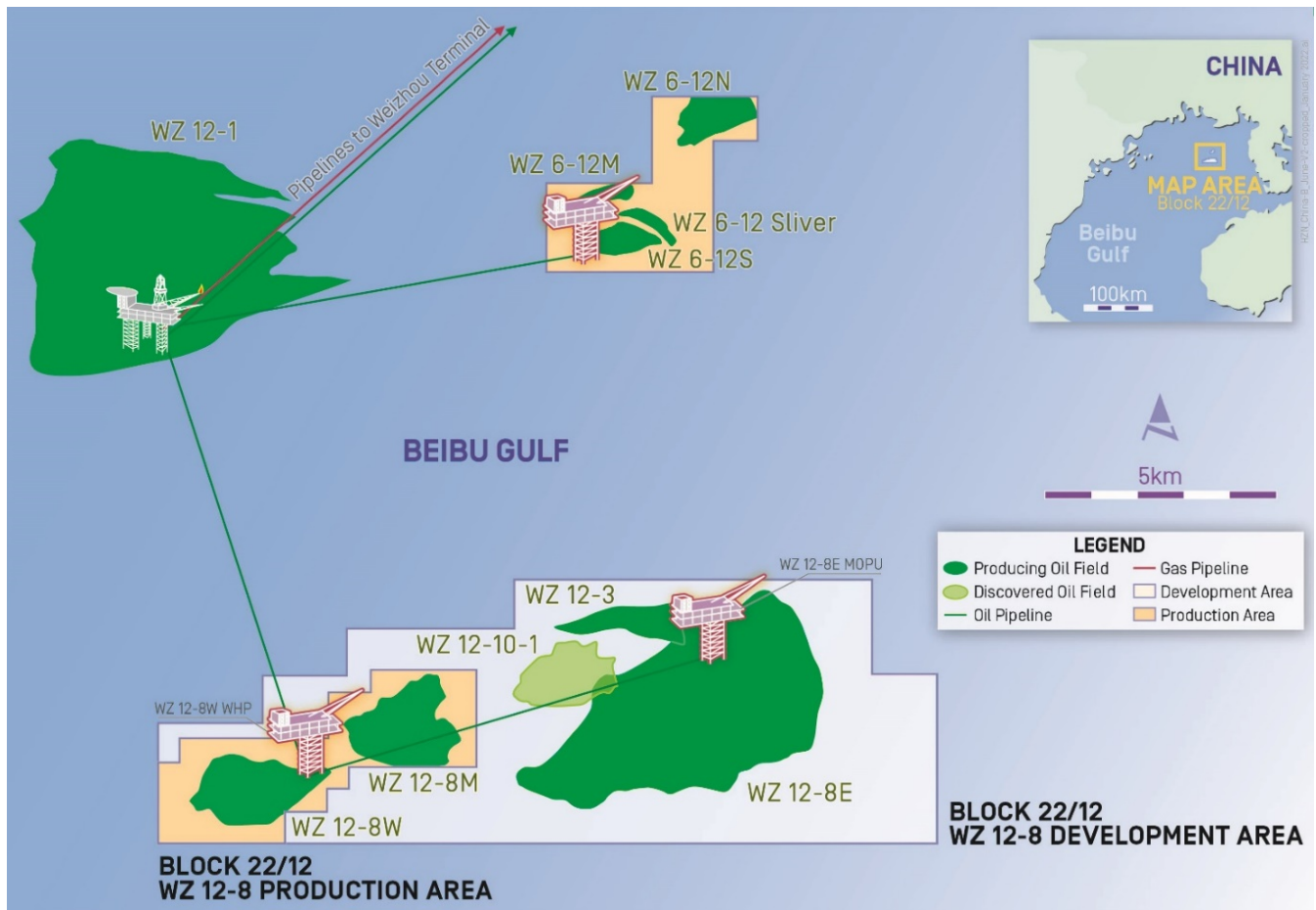
⁴ Represents principal amounts drawn down at 30 September 2022.

⁵ Cash for the quarter excludes Horizon's share (US\$8.9 million) of Block 22/12 JV cash. This cash was paid to the joint venture in September 2022 for Horizon's share of WZ 12-8E development costs.

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 perform very well, with gross oil production for the quarter increasing 29.6% to an average of 13,112 bopd [Horizon net 26.95%: 3,534 bopd], primarily driven by an increase in production from the WZ12-8E field from late July, as well as a progressive contribution from the five well WZ6-12 workover programme which was successfully completed towards the end of August. Whilst production for the 2022 calendar year to date has averaged 10,863 bopd [Horizon net 26.95%: 2,927 bopd], total Block 22/12 production over the last three months to end October has averaged approximately 15,000 bopd gross [Horizon net 4,000 bopd].

Net sales for the quarter increased 31.1% to 300,100 bbls, generating revenue in excess of US\$29.1 million for the quarter. Net sales for the 2022 calendar year to date were 731,035 bbls, generating revenue of US\$75.3 million.

Cash operating costs for the quarter were US\$12.70/bbl [produced] with the 2022 calendar year to date averaging US\$13.20/bbl produced, exclusive of the costs of workovers.

WZ6-12 drilling and workover programme

The WZ6-12 five well workover programme was successfully completed in late August, with all five wells brought back on-line and as of 5 September producing a total of 2,432 bopd gross [655 bopd Horizon net], which is an incremental benefit of 1,568 bopd [423 bopd Horizon net] when compared to the total rate prior to the commencement of the workover programme.

WZ6-12-A10S1 was drilled as a sidetrack of the now abandoned WZ6-12-A10 production well, targeting unswept oil in the central area of the WZ6-12 North field. A10S1 intersected the two main WZ6-12 North reservoirs and also intersected commercial oil in the T32U reservoir that was not expected and has not been previously produced. A10S1 was completed

to produce from all three oil-filled reservoirs. A10S1 was completed with an Electric Submersible Pump and on 24 October was cleaning-up at 1,369 bopd gross [Horizon net 369 bopd] at 56% water-cut.

The WZ6-12-A12S1 well was drilled as a sidetrack of the M3 appraisal well that did not intersect commercial hydrocarbons. A12S1 is located in the east of the M1 field as a follow-up to the successful A3S2 development well that was drilled in 2021 and is designed to drain oil from three reservoirs. A12S1 was also completed with an Electric Submersible Pump and is scheduled to come online shortly.

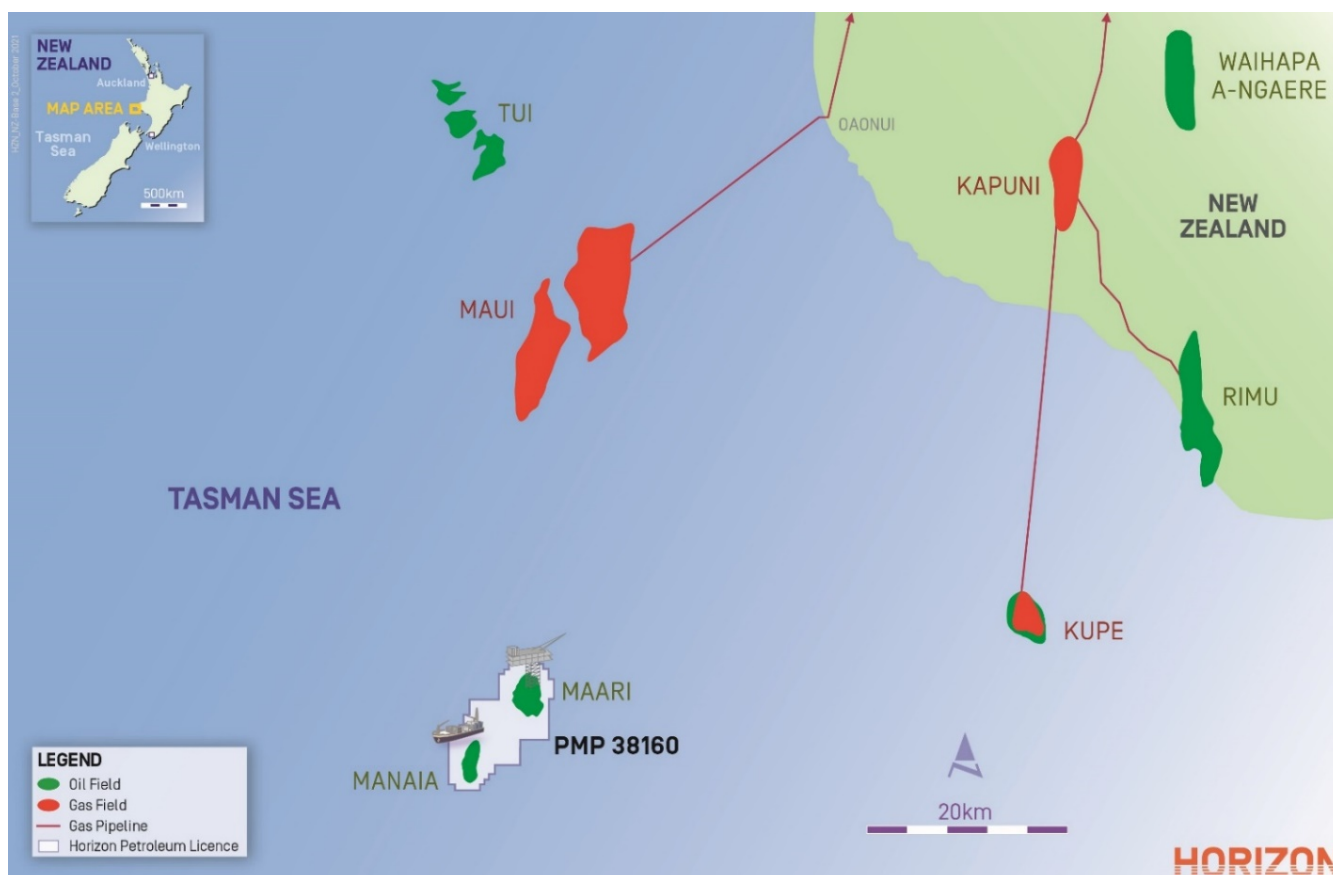
WZ12-8 East oilfield operations

Following the early success of the WZ12-8E Phase 1 development drilling programme, the Block 22/12 Joint Venture has agreed to proceed into a WZ12-8E Phase 2 development drilling programme. The Phase 2 programme will involve drilling at least three and possibly up to five additional wells from the WZ12-8E wellhead platform. The first wells in the programme will target the Jiaowei reservoir that is currently being produced by five Phase 1 wells. The latter wells in the programme are dependent on the results of the first wells. The wells will be drilled using the Strike rig that drilled the Phase 1 programme and the appraisal / infill wells in the WZ6-12 area, with the rig now moving back to the WZ12 8E field to commence drilling these Phase 2 wells.

The momentum for the Phase 2 programme is a combination of strong production performance of the Phase 1 wells, the short-term availability of the Strike rig, and the demonstrated efficient performance of the rig which has now been in Block 22/12 for seven months. Production from the six Phase 1 wells, including one Weizhou reservoir well, has averaged over 6,000 bopd for the past month. This rate is included in the total Block 22/12 oil production mentioned above. As expected, Phase 1 production has fallen [was 6,359 bopd gross on 25 September] as a consequence of decline associated with increasing water production. The majority of the produced water is now being successfully reinjected via the dedicated A7 water disposal well.

As reported previously, indicative recovery from three Phase 2 wells would be 0.75 mmbbls gross [Horizon net 0.20 mmbbls] which will be reclassified from contingent resources to reserves in Horizon's next reserves update. Incremental capital costs for a three well programme is currently estimated to be approximately US\$7.5 million [net to Horizon], which is to be funded from cash on hand.

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



Gross oil production for the quarter averaged 3,723 bopd [Horizon net 26%: 968 bopd] with production for the 2022 calendar year to date averaging 3,958 bopd [Horizon net 26%: 1,029 bopd].

Production during the quarter was impacted by an MR9 electric submersible pump (ESP) failure which occurred in July, as well as delays in completing the MN1 workover owing to a technical issue. The MR9 workover was completed, and the well was brought back online on 29 September, with production from the fields restored to above 4,000 bopd (gross). The MN1 workover is due to be recommenced next month. Following the demobilisation of the temporary desander, 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 MR9 and MN1 ESP failures and averaged US\$32.34/bbl produced for the 2022 calendar year to date and US\$32.89/bbl for the quarter, excluding the costs of workovers.

Revenue for the quarter was US\$11.94 million generated on 111,310 bbls sold. Sales for the 2022 calendar year to date were 352,898 bbls generating revenue of US\$37.7 million. Crude oil inventory at 30 September 2022 was 24,012 bbls, following a lifting in September 2022. Maari crude continues to attract strong premiums with the September 2022 lifting being sold at a record premium.

On 27 October 2022, OMV and Jadestone Energy Plc. (AIM:JSE) announced that they had mutually agreed to terminate the proposed acquisition by Jadestone of OMV New Zealand Limited's 69% interest in the Maari project.

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 31 October 2022.

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