QUARTERLY REPORT

PERIOD ENDING 31 DECEMBER 2022 (ASX:HZN)

HIGHLIGHTS

Substantial production growth driving free cashflow generation

- Production volumes increased 25% during the quarter to 517,746 bbls driven by a further 29% increase in Block 22/12 production and 9% increase in Maari production, building on an almost 30% increase in Block 22/12 production and a 18.9% increase in Group production during the prior quarter.
- Sales volumes at Block 22/12 increased by ~30% during the quarter to 389,241 bbls owing to the successful execution of the WZ12-8E development program, infill drilling and workovers. Group sales volumes were 5% lower than the prior quarter owing to the deferral of a scheduled Maari lifting (up to ~125,000 bbls (net)) to January 2023.
- Revenue for the quarter was US$33.7 million (~A$48 million) (including hedge settlements) at an average realised oil price of ~US$86.70/bbl.
- Net operating cash flow[1] for the quarter was US$24.1 million (~A$34.4 million).
- Cash operating costs of US$18.65/bbl produced for the quarter, including the cost of workovers in China and NZ.
- Cash reserves were US$40.4 million (net cash US$24.8 million) at 31 December 2022, with a further US$10.4 million received shortly after quarter end pertaining to the Block 22/12 November 2022 oil sales.
- Completed distribution payments in October 2022 of 3 cents per share totalling AUD 48 million and obtained ATO class ruling confirming 1.35 cent per share capital return component. Further distributions under review.

Successful completion of Block 22/12 WZ6-12 and WZ12-8E Phase 2 drilling programs

- The Block 22/12 Joint Venture successfully completed a two well WZ6-12 development/appraisal drilling program followed by a four well WZ12-8E Phase 2 drilling program, marking the end of a 10-month Block 22/12 drilling campaign.
- Record Block 22/12 production achieved during the quarter with daily production rates averaging just under 17,000 bopd (gross) and reaching peak production of ~20,000 bopd (gross) (5,400 bopd net), the result of a successful development, infill and workover campaign.

CHIEF EXECUTIVE OFFICER'S COMMENTARY

This has been a standout quarter for the Company, with exceptional production growth from the Group's Block 22/12 fields driven by the successful execution of the WZ12-8E Phase 2 drilling following on from a successful infill well campaign at WZ6-12. Together, these drilling programs drove Block 22/12 production up to a new record high of over 20,000 bopd gross (Horizon net ~5,400 bopd) towards the end of the quarter. This represents an approximate doubling of production rates since early April 2022 prior to the WZ12-8E field development being commissioned. Importantly, water cut development and initial decline rates have been lower than expected from these wells such that the Block 22/12 Joint Venture is continuing to investigate further development drilling options. Impressively, the WZ12-8E development is on track to achieve pay back of both the Phase 1 and 2 developments in around 12 months of achieving first oil in April 2022.

Notwithstanding the elevated capital expenditure on Block 22/12 during the quarter and following the AUD 48 million paid in distributions in October, the balance sheet continues to strengthen, with net cash restored to ~USD 25 million.

It was pleasing to see Maari production increase 9% during the quarter as production was restored from the shut-in MR9 well. The increased production will meaningfully contribute towards a substantial scheduled Maari offtake subsequent to the quarter end of ~480,000 bbls gross (~125,000 bbls net to HZN), which has been contracted at a very strong premium to the dated Brent oil price, helping to drive cashflow generation into the next quarter.

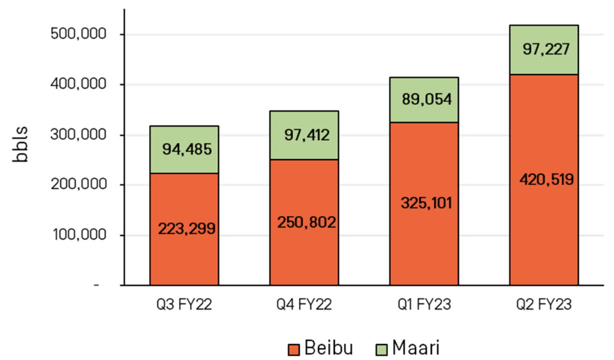
Richard Beament
Chief Executive Officer

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

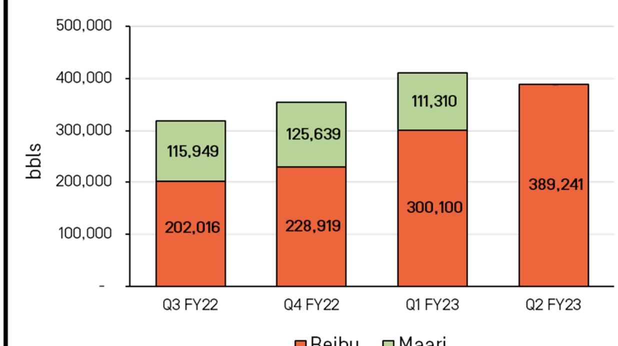
COMPARATIVE PERFORMANCE

PERIOD ENDING 31 DECEMBER 2022

OIL PRODUCTION (bbls)

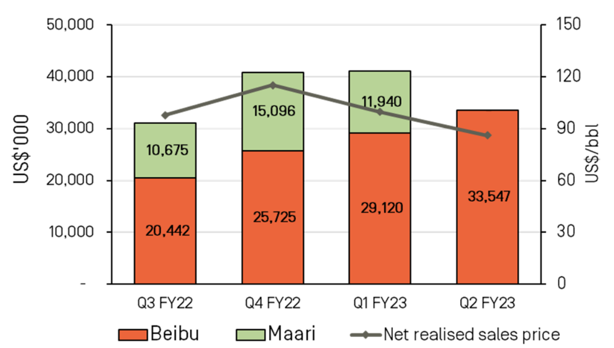


OIL SALES[1] (bbls)



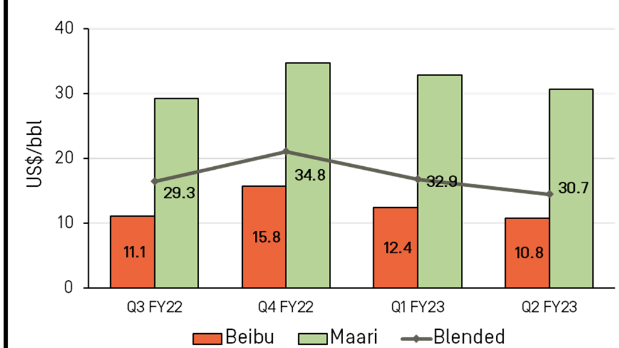
[1] no liftings in Maari during Q2 FY23

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



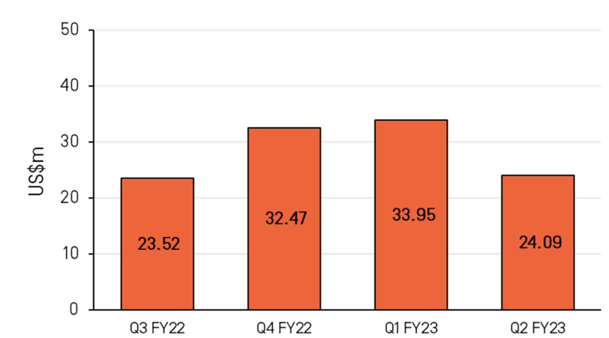
[1] excluding hedge settlements [2] no liftings in Maari during Q2 FY23

OPERATING EXPENDITURE[1] (US/bbl)



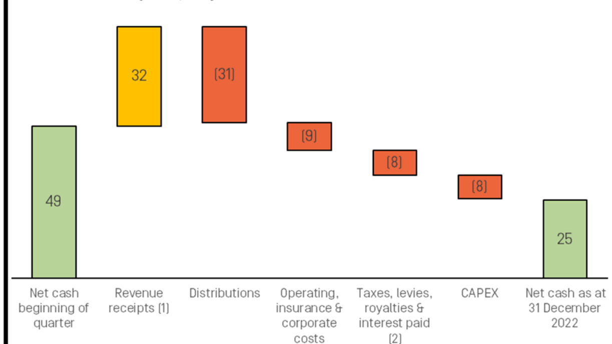
[1] excluding workover expenditures

OPERATING CASH FLOW[1] (US$m)



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

NET CASH (US$m)



[1] Cash receipts generally have a one-month lag from the point of revenue recognition.
[2] Quarterly China income tax and special oil gain levy, Maari quarterly income tax and royalty payment.

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

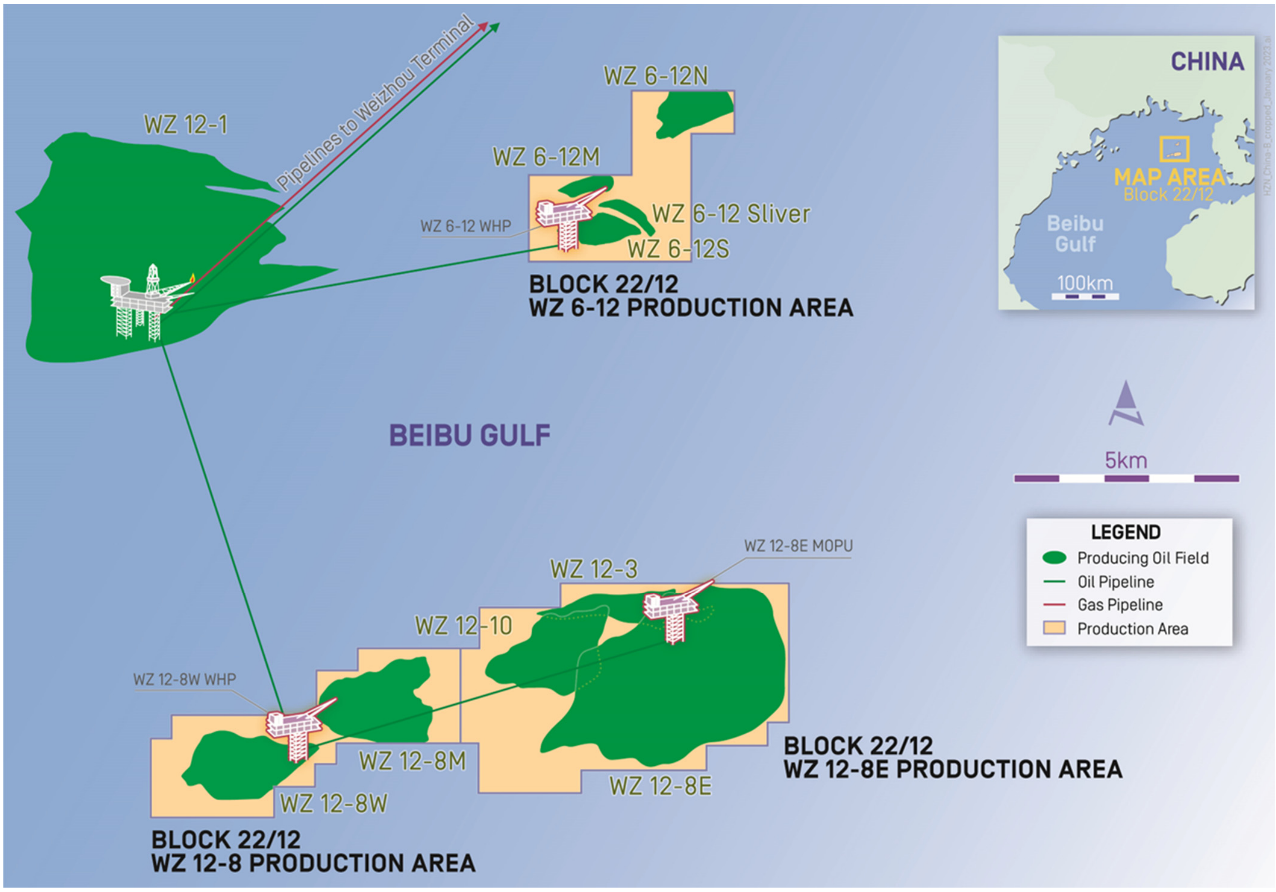
FINANCIAL SUMMARY

Production	Q2 FY2023 bbls	Q1 FY2023 bbls	CHANGE %	CALENDAR YEAR 2022 bbls
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Crude oil production	420,519	325,101	29.4%	1,219,721
Crude oil sales	389,241	300,100	29.7%	1,120,276
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Crude oil production	97,227	89,054	9.2%	378,180
Crude oil inventory on hand	110,625	24,012	>100%	110,625
Crude oil sales	-	111,310	(100.0%)	352,898
TOTAL PRODUCTION				
Crude oil production	**517,746**	**414,155**	**25.0%**	**1,597,900**
Crude oil sales	**389,241**	**411,410**	**(5.4%)**	**1,473,174**
PRODUCING OIL AND GAS PROPERTIES	**US$'000**	**US$'000**		**US$'000**
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Production revenue[1]	33,547	29,120	15.2%	108,835
Operating expenditure	4,526	4,044	11.9%	14,982
Workovers	1,698	78	>100%	1,793
Special oil gain levy	2,443	3,237	(24.5%)	11,957
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Production revenue[1]	-	11,940	(100.0%)	37,711
Operating expenditure	2,989	2,929	2.0%	12,075
Workovers	442	949	(53.4%)	1,661
Inventory adjustment[2]	(4,786)	1,675	>100%	(529)
Total Producing Oil and Gas Properties				
Production revenue[1]	**33,547**	**41,060**	**(18.3%)**	**146,546**
Oil hedging settlements	**199**	**892**	**(77.7%)**	**(1,998)**
Total revenue (incl. hedging gains/(losses))	**33,746**	**41,952**	**(19.6%)**	**144,548**
Direct production operating expenditure	9,655	8,000	20.7%	30,511
Net operating cash flow[3]	**24,091**	**33,952**	**(29.0%)**	**114,037**
EXPLORATION AND DEVELOPMENT				
PMP 38160 (Maari and Manaia), New Zealand	707	644		1,791
Block 22/12 (Beibu Gulf), offshore China[5]	15,010	3,110		31,630
Cash receipts from 12-8E capital cost oil hedges	-	-		(1,467)
Total capital expenditure	**15,717**	**3,754**		**31,954**
Cash on hand	**40,414**	**68,256**		**40,414**
Senior debt facility[4]	**15,663**	**19,634**		**15,663**
Net Cash[4]	**24,751**	**48,622**		**24,751**

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 $1.8 million).
3 Represents total revenue less direct production operating expenditure (including workover costs).
4 Represents principal amounts drawn down at 31 December 2022.
5 Includes $10.5 million accrued expenses in relation to the WZ12-8E Phase 2 drilling program, paid shortly after the quarter end.
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 had an outstanding quarter, with gross oil production increasing 29.4% to an average of 16,961 bopd (Horizon net 26.95%: 4,571 bopd), building on an almost 30% increase during the previous quarter. This result was primarily driven by a material increase in WZ6-12 production following completion of a two well WZ6-12 development/appraisal drilling program at the beginning of the quarter and a continued increase in production from the WZ12-8E field following the Phase 2 wells coming online. Total Block 22/12 production over the six months to 31 December 2022 has averaged over 15,000 bopd gross (Horizon net 4,000 bopd) and was 19,356 bopd gross (Horizon net 5,216 bopd) for December.

Net sales for the quarter increased 29.7% to 389,241 bbls, generating revenue of US$33.5 million for the quarter. Net sales for the 2022 calendar year was 1,120,276 bbls, generating revenue of US$108.8 million.

Cash operating costs for the quarter were US$10.80/bbl (produced) with the 2022 calendar year averaging US$12.28/bbl produced, excluding the costs of workovers.

WZ6-12 drilling

During the quarter, the two well WZ6-12 development/appraisal drilling program was concluded, with both the A10S1 and A12S1 wells completed and brought onto production. Following conclusion of the WZ6-12 drilling program, the Strike rig was moved back to the WZ12-8E platform to commence the WZ12-8E phase 2 drilling program.

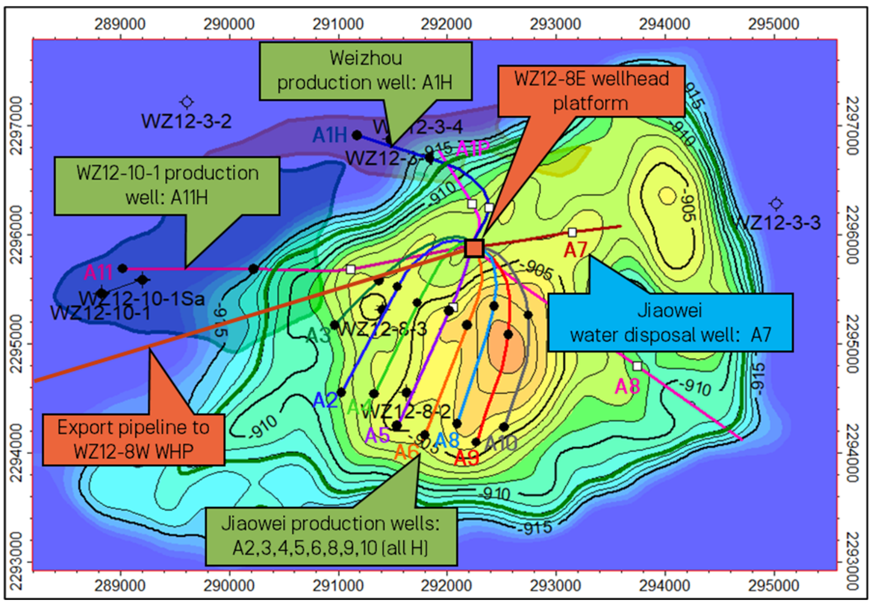
Production from the WZ6-12 Production Area reached a maximum rate in late October of approximately 6,500 bopd, a rate last achieved over seven years ago. This rate, which has contributed to a combined ~10,000 bopd average from the WZ6- 12 and 12-8 Production Areas in December, highlights the continued strong underlying production performance from the original Block 22/12 Production Areas. The Joint Venture is continuing to investigate and mature further infill drilling targets in the original Block 22/12 Production Areas with the objective of sustaining production rates and offsetting the impact of natural reservoir decline.

WZ12-8 East oilfield operations

Following immediately on from the WZ6-12 drilling program, the four well WZ12-8E Phase 2 drilling program was successfully executed, with the four wells drilled, completed and brought onto production progressively through until early January 2023 when the Strike drilling rig was released.

Completion of the WZ12-8E Phase 2 drilling program marked the end of a 10-month Block 22/12 drilling campaign that successfully drilled and completed ten WZ12-8E development wells, one WZ12-8E water disposal well, two WZ6-12 development / appraisal wells, one exploration / appraisal well, in addition to workovers in five WZ6-12 wells.

The WZ12-8E development project continues to be an outstanding success for Horizon and our Block 22/12 Joint Venture partners. The project now comprises ten horizontal production wells that drilled a total of 9,953 m of reservoir plus one water disposal well. Production performance has generally exceeded pre-drill expectations because of a combination of longer horizontal production intervals (achieved average 995m vs planned 920m) and greater offset from the underlying oil-water contact, particularly for the wells in the main Jiaowei field.



WZ12-8E field (Top Jiaowei) map & wells

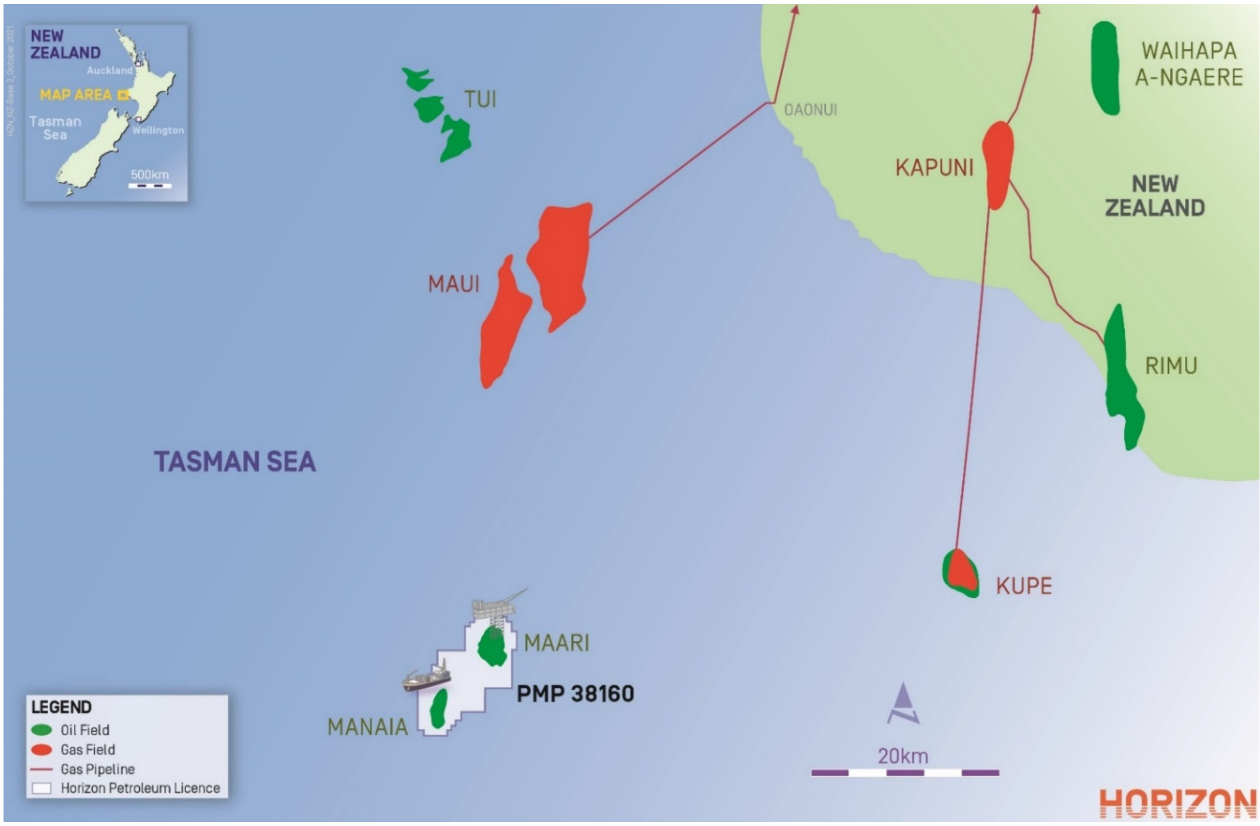
The success of the Phase 1 drilling program (A1H to A6H) encouraged the Joint Venture to continue into a four well Phase 2 drilling program. The Phase 2 program included three Jiaowei production wells (A8H, 9H, 10H) and one development / appraisal well (A11H) into the nearby WZ12-10-1 discovery.

To end December 2022 the WZ12-8E project had produced 1.43 mmbbls gross (0.38 mmbbls Horizon net) at an average rate of 5,345 bopd gross (Horizon net 1,440 bopd). December 2022 WZ12-8E production averaged 9,235 bopd gross (Horizon net 2,489 bopd) with production still increasing as the Phase 2 production wells cleaned-up. The WZ12-8E project is expected to reach a peak oil rate in January 2023 before natural decline begins and as water production increases. The Joint Venture is investigating various options to mitigate decline including increased liquid rates and increased water handling capacity. Further development of WZ12-8E will be considered in light of the medium to long term performance of the wells drilled to date.

The COSL (*"China Oilfield Services Limited"*) Strike drilling rig was released on 10 January 2023 after completing operations in Block 22/12. The rig and crew have performed exceptionally with continuous improvement in performance as the program progressed.

With the initial WZ12-8E development now complete, the WZ12-8E Production Area has now been formally defined, with the residual WZ12-8 Development Area now relinquished in accordance with the terms of the PSC.

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



Gross oil production for the quarter averaged 4,065 bopd (Horizon net 26%: 1,056 bopd) with production for the 2022 calendar year averaging 3,985 bopd (Horizon net 26%: 1,036 bopd).

Production during the quarter increased 9.2% following the successful completion of a workover to the MR9 well which was brought back online on 29 September 2022. Workover of the shut-in MN1 well also progressed during the quarter with the well initially brought back online in November but had to be shut-in again in late December owing to a downhole issue. Work is ongoing to troubleshoot the issue.

To further enhance production, the Maari Joint Venture continues to advance plans for a subsequent workover on the shut-in MR6A well with the aim of reinstating oil production. Plans are also progressing for the permanent conversion of the MR2 water injection well, which aims to allow for increased water injection into the field to provide further pressure and displacement support to the producing wells.

Cash operating costs have been impacted by the shut-in wells and averaged US$31.9/bbl produced for the 2022 calendar year and US$30.74/bbl for the quarter, excluding the costs of workovers.

Sales for the 2022 calendar year were 352,898 bbls generating revenue of US$37.7 million, with the next scheduled lifting due to take place in late January totalling up to 480,000 bbls gross (~125,000 bbls net to HZN). Crude oil inventory at 31 December 2022 was 110,625 bbls. Maari crude continues to attract strong premiums with the upcoming January 2023 lifting to be sold at a high premium to the dated Brent oil price.

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 24 January 2023.

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