HORIZON ADVISES HALF-YEAR RESULTS

In accordance with Listing Rule 4.2A.3, Horizon Oil Limited lodges its Half-Year Report for the period to 31 December 2022. The financial results for the period are set out in the attached half-year report which incorporates the Appendix 4D.

HIGHLIGHTS

Capital Management

The Company announces an interim unfranked (conduit foreign income) dividend distribution of AUD 1.5 cents per share, representing a return to shareholders of approximately A$24 million.

Substantial production growth driving substantial increase in free cashflow generation

- Production volumes for the half-year increased 40% over the prior comparative period to 931,901 bbls; production for the 2022 calendar year was 1,597,899 bbls, an increase of 18% on the prior calendar year.
- Sales volumes for the half-year were 800,651 bbls, impacted by the deferral of a scheduled Maari lifting (~125,300 bbls (net)) to January 2023; Sales volumes for the 2022 calendar year were 1,473,174, an increase of 26% on the prior calendar year.
- Revenue for the half-year increased 93% to US$75.7 million (~A$108 million) (inclusive of hedge settlements) at a net realised oil price of US$94.55/bbl, with a further US$11.5 million of Maari revenue recorded in January 2023 following the deferred lifting; Revenue for the 2022 calendar year was US$144.5 million, an increase of 88% on the prior calendar year.
- Cash operating costs for the half-year was ~US$16/bbl (excluding workover costs).
- EBITDAX of US$52.2 million for the half-year, an increase of 87% compared to the prior comparative period.
- 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.

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 October to December 2022 quarter with daily production rates reaching peak production of ~20,000 bopd (gross) (5,400 bopd net), the result of a successful development, infill and workover campaign. Further production growth opportunities being matured.

Significant increase in WZ12-8E Project Reserves

- Following a detailed and ongoing review of production data from the ten WZ12-8E production wells, together with the corresponding subsurface data obtained during the drilling of those wells, the Company has increased its 2P developed oil recovery before subtracting production by over 150% from 1.95 mmbbl gross (0.49 mmbbls net) to 4.89 mmbbls gross (1.24 mmbbls net) which is an increase of 2.94 mmbbls gross (0.75 mmbbls net).
- Production of 1.20 mmbbls gross (0.32 mmbbls net) in the six months to 31 December 2022 results in 2P developed reserves at 31 December 2022 of 3.69 mmbbls gross (0.91 mmbbls net).

COMMENTING ON THE RESULTS, HORIZON'S CHIEF EXECUTIVE OFFICER, RICHARD BEAMENT, STATED:

"This has been an outstanding half-year for the Company, with the results achieved a testament to the Group's strategy of focussing on shareholder value creation through maximisation of free cashflow generation and distributions to shareholders, whilst continuing to invest in production growth.

With the strong free cashflow generation during the half year we are delighted to be able to announce an interim dividend of AUD 1.5 cents per ordinary share, amounting to ~AUD24 million.

The drilling and production success at our Block 22/12 fields have clearly been a highlight of the half year with a new record high production rate achieved of over 20,000 bopd gross (Horizon net – 5,400 bopd). This represented an almost doubling of production rates from the asset since early April 2022 prior to the WZ12-8E field development being commissioned. Impressively, the WZ12-8E field development remains on track to achieve full payback within 12 months of first oil. As recently announced, the water cut development and initial decline rates have been lower than expected from the wells in this field, which combined with the accelerated Phase 2 drilling led to a re-assessment of our reserves position that resulted in a 150% increase in Horizon's WZ12-8E 2P developed oil reserves booked at 30 June 2022. The strong production performance from the field has encouraged the joint venture to continue to evaluate further development drilling and process enhancement opportunities.

Whilst our Block 22/12 asset was clearly the standout, our New Zealand asset continued to perform well with production increasing in the second quarter of the half year by 9% following the successful workover of the MR9 well. Further workover activity is planned over the second half of FY23 which we expect will further increase production rates from the fields. Strong premiums continue to be realised on Maari crude oil sales further enhancing cash flow generation from the asset.

On the ESG front, we recently made a modest investment (~USD1.35 million) of seed capital in a carbon removal credit developer (Nobrac) to aid with the Group's longer term decarbonisation ambitions and to act as a natural hedge against the growing carbon emission costs incurred at Maari under the NZ Emissions Trading Scheme. Importantly, the investment also presents an opportunity to deliver cashflow and further value for shareholders.

Looking ahead, we will continue to evaluate further drilling opportunities in Block 22/12 as well as opportunities to increase our production in our Maari asset. The Company is in a strong financial position due to sustained high oil prices and increased production and we will continue to act on our strategy of realising value for shareholders."

Richard Beament
Chief Executive Officer

A financial summary and key financial and operational results are set out below:

[All figures are presented in United States dollars, unless otherwise stated].

FINANCIAL SUMMARY

HORIZON 2023 HALF-YEAR RESULT		**31 DEC 2022 US$'000**	**31 DEC 2021 US$'000**	**CHANGE %**
Oil and gas sales	*bbls*	800,651	532,579	50%
Oil and gas production	*bbls*	931,901	666,206	40%
Sales revenue		75,698	39,284	93%
EBITDAX[1]		52,248	28,012	87%
Statutory profit before tax		24,288	14,351	69%
Statutory profit for the period		**18,958**	**7,827**	**142%**
Cash on hand		**40,414**	**23,627**	**71%**
Cashflow from operating activities[2]		25,740	24.968	3.1%
Senior debt facility[3]		15,663	8,906	76%
Net Cash[2]		**24,751**	**14,721**	**68%**

Note 1: EBITDAX is a financial measure which is not prescribed by Australian Accounting Standards and represent the profit under Australian Accounting Standards adjusted for interest expense, taxation expense, depreciation, amortisation and exploration expenditure. The directors consider EBITDAX to be a useful measure of performance as it is widely used by the oil and gas industry. EBITDAX has not been audited, however it has been extracted from the financial reports for the periods ended 31 December 2021 and 31 December 2022, which have been subject to review by the Group's auditors.

Note 2: Cashflow from operating activities for the 31 December 2022 half-year was impacted by US$10.4 million pertaining to the Block 22/12 November 2022 oil sales whereby the cash was received shortly after 31 December 2022 and accordingly has not been included in cashflow from operating activities at the half-year end.

Note 3: Represents principal amounts drawn down.

The Group's CEO, Richard Beament, and CFO, Kyle Keen will host a webcast on 23 February 2023 at 11.00am (AEDT) to discuss the Group's operations and financial results for the Half-Year.

To register, please copy and paste the link below into your browser https://ccmediaframe.com/?id=xSNZpewZ.

Authorisation

This ASX announcement is approved and authorised for release by the Board.

HORIZON

HALF YEAR REPORT

INCORPORATING APPENDIX 4D

31 DECEMBER 2022

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Horizon Oil Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

APPENDIX 4D
PRELIMINARY FINAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

ABN 51 009 799 455

This Preliminary Final Report is provided to ASX Limited ('ASX') under ASX Listing Rule 4.3A. This information should be read in conjunction with the half-year report for the period to 31 December 2022.

Current reporting period: Half-year ended 31 December 2022

Previous corresponding period: Half-year ended 31 December 2021

Results for announcement to the market

		PERCENTAGE CHANGE		AMOUNT US$'000
Revenue from continuing operations	Up	93%	to	75,698
Profit from ordinary activities after tax	Up	142%	to	18,958
Profit for the period attributable to members	**Up**	**142%**	**to**	**18,958**

Dividends / distributions

	AMOUNT PER SECURITY AUD CENTS	FRANKED AMOUNT PER SECURITY
Capital Return (paid on 20 October 2022)	1.35	N/A
Final dividend	Nil	Nil
Interim dividend	1.5	Nil

Horizon Oil Limited announced on 23 February 2023 an interim Conduit Foreign Income (CFI) unfranked dividend of AUD 1.5 cents per Ordinary share which will be paid on 21 April 2023. Following shareholder approval at an Extraordinary General Meeting (EGM) held on 7 October 2022, the company paid AUD 1.35 cents per share on 20 October 2022 in the form of an equal share capital return. In conjunction with the Share Capital Reduction, the Board also declared a CFI unfranked dividend of AUD 1.65 cents per ordinary share also paid on 20 October 2022.

Net Tangible Assets

	2022 US CENTS	2021 US CENTS
Net tangible asset backing per ordinary share	5.4	5.2

Controlled entities acquired or disposed of

During the half-year, the Group established a wholly owned subsidiary (Horizon Australia Investments Pty Ltd) to hold the equity investment in Nobrac Limited.

Other than the abovementioned establishment of Horizon Australia Investments Pty Limited, no controlled entities were acquired or disposed of during the current or the prior reporting period.

Notes:

Reports are based on reviewed consolidated financial statements.

All figures are presented in United States dollars, unless otherwise stated.

HALF-YEAR FINANCIAL REPORT DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as 'The Group') consisting of Horizon Oil Limited and the subsidiaries it controlled at the end of, or during the half-year ended, 31 December 2022.

Directors

The following persons were directors of Horizon Oil Limited during the whole of the half-year and up to the date of this report:

M Harding
R Beament (appointed 1 July 2022)
S Birkensleigh
G Bittar
B Clement
N Burgess

Richard Beament was appointed as Managing Director and Chief Executive Officer on 1 July 2022 following the retirement of Chris Hodge on 30 June 2022.

Review of operations

Principal activities

During the course of the half-year ended 31 December 2022, the Group's principal activities continued to be directed towards petroleum production, development and exploration.

The Group's producing assets performed exceptionally well, with a 40% increase in net production to 931,902 barrels of oil against the prior comparative period (HY2022: 666,206 barrels). Production at Block 22/12 was substantially higher compared to the comparative period owing to the successful WZ12-8E oilfield development comprising of two phases of development drilling, and a multi-well workover program and in-fill well program in the WZ6-12 fields. Production at Maari was impacted by the temporary shut-in of two producing wells with the joint venture advancing plans to workover both wells.

Sales volumes increased 50% over the half year to 800,651 bbls (HY2022: 532,579 bbls), driven by the higher production volume. Sales revenue of US$75.7 million (HY2022: US$39.3 million) was generated during the half-year resulting from a net realised oil price of US$94.55 per barrel (HY2022: US$73.76 per barrel), inclusive of hedge settlements. Throughout the period 16% of oil sales were hedged (HY2022: 56%) with hedging settlement gains of US$1.1 million (HY2022: US$1.4 million loss) realised on 125,000 barrels hedged (HY2022: 300,000 barrels).

Operating costs for the period were US$42.4 million, significantly higher than the prior comparative period (HY2022: US$21.0 million) owing predominantly to a higher non-cash amortisation charge driven by the substantial increase in production, higher royalties due to a higher realised oil price and incremental operating costs associated with the successful WZ12-8E development.

The Group reported a profit after tax of US$18.9 million for the half-year (HY2022:US$7.8 million). Non-cash items impacting on the half-year result include US$21.9 million (HY2021: US$12.5 million) in amortisation of production phase assets, US$0.3 million (HY2022: US$0.3 million) related to the value of share appreciation and share performance rights granted to Horizon employees and US$0.1 million (HY2022: US$0.5 million) financing expense related to amortised establishment fees on the senior debt facility.

EBITDAX was US$52.2 million (HY2022: US$28.0 million), and EBIT was US$25.8 million (HY2022: loss US$15.3 million). Cashflows from operating activities of US$25.7 million (HY2022: US$25.0 million) and cash reserves enabled the Group to return US$30 million in surplus capital and cash reserves to shareholders whilst also meeting its capital expenditure commitments and repaying a further US$5.7 million in debt during the half-year.

EBITDAX and EBIT are financial measures which are not prescribed by Australian Accounting Standards. EBITDAX represents the profit under Australian Accounting Standards adjusted for interest expense, revaluation of derivative financial instruments, taxation expense, depreciation, amortisation, exploration expenditure and profit from discontinued operations. The directors consider EBITDAX and EBIT to be useful measures of performance as they are widely used by the oil and gas industry. EBITDAX and EBIT information has been extracted from the financial reports for the periods ended 31 December 2021 and 31 December 2022.

Segment information is included in Note 3 of the financial statements.

Corporate

Group liquidity

At 31 December 2022, the Group's net cash position was US$24.8 million (30 June 2022: US$42.8 million) despite the ~US$30 million distribution paid to shareholders in October 2022. Net cash comprises cash and cash equivalent assets held of US$40.4 million (30 June 2022: US$44.1 million) offset by the nominal value of borrowings drawn down of US$15.7 million (30 June 2022: US$1.2 million), on the Revolving Cash Advance Facility. As advised on 29 July 2022 the Group executed a 12-month extension of its senior debt facility with a revised facility limit of US$20 million with the facility retaining the key terms of the previous facility. For further details of the Group's debt facility are set out in Note 11.

Consolidated statement of financial position

At 31 December 2022, total assets were US$201.2 million (30 June 2022: US$182.5million) and total liabilities were US$114.8 million (30 June 2022: US$83.2 million), resulting in net assets of US$86.5 million (30 June 2022: net assets of US$99.2 million). Following the commissioning of the WZ12-8E oil field development which has comprised the drilling of 10 development wells and a water disposal well, during the period the Group revised its estimates for decommissioning of the wells and facilities at both Block 22/12 and Maari. As a result of the increased development works, inflation and revisions to the proposed scope of works to effect the decommissioning of the fields, Horizon recorded a US$14.2 million increase to its restoration provision liability, and an equivalent restoration asset in the period. The Group had a working capital surplus of US$18.2 million (30 June 2022: US$32.1 million).

Distributions

The Board has declared an interim distribution of AUD 1.5 cents per Ordinary share totalling approximately AUD24.1 million. This distribution has been declared as a Conduit Foreign Income (CFI) unfranked dividend and will be paid on 21 April 2023.

On 25 August 2022 and following shareholders' approval at the Extraordinary General Meeting (EGM) on 7 October 2022, Horizon announced that the Board approved an equal capital reduction of approximately AUD 21.3 million or AUD 1.35 cents per ordinary share (Share Capital Reduction).

In conjunction with the Share Capital Reduction, the Board also declared a CFI unfranked dividend of AUD 1.65 cents per ordinary share (approximately AUD 26.1m), which, combined with the Share Capital Reduction, equated to a total distribution of AUD 3 cents per share representing approximately AUD 47.4 million. Horizon made payment of the AUD 3 cents per share distribution on 20 October 2023. During the period, the ATO issued Class Ruling CR2022/111 confirming the capital return component of AUD 1.35 cents per ordinary share as a return of capital.

Sustainability

Sustainability continues to be an important focus for Horizon with progress made during the half year ended 31 December 2022 on Horizon's Environmental Social and Governance (ESG) Action Plan discussed in the Company's Sustainability Report for the year ended 30 June 2022. Set out below for each of Horizon's ESG priority areas is an update on the progress made during the half-year.

Health, safety & environment (HSE)

Both Block 22/12 and Maari have continued their strong safety performance, despite significant drilling, production and development activities. As at the half year ended 31 December 2022, Horizon achieved a Total Recordable Injury Frequency Rate (TRIFR) of 1.28, and a Lost Time Injury Frequency Rate (LTIFR) of 0.64, both less than recent National Offshore Energy Regulator (NOPSEMA) industry averages in Australia. There were also zero fatalities and zero material environmental incidents.

Environmental regulation

The Group is subject to significant environmental regulation in respect of exploration, development and production activities in all countries in which it operates – China and New Zealand. Horizon Oil Limited is committed to undertaking all of its exploration, development and production activities in an environmentally responsible manner.

The Directors believe the Group has adequate systems in place for managing its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

A qualitative marine ecological survey of the Maari Wellhead platform was undertaken during the reported period. On Beibu, the 12-8E Operator released fish spawns into the sea surrounding the platform, as is customary for new offshore projects in the region and in compliance with EIA regulations.

Governance

Governance continues to be a core focus for the Group, During the period Horizon conducted its annual assessments on its value and supply chain for risks and incidences of modern slavery. The third Modern Slavery Statement, for the calendar year 2022, was submitted to the Australian Government during the half-year ended 31 December 2022 in line with the requirements of the Australian Modern Slavery Act 2018.

This statement may be accessed from the Company's website at **www.horizonoil.com.au**.

Climate change

Horizon continues to progress its climate change strategy with the ambition of achieving Net Zero GHG emissions by 2050, in alignment with the Paris Agreement on climate change. Consistent with achieving this ambition Horizon has been evaluating new business opportunities, including those in renewables, carbon removal and offsets.

Following extensive evaluation, during the half year Horizon made an AUD2 million (USD1.4 million) seed capital investment to acquire an approximate 3.5% interest in Nobrac Limited, a subsidiary of ASX listed company, Kiland Limited (KIL). Nobrac has plans to develop the Flinders Biochar project on Kangaroo Island in South Australia to sequest the carbon embodied in approximately 4.5 million tonnes of the fire damaged biomass (standing timber) into approximately 960,000 tonnes of biochar over 10 years. Nobrac's Flinders Biochar project is a large scale, institutional-grade carbon removal project that is expected to lead to real reduction and sequestration of carbon, at the same time presenting a long-term opportunity to deliver cashflow and value for shareholders from Carbon Removal Credits (CRC), biochar product sales and company growth.

Commercial production of biochar and sale of CRC's is planned to start in late 2023 and will continue for a ten-year period. Through the Flinders Biochar project Nobrac will seek to diversify into other projects, capitalising on rapidly developing global carbon opportunities, to emerge as an institutional-grade carbon removal credit developer and to make a meaningful contribution to net zero targets. Further information regarding the Nobrac Flinders Biochar project can be found on the Company's website at **www.horizonoil.com.au**.

The project has the potential to provide strong returns for Horizon shareholders, whilst also achieving meaningful progress on the Company's Net Zero ambition. With the recent announcement by the Australian Government of proposed changes to the Australian Safeguard Mechanism which aims to drive down carbon emissions from Australia's largest emitters, we expect that demand for carbon offsets will only increase such that an investment of this nature has the potential to be value accretive.

The Company continues to work with the Operators of both the Maari and Block 22/12 joint ventures to progress plans that aim to reduce Scope 1 emissions from the projects. Horizon also continues to acquire and surrender carbon credits in New Zealand (NZUs) under the NZ Emissions Trading Scheme (ETS) to cover 100% of the Group's share of Maari Scope 1 emissions. Through participation in the NZ ETS, the Company is supporting New Zealand in achieving its stated commitment to Net Zero GHG emissions by 2050 in alignment with the Paris Agreement.

During the half year, Horizon completed its submission for the 2022 Carbon Disclosure Project (CDP). Horizon's responses were assessed against the CDP scoring methodology, with an overall score of B being achieved (scoring range from A to D) which was an improvement from B- in 2021. This score is in the Management band where the Company is assessed as 'taking coordinated action of climate issues'.

People – Employees & Community

Whilst the impact of the COVID-19 pandemic continued to subside during the period, and as a result of the reduction in headcount over the past 3 years, the Group relocated to a smaller office in Sydney which offers a more collaborative and enticing space for employees after the long periods of remote working over the past few years. Notwithstanding the office move, the Company continues to provide flexibility for employees with some staff electing to work remotely a few days a week to enhance productivity and staff morale.

Horizon continues to work with our Operators and partners to identify and participate in meaningful community based projects in both New Zealand and China.

Activities Review

Block 22/12, Beibu Gulf (Horizon: 26.95% production / 55% exploration)

During the half-year, the Group's working interest share of production from the Beibu Gulf fields was 745,620 barrels of oil, a 65% increase over the prior comparative period. Production benefited from the successful completion of the Phase 1 and Phase 2 WZ12-8 East development in China encompassing the successful drilling and completion of 10 development wells and one water disposal well. A further two infill wells and five workovers on the legacy WZ6-12 field also aided production rates during the period. Average gross production over the half-year was over 15,000 bopd, of which the Group's share was 4,000 bopd.

Crude oil sales were 689,341 barrels at an average price of US$90.90/bbl exclusive of executed hedging. The Group's share of sales volumes over the period was an average of 3,746 bopd. Cash operating costs for the half-year averaged US$11.49/bbl, excluding the cost of workovers.

The half year was a period of significant activity within Block 22/12, with activity in the legacy WZ6-12/12-8W fields consisting of a five well workover program which was successfully completed in late August, followed by a two well infill/appraisal drilling campaign. The first well, 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 as a producer and brought on to production in October.

The second well, WZ6-12-A12S1 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 completed as a producer and brought on to production in November 2022.

Activity continued throughout the half year on the WZ12-8E field development, with repairs to the subsea flowline completed and production from the fields resumed in July 2022. The remaining WZ12-8E wells from the first phase of the development were progressively brought online throughout July 2022. The success of the Phase 1 drilling program (A1H to A6H) encouraged the Joint Venture to fast track a subsequent four well Phase 2 drilling program which was substantially completed during the half year. 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.

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 9,953m of reservoir plus one water disposal well. Production performance has generally exceeded pre-drill expectations due to 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.

Following a detailed and ongoing review of production data from the ten WZ12-8E production wells, together with the corresponding subsurface data obtained during the drilling of those wells, the Company recently significantly increased its WZ12-8E project 2P reserves.

Given the recent success at WZ12-8E, the Joint Venture continues to investigate 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.

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

During the half-year the Group's working interest share of production from the Maari and Manaia fields was 181,281 barrels of oil. Average gross production over the half-year was 3,789 bopd, of which the Group's share was 985 bopd. Crude oil sales were 111,310 barrels at an average effective price of US$107.27/bbl exclusive of executed hedging. Cash operating costs for the half-year were US$34.17/bbl (produced), excluding workovers, which was impacted by the shut-in wells discussed below.

Production from the main Maari-Moki reservoir continued largely uninterrupted during the period with continued strong pressure support provided by water injection into the field. Overall, Maari production rates were impacted by the shut-in of three wells during the period which required workovers. The MR9 well was temporarily shut-in during July owing to an electric submersible pump (ESP) failure which was rectified with the well brought back online during September. Workover of the shut-in MN1 well also progressed during the half year, 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, with a further workover of the well expected to start in March 2023. Work also continued during the period to plan for a subsequent workover of the shut-in MR6A well.

The near term focus of the venture remains to reinstate production from the currently shut-in wells, and to workover the MR2 well to convert it to a permanent 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.

Crude oil inventory at 31 December 2022 was 110,625 bbls due to the deferral of a Maari lifting to January 2023. The January 2023 lifting, with a parcel size of ~125,300 bbls (net to Horizon), generated revenue of approximately US$11.5 million with the associated cash receipt in early February 2023. Maari crude oil continued to attract significant premiums to dated Brent which enhanced cashflow generation from the asset during the period.

On 27 October 2022, OMV and Jadestone Energy PLC (AIM:JSE) had 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. With the termination of the deal, the joint venture is actively engaged in seeking to maximise returns from the asset.

Outlook

In the near term, continued strong operating cashflow generation is forecast, aided by a high oil price environment, and robust production following the successful execution of phase 1 and phase 2 of the WZ12-8E development and infill drilling in Block 22/12. These cashflows are expected to enable continued returns to shareholders and fund further production growth opportunities.

The Group's short-term focus is on:

– Continued optimisation of production performance from Block 22/12 and Maari/Manaia fields;
– Continued evaluation of organic and inorganic opportunities.

Reporting currency

The Company's and the Group's functional and reporting currency is United States dollars. All references in this half-year financial report to "$" or "dollars" are references to United States dollars, unless otherwise stated.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191 and accordingly amounts in the directors' report and interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the directors.

M Harding
Chairman

R Beament
Chief Executive Officer

Sydney
23 February 2023

Auditor's Independence Declaration

As lead auditor for the review of Horizon Oil Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Horizon Oil Limited and the entities it controlled during the period.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
23 February 2023

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HORIZON OIL LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2022

	NOTE	31 DEC 2022 US$'000	31 DEC 2021 US$'000
Revenue	4	75,698	39,284
Cost of sales		(42,444)	(20,968)
Gross profit		**33,254**	**18,316**
Other revenue / other income		236	-
General and administrative expense		(1,812)	(1,468)
Insurance expense		(949)	(1,048)
Exploration expense written off		(4,355)	(369)
Gain on remeasurement of derivative financial instruments		-	359
Finance costs – interest, transaction costs, other		(1,535)	(962)
Foreign exchange loss		(551)	(477)
Profit before income tax expense		**24,288**	**14,351**
NZ royalty tax expense		(2,188)	(1,281)
Income tax expense		(3,142)	(5,243)
Profit for the half year		**18,958**	**7,827**
OTHER COMPREHENSIVE INCOME **ITEMS THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS**			
Changes in the fair value of cash flow hedges		**255**	**101**
Total comprehensive income for the half-year		**19,213**	**7,928**
PROFIT ATTRIBUTABLE TO:			
Security holders of Horizon Oil Limited		18,958	7,827
Profit for the period		**18,958**	**7,827**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Security holders of Horizon Oil Limited		19,213	7,928
Total comprehensive income for the period		**19,213**	**7,928**
		US CENTS	
Basic earnings per share from continuing operations		**1.19**	0.50
Diluted earnings per share from continuing operations		**1.15**	0.48

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

HORIZON OIL LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTE	31 DEC 2022 US$'000	30 JUN 2022 US$'000
CURRENT ASSETS			
Cash and cash equivalents	6	40,414	44,086
Receivables		23,507	18,087
Inventories		6,923	4,183
Current tax receivable		3,375	763
Derivative financial instruments		367	162
Other assets		691	420
Intangible assets	7	1,441	1,202
Total current assets		**76,718**	**68,903**
NON-CURRENT ASSETS			
Investments		1,351	-
Deferred tax assets		8,456	6,618
Plant and equipment	8	438	62
Oil and gas assets	9	114,283	106,879
Total non-current assets		**124,528**	**113,559**
Total assets		**201,246**	**182,462**
CURRENT LIABILITIES			
Payables	10	30,981	26,350
Current tax payable		12,019	9,087
Borrowings	11	15,524	1,177
Derivative financial instruments		-	156
Total current liabilities		**58,524**	**36,770**
NON-CURRENT LIABILITIES			
Payables	10	398	111
Deferred tax liability		7,819	13,038
Provisions	12	48,037	33,317
Total non-current liabilities		**56,254**	**46,466**
Total liabilities		**114,778**	**83,236**
Net assets		**86,468**	**99,226**
EQUITY			
Contributed equity	13	147,792	159,343
Reserves		10,303	12,093
Accumulated losses		(119,591)	(96,536)
Profit reserve		47,964	24,326
Total equity		**86,468**	**99,226**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

HORIZON OIL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2022

ATTRIBUTABLE TO MEMBERS OF THE COMPANY

	CONTRIBUTED EQUITY US$'000	RESERVES US$'000	ACCUMULATED LOSSES US$'000	PROFIT RESERVE[1] US$'000	TOTAL EQUITY US$'000
Balance at 1 July 2021	**194,114**	**12,697**	**(96,536)**	**-**	**110,275**
Profit for the half-year	-	-	-	7,827	**7,827**
Other comprehensive income	-	101	-	**-**	**101**
Total comprehensive profit for the half-year	**-**	**101**	**-**	**7,827**	**7,928**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS EQUITY HOLDERS:					
Capital return	(34,771)	359	-	-	(34,412)
Acquisition of treasury shares	-	(359)	-	-	(359)
Employee share options	-	(144)	-	-	(144)
Balance at 31 Dec 2021	**159,343**	**12,654**	**(96,536)**	**7,827**	**83,288**
BALANCE AT 1 JULY 2022	**159,343**	**12,093**	**(96,536)**	**24,326**	**99,226**
Profit/(loss) for the half-year	-	-	(23,055)	42,013	**18,958**
Other comprehensive income	-	255	-	**-**	**255**
Total comprehensive profit for the half-year	**-**	**255**	**(23,055)**	**42,013**	**19,213**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS EQUITY HOLDERS:					
Employee share-based payments expense	-	305	-	-	**305**
Settlement of exercised options	-	(4,130)	-	-	**(4,130)**
Ordinary shares issued, net of costs	2,296	-	-	-	**2,296**
Acquisition of treasury shares	-	(2,304)	-	-	**(2,304)**
Issue of treasury shares	-	4,084	-	-	**4,084**
Capital return	(13,847)	-	-	-	**(13,847)**
Dividends	-	-	-	(18,375)	**(18,375)**
Balance at 31 Dec 2022	**147,792**	**10,303**	**(119,591)**	**47,964**	**86,468**

[1] The profit reserve balance reflects the Parent entity's retained earnings, with the residual Group profit/loss reflected in the accumulated losses reserve.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

HORIZON OIL LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2022

	HALF-YEAR TO	
	31 DEC 2022 US$'000	**31 DEC 2021 US$'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	70,866	45,341
Payments to suppliers and employees	(31,801)	(16,408)
	39,065	**28,933**
Interest received	236	-
Interest paid	(905)	(439)
Income and royalty taxes paid	(12,656)	(3,526)
Net cash inflows from operating activities	**25,740**	**24,968**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration phase expenditure	(3,937)	-
Payments for oil and gas assets	(8,187)	(7,067)
Payment for financial asset through other comprehensive income	(1,351)	-
Net cash (outflows) from investing activities	**(13,475)**	**(7,067)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from 12-month extension of senior debt facility	20,000	-
Transaction costs incurred on borrowing	(235)	-
Repayment of borrowings	(5,574)	(3,834)
Payments under leasing arrangements	(74)	(105)
Proceeds from new share issue (net of costs)	2,296	-
Payments for shares acquired by Trust	(2,304)	-
Return of capital to shareholders	(13,521)	(34,771)
Dividends paid to shareholders	(16,525)	-
Net cash (outflows) from financing activities	**(15,937)**	**(38,710)**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,672)	(20,809)
Cash and cash equivalents at the beginning of the half-year	44,086	44,436
Cash and cash equivalents at the end of the half-year	**40,414**	**23,627**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

Note 1 Basis of preparation of half-year report

The general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Horizon Oil Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the normal course of business as they become due.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as described below and in Note 2.

Investments and other financial assets

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or profit or loss), and
- those to be measured at amortised cost

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Equity instruments

At initial recognition, Group's management has elected to measure its equity instruments at fair value through other comprehensive income (FVOCI). The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Note 2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The most significant estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities relate to:

(i) Exploration and evaluation assets

Management makes certain estimates and assumptions as to future events and circumstances. These estimates and assumptions include whether commercially viable resources have been found and whether the capitalised exploration and evaluation expenditure will be recovered through future exploitation or sale.

(ii) Reserve estimates

The estimated quantities of proven and probable hydrocarbons reported by the Group are integral to the calculation of amortisation expense (depletion), assessments of impairment of assets, provision for restoration and the recognition of deferred tax assets due to changes in expected future cash flows. Reserve estimates require interpretation of complex and judgemental geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoir, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Reserve estimates are prepared in accordance with guidelines prepared by the Society of Petroleum Engineers.

(iii) Provisions for restoration

The Group estimates the future removal and restoration costs of petroleum production facilities, wells, pipelines and related assets at the time of installation of the assets and reviews these assessments periodically. In most instances the removal of these assets will occur well into the future. The estimate of future removal costs therefore requires management to make judgements around the timing of the required restoration, rehabilitation and decommissioning, as well as the discount rate.

New Zealand, Maari Restoration

During the half-year, the Group revised the future cost estimates from which the provision for restoration of the New Zealand licence is derived. Following continued volatility in yields and inflation rates, the Group revised the discount and inflation rate used in quantifying the New Zealand restoration provision. In addition to the discount and inflation rate changes, the Group obtained updated third party estimates of the likely costs of decommissioning which included changes to the decommissioning methodology to align with the updated requirements recently legislated in NZ.

China, WZ12-8E Restoration

During the half-year, the four well WZ12-8E Phase 2 drilling program was successfully executed, with the four wells drilled, completed and brought onto production. 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. As a result of the above development drilling activities, the Group revised its future decommissioning cost estimate for Block 22/12.

Taking the above into consideration for both Maari and Block 22/12, the Group's decommissioning provision was increased US$14.2 million.

Impairment of oil and gas assets

The Group assesses whether its oil and gas assets are impaired on a semi-annual basis when an indicator of impairment is present. This requires an estimation of the recoverable amount of the cash generating unit to which each asset belongs. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. The fair value less cost to sell is assessed on the basis of the estimated net cash flows that will be received from the asset's continued employment and subsequent disposal. The estimated future cash flows are based on estimates of hydrocarbon reserves, future production profiles, commodity prices, operating costs and future development costs necessary to access the reserves. Current climate change legislation is also factored into the estimated future cashflows and future uncertainty around climate change risks continue to be monitored. In most cases, the present value of future cashflows is most sensitive to estimates of future oil price and discount rates. The estimated future cash flows are discounted back to today's dollars to obtain the fair value amount using an after-tax discount rate of 10%.

(iv) Share-based payments

Share-based payment transactions with directors and employees are measured by reference to the fair value of the share performance rights or options at the date they were granted. The fair value is ascertained using an appropriate pricing model, either Black-Scholes or Monte Carlo simulation, depending on the terms and conditions upon which the share performance rights or options were granted. The Group also applies assumptions around the likelihood of the share performance rights or options vesting which will have an impact on the expense and equity recorded in the financial year.

(v) Recoverability of deferred tax assets

The recoverability of deferred tax assets is based on the probability that future taxable amounts will be available to utilise those temporary differences and losses. The Group has not recognised deferred tax assets in respect of some tax losses and temporary tax differences as the future utilisation of these losses and temporary tax differences is not considered probable at this point in time. Assessing the future utilisation of tax losses and temporary tax differences requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future utilisation of these tax losses and temporary tax differences becomes probable, this could result in significant changes to deferred tax assets recognised, which would in turn impact future financial results. Temporary tax differences recognised in New Zealand have continued to be recognised as deferred tax assets on the basis that it is expected the operations will generate sufficient taxable profits to fully utilise those losses.

(b) Critical judgements in applying the Group's accounting policies

No critical judgements which are considered to have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year were made during the preparation of this report.

Note 3 Segment information

(a) Description of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors.

The operating segments identified are broadly based on the Group's working interest in each individual oil and gas permit, arranged by developmental phase. Discrete pre-tax financial information (including pre-tax operating profit and capital expenditure on exploration and evaluation assets and oil and gas assets) for each oil and gas permit is prepared and provided to the chief operating decision maker on a regular basis. In certain circumstances, individual oil and gas permits are aggregated into a single operating segment where the economic characteristics and long-term planning and operational considerations of the individual oil and gas permits are such that they are considered interdependent. The Group has identified two operating segments:

- China exploration and development – the Group is currently involved in developing and producing crude oil from Block 22/12 – WZ6-12, WZ12-8W and WZ12-8E oil field developments, and the exploration and evaluation of hydrocarbons within Block 22/12; and
- New Zealand exploration and development – the Group is currently involved in developing and producing crude oil from the Maari/Manaia oil field development, and the exploration and evaluation of hydrocarbons within PMP38160.

(b) Segment information provided to the chief operating decision maker

HALF-YEAR 2022 (31 DECEMBER 2022)	CHINA EXPLORATION AND DEVELOPMENT US$'000	NEW ZEALAND EXPLORATION AND DEVELOPMENT US$'000	UNALLOCATED US$'000	TOTAL US$'000
SEGMENT REVENUE:				
Revenue from external customers	62,981	12,717	-	75,698
Profit before tax	**22,839**	**2,870**	**(1,421)**	**24,288**
Depreciation and amortisation	(18,058)	(3,889)	(124)	(22,071)
Total segment assets at 31 December 2022	**87,333**	**83,501**	**30,412**	**201,246**
Additions to non-current assets other than financial assets and deferred tax during the half-year:				
Exploration phase expenditure:	4,140	-	215	4,355
Development and production phase expenditure:	12,663	2,315	-	14,978
Plant and equipment:	-	-	514	514
Total segment liabilities at 31 December 2022	**53,389**	**60,366**	**1,023**	**114,778**

HALF-YEAR 2021 (31 DECEMBER 2021)	CHINA EXPLORATION AND DEVELOPMENT US$'000	NEW ZEALAND EXPLORATION AND DEVELOPMENT US$'000	UNALLOCATED US$'000	TOTAL US$'000
SEGMENT REVENUE:				
Revenue from external customers	30,366	8,918	-	39,284
Profit before tax	**11,956**	**1,958**	**437**	**14,351**
Depreciation and amortisation	(8,421)	(4,119)	(150)	(12,690)
Total segment assets at 31 December 2021	**79,667**	**73,041**	**4,960**	**157,668**
Additions to non-current assets other than financial assets and deferred tax during the half-year:				
Exploration phase expenditure:	-	-	369	369
Development and production phase expenditure:	5,361	824	-	6,185
Total segment liabilities at 31 December 2021	**35,371**	**38,294**	**725**	**74,390**

(c) Other segment information

(i) Segment revenue

The Group's revenue is derived from the sale of crude oil produced in China and New Zealand. The Group sells to external customers through sales agreements with the respective joint venture operators who market and on-sell crude oil to external customers, for which the Group is charged a marketing fee stipulated by the sales agreements.

Reportable segment revenues are equal to consolidated revenue.

(ii) Segment profit before tax

The chief operating decision maker assesses the performance of operating segments based on a measure of profit before tax.

Reportable segment profit before tax is equal to consolidated profit before tax.

(iii) Segment assets and liabilities

The amounts provided to the chief operating decision maker with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

Reportable segment assets and liabilities are equal to consolidated total assets and liabilities.

Note 4 Revenue

Revenue for the half-year ended 31 December 2022 relates to contracts executed for the sale of crude oil and the performance obligations being met within the period. There is no variable consideration requiring estimation for the period ended 31 December 2022.

The Group did not have contracts that were executed in a prior period, whereby the performance obligations were partially met at the beginning of the period. There are no existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2022.

The Group's revenue disaggregated by primary geographical markets is reported in Note 3 Segment information.

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	HALF-YEAR TO	
	31 DEC 2022 US$'000	**31 DEC 2021 US$'000**
CRUDE OIL SALES		
Goods transferred at a point in time	**12,717**	8,918
Goods transferred over a period of time	**62,981**	30,366
Total	**75,698**	39,284

Note 5 Fair value measurement of financial instruments

(a) Fair value measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

– Derivative financial instruments
– Financial assets at fair value through other comprehensive income (FVOCI)

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2022 and 30 June 2022:

AT 31 DECEMBER 2022	LEVEL 1 US$'000	LEVEL 2 US$'000	LEVEL 3 US$'000	TOTAL US$'000
ASSETS				
Derivatives used for hedging	-	367	-	367
Financial assets at fair value through OCI:				
Equity investment in unlisted shares [1]	-	-	1,351	1,351
Total assets	**-**	**367**	**1,351**	**1,718**

[1] During the half year Horizon made an AUD2 million (USD1.35 million) seed capital investment to acquire an approximate 3.5% interest in Nobrac Limited, a subsidiary of ASX listed company, Kiland Limited (KIL).

AT 30 JUNE 2022	LEVEL 1 US$'000	LEVEL 2 US$'000	LEVEL 3 US$'000	TOTAL US$'000
ASSETS				
Derivatives used for hedging	-	162	-	162
Total assets	**-**	**162**	**-**	**162**
LIABILITIES				
Derivatives used for hedging	-	156	-	156
Total liabilities	**-**	**156**	**-**	**156**

There were no transfers between levels 1, 2 or 3 for recurring fair value measurements during the period.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2022.

(b) Valuation techniques used to derive fair values

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) was based on quoted market prices at the end of each reporting period. The quoted market price used for financial liabilities held by the Group was the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The fair value of equity investment as at 31 December 2022 is equivalent to the consideration paid to acquire the 3.5% interest in the unlisted shares. As one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– The fair value of oil price swaps, puts and collars are calculated as the present value of the estimated future cash flows based on forward prices at balance sheet date;

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of foreign currency contracts and swaps calculated as the present value of the estimated future cash flows based on forward prices at balance sheet date; and
- Other techniques, such as discounted cash flow analysis and Monte Carlo simulations, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 unless otherwise stated.

For the financial liabilities, the best evidence of fair value is current prices in an active market for similar financial liabilities. Where such information is not available the directors consider information from a variety of sources including:

- discounted cash flow projections based on reliable estimates of future cash flows; and
- Monte Carlo simulations.

All resulting fair value estimates for properties are included in level 3.

Note 6 Cash and cash equivalents

	31 DEC 2022 US$'000	30 JUN 2022 US$'000
Cash at bank and on hand	31,925	26,975
Restricted cash[1]	8,489	17,111
Closing balance	**40,414**	44,086

[1] Under the terms of Horizon's Syndicated Revolving Cash Advance Facility, certain cash balances are available to the Group after certain conditions of the relevant facility agreement are satisfied.

Note 7 Intangible assets

	CONSOLIDATED	
CURRENT ASSETS	NEW ZEALAND CARBON CREDITS[1] US$'000	TOTAL US$'000
HALF YEAR ENDED 31 DECEMBER 2022		
Cost – 1 July 2022	1,202	1,202
Additions	239	239
Disposals – settlements[2]	-	-
Closing value	**1,441**	**1,441**

[1] The Group acquires New Zealand Units ((NZUs) also referred to as carbon credits) to surrender to the New Zealand Government through the Environmental Protection Authority, for its proportionate share of the Maari/Manaia fields direct greenhouse gas emissions for the calendar year. NZUs are tradable instruments with transactions taking place on the New Zealand Emissions Trading Register, which is operated by the Environmental Protection Authority. The NZUs are recorded at cost and are not amortised and are tested for impairment at each balance sheet date.

[2] The Company's obligation for the 2022 calendar year is due be settled in May 2023 whereby a portion of the 49,550 NZUs on hand will be surrendered to the Environmental Protection Authority.

Note 8 Plant and Equipment

	BUILDING[a] US$000	OTHER PLANT AND EQUIPMENT[a] US$'000	LEASEHOLD IMPROVEMENTS US$'000	TOTAL US$'000
As at 1 July 2022				
Cost	547	1,720	1,106	3,373
Accumulated depreciation	(502)	(1,717)	(1,092)	(3,311)
Net book amount	**45**	**3**	**14**	**62**
Half-year ended 31 December 2022				
Opening net book amount	45	3	14	62
Additions	486	28	-	514
Disposals of leasehold assets	-	-	(14)	(14)
Depreciation expense[b]	(115)	(9)	-	(124)
Closing net book amount	**416**	**22**	**-**	**438**
As at 31 December 2022				
Cost	1,033	1,748	-	2,781
Accumulated depreciation	(617)	(1,726)	-	(2,343)
Net book amount	**416**	**22**	**-**	**438**

(a) Included in the net book amount of building and other plant and equipment are right-of-use assets as follows:

	31 DEC 2022 US$'000	30 JUN 2022 US$'000
Office premises	416	45
Photocopiers	12	2
Total	**428**	47

(b) Depreciation expense in relation to the right of use assets is US$116,940.

Note 9 Oil and gas assets

	31 DEC 2022 US$'000	30 JUN 2022 US$'000
Opening balance	106,879	112,338
Development and production costs incurred during the period	19,246	18,808
Increase in restoration asset	14,245	2,751
Expenditure written off during half-year	(4,140)	-
Amortisation expense	(21,947)	(27,018)
Closing balance	**114,283**	106,879

Note 10 Payables

	31 DEC 2022 US$'000	30 JUN 2022 US$'000
CURRENT		
Trade creditors	190	622
Share of joint operation creditors and accruals	26,480	19,754
ETS obligation[a]	454	217
Other creditors	3,731	5,708
Lease liabilities [b]	126	49
	30,981	26,350
NON-CURRENT		
Other creditors	119	111
Lease liabilities [b]	279	-
	398	111

[a] The ETS liability represents Horizon Oil International Limited's obligation to the New Zealand Government for the companies proportionate share of the Maari/Manaia fields greenhouse gas emissions. Refer to Note 7 for the disclosure of the carbon credits acquired (NZUs) which will be surrendered to the New Zealand Government for settlement of this obligation. The ETS obligation is recorded at the cost of the units acquired to settle the obligation. When the number of units required to settle the obligation exceeds the units on hand, the excess will be accounted for at the cost of obtaining the incremental units required to settle the obligation.

[b] The Group has leases for Sydney office and various equipment. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2022 were as follows:

	MINIMUM LEASE PAYMENTS DUE			
	Within one year US$'000	One to five years US$'000	After five years US$'000	Total US$'000
31 December 2022				
Lease payments	145	290	-	435
Finance charges	(19)	(11)	-	(30)
Net present values	**126**	**279**	**-**	**405**

Note 11 Borrowings

	31 DEC 2022 US$'000	30 JUN 2022 US$'000
CURRENT		
Bank loans[1] [b]	15,524	1,177
Total borrowings	**15,524**	1,177

[1] Bank loans are shown net of associated transaction costs.

(a) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net cash for each of the periods presented.

	31 DEC 2022 US$'000	30 JUN 2022 US$'000
Cash and cash equivalents	40,414	44,086
Borrowings[1] – repayable within one year (including overdraft)	(15,663)	(1,237)
Net cash	**24,751**	42,849
Cash and liquid investments	40,414	44,086
Gross debt[1] – variable interest rates	(15,663)	(1,237)
Net cash	**24,751**	42,849

1 Borrowings exclude associated transaction costs and accrued interest and accordingly represents the nominal value of the borrowings as at 31 December 2022 and 30 June 2022.

(b) Reconciliation of borrowings arising from financing activities

		CASHFLOWS			
	Opening 1 Jul 2022 US$'000	Drawdown[1] US$'000	Repayments US$'000	Amortisation of transaction costs US$'000	Closing 31 Dec 2022 US$'000
Syndicated Revolving Cash Advance Facility	1,177	19,765	(5,574)	156	15,524
Total liabilities from financing activities	**1,177**	**19,765**	**(5,574)**	**156**	**15,524**

1 Funds drawn down are shown net of associated transaction costs incurred during the period.

(c) Bank loans – Revolving Cash Advance Facility / Syndicated Revolving Cash Advance Facility

On 15 November 2018, the Group finalised and executed a US$95 million Syndicated Revolving Cash Advance Facility with Australia and New Zealand Banking Group (ANZ), Westpac Banking Corporation (Westpac) and Industrial and Commercial Bank of China (ICBC). The proceeds on this facility were applied to repay the outstanding subordinated and senior debt facilities. The facility retained key elements of the previous Reserves Based Debt Facility, with key changes including additional tenor to July 2022 and a reduced interest rate at LIBOR plus 2.75%. Under the facility, the facility limit and thus future repayments are determined by applying a minimum loan life coverage ratio to the net present value of estimated future cash flows from all projects included in the facility. Estimated future cash flows are dependent on, amongst other things, the lenders views on forecast oil prices, reserve estimates, operating and capital cost estimates and forecast interest and exchange rates.

On 31 July 2022, the Group executed and reached financial close on a 12-month extension of the senior debt facility with ANZ, Westpac and ICBC with a revised facility limit of US$20 million. The extended facility matures on 31 July 2023 and retains the key existing terms including interest rate at a LIBOR equivalent +2.75%.

At 31 December 2022, total debt drawn under the facility was US$15.7 million. Floating interest in respect of the facility was at LIBOR plus a weighted average margin of 2.75%.

The facility was secured by a floating charge over the shares and assets of the borrowers (Horizon Oil International Limited and Horizon Oil (Beibu) Limited which are wholly owned subsidiaries of Horizon Oil Limited) and other Horizon Oil Limited subsidiaries, in favour of ANZ Fiduciary Services Pty Limited as security trustee. Horizon Oil Limited has guaranteed the performance of Horizon Oil International Limited and Horizon Oil (Beibu) Limited (which have also given guarantees) in relation to the loan facility from ANZ, Westpac and ICBC. In addition, the shares of the following Horizon Oil Limited subsidiaries have been mortgaged to ANZ Fiduciary Services Pty Limited: Horizon Oil International Limited and Horizon Oil (Beibu) Limited. The Group is subject to covenants which are common for a facility of this nature.

Note 12 Provisions

	31 DEC 2022 US$'000	30 JUN 2022 US$'000
Restoration (non-current)	**48,037**	33,317
	48,037	33,317
The reconciliation of the movement in the total of the restoration provisions is as follows:		
Balance at beginning of financial year	**33,317**	31,212
Additional provision during half year[1]	**19,190**	4,818
Unwinding of discount	**475**	475
Effect of change in inflation/discount rate	**(4,945)**	(3,188)
Closing balance	**48,037**	33,317

[1] Following the commissioning of the WZ12-8E oil field development which has comprised the drilling of 10 development wells and a water disposal well, during the period the Group revised its estimates for decommissioning of the wells and facilities at both Block 22/12 and Maari. As a result of the increased development works, inflation and revisions to the proposed scope of works to effect the decommissioning of the fields, Horizon recorded a ~US$15 million net increase to its restoration provision liability in the period. Decommissioning funds for Block 22/12 are accumulated by the joint venture into a sinking fund, paid over the productive life of the fields. Funding for Maari decommissioning is planned to be progressively set aside from production over the remaining field life.

Note 13 Contributed equity

(a) Share capital

		31 DEC 2022 NUMBER'000	30 JUN 2022 NUMBER'000	31 DEC 2022 US$'000	30 JUN 2022 US$'000
ORDINARY SHARES					
Fully paid	(b) (i)	**1,601,443**	1,578,943	**147,333**	158,884
Partly paid	(b) (ii)	**1,500**	1,500	**459**	459
		1,602,943	1,580,443	**147,792**	159,343

(b) Movements in share capital

(i) Ordinary shares (fully paid)

DATE	DETAILS	NUMBER	US$'000
30/06/2022	Balance at 30 June 2022	1,578,942,962	158,884
09/09/2022	Issuance of new shares	22,500,000	2,296
07/10/2022	Capital Return (1.35 cents AUD per share)	-	(13,847)
31/12/2022	**Balance at 31 December 2022**	**1,601,442,962**	**147,333**

(ii) Ordinary shares (partly paid to A$0.01)

DATE	DETAILS	NUMBER	US$'000
30/06/2022	Balance at 30 June 2022	1,500,000	459
31/12/2022	**Balance at 31 December 2022**	**1,500,000**	**459**

Note 14 Contingent assets and liabilities

(a) Contingent assets

The Group had no contingent assets as at 31 December 2022.

(b) Contingent liabilities

The Group had contingent liabilities as at 31 December 2022 that may become payable in respect of:

In accordance with normal oil and gas industry practice, the Group has entered into joint operations and farm-out agreements with other parties for the purpose of exploring and developing its petroleum interests. If a participant to a joint operation defaults and fails to contribute its share of joint operation obligations, then the remaining joint operation participants are jointly and severally liable to meet the obligations of the defaulting participant. In this event, the interest in the permit or licence held by the defaulting participant may be redistributed to the remaining participants. In the event of a default, a contingent liability exists in respect of expenditure commitments due to be met by the Group in respect of defaulting joint operation participants.

The Group occasionally receives claims arising from its operations in the normal course of business. In the opinion of directors, all such matters are either covered by insurance or, if not covered, are without merit or are of such a nature the amounts involved would not have a material impact on the results.

No material losses are anticipated in respect of the above contingent liabilities.

Note 15 Exploration, development and production expenditure commitments

The Group has entered into joint operations for the purpose of exploring, developing and producing from certain petroleum interests. To maintain existing interests or rights to earn interests in those joint operations the Group will be expected to make contributions to ongoing exploration and development programs. Since such programs are subject to continual review by operating committees, upon which the Group is represented, the extent of future contributions in accordance with these arrangements is subject to continual renegotiation.

Subject to the above-mentioned limitations, the directors have prepared the following disclosure of exploration and development expenditure commitments not recognised in the financial statements. These are payable as follows, based on current status and knowledge of estimated quantum and timing of such commitments by segment.

31 DECEMBER 2022	NEW ZEALAND EXPLORATION & DEVELOPMENT US$'000	CHINA EXPLORATION & DEVELOPMENT US$'000	TOTAL US$'000
Within one year	**1,542**	**4,741**	**6,283**
Later than one year but not later than 5 years	**-**	**752**	**752**
Total	**1,542**	**5,493**	**7,035**

30 JUNE 2022	NEW ZEALAND EXPLORATION & DEVELOPMENT US$'000	CHINA EXPLORATION & DEVELOPMENT US$'000	TOTAL US$'000
Within one year	2,832	20,436	**23,268**
Later than one year but not later than 5 years	-	3,530	**3,530**
Total	**2,832**	**23,966**	**26,798**

The above commitments may be deferred or modified with the agreement of the host government, by variations to the terms of individual permits or licences, or extensions to the terms thereof. Another factor likely to delay timing of these commitments is the potential lack of availability of suitable drilling rigs in the area of interest.

The commitments may also be reduced by the Group entering into farm-out agreements or working interest trades, both of which are typical of the normal operating activities of the Group.

In addition to the above commitments, the Group has invested funds in other petroleum exploration interests but is not exposed to a contingent liability in respect of these, as it may choose to exit such interests at any time at no cost penalty other than the loss of the interests.

Note 16 Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties, unless otherwise stated.

During the half-year, Horizon made a seed capital investment to acquire an ~3.5% interest in Nobrac Limited, a subsidiary of Kiland Limited (ASX:KIL). Samuel Terry Asset Management Pty Ltd (STAM) is a substantial shareholder of both Horizon Oil Limited and Kiland Limited such that Nigel Burgess (a nominee director for STAM) was excluded from Board meetings to consider and approve the investment.

Other than the matters disclosed elsewhere in this report, there were no related party transactions with Directors and other key management personnel during the half-year outside of contractual remuneration.

Note 17 Events occurring after balance sheet date

The Group announced on 23 February 2023 an interim Conduit Foreign Income (CFI) unfranked dividend of AUD 1.5 cents per Ordinary share which will be paid on 21 April 2023.

Other than the matters disclosed above and the rest of this report, there has not been any other matter or circumstance which has arisen since 31 December 2022 that has significantly affected, or may significantly affect:

– the Group's operations in future financial years; or
– the results of those operations in future financial years; or
– the Group's state of affairs in future financial years.

Directors' Declaration

In the directors' opinion:

(a) the attached interim financial statements and notes are in accordance with the Corporations Act 2001, including:

  (i) complying with relevant Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance, as represented by the results of its operations and its cashflows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Horizon Oil Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

R. M. Harding

M Harding
Chairman

Richard Beament

R Beament
Chief Executive Officer

Sydney
23 February 2023

Independent auditor's review report to the members of Horizon Oil Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Horizon Oil Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Horizon Oil Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Marc Upcroft
Partner

Sydney
23 February 2023