

QUARTERLY REPORT

PERIOD ENDING 30 JUNE 2023 (ASX:HZN)

HIGHLIGHTS

Record production, revenue and cashflow generation for FY23

- Record production, revenue and cashflow generation recorded for the 2023 financial year, with a 44% year on year increase in production to 1.9mmbbls, a 34% increase in revenue to US\$151 million, and a 42% increase in net operating cash flow to US\$118 million.
- Production volumes for the quarter were 459,885 bbls, a 12% reduction on the prior quarter, with the expected Block 22/12 production decline partially offset by a 19% increase in Maari production following the successful workover of the MN1 well.
- Sales volumes during the quarter were 453,456 bbls, which included a record Maari lifting in early June of over 515,000 bbls (gross) (134,000 bbls net to HZN).
- Revenue for the quarter was US\$34.4 million (~A\$50 million) (excluding hedge settlements) at an average realised oil price of ~US\$76/bbl.
- Net operating cash flow¹ for the quarter was US\$26.3 million (~A\$38 million).
- Cash operating costs of US\$18.34/bbl produced for the quarter (including workover costs).
- Cash reserves were significantly replenished during the quarter to US\$43.6 million following the ~US\$16 million in distributions paid to shareholders during the quarter and additional ~US\$4 million of debt repaid. A further US\$10.6 million in cash receipts was received shortly after quarter end relating to the June Maari lifting.
- Net cash at 30 June 2023 was US\$35.7 million, with remaining debt outstanding of US\$7.9 million due to be repaid on 31 July 2023.

Material interim distribution paid to shareholders

- Dividend of AUD 1.5 cents per share, representing A\$24 million paid to shareholders on 21 April 2023. Further distributions being evaluated.

CHIEF EXECUTIVE OFFICER'S COMMENTARY

This was a strong final quarter for the financial year which caps off a record year for the Company. The outstanding production results from Block 22/12, in particular the WZ12-8E field development, drove production growth of 44% to 1.9mmbbls. This strong production, aided by robust oil prices, realised record revenue of over US\$150 million which in turn led to continued strong free cashflow generation. Whilst production from Block 22/12 has been the standout for the year, we were particularly pleased to see production at Maari now back above 5,300 bopd following the successful workover of the MN1 well. With sustained production performance and ongoing workover efforts in the next twelve months, we anticipate that Maari production will remain robust, thereby providing confidence to pursue an extension to the permit beyond the December 2027 licence expiry. At Block 22/12, the joint venture continues to mature plans for a further infill drilling program, with execution currently likely in the second half of FY24.

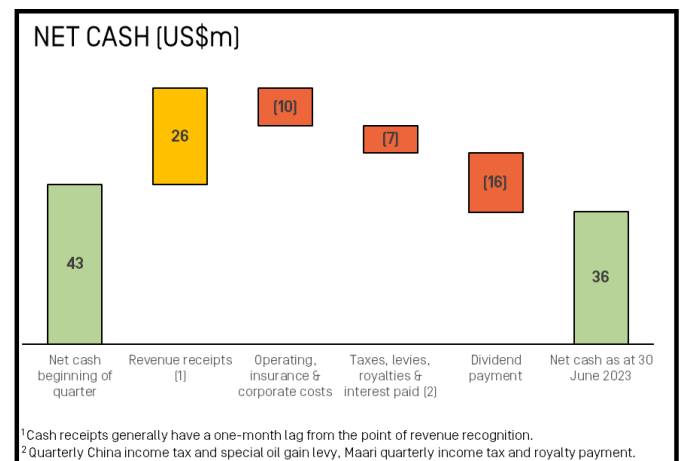
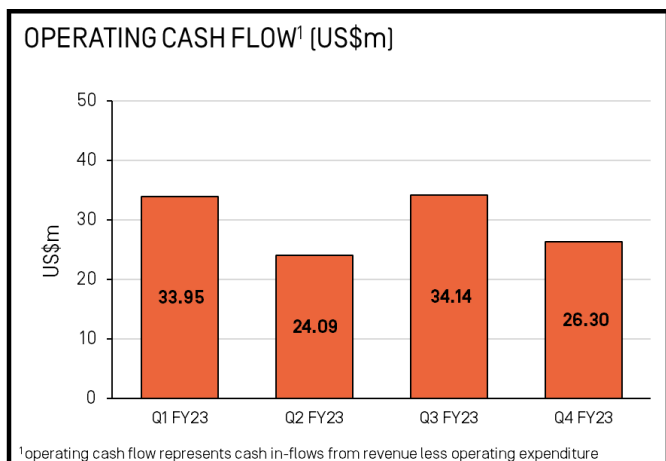
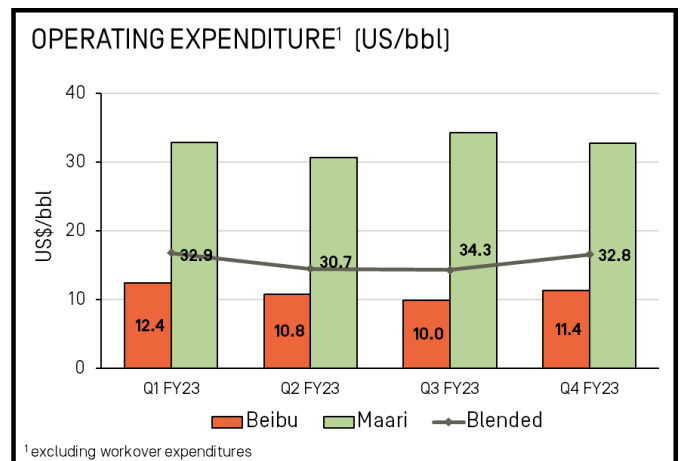
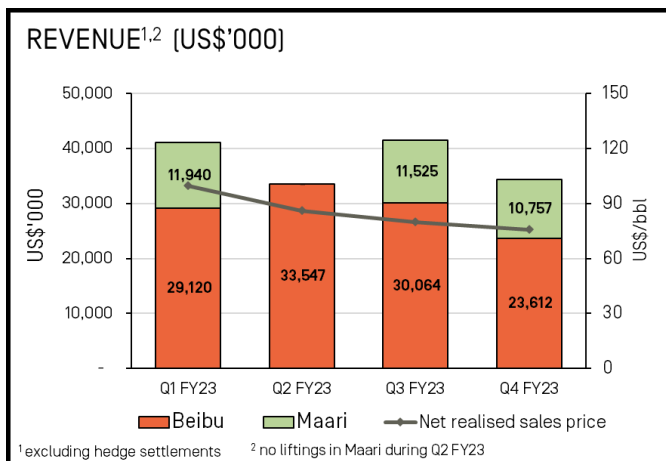
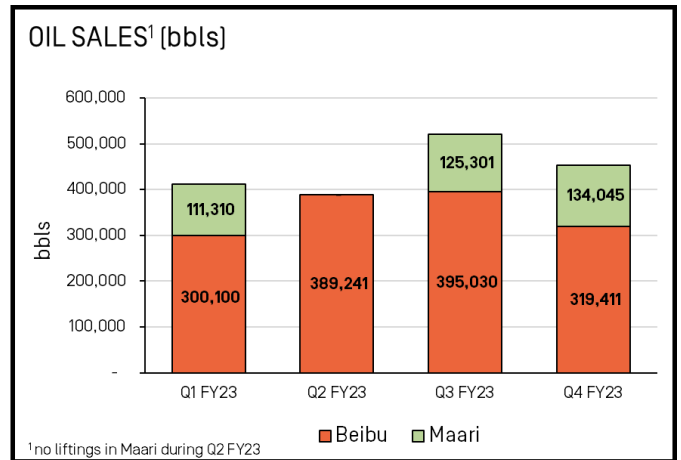
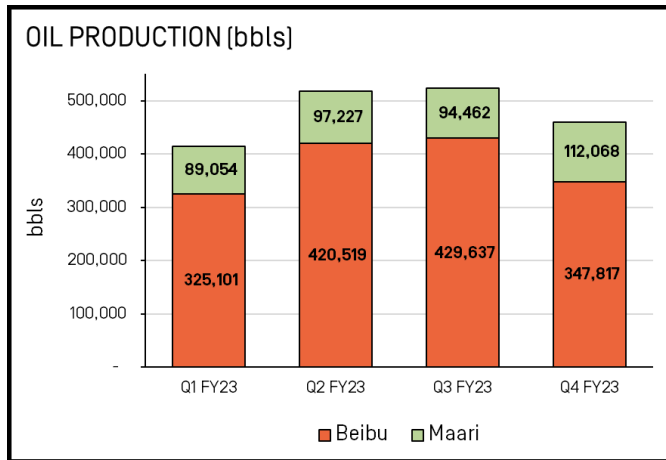
We were delighted to finalise and pay the interim distribution of AUD 1.5 cents per share during the quarter. This was a continuation of our distribution strategy which has seen us distribute a total of AUD 7.5 cents per share (~AUD 120 million) over the past 2 years whilst still investing in production growth. With cash reserves now replenished to US\$43.6 million at the end of the quarter, we can again evaluate further capital management initiatives.

Richard Beament
Chief Executive Officer

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

COMPARATIVE PERFORMANCE

PERIOD ENDING 30 JUNE 2023



Note: Financial results contained in this quarterly are unaudited.

FINANCIAL SUMMARY

Production	Q4 FY2023 bbls	Q3 FY2023 bbls	CHANGE %	FINANCIAL YEAR 2023 bbls	FINANCIAL YEAR 2022 bbls
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA					
Crude oil production (NWI)	347,817	429,637	(19.0%)	1,523,074	925,405
Crude oil sales	319,411	395,030	(19.1%)	1,403,782	842,086
PMP 38160 (MAARI AND MANAIA), OFFSHORE NZ					
Crude oil production (NWI)	112,068	94,462	18.6%	392,812	406,798
Crude oil inventory on hand	41,298	70,938	(41.8%)	41,298	57,831
Crude oil sales	134,045	125,301	7%	370,655	363,017
TOTAL PRODUCTION (NWI)					
Crude oil production (NWI)	459,885	524,099	(12.3%)	1,915,886	1,332,203
Crude oil sales	453,456	520,331	(12.9%)	1,774,437	1,205,103
PRODUCING OIL AND GAS PROPERTIES	US\$'000	US\$'000		US\$'000	US\$'000
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA					
Production revenue ¹	23,612	30,064	(21.5%)	116,343	77,593
Operating expenditure	3,957	4,276	(7.5%)	16,803	12,166
Workovers	164	9	>100%	1,949	-
Special oil gain levy	963	1,383	(30.4%)	8,026	7,553
PMP 38160 (MAARI AND MANAIA), OFFSHORE NZ					
Production revenue ¹	10,757	11,525	(6.7%)	34,221	35,009
Operating expenditure	3,677	3,241	13.5%	12,837	11,564
Workovers	635	23	>100%	2,049	991
Inventory adjustment ²	1,363	2,559	(46.7%)	811	(2,131)
Total Producing Oil and Gas Properties					
Production revenue ¹	34,369	41,589	(17.4%)	150,565	112,602
Oil hedging settlements	362	103	>100%	1,556	(4,469)
Total revenue (incl. hedging gains)	34,731	41,692	(16.7%)	152,121	108,133
Direct production operating expenditure	8,433	7,549	13.3%	33,638	24,721
Net operating cash flow ³	26,298	34,143	(23.3%)	118,483	83,412
EXPLORATION AND DEVELOPMENT					
PMP 38160 (Maari and Manaia), New Zealand	296	690		2,336	1,012
Block 22/12 (Beibu Gulf), offshore China	18	2,047		20,185	16,580
Total capital expenditure	314	2,737		22,521	17,592
Cash on hand	43,591	54,339		43,591	44,086
Senior debt facility ⁴	7,939	11,594		7,939	1,237
Net Cash ⁴	35,652	42,745		35,652	42,849

¹ Represents gross revenue excluding hedge gains and losses.

² Represents an accounting adjustment for cost of crude oil inventory sold or produced during the period (includes amortisation of \$1.3 million).

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

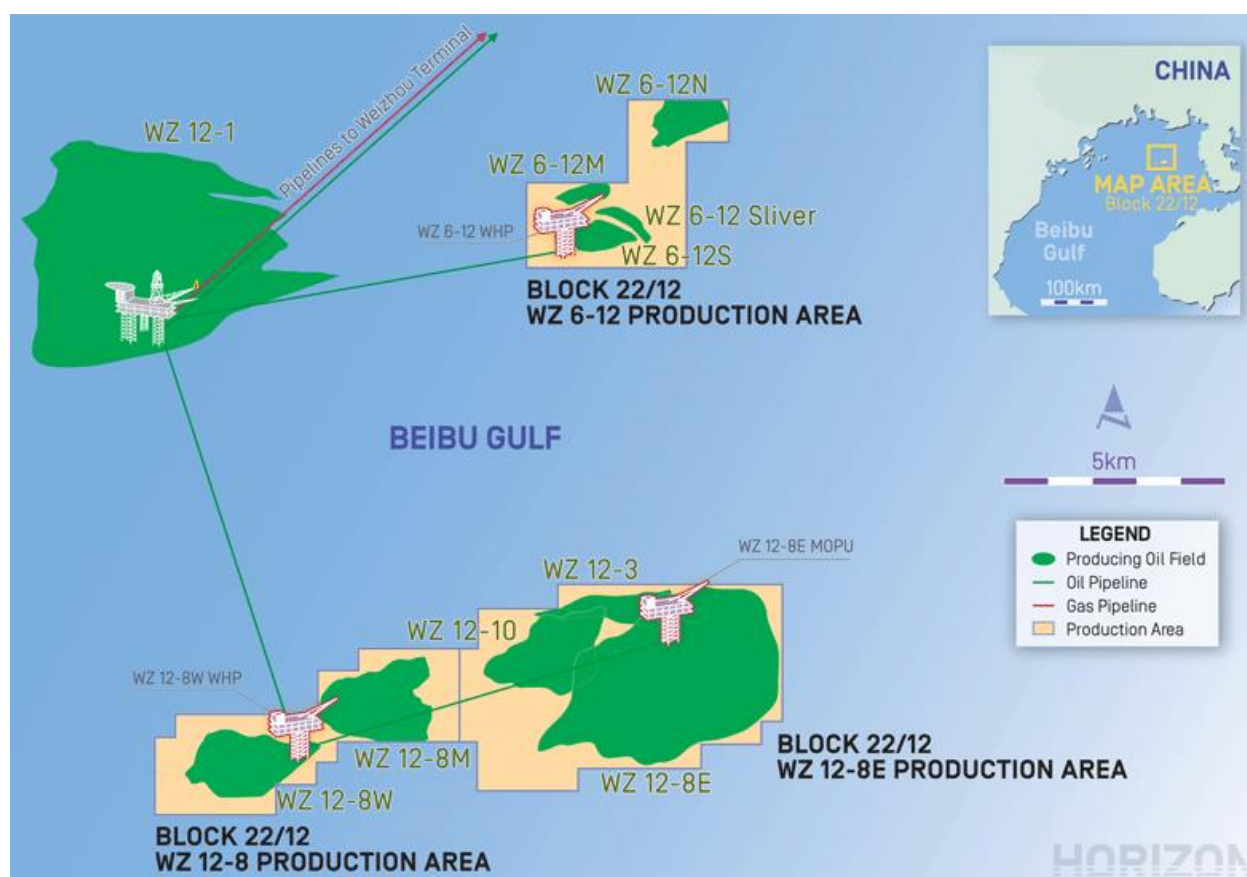
⁴ Represents principal amounts drawn down at 30 June 2023.

⁵ Amounts may not cast due to the rounding of balances.

⁶ Production amounts are shown on a net working interest basis (NWI).

PRODUCTION

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



Horizon's Beibu Gulf fields continued to produce well during the quarter, with gross oil production at an average of 14,182 bopd (Horizon net 26.95%: 3,822 bopd) reflecting expected natural reservoir decline from all Block 22/12 fields, following the ramp up in production earlier in the year as a result of the successful infill drilling campaigns. Total Block 22/12 production over the twelve months to 30 June 2023 has averaged 15,484 bopd gross (Horizon net 4,173 bopd).

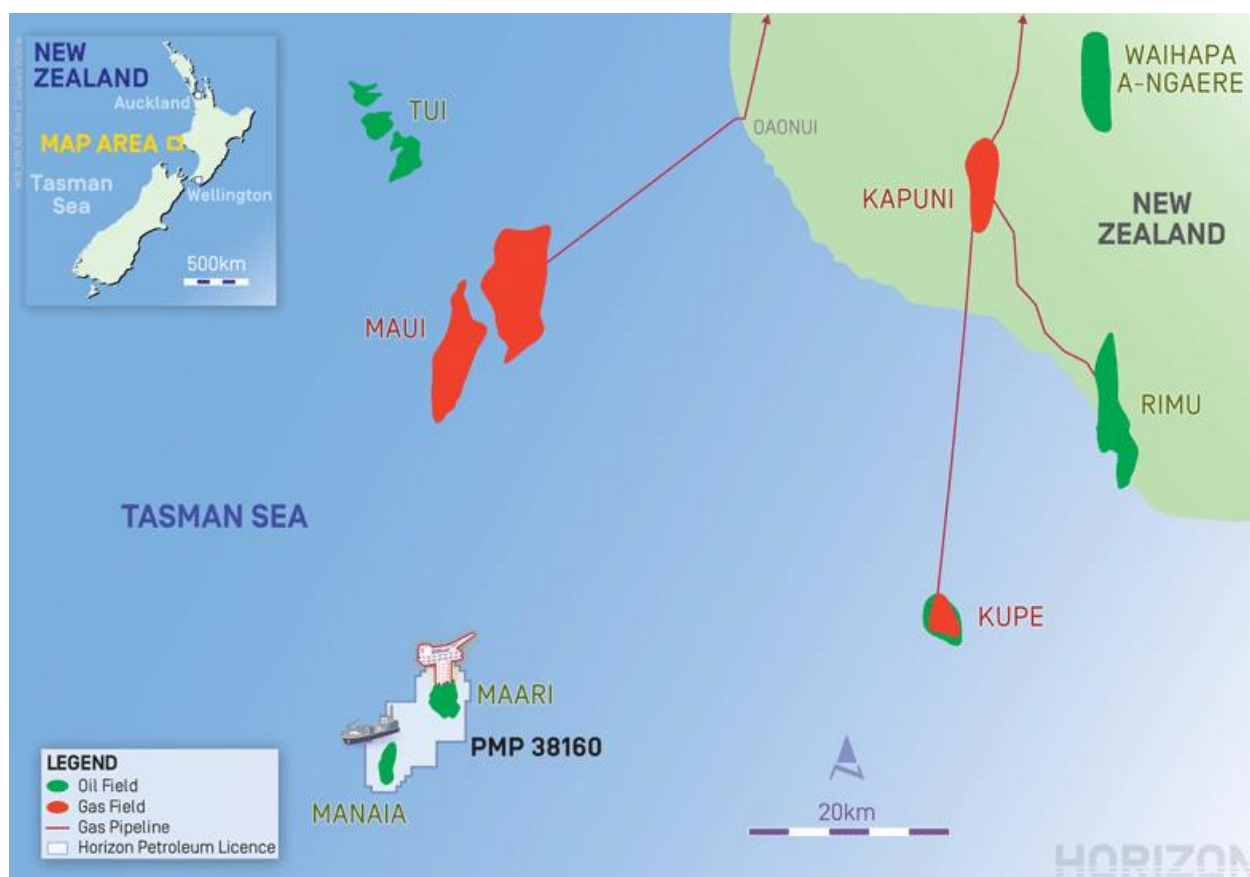
Net sales for the quarter were 319,411 bbls, generating revenue of US\$23.6 million for the quarter. Full year sales for the 2023 financial year was 1,403,782 bbls, generating revenue of US\$116.3 million.

Cash operating costs for the quarter were US\$11.37/bbl (produced) with the 2023 financial year averaging US\$11.03/bbl produced, excluding the costs of workovers.

The Block 22/12 Joint Venture continues to evaluate and mature further infill drilling targets and well workovers with a view to executing a drilling program during FY24, subject to rig availability and joint venture approvals. The Joint Venture are also focussed on liquid handling capacity upgrade initiatives across the Project area with the aim of reducing overall oil production decline, with an acid job completed during the period on the A7 water disposal well at WZ12-8E aimed at enhancing water disposal rates.

Subsequent to the quarter end, in early July the Block 22/12 fields were shut-in for approximately four days for a scheduled annual maintenance campaign. Shortly after the successful completion of the maintenance campaign the field was shut in again for a further four days as a safety precaution due to Typhoon Tai Li which passed through the Beibu Gulf. Production resumed without incident, and current field production is currently averaging approximately 12,500 bopd (gross).

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



Maari gross oil production for the quarter increased 18.6%, averaging 4,736 bopd (Horizon net 26%: 1,232 bopd), with production for the 2023 financial year averaging 4,139 bopd (Horizon net 26%: 1,076 bopd).

Production for the quarter increased following the successful workover of the MN1 well which has increased gross field production by in excess of 1,000 bopd with daily production rates now consistently over 5,000 bopd. The Maari Joint Venture has commenced works on the permanent conversion of the MR2 water injection well, which will enable increased water injection into the Maari Moki field to provide further pressure and displacement support to the producing wells. The workover is expected to be completed during the 1H FY24. Plans are also progressing for a subsequent workover on the shut-in MR6A well with the aim of reinstating oil production.

Cash operating costs were impacted by the shut-in wells during the year and averaged US\$32.8/bbl produced for the quarter and US\$32.7/bbl for the financial year, excluding the costs of workovers.

2023 financial year sales were 370,655 bbls generating revenue of US\$34.2 million. Crude oil inventory at 30 June 2023 was 41,298 bbls.

During the quarter, the operator substantially completed life extension works and inspections, with formal sign-off expected shortly for the Raroa FPSO to be certified for a further 5 years through to 2028. The JV is now assessing and prioritising value adding projects, including production enhancement and cost reduction opportunities with the aim of extending the field life past the current 2027 permit expiry.

At the end of the quarter, the operator completed and lodged with the NZ regulator an updated Maari decommissioning plan and cost estimate which will be evaluated for the purpose of determining the level of financial security which will likely be needed to be provided by the Maari Joint Venture over coming years under the Crown Minerals (Decommissioning and Other Matters) Amendment Act. Whilst the guidance and regulations surrounding decommissioning security are still being finalised, it will be necessary for Horizon to set aside funds judiciously over the coming years to ensure it can meet these obligations.

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 27 July 2023.

For more information please contact:

Horizon Oil Limited
Richard Beament CEO

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

Level 4, 360 Kent St
Sydney NSW 2000
www.horizonoil.com.au