

QUARTERLY REPORT

PERIOD ENDING 31 DECEMBER 2023 [ASX:HZN]

HIGHLIGHTS

AUD 2.0 cents per share distribution paid to shareholders

- Dividend of AUD 2.0 cents per share totalling ~US\$21 million (~A\$32 million) paid to shareholders on 25 October 2023.

Strong cashflow replenishes cash balance following distribution to shareholders

- Horizon's net working interest share of production and sales volumes for the quarter were 374,544 bbls and 366,694 bbls, with 2023 calendar year production and sales volumes of 1,747,129 bbls and 1,731,571 bbls, which were significantly higher than the prior year.
- Overall production was only modestly down on the prior quarter despite minimal capital expenditure, with natural field decline substantially offset by the maintenance of high facility uptime.
- Revenue from production for the quarter was US\$31.3 million (exclusive of hedge receipts), with 2023 calendar year revenue of over US\$142 million. Revenue was lower for the quarter owing to the 4% reduction in the average realised oil price to ~US\$85/bbl, the modest production decline and full recoupment of the Block 22/12 cost recovery oil entitlement¹ early in the period.
- Net operating cash flow² for the quarter was US\$22.3 million, with 2023 calendar year net operating cash flow² of more than US\$110 million.
- Cash operating costs averaged below US\$20/bbl for the 2023 calendar year, with higher quarterly costs attributable to workover activity at Maari and Block 22/12 calendar year end adjustments.
- Cash and net cash at 31 December 2023 was US\$45.1 million, materially in line with the prior quarter (US\$45.9 million) despite the payment of the final FY23 distribution of ~US\$21 million during the quarter. A further US\$10.5 million pertaining to the Maari December lifting was received shortly after quarter end.

CHIEF EXECUTIVE OFFICER'S COMMENTARY

This was another solid quarter with the continued strong free cashflow generation almost completely replenishing the Company's cash position following the ~US\$21 million (AUD 2.0 cents per share) distribution paid to shareholders in October. This rapid cash rebuild encourages us to consider further distributions and ensures that the Group has sufficient liquidity to fund its organic growth pipeline. Production at both fields remained robust for the quarter with modest natural field decline and high facility uptime achieved. Production enhancement opportunities remain a priority at both fields, with the MR6a workover at Maari commencing during the period, and a workover of three wells in the WZ6-12 field at Block 22/12 having commenced during January. The Block 22/12 joint venture continues to mature an infill drilling program with an anticipated first half of calendar year 2024 start date, subject to joint venture and regulatory approvals. Current expectations are that the program will involve the drilling of up to 4 wells, focussed on the WZ12-8E and WZ6-12 fields.

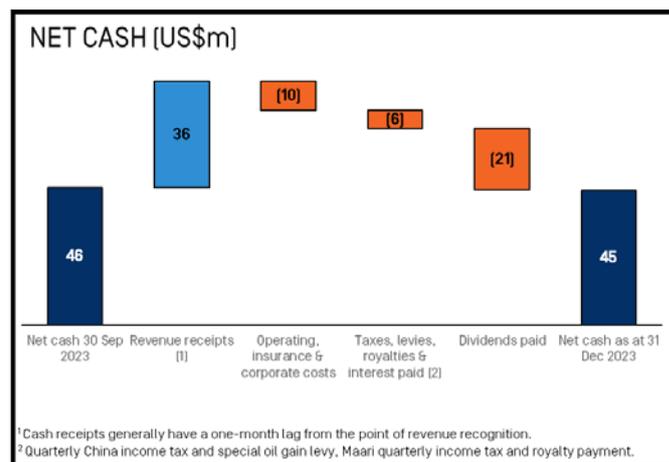
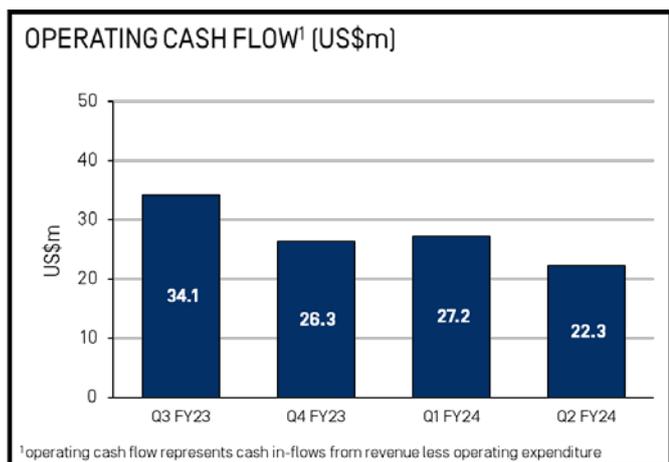
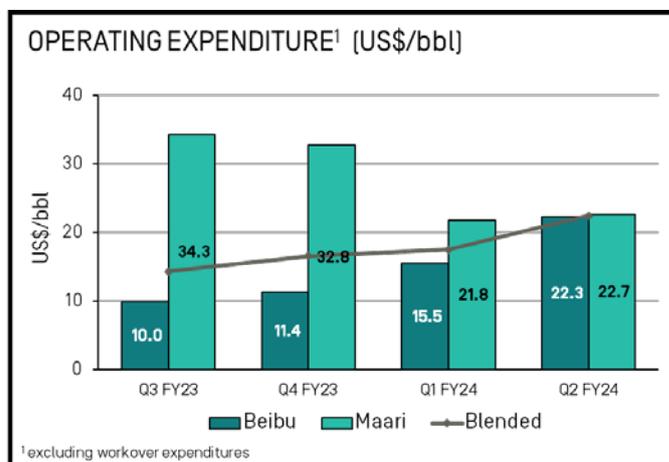
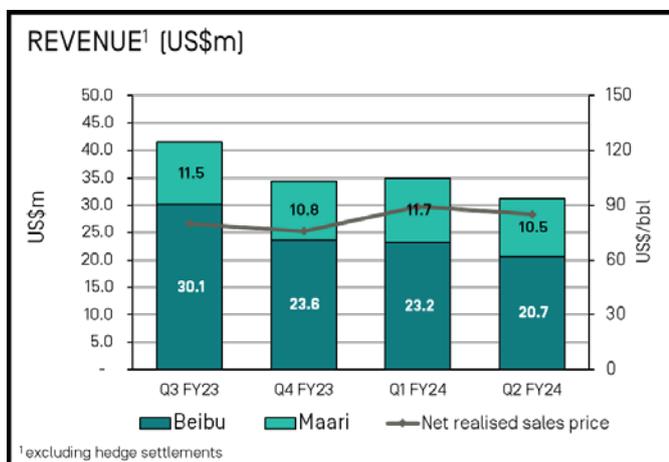
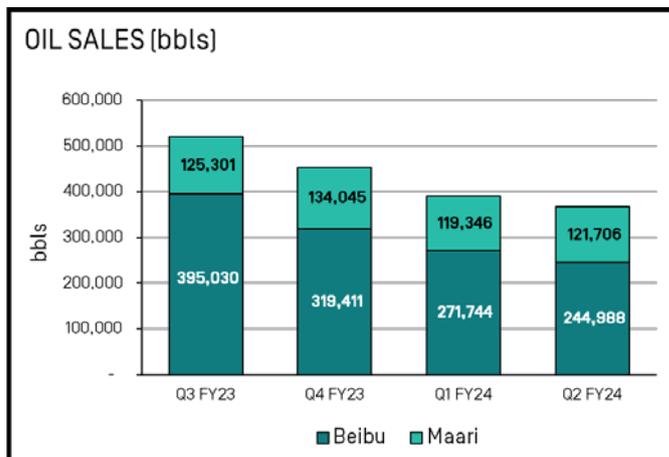
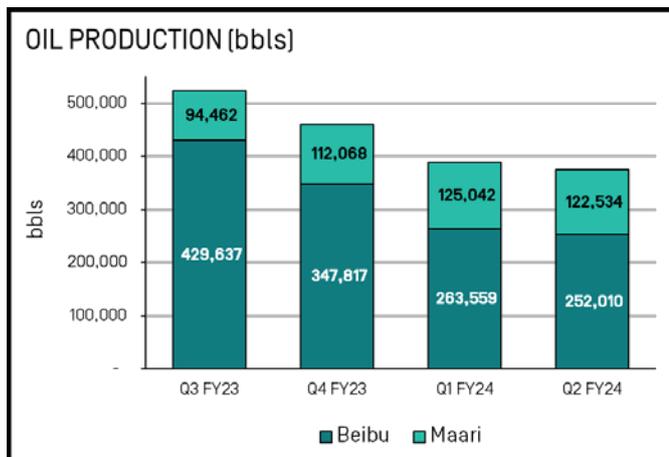
Richard Beament
Chief Executive Officer

¹ Cost recovery oil entitlement is a right under the Block 22/12 Petroleum Contract to additional oil production to compensate Horizon for historical exploration expenditure incurred in the Block. The current entitlement is associated with historical WZ12-8E exploration costs.

² Net operating cashflow represents total revenue less direct production operating expenditure (including workover costs).

COMPARATIVE PERFORMANCE

PERIOD ENDING 31 DECEMBER 2023



Note: Financial results contained in this quarterly are unaudited.

FINANCIAL SUMMARY

Production	Q2 FY2024 bbls	Q1 FY2024 bbls	CHANGE %	CALENDAR YEAR 2023 Bbls
BLOCK 22/12 [BEIBU GULF], OFFSHORE CHINA				
Crude oil production (NWI) ¹	252,010	263,559	[4.4%]	1,293,022
Crude oil sales	244,988	271,744	[9.8%]	1,231,173
PMP 38160 [MAARI AND MANAIA], OFFSHORE NEW ZEALAND				
Crude oil production (NWI) ¹	122,534	125,042	[2.0%]	454,106
Crude oil inventory on hand	39,805	43,003	[7.4%]	39,805
Crude oil sales	121,706	119,346	2.0%	500,398
TOTAL PRODUCTION				
Crude oil production	374,544	388,601	[3.6%]	1,747,129
Crude oil sales	366,694	391,090	[6.2%]	1,731,571
PRODUCING OIL AND GAS PROPERTIES				
	US\$'000	US\$'000		US\$'000
BLOCK 22/12 [BEIBU GULF], OFFSHORE CHINA				
Production revenue ²	20,742	23,195	[10.6%]	97,613
Operating expenditure	5,629	4,090	37.6%	17,952
Workovers	143	261	[45.0%]	577
Special oil gain levy	1,527	1,734	[12.0%]	5,607
PMP 38160 [MAARI AND MANAIA], OFFSHORE NEW ZEALAND				
Production revenue ²	10,516	11,678	[10.0%]	44,475
Operating expenditure	2,782	2,726	2.1%	12,426
Workovers	967	16	>100%	1,641
Inventory adjustment ³	[80]	28	[>100%]	3,870
Total Producing Oil and Gas Properties				
Production revenue²	31,258	34,873	[10.4%]	142,088
Oil hedging settlements	584	[595]	[>100%]	454
Total revenue [incl. hedging gains/(losses)]	31,842	34,278	[7.1%]	142,542
Direct production operating expenditure	9,522	7,093	34.2%	32,597
Net operating cash flow⁴	22,319	27,185	[17.9%]	109,945
EXPLORATION AND DEVELOPMENT				
PMP 38160 [Maari and Manaia], New Zealand	117	770		1,873
Block 22/12 [Beibu Gulf], offshore China	354	404		2,823
Total capital expenditure	471	1,174		4,695
Cash on hand / Net Cash	45,066	45,897		45,066

¹ Production amounts are shown on a net working interest basis (NWI).

² Represents gross revenue excluding hedge gains and losses.

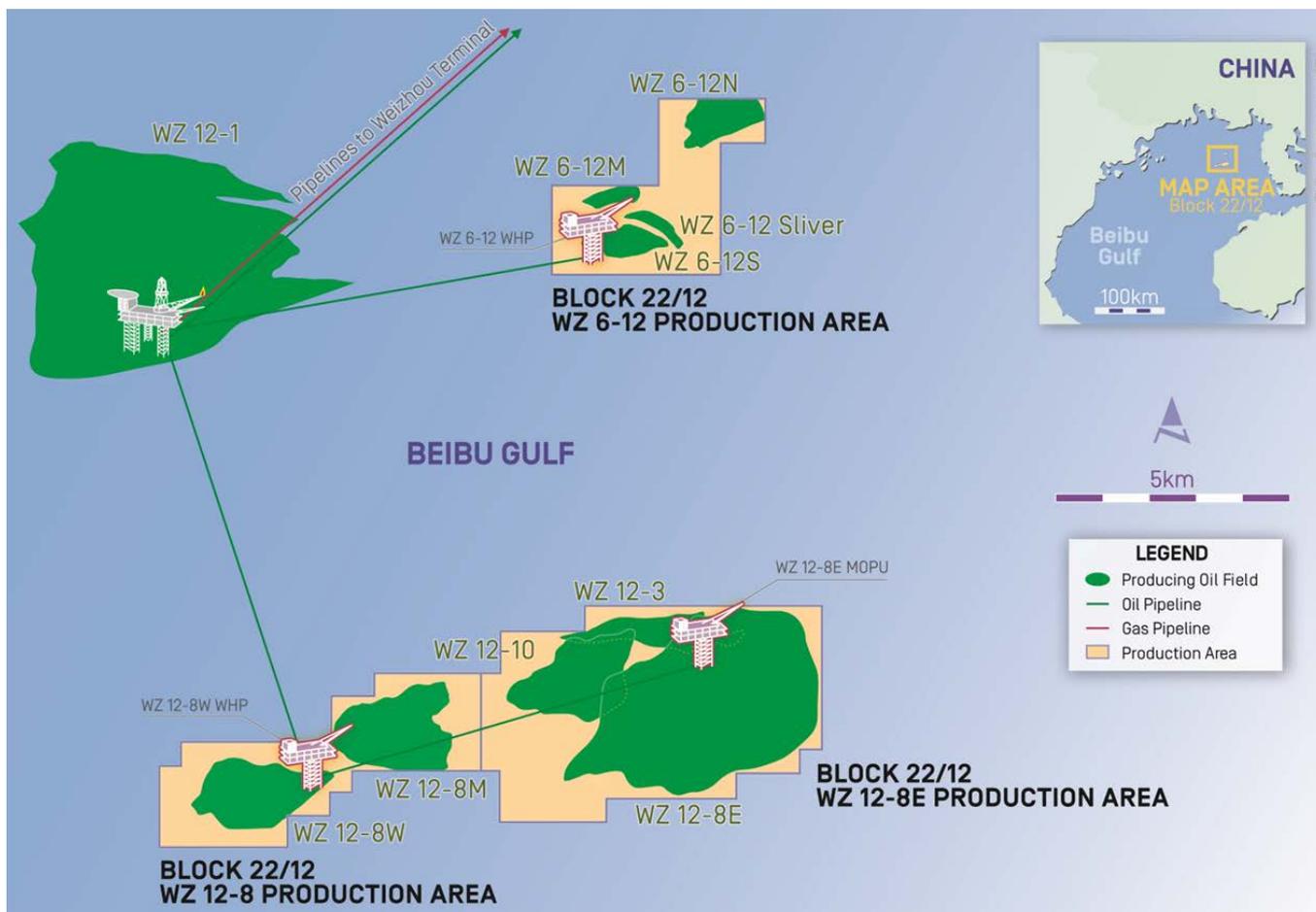
³ Represents an accounting adjustment for cost of crude oil inventory sold or produced during the period.

⁴ Represents total revenue less direct production operating expenditure (including workover costs).

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

PRODUCTION

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



Gross oil production for the quarter averaged 10,164 bopd (Horizon net 26.95%: 2,739 bopd). Production declined naturally as anticipated across all of the main producing fields.

Net sales for the quarter were 244,988 bbls, generating revenue of US\$20.7 million. Net sales for the 2023 calendar year were 1,231,173 bbls, generating revenue of US\$97.6 million. Oil sales and revenue benefited from an incremental cost recovery oil entitlement¹ resulting in an additional ~US\$1.3 million of revenue recorded for the quarter, in addition to the reported US\$2.6 million of cost recovery oil entitlement revenue benefit reported in the previous quarter.

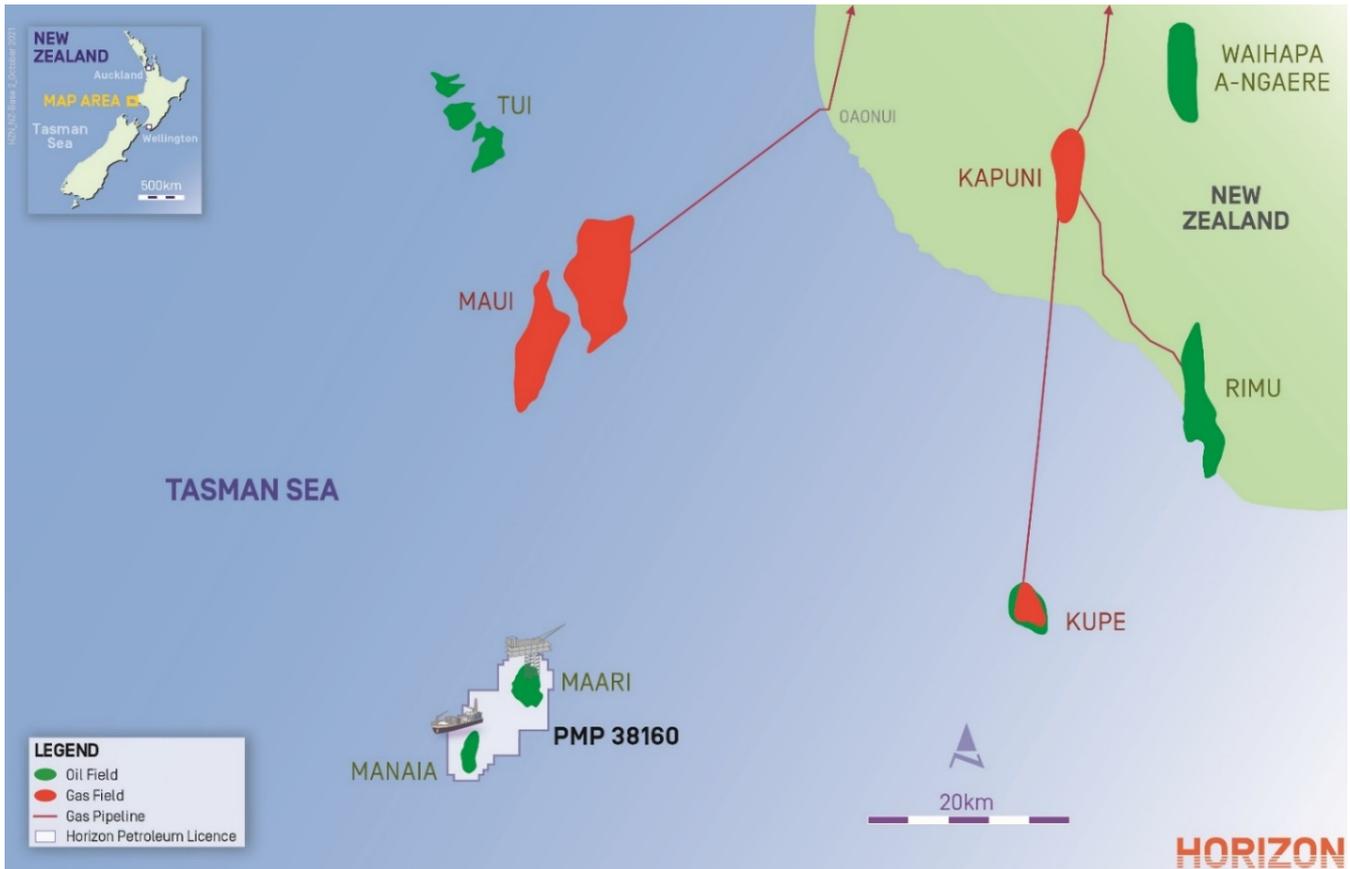
Cash operating costs for the quarter were US\$22.34/bbl [produced], with the 2023 calendar year averaging US\$13.88/bbl [produced], excluding the costs of workovers.

A three well workover campaign commenced subsequent to the end of the quarter, comprising activities to restore production from two currently inactive wells, and preparatory work on a third inactive well to enable side-tracking during the proposed drilling program in H1 CY2024.

The Block 22/12 joint venture continues to mature a drilling program with an anticipated first half of calendar year 2024 start date, subject to rig availability and joint venture approvals. The program will involve the drilling of up to 4 wells, focussed on the WZ12-8E and WZ6-12 fields. The joint venture also continues to focus on liquid handling capacity upgrade initiatives across the Project area with the aim of reducing overall oil production decline.

¹ Cost recovery oil entitlement is a right under the Block 22/12 Petroleum Contract to additional oil production to compensate Horizon for historical exploration expenditure incurred in the Block. The current entitlement is associated with historical WZ12-8E exploration costs.

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



Gross oil production for the quarter averaged 5,123 bopd [Horizon net 26%: 1,332 bopd] with production for the 2023 calendar year averaging 4,785 bopd [Horizon net 26%: 1,244 bopd]. Quarterly production was broadly in line with the prior quarter, with natural field decline substantially offset by a combination of ongoing water injection support in the Maari Moki and the maintenance of high facility uptime.

Cash operating costs averaged US\$22.70/bbl produced for the quarter, with the 2023 calendar year averaging US\$27.36/bbl [produced], excluding the costs of workovers.

Net sales for the quarter were 121,706 bbls, generating revenue of US\$10.5 million, with the cash receipt for this revenue received subsequent to the end of the quarter. Net sales for the 2023 calendar year were 500,398 bbls, generating revenue of US\$44.5 million. Net crude oil inventory at 31 December 2023 was 39,805 bbls.

The Maari Joint Venture commenced a workover on the currently shut-in MR6A well with the aim of reinstating oil production from the Maari Mangahewa and to exploit a previously unproduced Matapo Sandstone behind pipe opportunity. Following minor repairs to the workover unit which are largely complete, the workover is now expected to be completed during the current quarter.

Works to extend field life beyond the current December 2027 permit expiry continued during the quarter, including the preparation of licence extension documentation which is planned to be lodged with the regulator later this calendar year.

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 30 January 2024.

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