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The Manager
Company Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

MEREENIE JOINT VENTURE SECURES STRATEGIC LONG-TERM GAS SALE AGREEMENTS

Horizon Oil Limited (ASX:HZN) ["Horizon"] is pleased to advise that the Mereenie joint venture gas sales Expression of Interest ("EOI") process has successfully concluded after targeting bids from across the Northern Territory and the East Coast where gas shortfalls are forecast over the next few years.

The EOI process has resulted in the Mereenie joint venture entering into a long-term strategic gas sales agreement (GSA) with the Northern Territory Government (NTG). The new GSA covers the firm supply of gas for the six-year period from 1 January 2025 through until 31 December 2030 to underpin the domestic supply of gas to the Northern Territory. Together with an amended existing gas supply agreement with Arafura Rare Earths Limited (ARU), the Mereenie joint venture has now substantially contracted the forecast Mereenie Proved Developed Producing (PDP) gas production until the end of 2030 at current market prices, subject to the ARU GSA becoming unconditional. The gas sales agreements reduce the market dependency on the Northern Gas Pipeline (NGP) with the NTG GSA also including contingent offtake arrangements for firm gas nominations in 2025 if the NGP is offline. The NTG GSA also supports the drilling of two proposed infill wells at Mereenie with contingent offtake arrangements for firm gas nominations following successful drilling.

The Mereenie NTG GSA covers the supply of up to 8.3 PJs of gas [net to HZN]] on a firm basis with take or pay provisions for the six years from 1 January 2025 through 31 December 2030 with the specifics set out below:

- Supply of firm base gas supply of up to 3.6 PJ (net to HZN);
- The Mereenie NTG GSA mitigates Horizon's risk to NGP closures by increasing Horizon's firm sales to the NTG by up to 16 TJ/d (100% JV) on any day in 2025 that the NGP is unable to deliver gas to Horizon's existing East Coast customers. Contingent supply of up to 1.5PJ (net to HZN);
- The Mereenie NTG GSA underwrites new production by increasing Horizon's firm sales to the NTG by up to 6 TJ/d (100% JV) once the Mereenie joint venture completes two new proposed Mereenie development wells (subject to successful drilling results). Contingent supply of up to 3.3 PJ (net to HZN).

In addition to the NTG GSA, the Mereenie JV have restructured the existing GSA with ARU to now supply up to 4.1 PJs (Horizon's share) for the three years from 1 January 2028 through to 31 December 2030 to better align the gas supply with the expected Nolans Project rare earth mine start-up profile. The ARU GSA remains conditional upon the ARU Board making a final investment decision to proceed with the development of the Nolans Project by 31 December 2024.

Horizon's CEO Richard Beament commented:

We are very pleased to have secured a long-term strategic offtake agreement to supply gas to the NT government. Such an agreement reinforces the vital importance of the Mereenie gas field (the largest producing onshore gas field in the Northern Territory) to underpin domestic gas supply to Territorians. This is a strategic milestone for the joint venture with all Mereenie Proved Developed Producing gas production contracted through to the end of the decade at current market prices. Importantly, the NT GSA, in conjunction with the amended ARU GSA reduce the market dependency on the NGP and provide support for further investment at Mereenie with infill drilling planning well advanced. The new GSAs underscore the strategic merit of Horizon's recent acquisition of an interest in the Mereenie field with the new GSAs expected to enhance project cashflows out to the end of the decade.

Gas Sales Agreement Detail

New Mereenie NTG GSA

Horizon and its joint venture partners, Central Petroleum Limited (operator), New Zealand Oil & Gas Ltd, and Cue Energy Resources Ltd have signed a GSA with the NTG for the supply of up to 25 TJ/d or 33.2 PJ of gas (6.3 TJ/d or 8.3 PJ net to Horizon) from 1 January 2025 to 31 December 2030. The GSA is comprised of several components:

Base Gas Supply: 14.2 PJ over three years from 2026 (Horizon's share 3.6 PJ), the bulk of which (13.5 PJ Gross) will be delivered over 2026 and 2027.

NGP-diverted gas: Up to 5.8 PJ (Horizon's share 1.5 PJ) in 2025 for any gas that cannot be delivered to existing East Coast customers in 2025 if the NGP is closed.

Additional gas: The contracted gas volume can be increased to include additional gas (including future production from two new proposed Mereenie wells), of up to 6 TJ/d (Horizon's share 1.5 TJ/d) over six years from 2025. This could total up to 13.1 PJ (Horizon's share 3.3 PJ) over six years.

The Mereenie NTG GSA is for firm gas supply ex-field, with take-or-pay provisions that reflect a base gas supply and a fixed price that escalates with the consumer price index.

The Mereenie NTG GSA is anticipated to support a final investment decision by the Mereenie JV for drilling additional wells at Mereenie, including two drill-ready development wells. The Mereenie NTG GSA also provides support for further investment in field production increases through additional infill drilling and possible appraisal of the Stairway formation.

Arafura (ARU) GSA

The existing conditional GSA to supply gas to Arafura's Nolans rare earths project has been amended to extend the current condition precedent date of 31 July 2024 by five months to 31 December 2024 and deferral of the start date by two years to 1 January 2028. This results in a reduction in the supply term to 3 years commencing on 1 January 2028, supplying up to 4.1 PJs (Horizon's Share). The conditions precedent have been limited to Arafura's Board approval for a final investment decision. The NTG GSAs have been structured to sell the gas previously sold to Arafura between 1 January 2026 through 31 December 2027 as provided for under the prior Arafura GSA arrangements and to sell additional firm production from the fields above the Arafura contracted volumes after 1 January 2028.

NGP update

The JV has been advised that the NGP is not expected to reopen until later this year with gas sales continuing to firm customers in the NT and to Power and Water Corporation under the as-available contract which commenced in April 2024.

Notwithstanding the extended NGP closure, the Mereenie gas field has been selling at full capacity since late April, with brief turndowns in June and July due to reduced seasonal demand.

Mereenie Joint Venture Participants

Central Petroleum Limited (CTP) (25%) (operator)
Horizon Oil Limited (HZN) (25%) (held through its wholly owned subsidiary Horizon Australia Energy Pty Ltd)
New Zealand Oil & Gas Limited (NZO) (42.5%)
Cue Energy Resources Limited (CUE) (7.5%)

Authorisation

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