QUARTERLY REPORT

PERIOD ENDING 30 JUNE 2020 (ASX:HZN)

STRONG FUNDAMENTALS

- Production at the upper end of guidance with 1.48 million bbls produced during the 2020 financial year with production for the June 2020 quarter of 328,813 bbls.
- Sales of 1.43 million barrels for the 2020 financial year at an average realised oil price of US$58.86/bbl, inclusive of hedge settlements, with sales for the June 2020 quarter of 351,188 bbls.
- Revenue inclusive of hedge settlements of US$84.0 million (~A$118 million) for the 2020 financial year with US$12.2 million generated for June 2020 quarter (inclusive of hedge settlements).
- Cash operating costs for the 2020 financial year of US$16.79/bbl (inclusive of workover costs) which, following cost reduction initiatives implemented in response to the changed economic conditions, has been maintained below US$12/bbl produced for the 6-month period ended 30 June 2020.
- Net operating cash flow[1] of US$59.2 million (~A$83 million) for the 2020 financial year to date; net operating cash flow for June 2020 quarter of US$8.8 million.

RESILIENT BALANCE SHEET

- Horizon continues to be in a strong financial position despite the global challenges caused by the COVID-19 pandemic with its low cost, high margin production at Maari and Beibu continuing to drive free cashflow generation.
- The Group finished the year in a net cash position of US$0.5 million at 30 June 2020 (a reduction in net debt from 30 June 2019 of US$28.4 million or 101%), with a further US$2.9 million in hedge receipts and US$2.0 million of revenue relating to June quarter sales received shortly after quarter end. Cash reserves of US$25.9 million were on hand at 30 June 2020.
- The Group continued to benefit from its progressive hedging program with hedge receipts of US$9.1 million during the 2020 financial year. At 30 June 2020, the Company had 220,000 bbls of oil swaps to December 2020 at a weighted average price of approximately US$36/bbl.
- Whilst the Group continues to evaluate inorganic growth opportunities, plans are maturing for further organic growth within Block 22/12, China. With the recent recovery in oil prices, and with Block 22/12 cash operating costs maintained below US$10/bbl, the CNOOC operated joint venture has commenced a multi-well workover program which is to be followed by a two well infill drilling program later in the year. In addition, FID for the WZ 12-8E development, is anticipated during the next quarter.

PNG UPDATE

- On 9 June 2020, Horizon advised that its investigation into Horizon's payment to acquire an interest in Petroleum Retention Licence 21 (PRL 21) in Western Province of Papua New Guinea (PNG) in 2011 had concluded. The investigation, which included a forensic review of all aspects of the transaction, was conducted by Herbert Smith Freehills and Deloitte and overseen by an Independent Board Committee. Horizon confirms that no breach of any Australian foreign bribery law has been established. Horizon is not aware of any regulatory investigation into these matters involving the Company in Australia or Papua New Guinea.

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

CHIEF EXECUTIVE OFFICER'S COMMENTARY

It is very satisfying that Horizon can announce strong FY20 results. An outcome which underlines the strength of Horizon's base business and was achieved despite oil prices hitting 20 year lows during this final quarter.

Production was at the upper end of guidance with just under 1.5 million bbls produced, while cash operating costs were maintained below US$17/bbl for the year - ensuring continued free cashflow generation throughout.

The overall production result was also pleasing considering that both Beibu and Maari production decreased during the final quarter as a number of wells require workover, some of which were delayed due to COVID-19 restrictions. Now that the oil price is slowly recovering, both the Beibu and Maari joint ventures are prioritising workover campaigns to restore and optimise production.

The combination of strong production, reduced costs and a favourable hedge position has enabled the continuation of solid free cashflow generation throughout the financial year. This in turn has led to a material reduction in net debt, and returned the company to a modest net cash position of US$0.5 million at 30 June. The net cash position reduced due to the timing of revenue and hedge receipts - with a further US$4.9 million in cash received shortly after quarter end.

Despite the challenging business conditions, Horizon has continued to push ahead to evaluate and assess multiple growth opportunities including several in Block 22/12, China. In Block 22/12, we plan to largely reinvest forecast free cashflow through the remainder of the calendar year to pursue production growth opportunities, including a production enhancing workover program, infill drilling and most importantly, commencing the WZ 12-8E development.

Block 22/12 operating costs have been maintained below US$10/bbl, therefore additional future production is expected to drive the Group's continued strong free cashflow generation. This additional free cashflow will in turn assist to place the Company in a favourable position to evaluate a variety of inorganic growth opportunities.

Finally, the conclusion of the investigation into the PNG allegations was welcome, and we are now focused on regaining the confidence of our stakeholders to allow us to deliver on our corporate growth objectives.

Chris Hodge
Chief Executive Officer

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Financial Summary

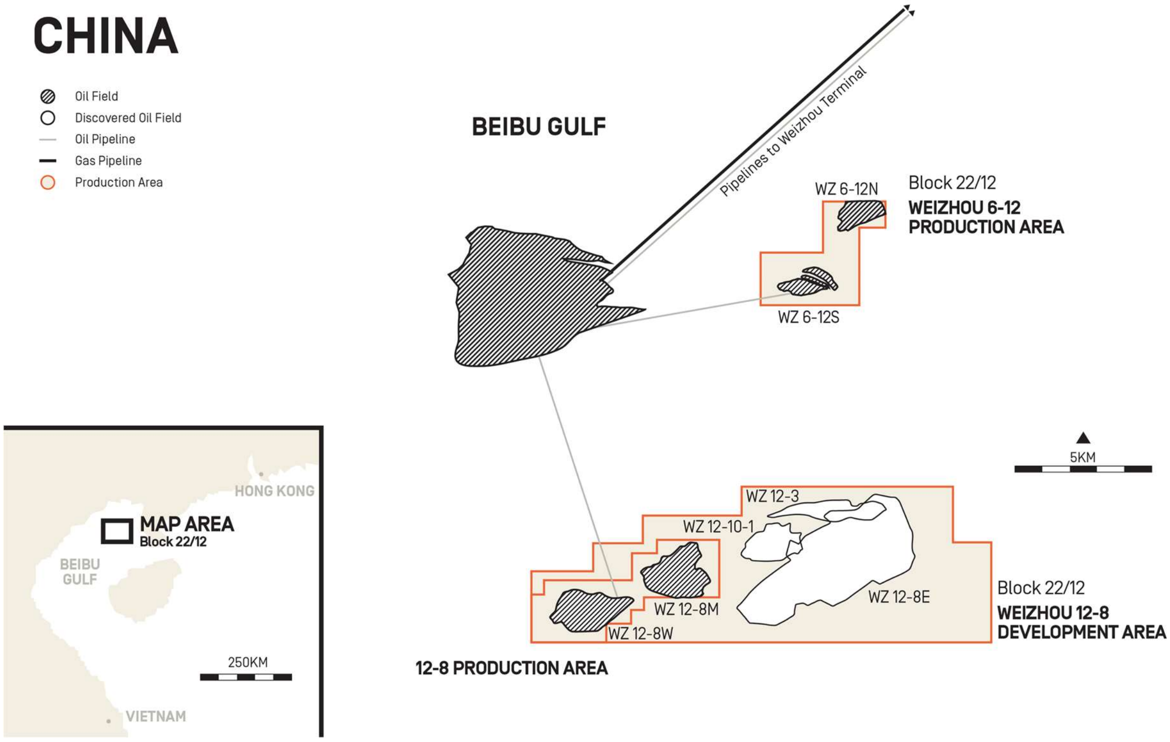
Production	Q4 FY2020 bbls	Q3 FY2020 bbls	CHANGE %	FINANCIAL YEAR 2020 bbls
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Crude oil production	221,110	242,036	(8.6%)	907,886
Crude oil sales	202,106	220,155	(8.2%)	833,071
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Crude oil production	107,703	149,851	(28.1%)	567,676
Crude oil inventory on hand	38,770	82,625	(53.1%)	38,770
Crude oil sales	149,082	85,435	74.5%	594,450
TOTAL PRODUCTION				
Crude oil production	**328,813**	**391,887**	**(16.1%)**	**1,475,562**
Crude oil sales	**351,188**	**305,590**	**14.9%**	**1,427,521**
PRODUCING OIL AND GAS PROPERTIES	**US$'000**	**US$'000**		**US$'000**
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Production revenue[1]	5,525	10,737	(48.5%)	41,384
Operating expenditure	1,651	1,998	(17.4%)	10,333
Amortisation	3,788	4,147	(8.6%)	15,554
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Production revenue[1]	3,739	5,113	(26.9%)	33,558
Operating expenditure	1,730	3,334	(48.1%)	14,454
Inventory adjustment[2]	583	(1,278)	>(100%)	2,243
Amortisation	2,049	2,851	(28.1%)	10,800
Total Producing Oil and Gas Properties				
Production revenue[1]	**9,264**	**15,850**	**(41.6%)**	**74,942**
Oil hedging settlements	**2,903**	**3,334**	**(12.9%)**	**9,084**
Total revenue (incl. hedging gains/(losses))	**12,167**	**19,184**	**(36.6%)**	**84,025**
Direct production operating expenditure	3,381	5,332	(36.6%)	22,212
Net operating cash flow[3]	**8,786**	**13,852**	**(36.6%)**	**59,238**
Amortisation	5,837	6,998	(16.6%)	26,354
EXPLORATION AND DEVELOPMENT				
Papua New Guinea exploration & pre-development	249	357		1,527
PMP 38160 (Maari and Manaia), New Zealand	(261)	176		1,340
Block 22/12 (Beibu Gulf), offshore China	469	162		2,416
Total capital expenditure	**457**	**695**		**5,283**
Cash on hand	**25,920**	**28,424**		**25,920**
Senior debt facility[4]	**25,431**	**25,431**		**25,431**
Net Cash/(Debt)[4]	**489**	**2,993**		**489**

1 Represents gross revenue excluding hedge gains and losses.
2 Inventory has been recorded at its cost which included amortisation of $0.8 million in the quarter.
3 Represents net operating cash flow inclusive of the cost of workovers and repairs and refurbishment expenditure.
4 Represents principal amounts drawn down at 30 June 2020.
5 Amounts may not cast due to the rounding of balances.

Note: Financial results contained in this quarterly are unaudited.

Production

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



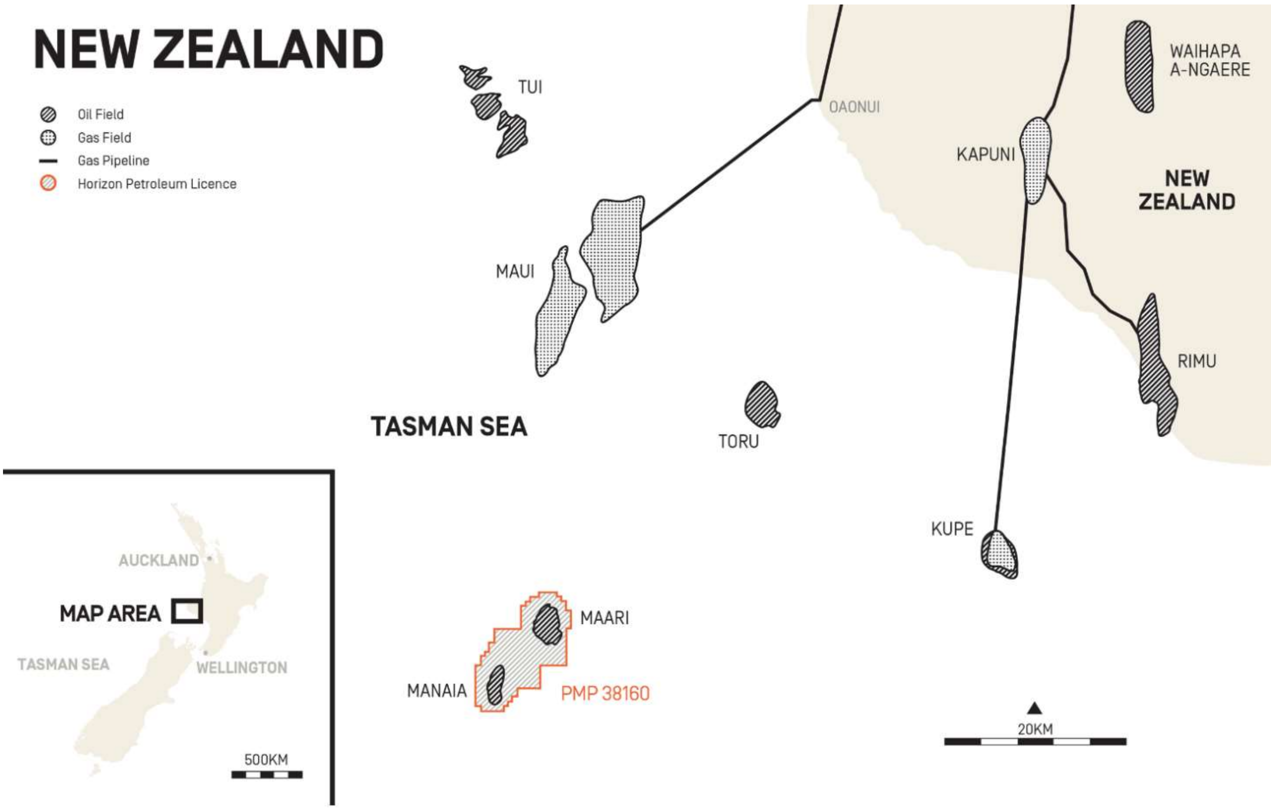
Production from Horizon's Beibu Gulf fields continued uninterrupted by the COVID-19 pandemic. The fields continued to produce above budget with gross oil production for the quarter averaging 9,016 bopd (Horizon net 26.95%: 2,430 bopd) and at the date of this report production is approximately 8,200 bopd following the shut-in of a number of wells for a workover campaign which has recently commenced. The workover program is focused on optimising downhole electrical submersible pumps and adding perforations of undrained oil zones with the objective of increasing gross production from the field to over 10,000 bopd. Gross oil production for the 2020 financial year averaged 9,230 bopd (Horizon net 26.95%: 2,487 bopd). Net sales for the quarter were 202,106 bbls, with net sales for the 2020 financial year of 833,071 bbls.

Average cash operating costs in the quarter were US$7.47/bbl (produced), a decrease of 9% on the prior quarter. This strong production result, coupled with the low cost of production, ensures continued strong free cashflow generation from the Beibu Gulf fields, even at current low oil prices.

The continued low operating and capital cost environment, and recent recovery in oil prices has further encouraged the joint venture to advance infill well opportunities with two wells targeted for drilling at the end of the 2020 calendar year. Planning for the infill wells is well underway with the wells to be drilled from the WZ 6-12 platform, including one well into the producing WZ 6-12 North field, and one well into the recent WZ 6-12 M1 discovery. Horizon's share of the well costs is forecast to be approximately US$5 million to be funded from existing cash reserves and field production revenue.

The final investment decision for the WZ 12-8 East development is expected during the next quarter, following CNOOC's final expert review meeting held last month which had been necessarily delayed due to COVID-19 restrictions. The development has been planned as an extended production test which involves a mobile offshore production platform which will be leased by the joint venture. Importantly, upfront capital costs have been minimised with Horizon's share of costs in the 2020 calendar year expected to be approximately US$2 million. The remaining capital costs and platform lease costs are linked to the oil price providing the project with a natural hedge to the oil price. Based on the Horizon oil price forecast, Horizon's share of capital costs for the first phase are forecast to be ~US$15 million, which is ~20% less than if oil prices were around US$60/bbl. Most of these costs are forecast to be incurred in the 2021 and 2022 calendar years, concentrated around the timing of first production, which the Operator expects to be in early calendar year 2022. Development costs will be internally funded using Horizon's existing cash reserves and field production revenue.

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



Gross oil production for the quarter averaged 4,552 bopd (Horizon net 26%: 1,184 bopd) with production for the 2020 financial year averaging 5,982 bopd (Horizon net 26%: 1,555 bopd).

Production for the quarter was impacted by temporary shut-ins of production wells MR6A, MR7A and MR9 with the Operator advancing plans to workover these wells. The planned workovers have been delayed by COVID-19 restrictions in place with the MR7A and MR9 workovers expected to be completed during the next quarter. The MR6A workover has been deferred until the end of the calendar year as the joint venture awaits delivery of essential equipment and advances plans to upgrade topside equipment to optimise production from the well once production is restored.

Continued cost savings initiatives implemented by the Operator, resulted in a decrease of 27.8% in average cash operating costs to US$16.06/bbl (produced) for the quarter. Average cash operating costs decreased 17.6% for the 2020 financial year despite a modest 6% reduction in production attributable to the temporary well shut-ins.

Despite the COVID-19 restrictions in New Zealand and reduced global oil demand, liftings of Maari crude oil have continued largely uninterrupted in the period with two offtakes during the quarter, a contracted sale in April, and an additional offtake completed in early June which was accelerated due to rising oil demand. Net sales for the quarter were 149,082 bbls, with a further 38,770 bbls of crude oil retained as inventory on hand at the end of the quarter. Net sales for the 2020 financial year increased 3.2% to 594,450 bbls.

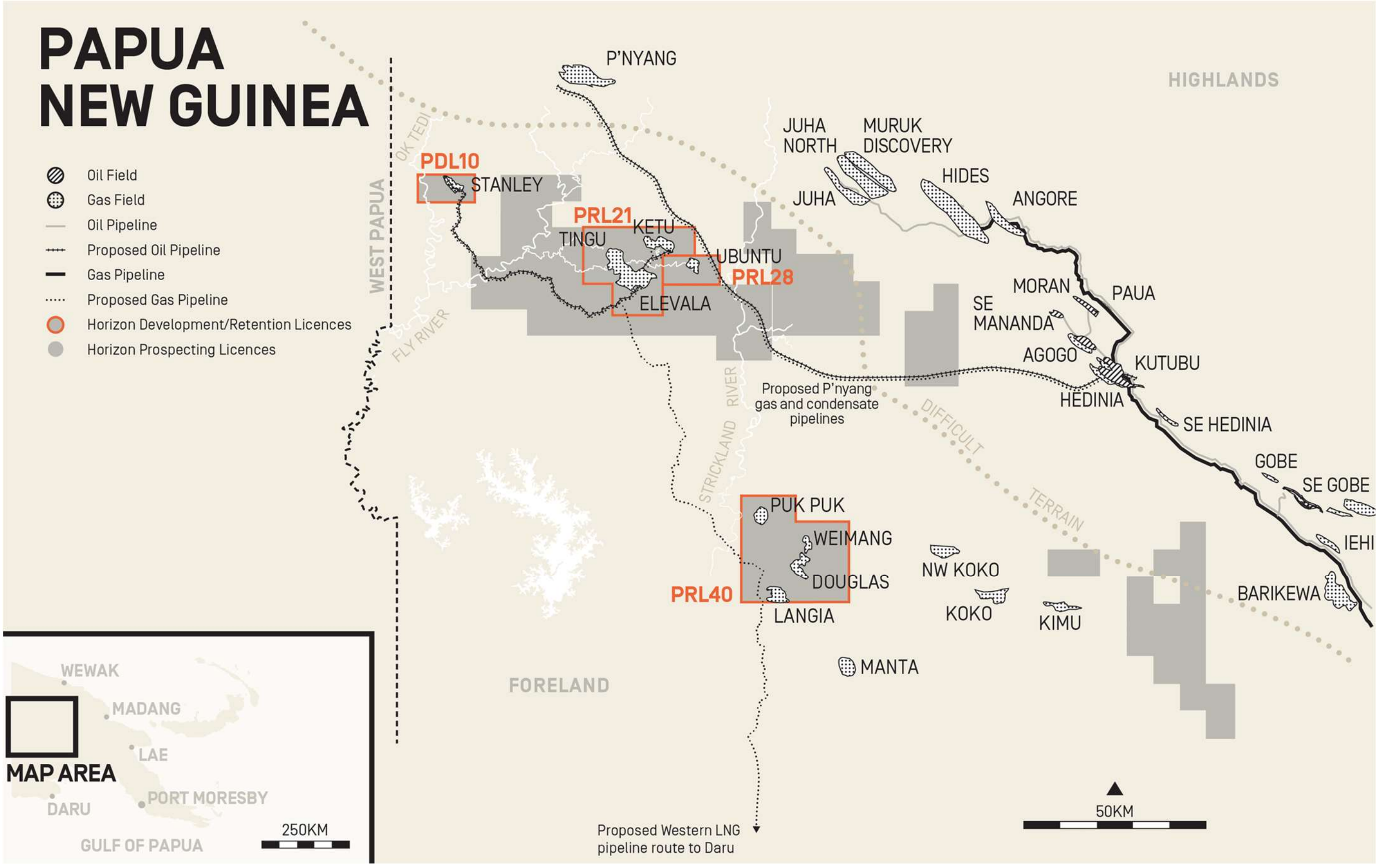
The previously advised intended acquisition by Jadestone Energy Inc. (AIM:JSE, TSXV:JSE) of OMV New Zealand Limited's 69% interest in the Maari project continued following the prior quarter lodgement of applications for NZ government approval. Whilst the transaction continues to remain subject to JV and NZ government approvals, OMV and Jadestone have progressed plans for operatorship transition and Jadestone expect to be in a position ready to assume operatorship during the next quarter. OMV will continue as operator of the Maari project until, and subject to, completion of the proposed transaction.

Pre-Production and Development

Western Province, Papua New Guinea

PRL 21, Elevala/Ketu gas-condensate fields
(Horizon: 30.15% and operator)
PDL 10, Stanley gas-condensate field
(Horizon: 30.0%)

PRL 28, Ubuntu gas-condensate field
(Horizon: 30.0% and operator)
PRL 40, Puk-Puk/Douglas gas fields
(Horizon: 20%)



In Papua New Guinea, Horizon continues planning for the commercialisation of the gross appraised resource of 2,200 PJ of sales gas and 64 million barrels of associated condensate in four petroleum licences in the foreland basin of Western Province. The Company holds approximately 30% of the resource and is Operator of two licences constituting the majority of the resource.

During the quarter, the new Operator of the PDL 10 licence, Arran Energy, articulated its proposal to progress a condensate stripping operation at the Stanley field and to refine development costs. The joint venture was encouraged by the recent receipt of correspondence from the Papua New Guinea Petroleum & Energy Minister, Hon. Kerenga Kua M.P. withdrawing the purported notices of intention to cancel PDL 10 and PL 10, and notice of cancellation of the Stanley Gas Agreement. The Minister's correspondence and the development options for the Stanley field are being reviewed by the PDL 10 joint venture. Refinement of the engineering basis for a PRL 21 condensate development encompassing the Elevala and Ketu fields also continued during the quarter. In light of the challenges presented by COVID-19 and a lower oil price, the Company continued efforts to rationalise the cost base of its PNG operations.

During the quarter, the PNG government amended laws dealing with the review and grant of development licences for oil and gas projects. Among other things, the amendments provide for greater Ministerial discretion in dealing with development licence applications and allow for a review of development proposals against a national interest test prior to the granting of development licence. The stance taken by the PNG Government in the context of their desire for an increased 'state take' in future projects may have significant ramifications for future oil and gas projects.

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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, Subsurface Manager 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 23 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 29 July 2020.