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

SIGNIFICANT INCREASE IN WZ12-8E PROJECT RESERVES

Horizon is pleased to announce a significant increase in reserves for its WZ12-8E project in Block 22/12, Beibu Gulf, China. This updated assessment follows 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.

HIGHLIGHTS

- WZ12-8E project 2P developed oil recovery before subtracting production has increased over 150% from 1.95 mmbbl gross (Horizon net 0.49 mmbbls) to 4.89 mmstb gross (Horizon net 1.24 mmbbls) which is an increase of 2.94 mmbbls gross (Horizon net 0.75 mmbbls).
- This significant increase is a consequence of the strong production performance of the initial six Phase 1 wells ["Revisions of previous estimates" in the table below] that gave the Joint Venture encouragement to drill four Phase 2 wells in 4QCY22 ["Transfers from contingent resources" in the table].
- Production of 1.20 mmbbls gross (Horizon net 0.32 mmbbls) in the six months to 31 December 2022 then results in 2P developed reserves at 31 December 2022 of 3.69 bbls gross (Horizon net 0.91 mmbbls).
- WZ12-8E project production continues to outperform pre-drill expectations and averaged ~9,500 bopd gross (Horizon net ~2,500 bopd) in January 2023, which is an increase of ~300 bopd gross on December 2022.
- With the initial WZ12-8E development now complete, the WZ12-8E Production Area has now been formally defined, with the residual WZ12-8 Development Area now relinquished in accordance with the terms of the PSC.

WZ12-8E Project		
2P		
Reconciliation of 2P developed reserves		
30 June 2022 to 31 December 2022	Gross	Net
	(mmbbls)	(mmbbls)
Opening balance at 30 June 2022	1.95	0.49
Revisions of previous estimates	1.49	0.36
Transfers from contingent resources	1.45	0.39
New balance prior to production	4.89	1.24
Production 30 June - 31 Dec	1.20	0.32
Closing balance at 31 December 2022	3.69	0.91

Figure 1 – Reconciliation of WZ12-8E project 2P reserves

Discussion

The strong production performance of the Phase 1 wells and the subsequent similar early performance of the Phase 2 wells has led to this reserves update. This updated assessment used a number of analytical techniques including in particular observed well production water-oil ratio trend analysis and numerical simulation modelling. The production performance is in turn supported by favourable post-drill mapping, together with longer than planned horizontal wells, and larger vertical offset from the oil-water contact for the Jiaowei wells.

The increase in recovery is a mix of **Revisions of previous estimates** primarily associated with the five Phase 1 Jiaowei wells (Horizon net +0.36 mmbbls) and the **Transfer from contingent resources** associated with the three Phase 2 Jiaowei wells and one Phase 2 WZ12-10-1 well (Horizon net +0.39 mmbbls). All Jiaowei wells show generally slower than expected water-cut development which translates to higher recovery, while the single-well fields Weizhou [A1H] and WZ12-10-1 [A11H] wells show encouraging recovery trends generally consistent with pre-drill numerical simulation studies.

Horizon's current economic assessment assumed an oil price of US\$85/bbl for 2023 reducing to US\$75/bbl from 2026. This compares with the assessment at 30 June 2022 which assumed an oil price of US\$95/bbl for 2HCY22 reducing to US\$75/bbl from 2026.

Horizon CEO, Richard Beament commented:

"This reserves upgrade is a pleasing consequence of the strong production performance of the WZ12-8E Phase 1 and Phase 2 wells. The WZ12-8E project has already produced 1.43 mmbbls gross (0.38 mmbbls Horizon net) since start-up in April 2022 to 31 December 2022, but this production has been more than offset by the increased reserves. Horizon and its joint venture partners continue to investigate opportunities to further increase recovery from the WZ12-8E project through expanding facilities and additional drilling."

Block 22/12 participants:

CN00C (Block 22/12 Operator)	51.00%
Horizon Oil (Beibu) Ltd.	26.95%
Roc Oil (WZ12-8E Operator)	19.60%
Oil Australia Pty Ltd.	2.45%
Total	100.00%

Notes:

- 1 All estimates are prepared in accordance with the Society of Petroleum Engineers (SPE) Petroleum Resources Management System (PRMS) revised 2018.
- 2 Relevant terms used in this statement, capitalised or otherwise, have the same meaning given to those terms in the SPE PRMS.
- 3 Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.
- 4 Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.
- 5 Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. See also above Cautionary Statement.
- 6 Contingent and Prospective Resource estimates quoted for China have assumed China National Offshore Oil Corporation ('CNOOC') participation at 51%. CNOOC is entitled to participate at up to a 51% equity level in any commercial development within Block 22/12. Prospective resources also only include Horizon's on-block share.
- 7 Liquids are equal to the total of oil, condensate and natural gas liquids where 1 barrel of condensate or natural gas liquids equals 1 barrel of oil.
- 8 Raw Gas is natural gas as it is produced from the reservoir which may include varying amounts of heavier hydrocarbons which liquefy at atmospheric conditions, water vapor and other non-hydrocarbon gases such as hydrogen sulphide, carbon dioxide, nitrogen or helium.
- 9 Sales Gas represents volumes that are likely to be present a saleable product. Sales Gas are reported assuming average values for fuel, flare and shrinkage considering the variable reservoir fluid properties of each constituent field on an energy basis the customary unit is PJ. PJ means petajoules and is equal to 10¹⁵ joules.
- 10 Deterministic methods have been used for this WZ12-8E asset to assess 2P reserves.
- 11 Reported estimates of petroleum reserves, contingent resources and prospective resources have been aggregated by arithmetic summation. by category. 1P reserves reported beyond the field, property or project level aggregated by arithmetic summation may be a very conservative estimate due to the portfolio effects of arithmetic summation.
- 12 Estimates are reported according to Horizon Oil's economic interest, this being Horizon Oil's net working interest as adjusted for entitlements (Economic Interest adjustment) under production-sharing contracts and risked-service contracts; and are reported net of royalties and lease fuel up to the reference point. For the WZ12-8E project China, the reference point is the exit flange of the loading hoses at Weizhou Terminal.
- 13 Horizon Oil employs a Reserves Management System to ensure the veracity of data used in the estimation process. This process includes review by senior staff where data is endorsed for inclusion in the estimating process. Estimates are reviewed annually, at a minimum, with interim reviews as required, to respond to any material changes. Horizon Oil undertakes semi-regular external reviews to complement its own internal process.
- 14 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 and the Society of Petroleum Engineers. Mr Douglas' qualifications include a Masters 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.
- 15 Some totals in the tables may not add due to rounding.

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