QUARTERLY REPORT 30 SEPT

PERIOD ENDING 30 SEPTEMBER 2020 (ASX:HZN)

STRONG FUNDAMENTALS

- Production volumes of 1.03 million bbls during the 2020 calendar year with production for the September 2020 quarter of 304,566 bbls despite well workover operations at Maari and Beibu.
- Successful completion of well workover operations at Maari and Beibu restoring approximately 2,500 bopd (gross) of production (~700 bopd net to Horizon).
- Sales of 0.9 million barrels for the 2020 calendar year at an average realised oil price of US$45.38/bbl, inclusive of hedge settlements; sales for the September 2020 quarter were 196,179 bbls with the deferral to October of a record Maari lifting of 126,326 bbls (net).
- Revenue inclusive of hedge settlements of US$38.7 million (~A$55 million) for the 2020 calendar year with US$7.4 million generated for September 2020 quarter (inclusive of hedge settlements) with a further ~US$5.2 million of Maari revenue recorded in October associated with the deferred lifting.
- Significant milestone achieved during the quarter, with Horizon having received over US$0.5 billion of cumulative revenue from Block 22/12 since first oil in 2013.
- Cash operating costs for the 2020 calendar year of US$14.32/bbl (including workover costs) driven by cost reduction initiatives implemented in response to the changed economic conditions.
- Net operating cash flow[1] of US$24.0 million (~A$34 million) for the 2020 calendar year to date; net operating cash flow for September 2020 quarter of US$1.4 million impacted by the deferred Maari lifting and workover costs.

RESILIENT BALANCE SHEET

- 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.
- Increased net cash position to US$5.1 million at 30 September 2020 (an increase in net cash from 30 June 2020 of US$4.6 million). A further US$2.4 million of debt was repaid, with cash reserves of US$28.1 million on hand at 30 September 2020.
- Execution of additional commodity hedging during the quarter to further protect cashflows from commodity price volatility. At 30 September 2020, the Company had 180,000 bbls of oil swaps covering production to March 2021 at a weighted average price of approximately US$42.37/bbl.

REFOCUSING FOR GROWTH

- Sale of Horizon PNG asset portfolio announced for cash consideration of US$3.5 million providing an opportunity to reset and optimise the Group's asset portfolio and focus efforts on securing a significant growth asset.[2]
- FID of WZ12-8E development, fabrication of the facilities has commenced with production forecast to commence in Q1 of CY2022.
- Two well infill well program in Block 22/12 progressed with rig slot extension due to be completed shortly ahead of drilling later in Q4 of CY2020.

[1] Net operating income after operating expenditure, excluding extraordinary items
[2] Sale remains subject to satisfaction of conditions and cash consideration subject to customary completion adjustments.

CHIEF EXECUTIVE OFFICER'S COMMENTARY

The September quarter has proved to be another challenging one from an oil price perspective, with Brent range-bound US$40 to US$45 / barrel. Despite this, primarily due to our low cost of production, we increased net cash to US$5.1 m million by quarter's end – a US$12.5 million increase over the calendar year. This was achieved without the inclusion of a record Maari lifting (126,326 bbls) generating ~US$5.2 million which occurred just after quarter's end.

The key to the resilience of Horizon's cashflow is the continued low cash operating costs (including the cost of workovers), which averages less than US$15 / barrel for the 2020 calendar year to date.

As foreshadowed in previous announcements, there was a significant amount of workover activity in the quarter at both producing fields. Pleasingly, the workover operations were safely and successfully completed with gross production restored in China to ~9,300 bopd, and in New Zealand to ~4,500 bopd.

We were also very pleased to announce recently that the Company, together with its joint venture partners in the Block 22/12 permit – China National Offshore Oil Company (CNOOC), Roc Oil and Majuko Corp – had made a final investment decision (**FID**) for the WZ12-8 East Project. This is a significant milestone achieved with hard work across the joint venture over many years. The approval of this project, together with the recent approval of a two well infill drilling programme in Block 22/12, is further demonstration of the confidence and commitment of the joint venture to unlock the remaining value in Block 22/12 which has so far generated in excess of US$0.5 billion in revenues for Horizon. Low operating costs in Block 22/12 were once again maintained below US$10/bbl.

Another significant announcement was the recent decision to divest the Group's entire PNG asset portfolio for cash consideration of US$3.5 million. As previously mentioned, this decision was not taken lightly, but the Company's ability to realise value in PNG was becoming increasingly long dated and uncertain, as was highlighted by the impairment write-downs taken earlier in the year. The divestment and resultant cash consideration provide an opportunity to reset and optimise the Group's asset portfolio and focus efforts on securing a significant growth asset.

Chris Hodge
Chief Executive Officer

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FINANCIAL SUMMARY

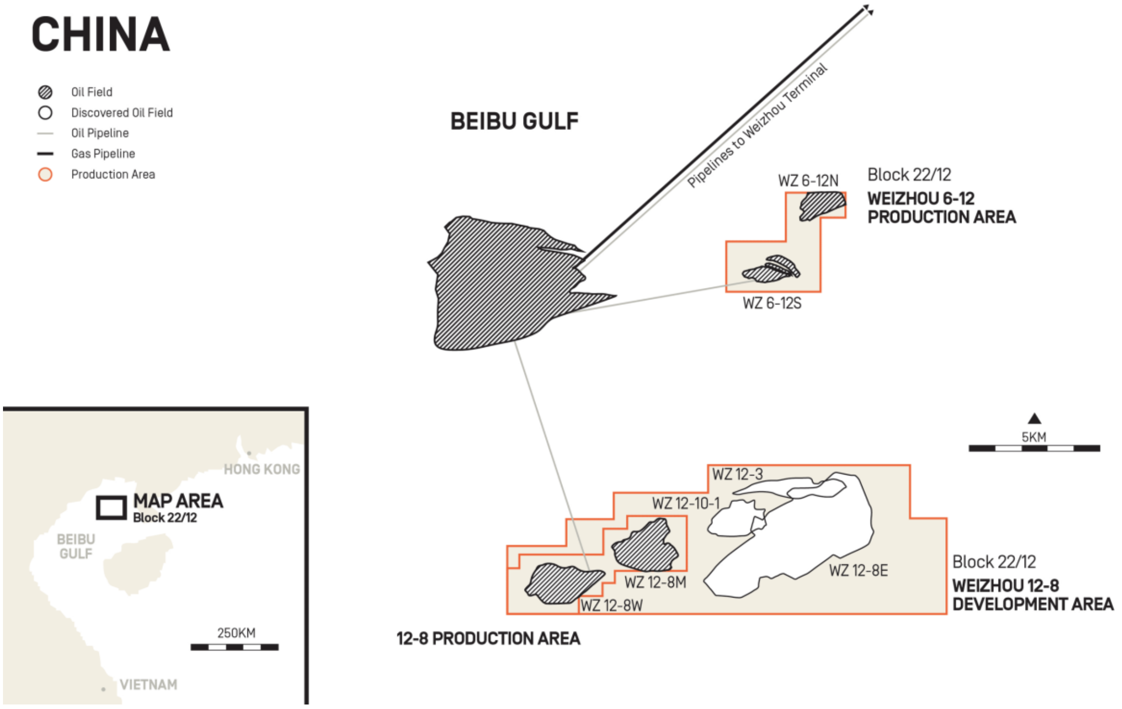
Production	Q1 FY2021 bbls	Q4 FY2020 bbls	CHANGE %	CALENDAR YEAR 2020 bbls
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Crude oil production	214,380	221,110	(3.0%)	677,526
Crude oil sales	196,179	202,106	(2.9%)	618,439
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Crude oil production	90,186	107,703	(16.3%)	347,739
Crude oil inventory on hand	128,425	38,770	>100%	128,425
Crude oil sales	-	149,082	(100%)	234,517
TOTAL PRODUCTION				
Crude oil production	**304,566**	**328,813**	**(7.4%)**	**1,025,265**
Crude oil sales	**196,179**	**351,188**	**(44.1%)**	**852,956**
PRODUCING OIL AND GAS PROPERTIES	**US$'000**	**US$'000**		**US$'000**
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Production revenue[1]	8,351	5,525	51.2%	24,613
Operating expenditure	2,123	1,626	30.6%	5,747
Workovers	448	25	>100%	473
Amortisation	3,901	3,788	3.0%	11,836
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Production revenue[1]	-	3,739	(100%)	8,851
Operating expenditure	2,269	1,730	31.2%	7,333
Workovers	1,132	-	100%	1,132
Inventory adjustment[2]	(3,783)	583	>(100%)	(4,478)
Amortisation	1,557	2,049	(24.0%)	6,457
Total Producing Oil and Gas Properties				
Production revenue[1]	**8,351**	**9,264**	**(9.9%)**	**33,464**
Oil hedging settlements	**(993)**	**2,903**	**>(100%)**	**5,244**
Total revenue (incl. hedging gains/(losses))	**7,358**	**12,167**	**(39.5%)**	**38,708**
Direct production operating expenditure	5,972	3,381	76.63%	14,685
Net operating cash flow[3]	**1,386**	**8,786**	**(84.2%)**	**24,023**
Amortisation	5,458	5,837	(6.5%)	18,293
EXPLORATION AND DEVELOPMENT				
Papua New Guinea exploration & pre-development	256	249		861
PMP 38160 (Maari and Manaia), New Zealand	303	(261)		217
Block 22/12 (Beibu Gulf), offshore China	193	469		824
Total capital expenditure	**752**	**457**		**1,902**
Cash on hand	**28,143**	**25,920**		**28,143**
Senior debt facility[4]	**23,030**	**25,431**		**23,030**
Net Cash/(Debt)[4]	**5,113**	**489**		**5,113**

1 Represents gross revenue excluding hedge gains and losses.
2 Inventory has been recorded at net realisable value as that is less than it's cost which includes US$1.5 million of amortisation for 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 September 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%)



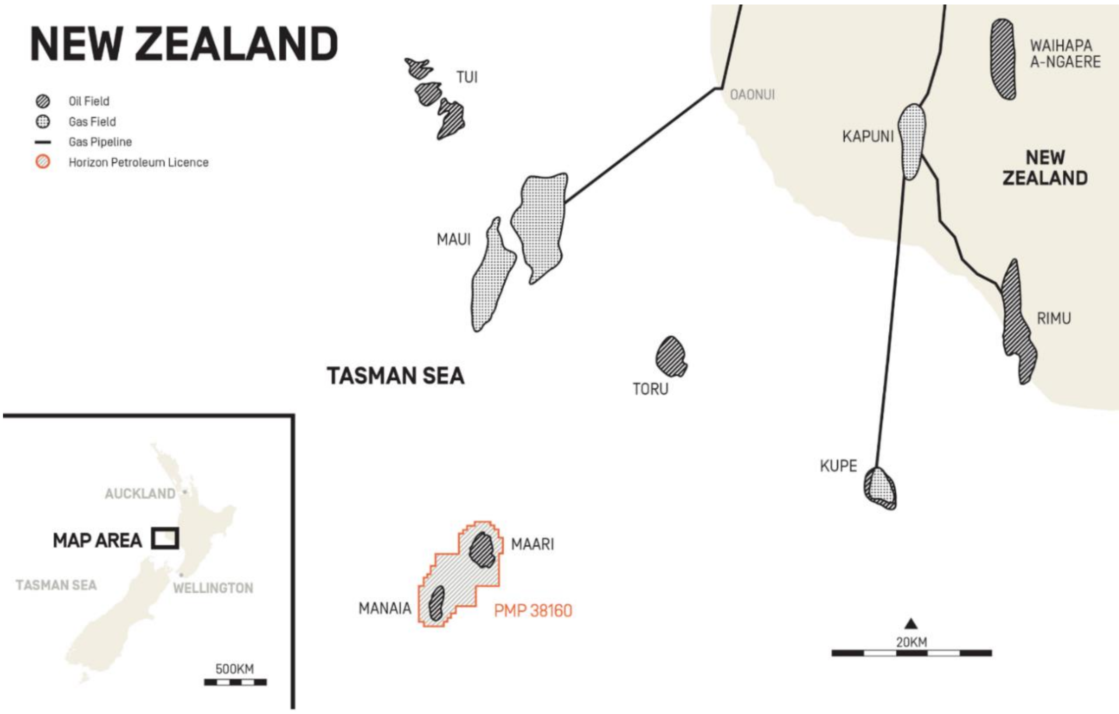
Horizon's Beibu Gulf fields continued to produce above budget with gross oil production for the quarter averaging 8,646 bopd (Horizon net 26.95%: 2,330 bopd) and at the date of this report production is approximately 9,300 bopd following the successful completion of a multi-well workover program during the quarter. The workover program focused on optimising downhole electrical submersible pumps and adding perforations of undrained oil zones. Gross oil production for the 2020 calendar year to date has averaged 9,175 bopd (Horizon net 26.95%: 2,473 bopd). Net sales for the quarter were 196,179 bbls, with net sales for the 2020 calendar year of 618,439 bbls.

Average cash operating costs in the quarter were US$9.90/bbl (produced). The continued strong production following the workovers, coupled with the low cost of production, ensures continued strong free cashflow generation from the fields.

Preparations for the two well infill programme continued during the quarter with the existing WZ6-12-A3S2 well plugged in preparation for sidetracking into last year's WZ6-12 M1 discovery. The rig slot extension required for the second well, WZ6-12-A11 well, is scheduled to be completed shortly ahead of drilling later in Q4 of CY2020. The two wells will tie into existing facilities and are expected to commence production in early 2021 at a combined total rate of ~1,900 bopd gross. 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.

As advised on 19 October 2020, Horizon and it's joint venture partners in the Block 22/12 permit have made a final investment decision for the WZ12-8 East development. This is a significant milestone and represents the first phase of a possible multi-phase development, depending on the production performance of this first phase. Fabrication of the WZ12-8 East Project facilities has commenced, and production is forecast to commence in Q1 CY2022. Gross oil production from this first phase is expected to average a first-year oil rate of at least 4,000 bopd adding to existing production from the WZ6-12 and WZ12-8 fields. 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 insulating the project economics from oil price volatility. Horizon's share of development costs are estimated to be ~US$15 million, with most of these costs forecast to be incurred in the 2021 and 2022 calendar years, concentrated around the timing of first production. 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 3,770 bopd (Horizon net 26%: 980 bopd) with production for the 2020 calendar year to date averaging 4,881 bopd (Horizon net 26%: 1,269 bopd). At the date of this report production is approximately 4,500 bopd following the successful completion of workovers of the shut-in MR7A and MR9 wells during the quarter.

Production for the quarter was impacted by temporary shut-ins of production wells MR6A, MR7A and MR9 with the Operator successfully completing workovers of two of these wells, MR7A and MR9, which had been delayed by COVID-19 restrictions in place. The MR6A workover has been deferred until early in the new 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.

Despite the lower production resulting from temporary shut-in wells, cash operating costs were maintained at ~US$25/bbl (produced) for the quarter.

Whilst there was no scheduled lifting during the quarter, during October the Maari joint venture lifted and sold a record oil cargo of 485,870 bbls (126,326 bbls net) generating over US$5.2 million in revenues for Horizon.

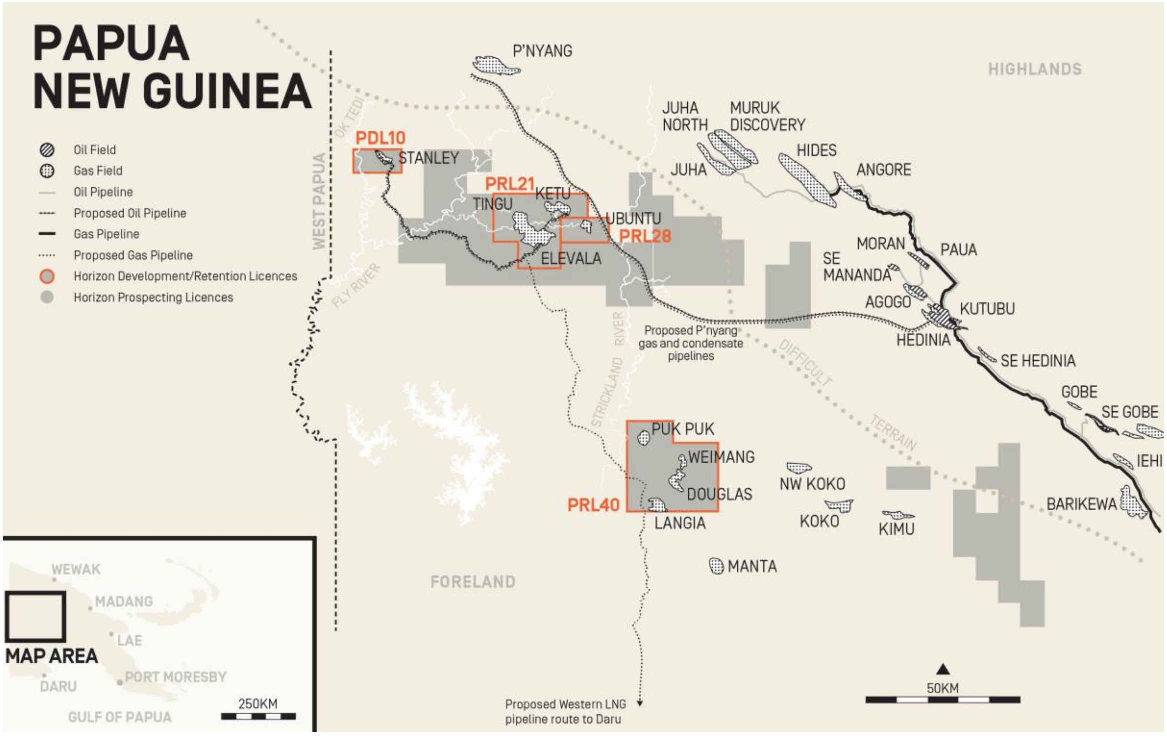
The previously advised intended acquisition by Jadestone Energy Inc. (AIM:JSE, TSXV:JSE) of OMV New Zealand Limited's 69% interest in the Maari project continued with Jadestone and OMV agreeing to extend the long stop date for the transaction from 15 November 2020 to 31 January 2021 as a precautionary measure, owing to delays in the regulatory approval process due to COVID-19 and the NZ 2020 general election. Both parties remain fully committed to the transaction and anticipate closing the acquisition by the end of calendar year 2020. 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%)



As announced on 26 October 2020, Horizon has agreed to divest its entire PNG asset portfolio (2C resources (net) of 599bcf of raw gas and 19.4 mmbbls of liquids) through the sale of the shares in its wholly owned subsidiary Horizon Oil (PNG Holdings) Limited to Arran Energy Investments Pty Ltd (Arran Energy). Arran Energy is a privately owned Australian company and an existing co-venturer with Horizon in PNG.

On completion Horizon will receive cash consideration of US$3.5 million, subject to customary completion adjustments, and will cease to have any operations in PNG. Completion of the transaction will occur on satisfaction of conditions, including waiver or expiry of pre-emptive rights periods under certain joint venture operating agreements, and is anticipated to occur in Q4 calendar year 2020.

As part of the transaction, Horizon will release Osaka Gas Australia Pty Limited and certain of its related parties from obligations under the 2013 Asset Sale Agreement[3] and such contractual obligations will be extinguished. Osaka Gas, Horizon's co-venturer in PNG, has also announced the divestment of its entire PNG portfolio and exit from PNG.

[3] As announced to the ASX on 23 May 2013, these contractual obligations include deferred consideration, comprising a US$50 million payment on FID of an LNG project in which Osaka Gas is entitled to take its share of LNG in kind on an equity basis, and US$80 million carry on development of such LNG project, together with potential production adjustments where threshold condensate production is exceeded.

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, General Manager – Exploration and Production, 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 October 2020.