

23 July 2021

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

## HORIZON INCREASES SHARE CAPITAL RETURN TO 3 CENTS AND CHANGES TO EXTRAORDINARY GENERAL MEETING

On 28 June 2021, Horizon announced a proposal to undertake a share capital return to shareholders via a 1.4 cent [AUD] per share capital reduction at a total cost of approximately A\$22.1 million, subject to shareholder approval at an Extraordinary General Meeting proposed to be held on Wednesday, 28 July 2021 (**EGM**).

Since the announcement, oil prices have averaged above US\$70/bbl with cash operating costs maintained below US\$20/bbl, further strengthening Horizon's balance sheet. The longer-term outlook for oil remains robust which helps to support future cashflow generation from the Group's producing assets. In light of these factors, it is proposed to increase the share capital reduction and to return 3.0 cents [AUD] per share, at a total cost of approximately A\$47.4 million (~US\$35 million), subject to shareholder approval.

Horizon has put in place a number of commodity and financial hedging instruments to mitigate the effects of adverse oil price movements. Commodity hedging has been executed covering approximately 50% of forecast production to 31 December 2021 using a mixture of swaps, collars and options with a weighted average floor price of ~US\$69/bbl, with the majority of instruments also providing material exposure to higher oil prices.

Looking forward, Horizon will continue to focus on maximising production and value from its oil producing assets – with special attention being paid to the successful commissioning of the WZ12-8E project in China which has first oil expected in Q1 2022.

Horizon will amend its application to the Australian Tax Office (**ATO**) for a class ruling on the income tax treatment of the proposed share capital reduction. Updated details of the proposed item of business to be considered at the EGM as well as the explanatory notes in relation to that item are set out in the attached **Supplementary Notice**.

### *Postponement and changes to the EGM*

Horizon's upcoming EGM was proposed to be held on Wednesday, 28 July 2021 at Stanley Room, The Sydney Boulevard, Level 2, 90 William Street, Woolloomooloo, Sydney commencing at 10:00am [Sydney time].

Horizon wishes to advise that, due to the continuing public health orders and associated limitations on public gatherings, travel restrictions and social distancing requirements in NSW as a result of the COVID-19 pandemic, Horizon has decided to postpone the EGM which will now be held largely as an online meeting on:

**Date:** Tuesday, 10 August 2021

**Time:** 10.00am [Sydney time]

Certain directors (one of which will act as Chairman of the meeting) and members of senior management of Horizon will conduct the meeting from Horizon's offices in Sydney with all other shareholders and interested parties invited to attend the EGM online.

In addition to the matters noted above, Horizon has made this decision having regard to the continuing uncertainty as a result of the COVID-19 pandemic and in the interests of the health and safety of Horizon's shareholders, staff and other stakeholders.

Shareholders, proxyholders and corporate representatives will have the opportunity to participate at the EGM (including to submit written questions and vote in real time) and view the meeting live from their computer, smartphone or tablet via an online platform by entering the following URL into their browser: <https://web.lumiagm.com/306110906>.

It is recommended that meeting participants log into the online platform at least 30 minutes prior to the scheduled start time for the meeting. Online registration will commence at 9.30am (Sydney time).

Updated meeting details and procedures, including a link to an online guide with instructions on how to log into and use the online platform, are set out in the attached **Supplementary Notice**.

**Shareholders are encouraged to lodge their completed proxy form, submit written questions and update their bank account and Tax File Number details with Horizon's Share Registry ahead of the EGM, in each case by the time and means noted in the updated meeting details and procedures set out in the attached Supplementary Notice and Explanatory Notes or relevant form or forms which were attached to the Notice of Extraordinary General Meeting dated 28 June 2021 [as applicable].**

If you have already voted by proxy and wish to change your vote, you will need to request a new personalised Proxy Form by contacting Horizon's Share Registry on 1300 850 505 (within Australia) +61 3 9415 4000 (outside Australia) and return the completed form by the time and means noted in the updated meeting details and procedures set out in the Supplementary Notice and on the new Proxy Form. If you have already validly voted by proxy and do not wish to change your vote, then you do not need to take any action as the earlier submitted Proxy Form will be accepted by Horizon unless you submit a new Proxy Form or validly withdraw your earlier Proxy Form.

A person will be eligible to attend and vote at the EGM if they are registered as a holder of Horizon shares at 7.00pm (Sydney time) on Sunday, 8 August 2021.

#### Authorisation

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

## SUPPLEMENTARY NOTICE FOR HORIZON'S UPCOMING EXTRAORDINARY GENERAL MEETING [EGM]

### BUSINESS

#### 1. Share capital return to shareholders

To consider and, if thought appropriate, to pass the following resolution as a **special resolution**:

*"That, for the purposes of Part 2J.1 of the Corporations Act 2001 (Cth) and all other purposes, approval is given for the ordinary share capital of Horizon Oil Limited (ACN 009 799 455) to be reduced by approximately A\$47.4 million by way of an equal capital reduction, as described in the Explanatory Notes to the Notice of Extraordinary General Meeting dated 28 June 2021 (**Notice**), as amended and supplemented by the Supplementary Notice."*

**Note: Further information in relation to this resolution is set out in the Explanatory Notes to the Notice, as amended and supplemented by this Supplementary Notice.**

**By order of the Board**

23 July 2021

### PARTICIPATING AT THE EGM

The EGM will be held as a largely online meeting on:

**Date:** Tuesday, 10 August 2021

**Time:** 10:00am (Sydney time)

The EGM will be conducted by certain directors (one of which will act as Chairman of the meeting) and members of senior management of Horizon at Level 6, 134 William Street, Woolloomooloo NSW 2011.

All shareholders, proxyholders, corporate representatives and other interested parties will have the opportunity to participate at the EGM (including to submit written questions and vote in real time) and view the meeting live from their computer, smartphone or tablet via an online platform by entering the following URL into their browser: <https://web.lumiagm.com/306110906>. The latest version of Chrome, Safari, Edge or Firefox is required.

**The meeting ID for the EGM is: 306-110-906.**

It is recommended that meeting participants log into the online platform at least 30 minutes prior to the scheduled start time for the meeting. Online registration will commence at 9.30am (Sydney time).

Detailed instructions on how to log in to, view, vote and ask questions at the EGM via the online platform are set out in the Online Voting Guide which is available on Horizon's Share Registry's website: [www.computershare.com.au/onlinevotingguide](http://www.computershare.com.au/onlinevotingguide).

To log into the online platform:

- *shareholders* will need:

**Meeting ID:** 306-110-906

**Username:** Shareholder Reference Number [SRN] or Holder Identification Number [HIN]

**Password:** postcode of your registered address in Australia or, for overseas residents, your 3 character country code set out in the Online Voting Guide which is available on Horizon's Share Registry's website: [www.computershare.com.au/onlinevotingguide](http://www.computershare.com.au/onlinevotingguide); and

- *proxyholders* will need their unique username and password which may be obtained by contacting Horizon's Share Registry on +61 3 9415 4024 Monday to Friday during business hours.

### No Attendance in Person

Certain directors (one of which will act as Chairman of the meeting) and members of senior management of Horizon will conduct the meeting from Horizon's office in Sydney.

All other shareholders, proxyholders, corporate representatives and other interested parties will not be able to attend the EGM in person and are invited to view and participate at the EGM via the online platform.

## Eligibility to attend and vote

A person will be eligible to attend and vote at the EGM if they are registered as a holder of Horizon shares at 7.00pm (Sydney time) on Sunday, 8 August 2021.

## QUESTIONS

### Questions at the EGM

Shareholders, proxyholders and corporate representatives will have the opportunity to ask questions in relation to the item of business set out in this Supplementary Notice during the meeting in real time by clicking on this icon in the online platform.



### Questions in advance of the EGM

Shareholders are encouraged to submit questions ahead of the EGM by no later than **Tuesday, 3 August 2021** using the following methods:

**Online:** [www.investorvote.com.au](http://www.investorvote.com.au)

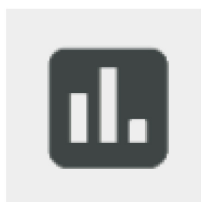
To access this site, you will need your six digit Control Number, your holder number [SRN / HIN] and PIN located on your Proxy Form

**By Mail:** The Company Secretary  
Level 6, 134 William Street  
Woolloomooloo NSW 2011

## VOTING

### Voting at the EGM

Shareholders, proxyholders and corporate representatives will have the opportunity to vote in relation to the item of business set out in this Supplementary Notice during the meeting in real time by clicking on this icon in the online platform.



Further details on how to vote in real time at the EGM are set out in the Online Voting Guide which is available on Horizon's Share Registry's website: [www.computershare.com.au/onlinevotingguide](http://www.computershare.com.au/onlinevotingguide).

### Voting in advance of the EGM

If you are not able to attend the EGM, you are encouraged to appoint a proxy, representative or attorney to attend and vote on your behalf.

For further information see the "Appointing a proxy" section of the Notice (noting that corporate representatives will alternatively be required to provide evidence of their appointment as a representative of a shareholder to Horizon's Share Registry in the manner and by the time required for a power of attorney).

If you have already voted by proxy and wish to change your vote, you will need to request a new personalised Proxy Form by contacting Horizon's Share Registry on +61 3 9415 4024 and return the completed form by the time and means noted below. If you have already validly voted by proxy and do not wish to change your vote, then you do not need to take any action as the earlier submitted Proxy Form will be accepted by Horizon unless you submit a new Proxy Form or validly withdraw your earlier Proxy Form.

**Importantly, to be effective, completed Proxy Forms (and any power of attorney) must be received by Horizon's Share Registry in the manner stipulated in the Notice no later than 10.00am (Sydney time) on Sunday, 8 August 2021. Only valid proxies received prior to this time will be included in the poll.**

## Voting by Poll

Voting in relation to the item of business set out in this Supplementary Notice will be conducted by poll.

The online platform will facilitate voting in real time at the meeting and the results of voting on the item of business at the EGM will be announced to the ASX promptly after the EGM.

Further details of the poll will be provided at the EGM.

## CONDUCT OF THE EGM

Horizon is committed to ensuring that its shareholder meetings are conducted in a manner which provides its shareholders (or their proxyholders, attorneys or representatives) with the opportunity to participate in the business of the meeting including by asking questions about, and commenting on, matters relevant to the business of the meeting.

The Chairman of the meeting may exercise his or her powers to make rulings on matters relating to the order of business, procedure and conduct of the EGM including to ensure that it is conducted in an orderly and timely fashion, and in the interests of attending shareholders.

If a technical issue arises, Horizon will have regard to the impact of the issue on those persons participating and voting via the online platform, and the Chairman of the meeting may issue any instructions for resolving the issue and continue the meeting if it is appropriate to do so.

## SUPPLEMENTARY EXPLANATORY NOTES

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These Supplementary Explanatory Notes supplement, and should be read in conjunction with, the Explanatory Notes to the Notice of Extraordinary General Meeting dated 28 June 2021 [Notice].

Unless a contrary intention appears, capitalised terms in these Supplementary Explanatory Notes have the meaning given in the Explanatory Notes to the Notice.

### Share capital return to shareholders

The quantum of the Share Capital Reduction has been proposed to be increased from approximately A\$22.1 million (being, 1.4 cents [AUD] per ordinary share) to approximately A\$47.4 million (being, 3 cents [AUD] per ordinary share) in light of the favourable market conditions and further strengthening of Horizon's balance sheet. The additional quantum for the Share Capital Return relates to proceeds from asset sales and farm-downs within the Company's Papua New Guinea asset portfolio, as well as return of excess capital historically invested in Papua New Guinea.

Except for increasing the quantum of, and key dates for [see "Revised timetable" below], the Share Capital Reduction, the summary and rationale for the Share Capital Reduction and its legal requirements, as well as the anticipated effect of the Share Capital Reduction on the Company and its share price (subject to the below), remain unchanged from that set out in the Notice.

### Effect of the Share Capital Reduction on the financial position of the Company

As a guide to assist shareholders, an updated pro forma consolidated statement of financial position has been derived from the Financial Report of the Company and its controlled entities for the half year ended 31 December 2020 to reflect the proposed increase to the quantum of the Share Capital Reduction, which report has been reviewed by the Company's external auditor. The basis of preparation is unchanged from that set out in the Notice, except for:

- Increasing the quantum of the Share Capital Reduction, with the proposed reduction converted into United States Dollars using an exchange rate of 0.74 Australian dollars to the United States Dollar;
- Including the repayment of borrowings which were funded from cash generated during the period 1 January 2021 to 30 June 2021; and
- The reclassification of the general options liability reported under 'other financial liabilities' to common stock following the exercise of the options and the issue of 300 million ordinary shares to Samuel Terry Asset Management Pty Ltd <as trustee for Samuel Terry Absolute Return Fund>.

## Historical and pro forma consolidated statement of financial position

	REPORTED AS AT 31 DECEMBER 2020	REPAYMENT OF BORROWINGS FROM FREE CASHFLOW	IMPACT FROM THE EXERCISE OF OPTIONS	ADJUSTMENT FOR PROPOSED CAPITAL RETURN	PRO FORMA POSITION AFTER CAPITAL RETURN
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cash and cash equivalents</b>	33,035	-	13,725	[35,085]	11,675
<b>Receivables</b>	9,817	-	-	-	9,817
<b>Inventories</b>	3,043	-	-	-	3,043
<b>Current tax receivable</b>	245	-	-	-	245
<b>Derivative financial instruments</b>	410	-	-	-	410
<b>Other assets</b>	2,136	-	-	-	2,136
<b>Total current assets</b>	48,686	-	13,725	[35,085]	27,326
<b>Deferred tax assets</b>	9,073	-	-	-	9,073
<b>Plant and equipment</b>	656	-	-	-	656
<b>Oil and gas assets</b>	113,525	-	-	-	113,525
<b>Total non-current assets</b>	123,254	-	-	-	123,254
<b>Total assets</b>	171,940	-	13,725	[35,085]	150,580
<b>Payables</b>	13,132	-	-	-	13,132
<b>Current tax payable</b>	1,407	-	-	-	1,407
<b>Borrowings</b>	14,323	[3,682]	-	-	10,641
<b>Derivative financial instruments</b>	277	-	-	-	277
<b>Other financial liabilities</b>	2,948	-	[2,948]	-	-
<b>Total current liabilities</b>	32,087	[3,682]	[2,948]	-	25,457
<b>Payables</b>	288	-	-	-	288
<b>Deferred tax liability</b>	14,209	-	-	-	14,209
<b>Borrowings</b>	7,848	[6,608]	-	-	1,240
<b>Provisions</b>	28,924	-	-	-	28,924
<b>Total non-current liabilities</b>	51,269	[6,608]	-	-	44,661
<b>Total liabilities</b>	83,356	[10,290]	[2,948]	-	70,118
<b>Net assets</b>	88,584	10,290	16,673	[35,085]	80,462
<b>Contributed equity</b>	174,801	-	16,673	[35,085]	156,389
<b>Reserves</b>	13,615	-	-	-	13,615
<b>Accumulated losses</b>	[99,832]	10,290	-	-	[89,542]
<b>Total equity</b>	88,584	10,290	16,673	[35,085]	80,462

## Taxation

The Taxation implications for shareholders will depend on their particular circumstances. All shareholders should therefore seek their own professional advice in relation to their tax position.

Horizon will make an amended application for an ATO Class Ruling to confirm the Australian tax consequences for certain Australian tax resident shareholders who hold their shares on capital account for tax purposes.

Horizon's amended application will submit that the Share Capital Reduction will not constitute a dividend for tax purposes, such that there should be no immediate tax liability for most shareholders relating to the Share Capital Reduction. Instead, the tax cost base of shares is reduced, thereby deferring any tax payable by shareholders until they dispose of the shares. No reliance may be placed on the above submission by shareholders until a final Class Ruling is issued by the ATO. The ATO will not issue its final Class Ruling until after the Share Capital Reduction is unconditional, that is approved by shareholders. The Class Ruling will be made available at <https://www.edocumentview.com.au/HZN2021>.

Any shareholder who is not an Australian tax resident shareholder or who does not hold their shares on capital account for tax purposes should seek specific advice in relation to the tax consequences under their own local laws.

No adverse tax consequences are expected to arise for Horizon in relation to the Share Capital Reduction.

### Employee incentive plans

Below is a table showing the Share Appreciation Rights [SARs] currently on issue under the Horizon Long Term Incentive Plan and the impact of the Share Capital Reduction on the SARs. Except for increasing the quantum of the Share Capital Reduction, the basis of preparation is unchanged from that set out in the Notice.

ESTIMATED EXPIRY DATE	PRE-SHARE CAPITAL REDUCTION STRIKE PRICE <sup>1,2</sup>	POST-SHARE CAPITAL REDUCTION STRIKE PRICE <sup>1,2</sup>	NUMBER
01/07/2021	A\$0.0930	A\$0.0630	16,617,522
01/07/2021	A\$0.0483	A\$0.0183	12,186,198
01/07/2022	A\$0.0453	A\$0.0153	45,191,714
01/07/2023	A\$0.1439	A\$0.1139	8,680,899
01/07/2024	A\$0.1054	A\$0.0754	11,002,656
01/07/2025	A\$0.0630	A\$0.0330	10,004,499
<b>TOTAL</b>			<b>103,683,488</b>

<sup>1</sup> The 'strike price' for SARs is the 10-day volume weighted average price for Horizon shares at effective allocation date.

<sup>2</sup> No price is payable by a participant in the LTIP on the exercise of a SAR.

<sup>3</sup> SARs will become exercisable subject to meeting vesting or performance conditions.

### Revised timetable

The revised timetable for the Share Capital Reduction is set out below. All dates in the Notice should be read in accordance with the revised timetable below.

The table below sets out the proposed revised timing for the Share Capital Reduction. If there should happen to be any changes to this timetable then those changes will be announced to the ASX.



The key dates for the implementation of the Share Capital Reduction, if approved, are:

EVENT	2021 DATE
EGM	10 August
Effective Date for Share Capital Reduction	11 August
Last date for trading of shares to be entitled to the Share Capital Reduction	12 August
Ex-date (shares traded from this date will not be entitled to the Share Capital Reduction)	13 August
Record date for Share Capital Reduction	16 August
Payment date for Share Capital Reduction	23 August

#### **No voting exclusions**

No voting exclusions apply to this resolution.

For further information on voting eligibility, please refer to the "Participating in this EGM" section of the Supplementary Notice.

#### **Implications if not approved**

If the Share Capital Reduction is not approved, the Board will consider alternative means to efficiently distribute this surplus capital to shareholders. In the absence of identifying an efficient means to distribute this surplus capital to shareholders (in the Board's absolute discretion), this surplus capital will be applied to the future requirements of the business.

#### **Conclusion and Recommendation**

Having regard to the analysis outlined in the Notice and above, the Board considers that implementing the Share Capital Reduction:

- will not materially prejudice Horizon's ability to pay its creditors; and
- is in the best interests of the Company as a whole.

The Board **recommends** that shareholders vote in favour of the resolution to approve the Share Capital Reduction.

#### **No other material information**

Other than as set out in this Supplementary Notice and the Notice (including in each case, the Explanatory Notes and Supplementary Explanatory Notes (as applicable)), and any other information previously disclosed to the Company's shareholders, there is no other information that is known to the Board which may reasonably be expected to be material to the making of a decision by shareholders whether or not to vote in favour of the resolution to approve the Share Capital Reduction.

#### **Further Information**

If you would like any further information regarding the EGM please contact the Company's Share Registry, Computershare on 1300 850 505 (within Australia) or +61 3 9425 4000 (outside Australia).

#### **Registered Office**

Horizon Oil Limited  
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