QUARTERLY REPORT

PERIOD ENDING 30 SEPTEMBER 2021 (ASX:HZN)

HIGHLIGHTS

A 3 cent per share capital return

- Capital return of 3 cents per share (~US$35 million) paid to shareholders on 23 August 2021.
- The company still awaits a draft ruling from the ATO concerning the tax treatment of the capital return.

Strong Production and Financial metrics – benefiting from high oil price

- Broadly flat production and sales volumes at 322,354 bbls and 313,368 bbls respectively.
- Increased revenue (inclusive of hedge settlements) by 13.9% to US$22.7 million (~A$30 million).
- Cash operating costs continue to be maintained well below US$20/bbl produced at ~US$16/bbl.
- Net operating cash flow[1] increased 20.1% to US$17.5 million (~A$23 million).
- Cash reserves were US$16.3 million (net cash US$3.5 million) at 30 September 2021 following the ~US$35 million capital return. Cash receipts from late September liftings are expected to increase net cash to approximately US$11 million at the end of October.
- Current hedge position includes 160,000bbls covering the period to 31 December 2021 using a mixture of swaps and collars with a weighted average floor price of ~US$69/bbl. This covers approximately 50% of forecast production with the majority of these instruments retaining exposure to higher oil prices up to US$80/bbl.

China Beibu Gulf WZ12-8E Development

- The project continues to progress well. The platform is expected to be on location by the end of this year with first oil expected during the first half of CY 2022.

CHIEF EXECUTIVE OFFICER'S COMMENTARY

This has been another very positive quarter. The oil price is strong with a continued strong outlook. Production and cashflow were both solidly maintained thanks to the oil price and an ongoing low cost of production. We continue to be net cash despite the US$35 million capital return, and can look forward to WZ12-8E development project being successfully commissioned and coming on stream in the new year.

I also look forward to welcoming our shareholders to the virtual AGM to held on Friday 19th November.

Chris Hodge
Chief Executive Officer

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

FINANCIAL SUMMARY

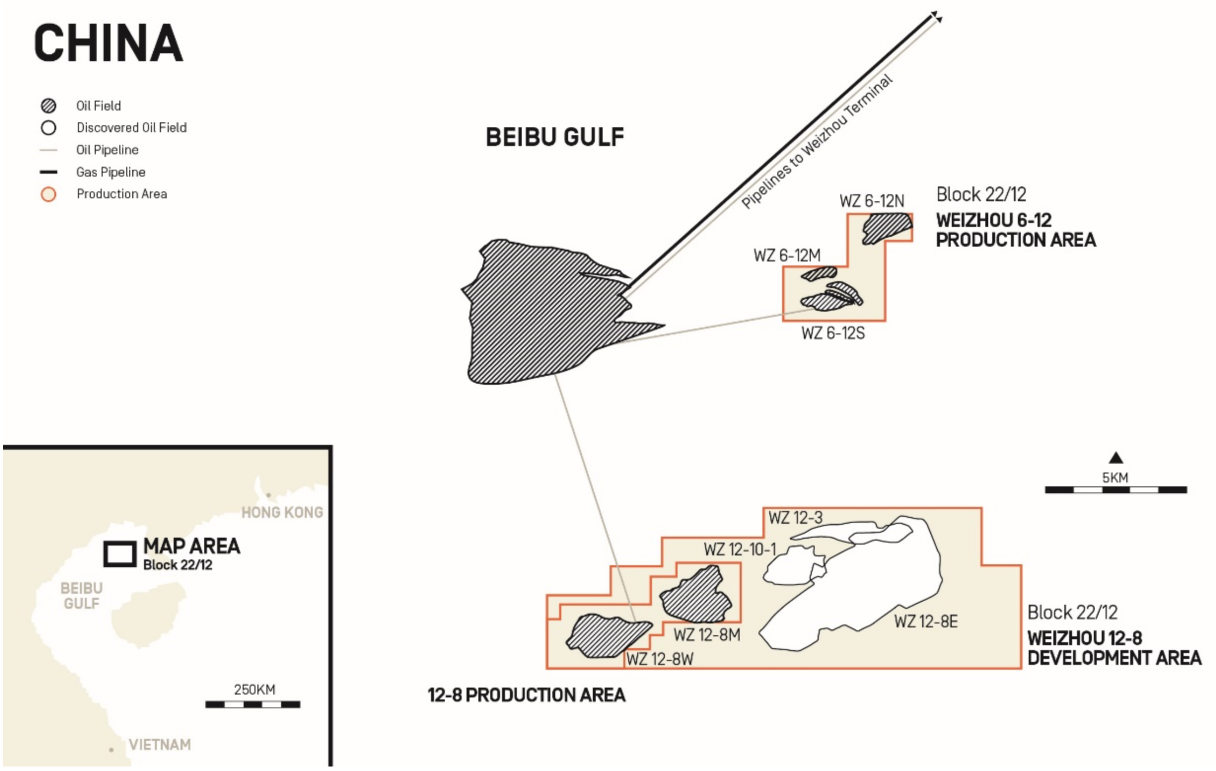
Production	Q1 FY2022 bbls	Q4 FY2021 bbls	CHANGE %	CALENDAR YEAR 2021 bbls
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Crude oil production	210,337	217,912	(3.5%)	649,762
Crude oil sales	191,939	199,794	(3.9%)	595,881
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Crude oil production	112,017	124,903	(10.3%)	360,815
Crude oil inventory on hand	17,581	28,202	(37.7%)	17,581
Crude oil sales	121,429	116,584	4.2%	349,713
TOTAL PRODUCTION				
Crude oil production	**322,354**	**342,815**	**(6.0%)**	**1,010,577**
Crude oil sales	**313,368**	**316,378**	**(1.0%)**	**945,594**
PRODUCING OIL AND GAS PROPERTIES	**US$'000**	**US$'000**		**US$'000**
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Production revenue[1]	14,043	13,555	3.6%	40,005
Operating expenditure	2,612	2,068	26.3%	6,368
Special oil gain levy[2]	396	169	>100%	581
Amortisation	3,925	3,965	(1.0%)	11,921
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Production revenue[1]	9,238	8,842	4.5%	25,555
Operating expenditure	2,608	3,299	(20.9%)	8,740
Inventory adjustment[3]	378	(360)	(>100%)	(424)
Amortisation	2,143	2,157	(0.6%)	6,439
Total Producing Oil and Gas Properties				
Production revenue[1]	**23,281**	**22,397**	**3.9%**	**65,560**
Oil hedging settlements	**(588)**	**(2,481)**	**(76.3%)**	**(5,534)**
Total revenue (incl. hedging gains/(losses))	**22,693**	**19,916**	**13.9%**	**60,026**
Direct production operating expenditure	5,220	5,367	(2.7%)	15,108
Net operating cash flow[4]	**17,473**	**14,549**	**20.1%**	**44,918**
Amortisation	6,068	6,122	(0.9%)	18,360
EXPLORATION AND DEVELOPMENT				
PMP 38160 (Maari and Manaia), New Zealand	70	2,060		2,450
Block 22/12 (Beibu Gulf), offshore China	2,198	1,076		7,385
Total capital expenditure	**2,268**	**3,136**		**9,835**
Cash on hand	**16,277**	**44,436**		**16,277**
Senior debt facility[5]	**12,740**	**12,740**		**12,740**
Net Cash[5]	**3,537**	**31,696**		**3,537**

1 Represents gross revenue excluding hedge gains and losses.
2 Levy imposed in China on oil revenues when the oil price received exceeds US$65/bbl.
3 Represents an accounting adjustment for cost of crude oil inventory sold or produced during the period (includes amortisation of $0.2 million).
4 Represents total revenue less direct production operating expenditure (including workover costs).
5 Represents principal amounts drawn down at 30 September 2021.
6 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 8,483 bopd (Horizon net 26.95%: 2,286 bopd). A four day annual maintenance shut-down combined with a four well workover program on the WZ12-8W platform impacted production rates earlier in the quarter as wells were progressively shut-in for the installation of larger pumps in order to increase production rates. Following the successful completion of the workover program during late August gross production rates have since been sustained at an average of approximately 9,800 bopd. Gross production for the 2021 calendar year to date has averaged 8,831 bopd (Horizon net 26.95%: 2,380 bopd). Net sales for the quarter was 191,939 bbls, with net sales for the 2021 calendar year of 595,881 bbls.

Cash operating costs for the 2021 calendar year to date averaged US$9.80/bbl produced, inclusive of the costs of workovers. Average cash operating costs in the quarter was US$12.42/bbl (produced). This consistent, low-cost production ensures continued strong free cashflow generation from the Beibu fields.

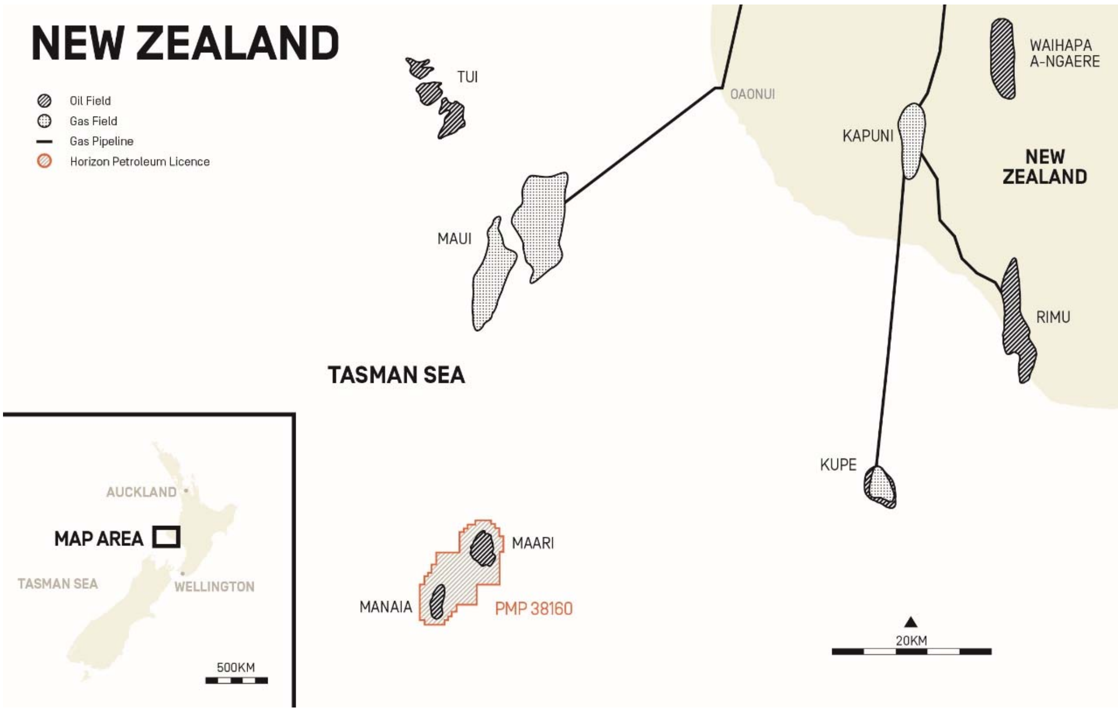
Progress continues to be made on the WZ 12-8E development with the current focus on preparations for the operation & maintenance phase, in addition to remaining platform fit-out and repairs. The laying of the 8km subsea pipeline, connecting the platform to the existing WZ12-8W wellhead platform, is largely completed (photo below), with hook-up operations commencing once the platform is at location. As previously announced, during the towing of the platform to the Beibu Gulf, heavy seas were encountered which led to water damage to some of the platform's systems. As a precaution, the platform was towed ashore for further inspection and assessment. The inspections have identified the need to replace some of the water-damaged mechanical and electrical components, such that the platform is expected to remain onshore until December 2021. Current expectations are that the platform will be installed in the field during December 2021, ahead of development drilling, with the potential of first oil being delayed by a few weeks to the first half of Q2 CY2022. The gross oil production from this first phase of the development is expected to average a first-year oil rate of approximately 4,000 bopd, incremental to ongoing production from the WZ6-12 and WZ12-8 fields. As previously advised, project development costs and platform lease costs are linked to the oil price providing the project with a natural hedge to the oil price. Whilst these costs are linked to the oil price, they are capped at an oil price between US$70-75/bbl. The capped oil price ensures that Horizon's share of the capital costs are still forecast to be ~US$20 million, despite the increase in oil price to ~US$85/bbl. To date US$3.1 million has been paid, with the majority of remaining payments scheduled to coincide with the commencement of production.

The joint venture is also continuing to evaluate and mature various infill and near-field appraisal and exploration targets within Block 22/12 with a view to drilling some of these opportunities during the next calendar year.

WZ 12-8E platform docked for fit-out and repairs (September 2021)

WZ12-8E platform top-side construction works (October 2021)

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



Gross oil production for the quarter averaged 4,683 bopd (Horizon net 26%: 1,218 bopd) with production for the 2021 calendar year to date averaging 5,083 bopd (Horizon net 26%: 1,322 bopd). At the date of this report gross production was approximately 4,400 bopd. Production levels have been impacted by the precautionary shut-in of the MR6A well after low levels of sand were detected in the produced well fluid during June. Preparations are being made for the installation of desanding equipment on the wellhead platform to enable production to be reinstated. In addition, the MR8A well was also shut-in during August awaiting workover to replace a downhole electrical submersible pump. Workover of the MR8A well has commenced and is expected to be completed by early next month.

Despite the lower production resulting from the temporarily shut-in wells, cash operating costs were maintained below US$25/bbl, with cash operating costs for the quarter of US$23.28/bbl (produced). Cash operating costs for the 2021 calendar year to date have averaged US$24.22/bbl produced, inclusive of the costs of workovers.

Sales for the 2021 calendar year to date were 349,713 bbls generating US$25.6 million in revenue. Revenue for the quarter was US$9.2 million generated on 121,429 bbls sold. Crude oil inventory at 30 September 2021 was 17,581 bbls. The next Maari lifting has been contracted for January 2022, with a parcel size of between 110,000-125,000 bbls (net to HZN).

The previously advised acquisition by Jadestone Energy Inc. (AIM:JSE, TSXV:JSE) of OMV New Zealand Limited's 69% interest in the Maari project continues to progress with Jadestone and OMV agreeing to further extend the long stop date for the transaction to 31 December 2021. OMV will continue as operator of the Maari project until, and subject to, completion of the proposed transaction.

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 – Production and Exploration, 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 24 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 28 October 2021.

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