QUARTERLY REPORT

PERIOD ENDING 31 DECEMBER 2020 (ASX:HZN)

STRONG FUNDAMENTALS

- Production volumes of 1.4 million bbls during the 2020 calendar year with production for the December 2020 quarter of 342,026 bbls, 12% higher than the prior quarter following successful workover activity at both Maari and Beibu.
- Sales of 1.3 million barrels for the 2020 calendar year at an average realised oil price of US$44.63/bbl, inclusive of hedge settlements; sales for the December 2020 quarter were 437,321 bbls which included a record Maari lifting in October of 126,326 bbls (net).
- Revenue inclusive of hedge settlements of US$57.6 million (~A$75 million) for the 2020 calendar year with US$18.9 million generated for December 2020 quarter (inclusive of hedge settlements).
- Cash operating costs for the 2020 calendar year reduced 19% to US$15.35/bbl (including workover costs) driven by cost reduction initiatives implemented in response to the changed economic conditions.
- Net operating cash flow[1] of US$36.6 million (~A$47.5 million) for the 2020 calendar year; net operating cash flow for December 2020 quarter of US$12.6 million.

AUGMENTED BALANCE SHEET

- Continued strengthening of the Company's financial position, driven by low cost, high margin production at Maari and Beibu which continues to drive strong free cashflow generation.
- Increased net cash position to US$10.0 million at 31 December 2020 (an increase in net cash from 30 June 2020 of US$9.5 million). Cash reserves of US$33.0 million on hand at 31 December 2020.
- Execution of additional commodity hedging to further protect cashflows from commodity price volatility. At the date of this report, the Company had 300,000 bbls of oil swaps covering production to June 2021 at a weighted average fixed price of approximately US$50/bbl.

FOCUSED FOR GROWTH

- Completion of the Horizon PNG portfolio sale with the cash consideration of US$3.5 million received during the quarter.
- Block 22/12 joint venture made a Final Investment Decision (FID) for the WZ12-8E development with fabrication of the facilities underway; first production continues to be expected in Q1 CY2022.
- Infill well program in Block 22/12 nearing completion with both wells successfully drilled and completions being run; wells due to commence production shortly.

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

Note: Financial results contained in this quarterly are unaudited.

CHIEF EXECUTIVE OFFICER'S COMMENTARY

The December quarter saw a strong recovery in revenue, production and cashflow following successful workover activity that restored production at both fields. The increase in production was accompanied by a strong recovery in oil prices with Brent now trading at around US$55/bbl. Due to our continued low cost of production, we increased net cash to US$10 million by quarter's end – a US$17.4 million increase over the calendar year.

The resilience of Horizon's cashflow is in part driven by continued low cash operating costs (including the cost of workovers), which averaged approximately US$15 / barrel for the 2020 calendar year. These continued low operating costs, particularly in Block 22/12, provided the confidence during the low oil price environment in 2020 to continue to invest in growth projects, with the approval of both the WZ12-8E development and WZ6-12 two well infill drilling campaign. These projects confirm the commitment of the Block 22/12 joint venture to unlock the remaining potential in the permit, with efforts continuing to mature additional infill wells for drilling in the short to medium term.

Finalisation of the Group's PNG asset portfolio divestment during the quarter, provides the opportunity to reset and focus on the Group's cash generative assets, to deliver a return to shareholders, and to grow the company.

Chris Hodge
Chief Executive Officer

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FINANCIAL SUMMARY

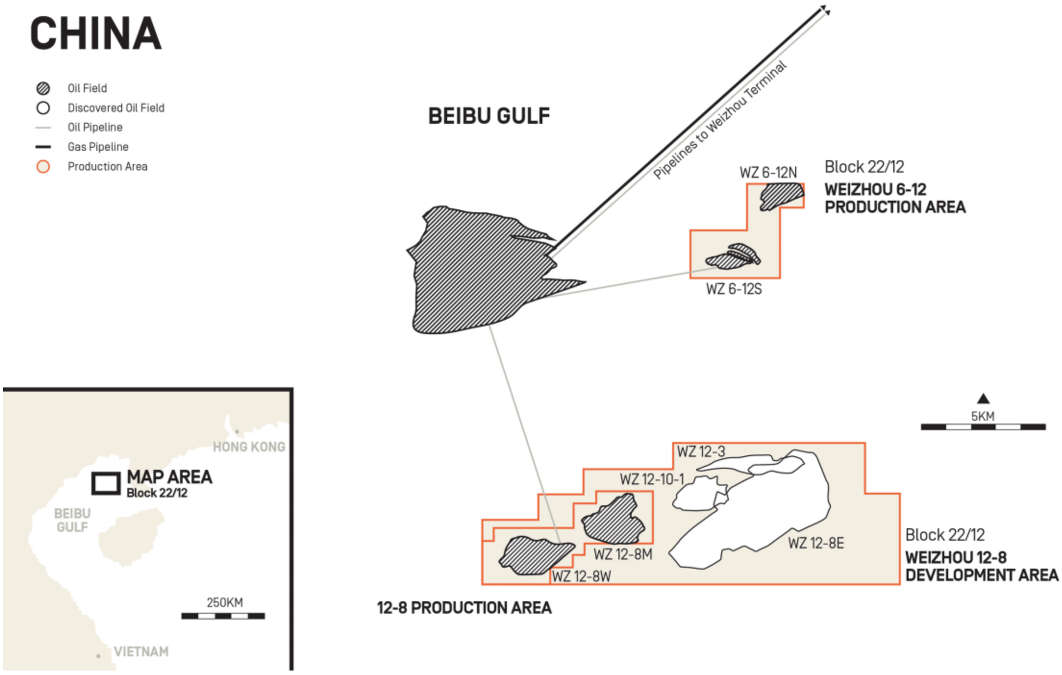
Production	Q2 FY2021 bbls	Q1 FY2021 bbls	CHANGE %	CALENDAR YEAR 2020 bbls
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Crude oil production	219,334	214,380	2.3%	896,860
Crude oil sales	201,160	196,179	2.5%	819,599
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Crude oil production	122,692	90,186	36.0%	470,431
Crude oil inventory on hand	9,850	128,425	(92.3%)	9,850
Crude oil sales	236,161	-	100%	470,679
TOTAL PRODUCTION				
Crude oil production	**342,026**	**304,566**	**12.3%**	**1,367,291**
Crude oil sales	**437,321**	**196,179**	**122.9%**	**1,290,278**
PRODUCING OIL AND GAS PROPERTIES	**US$'000**	**US$'000**		**US$'000**
BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA				
Production revenue[1]	8,848	8,351	5.9%	33,461
Operating expenditure	2,511	2,123	18.2%	8,257
Workovers	1,808	448	>100%	2,281
Amortisation	3,991	3,901	2.3%	15,827
PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND				
Production revenue[1]	10,646	-	100%	19,497
Operating expenditure	1,982	2,269	(12.6%)	9,315
Workovers	-	1,132	(>100%)	1,132
Inventory adjustment[2]	4,975	(3,783)	>100%	497
Amortisation	2,119	1,557	36.0%	8,576
Total Producing Oil and Gas Properties				
Production revenue[1]	**19,494**	**8,351**	**133.4%**	**52,959**
Oil hedging settlements	**(614)**	**(993)**	**(38.1%)**	**4,630**
Total revenue (incl. hedging gains/(losses))	**18,880**	**7,358**	**156.6%**	**57,589**
Direct production operating expenditure	6,301	5,972	5.5%	20,985
Net operating cash flow[3]	**12,579**	**1,386**	**>100%**	**36,604**
Amortisation	6,110	5,458	11.9%	24,403
EXPLORATION AND DEVELOPMENT				
Papua New Guinea exploration & pre-development	132	256		993
PMP 38160 (Maari and Manaia), New Zealand	359	303		576
Block 22/12 (Beibu Gulf), offshore China	5,221	193		6,046
Total capital expenditure	**5,712**	**752**		**7,615**
Cash on hand	**33,035**	**28,143**		**33,035**
Senior debt facility[4]	**23,030**	**23,030**		**23,030**
Net Cash/(Debt)[4]	**10,005**	**5,113**		**10,005**

1 Represents gross revenue excluding hedge gains and losses.
2 Represents an accounting adjustment for cost of crude oil inventory sold or produced during the period (includes amortisation of $0.2 million).
3 Represents net operating cash flow inclusive of the cost of workovers and repairs and refurbishment expenditure.
4 Represents principal amounts drawn down at 31 December 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%)



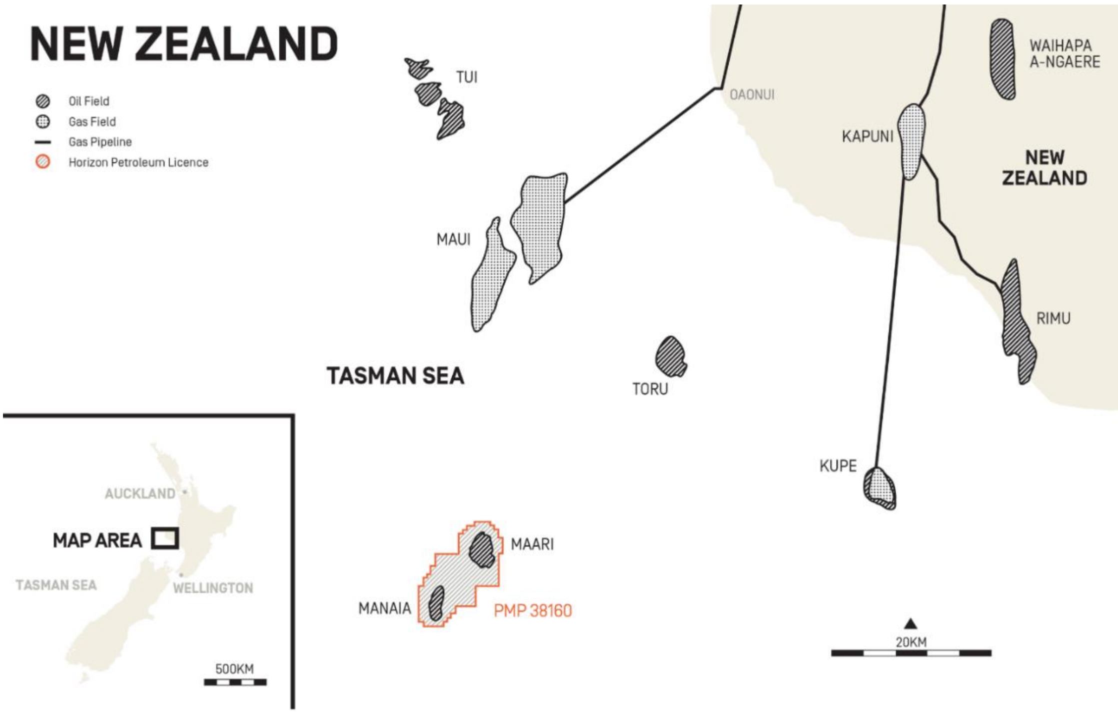
Horizon's Beibu Gulf fields continued to perform well with a 2.3% increase in production from the prior quarter following the successful well workover program completed during the period. Production for the 2020 calendar year averaged 9,117 bopd (Horizon net 26.95%: 2,457 bopd) with production for the quarter averaging 8,846 bopd (Horizon net 26.95%: 2,384 bopd). At the date of this report production is approximately 8,200 bopd, with incremental production from the new infill wells anticipated shortly. Net sales for the quarter were 201,160 bbls, with net sales for the 2020 calendar year of 819,599 bbls.

Cash operating costs for the 2020 calendar year reduced 7% to US$11.75/bbl produced, inclusive of the costs of workovers. Average cash operating costs in the quarter were impacted by workover costs and averaged US$19.69/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.

During the quarter, the two well infill drilling programme, WZ6-12-A11 and WZ6-12-A3S2, located in the Weizhou 6-12 fields, was commenced by the field Operator, CNOOC. The wells are being tied back to the existing wellhead facility at the WZ 6-12 field. During the quarter, the field Operator successfully completed the rig slot extension required to drill the first well, WZ 6-12-A11, which is targeting undrained oil accumulations in the WZ6-12N field. The second well, the WZ6-12-A3S2, was sidetracked from an existing wellbore and is targeting oil zones in the WZ6-12 M1 discovery. Subsequent to the rig slot extension being completed the Operator commenced drilling activities with both wells reaching target depths during January 2021. Completions are currently being run in the wells before they are brought onto production.

Significant progress has also been made on the WZ12-8 East development. Since the Final Investment Decision (FID) was made in October 2020, fabrication of the wellhead platform is progressing well. Early indications from the development Operator, Roc Oil (China) Company, are that fabrication milestones are progressing in line with expectations and within budget. First production from the WZ12-8E development remains on schedule for Q1 CY2022, with gross oil production from this first phase 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. Horizon's share of project costs to date is approximately US$2.6 million, with total project costs estimated at approximately US$15 million (net to HZN).

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



Gross oil production for the quarter averaged 5,129 bopd (Horizon net 26%: 1,334 bopd), with production for the 2020 calendar year averaging 4,957 bopd (Horizon net 26%: 1,289 bopd).

Production for the quarter increased 36% following the successful completion of workovers to the MR7A and MR9 wells. The MR6A workover has been deferred until the first half of the 2021 calendar year as the Operator awaits delivery of essential equipment and advances plans to upgrade topside equipment to optimise production from the well once production is restored. At the date of this report production is approximately 5,300 bopd.

Cost optimisation efforts implemented in light of the change in economic conditions, resulted in cash operating costs for the 2020 calendar year of US$22.21/bbl produced, inclusive of the costs of workovers. This represents a 21% reduction from the prior comparative period and was achieved despite the impact to production from the COVID-19 led deferral of workovers during the year. Cash operating costs for the quarter were US$16.15/bbl produced.

Sales for the quarter were 236,161 bbls generating revenue of US$10.6 million. Included in the quarter's sales was a record oil cargo of 485,870 bbls (126,326 bbls net). Sales for the 2020 calendar year were 470,679 bbls which generated approximately US$20 million in revenue.

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 continues to progress with Jadestone and OMV agreeing to further extend the long stop date for the transaction to 30 April 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 expect completion to occur during the first half of this calendar year. 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 – 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 28 January 2021.