HZN ADVISES HALF-YEAR RESULTS

In accordance with Listing Rule 4.2A.3, Horizon Oil Limited lodges its Half-Year Report for the period to 31 December 2020. The financial results for the period are set out in the attached Half-Year Report which incorporates the Appendix 4D.

STRONG FUNDAMENTALS

- Production volumes of 1.4 million bbls during the 2020 calendar year, production for the half-year of 646,592 bbls.
- 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 of 633,500 barrels for the half-year at an average realised oil price of US\$41.42/bbl, inclusive of hedge settlements.
- Revenue inclusive of hedge settlements of US\$57.6 million (~A\$75 million) for the 2020 calendar year; revenue inclusive of hedge settlements of US\$26.2 million (~A\$34 million) for the half-year.
- 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.
- Cash operating costs for the half-year of US\$18.98/bbl (including workover costs).
- EBITDAX from continuing operations of US\$30.7 million for 2020 calendar year, EBITDAX from continuing operations of US\$11.0 million for the half-year.
- Cash flow from operating activities for the 2021 half-year of US\$10.0 million.

STRENGTHENED 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.
- Announced initiation of capital management program including on-market share buy-back of up to 100 million shares (approximately 8% of shares on issue) and an off-market unmarketable parcel share buyback.
- Completion of the Horizon PNG portfolio sale with the cash consideration of US\$3.5 million received on December 2020.

INVESTING IN PRODUCTION

- Block 22/12 joint venture made a Final Investment Decision (FID) for the WZ12-8E development with fabrication of the facilities underway; first production on schedule for 1H CY2022.
- On 9 February 2021, the Group announced that two infill wells, WZ6-12-A11 and WZ6-12-A3S2 located in the Weizhou 6-12 fields, had been successfully drilled and have now commenced production. With combined initial production test rates of 2,473 bopd gross these wells have exceeded expectations and increased gross production from Block 22/12 to above 10,000 bopd.



COMMENTING ON THE RESULT, HORIZON'S CHIEF EXECUTIVE OFFICER, CHRIS HODGE, STATED:

"Our 2021 half-year result was achieved by steering the business through a challenging period which included COVID related delays to workovers and a continued low oil-price environment. We were pleased late in the period when several wells at both Beibu and Maari were brought back onto production following successful workovers – and further assisted in recent months by an unexpected but welcome surge in the oil price.

Good management of costs throughout the period has allowed us to remain cashflow positive and resulted in a net cash increase to US\$10 million by December 2020 – a US\$17.4 million increase from just a year ago.

As we move further into 2021 we will continue to focus on maximising production and value from our existing oil producing assets. Specifically, an important workover at Maari, ongoing development of the WZ12-8E oil field and the possibility for further infill wells at Beibu.

Our low operating costs, strong balance sheet, resilient cashflow, increased production and a firming oil price has placed the company in a strong position to commence capital returns to shareholders. This return will take the form of share buybacks initially with the possibility for periodic returns where it is prudent to do so.

At the same time and as previously advised, we continue to be proactive in the search for inorganic growth, with the objective to create long term shareholder value."

A financial summary and key financial and operational results are set out below:

[All figures are presented in United States dollars, unless otherwise stated].

FINANCIAL SUMMARY

HORIZON 2021 HALF-YEAR RESULT		31 DEC 2020 US\$'000	31 DEC 2019 US\$'000	CHANGE %
Oil and gas sales	bbls	633,500	770,744	[18%]
Oil and gas production	bbls	646,592	754,862	[14%]
Sales revenue		26,238	52,675	[50%]
EBITDAX ¹		11,031	31,853	[65%]
Statutory profit/[loss] for the period		4,713	[62,748]	(108%)
(Profit)/loss from discontinued operations		[3,147]	70,525	[105%]
Gain on remeasurement of derivative financial instruments		[324]	-	100%
Financing (income)/cost - Unrealised movement in value of options		[843]	1,708	[149%]
Underlying profit after tax		399	9,485	[104%]
Cash on hand		33,035	22,055	50%
Cashflow from operating activities		9,988	24,193	[59%]
Senior debt facility ²		23,030	29,431	[22%]
Net Cash/[Debt] ²		10,005	[7,376]	236%

Note 1: EBITDAX is a financial measure which are not prescribed by Australian Accounting Standards and represent the profit under Australian Accounting Standards adjusted for interest expense, gains on remeasurement of derivative financial instruments, taxation expense, depreciation, amortisation, exploration expenditure and profit/loss from discontinued operations. The directors consider EBITDAX to be a useful measure of performance as it is widely used by the oil and gas industry. EBITDAX information has been extracted from the financial reports for the periods ended 31 December 2019 and 31 December 2020, which have been subject to review by the Group's auditors.

Note 2: Represents principal amounts drawn down.



The Group's CEO, Chris Hodge, and CFO, Richard Beament will host a webcast on 25 February 2021 at 11.00am (Sydney time) to discuss the Group's operations and financial results for the Half Year.

To register, please copy and paste the link below into your browser <u>https://services.choruscall.com.au/webcast/horizon-oil-210225.html</u>

Authorisation

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







31 DECEMBER 2020

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Horizon Oil Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

APPENDIX 4D PRELIMINARY FINAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

ABN 51 009 799 455

This Preliminary Final Report is provided to ASX Limited ('ASX') under ASX Listing Rule 4.3A. This information should be read in conjunction with the half-year report for the period to 31 December 2020.

Current reporting period:	Half-year ended 31 December 2020
Previous corresponding period:	Half-year ended 31 December 2019

Results for announcement to the market

		PERCENTAGE CHANGE		AMOUNT US\$'000
Revenue from continuing operations	Down	50%	to	26,238
Profit from ordinary activities after tax	Up	107%	to	4,713
Profit for the period attributable to members	Up	107%	to	4,713
Underlying profit after tax	Down	96%	to	399

Dividends / distributions

	AMOUNT PER SECURITY	FRANKED AMOUNT PER SECURITY
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Net Tangible Assets

	2020 US CENTS	2019 US CENTS
Net tangible asset backing per ordinary share	6.8	5.9

Controlled entities acquired or disposed of

On 2 December 2020, the Group disposed of 100% of the share capital in Horizon Oil (PNG Holdings) Limited, Horizon Oil (Papua) Limited, Horizon Oil (Ubuntu) Limited and Horizon Oil (Ketu) Limited. The financial performance of these entities for the current and prior period has been disclosed as profit/(loss) from discontinued operations in the income statement. No controlled entities were acquired during the current reporting period.

No controlled entities were acquired or disposed of during the prior reporting period.

HORIZON

Reconciliation of profit after tax from ordinary activities to underlying profit after tax

US\$'000	2020	2019
Profit/[loss] from ordinary activities after tax	4,713	[62,748]
(Profit)/loss from discontinued operations	[3,147]	70,525
Gain on remeasurement of derivative financial liabilities	[324]	
Financing (income)/cost – Unrealised movement in value of options	[843]	1,708
Underlying Profit after tax	399	9,485

Notes:

Reports are based on reviewed consolidated financial statements.

All figures are presented in United States Dollars, unless otherwise stated.

Underlying profit after tax is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards adjusted for unrealised non-cash financing costs associated with the revaluation of the options issued under the 2016 subordinated loan facility, gains on the remeasurement of derivative financial instruments and the profit/loss generated from discontinued operations. Underlying profit after tax information has not been audited. However, it has been extracted from the reviewed financial reports for the half-years ended 31 December 2020 and 31 December 2019.



HALF-YEAR FINANCIAL REPORT DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as 'The Group') consisting of Horizon Oil Limited and the subsidiaries it controlled at the end of, or during the half-year ended, 31 December 2020.

Directors

The following persons were directors of Horizon Oil Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

M Harding C Hodge G de Nys S Birkensleigh G Bittar B Clement (appointed 1 September 2020)

Review of operations

Principal activities

During the course of the half-year ended 31 December 2020, the Group's principal activities continued to be directed towards petroleum production, development and exploration.

The Group's producing assets performed relatively well in what was a challenging period, with net production of 646,592 barrels of oil (bbls) (HY2020: 754,862 bbls). Production at Block 22/12 was materially in line with the comparative period, whilst production at Maari was impacted by temporary shut-ins of three production wells with workovers delayed by COVID-19 restrictions in place. Two of these wells were worked over during the period restoring production levels. Sales volumes were 633,500 bbls (HY2020: 770,744 bbls) and approximate the net production for the half-year.

Crude oil sales revenue was impacted by the lower oil price environment and the above-mentioned production disruptions. Sales revenue of US\$26.2 million (HY2020: US\$52.7 million) was generated during the half-year resulting from a net realised oil price of US\$41.42 per barrel (HY2020: US\$68.34 per barrel), inclusive of hedge settlements. Throughout the period 63% of sales were hedged (HY2020: 51%) with hedging settlement expense of US\$1.6 million (HY2020: gain US\$2.8 million) realised on 400,000 barrels hedged at a weighted average fixed price of US\$40.0 per barrel (HY2020: 390,000 barrels at US\$69.46 per barrel).

Operating costs for the period were US\$25.0 million, 23% lower than the prior comparative period (HY2020: US\$32.5 million) driven by continued cost reduction initiatives at both the Maari and China fields combined with a lower amortisation charge.

Exploration expenditure was focused on infill, appraisal and exploration opportunities in and around the Group's low cost producing fields in China and the evaluation of inorganic growth opportunities.

Interest and associated financing costs of US\$1.1 million were US\$0.9 million lower during the period following the progressive repayment of debt coupled with lower interest rates.

The Group reported a Statutory Profit After Tax of US\$4.7 million for the half-year (HY2020: loss US\$62.8 million). The profit result includes non-cash financing income of US\$0.8 million (HY2020: loss of US\$1.7 million) associated with the revaluation of the options issued under the subordinated loan facility, US\$0.3 million gain on the remeasurement of derivative financial instruments (HY2020: US\$ nil) and US\$3.1 million profit from discontinued operations (HY2020: loss



US\$70.5 million). Underlying Profit After Tax was US\$0.4 million (HY2020: US\$9.5 million) after adjusting for the above mentioned items.

Non-cash items impacting on the half-year result include US\$11.6 million (HY2020: US\$13.5 million) in amortisation of production phase assets, non-cash financing income of US\$0.8 million associated with the revaluation of the options issued under the subordinated loan facility (HY2020: loss US\$1.7 million), US\$0.3 million gain on the remeasurement of derivative financial instruments (HY2020: US\$ nil), US\$0.2 million (HY2020: US\$0.3 million) related to the value of share options and share appreciation rights granted to Horizon employees and US\$0.3 million (HY2020: US\$0.3 million) financing expense related to amortised establishment fees on the senior debt facility.

EBITDAX from continuing operations was US\$11.0 million (HY2020: US\$31.9 million), and EBIT from continuing operations was a loss of US\$1.7 million (HY2020: gain US\$17.7 million). EBITDAX and EBIT from continuing operations exclude profit/(loss) from discontinued operations. Cashflows from operating activities of US\$10.0 million (HY2020: US\$24.2 million) and cash reserves enabled the Group to meet its capital expenditure commitments and also repay a further US\$2.4 million in debt during the half-year.

EBITDAX, EBIT and Underlying Profit/(Loss) After Tax are financial measures which are not prescribed by Australian Accounting Standards and represent the profit under Australian Accounting Standards adjusted for interest expense, revaluation of derivative financial instruments, taxation expense, depreciation, amortisation, exploration expenditure and profit/(loss) from discontinued operations. The directors consider EBITDAX, EBIT and Underlying Profit/(Loss) After Tax to be useful measures of performance as they are widely used by the oil and gas industry. EBITDAX, EBIT and Underlying Profit/(Loss) After Tax information has been extracted from the financial reports for the periods ended 31 December 2019 and 31 December 2020.

Segment information is included in Note 3 of the financial statements.

Corporate

COVID-19

The COVID-19 pandemic has had a significant impact on the Company's financial results for the 2021 half-year. Global lockdowns and significantly reduced air travel resulted in the suppression and volatility of crude oil demand. The suppressed crude oil demand coupled with an initial increase in crude production prior to the OPEC + alliance resolving to cut production, caused an imbalance within the global oil market resulting in extreme volatility and significantly suppressed oil prices.

The Company's revenue was impacted by the 39% reduction in realised oil prices over the prior comparative period which was further exacerbated by lower production due to COVID-19 led delays in workovers of three producing wells in the Maari field. Despite the reduced revenue, a combination of cost reduction initiatives and disciplined spending ensured that the Company generated positive cash flow during the half-year with cash flows from operating activities of US\$10.0 million.

Looking forward, the recent strong recovery in oil prices is well complemented by increased production at both the Beibu and Maari fields. Subsequent to period end, the successful drilling of two infill wells located in the Weizhou 6-12 fields, resulted in production at the Beibu fields exceeding 10,000 bopd. Production in New Zealand has been restored following the successful workovers of two of the producing wells in the Maari field. Accordingly, the Group expects continued strong cashflow generation.

Capital distribution

Subsequent to 31 December 2020, the Group announced a capital distribution in the form of an off-market buy back of unmarketable parcels of Horizon shares and an on-market buy-back of up to 100 million Horizon shares representing approximately 8% of ordinary shares on issue. The on-market buy-back will take place for a period of 6 months, commencing in March 2021.



Group Liquidity

At 31 December 2020, the Group's net cash position had further increased to US\$10.0 million (30 June 2020: US\$0.5 million), an increase of US\$9.5 million during the half year. Net cash comprises cash and cash equivalent assets held of US\$33.0 million (30 June 2020: US\$25.9 million) offset by the nominal value of borrowings drawn down of US\$23.0 million (30 June 2020: US\$25.4 million), on the Syndicated Revolving Cash Advance Facility. Details of the Group's debt facilities are set out in Note 12.

Hedging

As at 31 December 2020, commodity hedges were in place over 180,000 bbls until 30 June 2021 at an average price of \$47.14/bbl, net of fees. Shortly after 31 December 2020 the Group executed a further 120,000 bbls of oil swaps which has resulted in aggregate oil swaps of 300,000 bbls covering the 6-month period to 30 June 2021 at a weighted average price of US\$49.69/bbl, enhancing revenue certainty. This hedging program assists with securing a portion of the Group's cashflows for the remainder of the financial year.

In addition to the hedging implemented on the oil price, the Group executed currency swaps to manage its exposure to fluctuations and volatility in foreign exchange rates. At 31 December 2020, the Group has RMB 24 million hedged at a fixed USD/RMB rate of 7.04, NZD 1.8 million hedged at a fixed USD/NZD rate of 0.68 and AUD 1.2 million hedged at a fixed USD/AUD rate of 0.74. These instruments hedge a proportion of the Group's exposure to exchange rate volatility to 30 June 2021.

Environmental, Social & Governance (ESG)

During the period the Group continued to focus on ESG with no loss of containment incidents and a continued strong safety record. The Total Reportable Injury Frequency Rate (TRIFR) for the period was 1.37, which remains well below the NOPSEMA industry average. The Group's focus is on the development of an ESG Action Plan to drive the continuous improvement of our sustainability [or non-financial] performance over the next 3 years.



Production

Block 22/12, Beibu Gulf (Horizon: 26.95% production / 55% exploration)

During the half-year, the Group's working interest share of production from the Beibu Gulf fields was 433,714 barrels of oil. Crude oil sales were 397,339 barrels at an average price of US\$40.38/bbl inclusive of executed hedging.

Average production over the half-year was 8,891 bopd, of which the Group's share was 2,417 bopd. The Group's share of sales volumes over the period was an average of 2,396 bopd.

During the period, 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 tied back to the existing wellhead facility at the WZ6-12 field. During the period, the field Operator successfully completed the rig slot extension required to drill the first well, WZ6-12-A11, which targeted undrained oil accumulations in the WZ6-12N field. The second well, the WZ6-12-A3S2, was side tracked from an existing wellbore and targeted 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.

Subsequent to the period end, the Group announced that two infill wells, WZ6-12-A11 and WZ6-12-A3S2, had been successfully drilled and have now commenced production. With combined initial production test rates of 2,473 bopd gross these wells have exceeded expectations and increased gross production from Block 22/12 to above 10,000 bopd gross.

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 H1 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).

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

During the half-year the Group's working interest share of production from the Maari and Manaia fields was 212,878 barrels of oil. Crude oil sales were 236,161 barrels at an average effective price of US\$43.17/bbl inclusive of executed hedging.

Average gross production from the field over the half-year was approximately 4,524 bopd, of which Horizon's share was 1,176 bopd. Production for the period 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 the first half of the 2021 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.

Cost optimisation efforts implemented in light of the change in economic conditions resulted in a 43% reduction in direct production costs, excluding amortisation, when compared to the prior comparative period.

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 have advised that they 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.



Outlook

The finalisation of the Group's PNG asset portfolio divestment during the period, provides the opportunity to reset and focus on the Group's cash generative assets, to deliver sustainable returns to shareholders, and to grow the company. In the near term, strong cashflow generation is forecast, aided by the strengthening oil price and robust low-cost production which has been boosted by the recent successful WZ6-12 two well infill drilling campaign. These cashflows will enable continued material reductions in the Company's debt levels, payment of the Group's proportionate share of the recent WZ6-12 two well infill drilling campaign, the WZ12-8E development in Block 22/12, and funding for the recently announced share buy back and unmarketable parcel buy back.

The Group's short-term focus is on:

- Continued optimisation of production performance from the Beibu and Maari/Manaia fields;
- Progressing the Beibu Gulf fields WZ12-8E field development;
- Continued evaluation of nearby prospects in Block 22/12;
- Evaluating growth opportunities to complement existing oil production assets.

Reporting currency

The Company's and the Group's functional and reporting currency is United States dollars. All references in this half-year financial report to "\$" or "dollars" are references to United States dollars, unless otherwise stated.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set on page 9.

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191 and accordingly amounts in the directors' report and interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the directors.

R. N. Handung

M Harding Chairman

C Hodge Chief Executive Officer

Sydney 24 February 2021





Auditor's Independence Declaration

As lead auditor for the review of Horizon Oil Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Horizon Oil Limited and the entities it controlled during the period.

Sean Rugers Partner PricewaterhouseCoopers Sydney 24 February 2021

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2020

	NOTE	31 DEC 2020 US\$'000	31 DEC 2019 US\$'000
Revenue	4	26,238	52,675
Cost of sales		[25,033]	[32,532]
Gross profit		1,205	20,143
Other revenue / other income	5	817	23
General and administrative expenses		[1,781]	[974]
Insurance expenses		[934]	(965)
Exploration expenditure		[1,044]	(556)
Gain on remeasurement of derivative financial instruments	5	324	-
Finance costs – interest, transaction costs, other		[1,074]	[1,911]
Finance income/[cost] – unrealised movement in value of options	5	843	[1,708]
Loss/[Profit] before income tax expense		[1,644]	14,052
NZ royalty tax expense		[147]	[1,848]
Income tax benefit/[expense]		3,357	[4,427]
Profit from continuing operations		1,566	7,777
Profit/[Loss] from discontinued operations	14(b)	3,147	(70,525)
Profit/(loss) for the half year		4,713	[62,748]
OTHER COMPREHENSIVE INCOME / [LOSS] ITEMS THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS			
Changes in the fair value of cash flow hedges		833	[1,499]
Total comprehensive income/[loss] for the half-year		5,546	[64,247]
PROFIT/(LOSS) ATTRIBUTABLE TO:			·
Security holders of Horizon Oil Limited		4,713	[62,748]
Profit/(Loss) for the period		4,713	[62,748]
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Security holders of Horizon Oil Limited		5,546	[64,247]
Total comprehensive income/[loss] for the period		5,546	[64,247]
		US CENTS	US CENTS
Basic earnings per share from continuing operations		0.12	0.60
Diluted earnings per share from continuing operations	· · · · ·	0.09	0.47
Basic earnings per share from discontinued operations		0.24	[5.41]
Diluted earnings per share from discontinued operations		0.19	[5.41]

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTE	31 DEC 2020 US\$'000	30 JUN 2020 US\$'000
CURRENT ASSETS			
Cash and cash equivalents	7	33,035	25,920
Receivables		9,817	7,923
Inventories		3,043	3,510
Current tax receivable		245	-
Derivative financial instruments		410	15
Other assets		2,136	1,387
Total current assets		48,686	38,755
NON-CURRENT ASSETS			
Deferred tax assets		9,073	7,084
Plant and equipment	8	656	869
Exploration phase expenditure	9	-	8,225
Oil and gas assets	10	113,525	116,702
Total non-current assets		123,254	132,880
Total assets		171,940	171,635
CURRENT LIABILITIES			
Payables	11	13,132	6,887
Current tax payable		1,407	2,942
Borrowings	12	14,323	12,236
Derivative financial instruments		277	1,344
Other financial liabilities	13	2,948	-
Total current liabilities	_	32,087	23,409
NON-CURRENT LIABILITIES			
Payables	11	288	385
Deferred tax liability		14,209	15,169
Other financial liabilities	13	-	3,791
Borrowings	12	7,848	12,079
Provisions		28,924	33,947
Total non-current liabilities	-	51,269	65,371
Total liabilities	· · · · · · · · · · · · · · · · · · ·	83,356	88,780
Net assets		88,584	82,855
EQUITY			
Contributed equity	15	174,801	174,801
Reserves		13,615	12,599
Accumulated losses		[99,832]	[104,545]
Total equity		88,584	82,855

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2020

	ATTRIBUTABLE TO MEMBERS OF THE COMPANY				
	CONTRIBUTED EQUITY US\$'000	RESERVES US\$'000	RETAINED PROFITS / (ACCUMULATED LOSSES) US\$'000	TOTAL EQUITY US\$'000	
BALANCE AT 1 JULY 2019	174,801	15,911	(49,406)	141,306	
Loss for the half-year	-	-	[62,748]	(62,748)	
Other comprehensive income	-	[1,499]	-	(1,499)	
Total comprehensive profit for the half-year	-	[1,499]	[62,748]	[64,247]	
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS	EQUITY HOLDERS:				
Employee share options	-	[868]	-	[868]	
Balance at 31 Dec 2019	174,801	13,544	[112,154]	76,191	
Balance at 1 July 2020	174,801	12,599	[104,545]	82,855	
Profit for the half-year	-	-	4,713	4,713	
Other comprehensive income	-	833	-	833	
Total comprehensive profit/(loss) for the half-year	-	833	4,713	5,546	
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS	EQUITY HOLDERS:				
Employee share options	-	183	-	183	
Balance at 31 Dec 2020	174,801	13,615	[99,832]	88,584	

ATTRIBUTABLE TO MEMBERS OF THE COMPANY

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2020

	HALF-YEAR TO		
	31 DEC 2020 US\$'000	31 DEC 2019 US\$'000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	25,385	47,837	
Payments to suppliers and employees	[12,846]	[15,745]	
	12,539	32,092	
Interest received	-	23	
Interest paid	[672]	[2,194]	
Income and royalty taxes paid	[1,879]	[5,728]	
Net cash inflows from operating activities	9,988	24,193	
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration phase expenditure	[1,382]	[2,437]	
Payments for oil and gas assets	[2,717]	[1,084]	
Payments for plant and equipment	[16]	[13]	
Proceeds from the sale of PNG subsidiaries	3,764	-	
Receipts from sale of plant and equipment	-	5	
Net cash (outflows) from investing activities	(351)	[3,529]	
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments under leasing arrangements	[120]	[81]	
Repayment of borrowings	[2,401]	[20,000]	
Net cash (outflows) from financing activities	[2,521]	[20,081]	
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7,116	583	
Cash and cash equivalents at the beginning of the half-year	25,920	21,472	
Effects of exchange rate changes on cash and cash equivalents	[1]	-	
Cash and cash equivalents at the end of the half-year	33,035	22,055	

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



Notes to the consolidated financial statements

Note 1 Basis of preparation of half-year report

The general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Horizon Oil Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the normal course of business as they become due.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as described below and in Note 2.

Non-current assets held for sale and discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

Note 2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The most significant estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities relate to:

(i) Exploration and evaluation assets

Management makes certain estimates and assumptions as to future events and circumstances. These estimates and assumptions include whether commercially viable resources have been found and whether the capitalised exploration and evaluation expenditure will be recovered through future exploitation or sale.

(ii) Reserve estimates

The estimated quantities of proven and probable hydrocarbons reported by the Group are integral to the calculation of amortisation expense (depletion), assessments of impairment of assets, provision for restoration and the recognition of deferred tax assets due to changes in expected future cash flows. Reserve estimates require interpretation of complex and judgemental geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoir, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Reserve estimates are prepared in accordance with guidelines prepared by the Society of Petroleum Engineers.



(iii) Provisions for restoration

The Group estimates the future removal and restoration costs of petroleum production facilities, wells, pipelines and related assets at the time of installation of the assets and reviews these assessments periodically. In most instances the removal of these assets will occur well into the future. The estimate of future removal costs therefore requires management to make judgements around the timing of the required restoration, rehabilitation and decommissioning, as well as the discount rate.

During the period, the Group revised the future cost estimates from which the provision for restoration of the New Zealand licence is derived. Following continued volatility in yields and inflation rates caused by the COVID-19 pandemic, the Group revised the discount and inflation rate used in quantifying the New Zealand restoration provision. The resultant effect is an increase in the restoration provision and rehabilitation asset of US\$0.7 million.

(iv) Impairment of oil and gas assets

The Group assesses whether its oil and gas assets are impaired on a semi-annual basis. This requires an estimation of the recoverable amount of the cash generating unit to which each asset belongs. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. The fair value less cost to sell is assessed on the basis of the estimated net cash flows that will be received from the asset's continued employment and subsequent disposal. The estimated future cash flows are based on estimates of hydrocarbon reserves, future production profiles, commodity prices, operating costs and future development costs necessary to access the reserves. The estimated future cash flows are discounted back to today's dollars to obtain the fair value amount using an after-tax discount rate of between 10% and 11%.

(v) Share-based payments

Share-based payment transactions with directors and employees are measured by reference to the fair value of the share performance rights or options at the date they were granted. The fair value is ascertained using an appropriate pricing model, either Black-Scholes or Monte Carlo simulation, depending on the terms and conditions upon which the share performance rights or options were granted. The Group also applies assumptions around the likelihood of the share performance rights or options vesting which will have an impact on the expense and equity recorded in the financial year.

(vi) Recoverability of deferred tax assets

The recoverability of deferred tax assets is based on the probability that future taxable amounts will be available to utilise those temporary differences and losses. The Group has not recognised deferred tax assets in respect of some tax losses and temporary tax differences as the future utilisation of these losses and temporary tax differences is not considered probable at this point in time. Assessing the future utilisation of tax losses and temporary tax differences requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future utilisation of these tax assets recognised, which would in turn impact future financial results. Temporary tax differences recognised in New Zealand have continued to be recognised as deferred tax assets on the basis that it is expected the operations will generate sufficient taxable profits to fully utilise those losses.

(b) Critical judgements in applying the Group's accounting policies

No critical judgements which are considered to have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year were made during the preparation of this report.



Note 3 Segment information

(a) Description of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors.

The operating segments identified are broadly based on the Group's working interest in each individual oil and gas permit, arranged by developmental phase. Discrete pre-tax financial information (including pre-tax operating profit and capital expenditure on exploration and evaluation assets and oil and gas assets) for each oil and gas permit is prepared and provided to the chief operating decision maker on a regular basis. In certain circumstances, individual oil and gas permits are aggregated into a single operating segment where the economic characteristics and long-term planning and operational considerations of the individual oil and gas permits are such that they are considered interdependent. The Group has identified three operating segments:

- China exploration and development the Group is currently involved in developing and producing crude oil from Block 22/12 – WZ6-12, WZ12-8W and WZ12-8E oil field developments, and the exploration and evaluation of hydrocarbons within Block 22/12;
- New Zealand exploration and development the Group is currently involved in developing and producing crude oil from the Maari/Manaia oil field development, and the exploration and evaluation of hydrocarbons within PMP 38160; and
- 'All other segments' include amounts of a corporate nature not specifically attributable to an operating segment.

The PNG exploration and development segment was sold on 2 December 2020. Information about this discontinued segment is provided in Note 14.

(b) Segment information provided to the chief operating decision maker

HALF-YEAR 2021 (31 DECEMBER 2020)	CHINA EXPLORATION AND DEVELOPMENT	NEW ZEALAND EXPLORATION AND DEVELOPMENT	ALL OTHER SEGMENTS	TOTAL
	US\$'000	US\$'000	US\$'000	US\$'000
SEGMENT REVENUE:				
Revenue from external customers	16,043	10,195	-	26,238
Profit / (loss) before tax	[494]	[768]	[382]	(1,644)
Depreciation and amortisation	[7,892]	[3,676]	(156)	[11,724]
Total segment assets at 31 December 2020	75,423	78,712	17,805	171,940
Additions to non-current assets other than financia	l assets and deferred tax d	during the half-year:		
Exploration phase expenditure:	[39]	(58)	679	582
Development and production phase expenditure:	5,248	784	-	6,032
Plant and equipment:	-	-	16	16
Total segment liabilities at 31 December 2020	38,130	40,870	4,356	83,356



HALF-YEAR 2020 (31 DECEMBER 2019)	CHINA EXPLORATION AND DEVELOPMENT US\$'000	NEW ZEALAND EXPLORATION AND DEVELOPMENT US\$'000	PAPUA NEW GUINEA EXPLORATION AND DEVELOPMENT US\$'000	ALL OTHER SEGMENTS US\$'000	TOTAL US\$'000
SEGMENT REVENUE:					
Revenue from external customers	26,780	25,895	-	-	52,675
Profit / (loss) before tax	9,807	5,615	(70,525)	[1,370]	(56,473)
Depreciation and amortisation	[7,619]	(5,900)	[48]	[107]	[13,674]
Total segment assets at 31 December 2019	86,567	75,479	8,077	15,617	185,740
Additions to non-current assets other	than financial assets and	d deferred tax during	g the half-year:		
Exploration phase expenditure:	1,773	(58)	546	209	2,470
Development and production phase expenditure:	46	1,608	145	-	1,799
Plant and equipment:	-	-	123	592	715
Total segment liabilities at 31 December 2019	40,380	46,922	6,116	16,131	109,549

(c) Other segment information

(i) Segment revenue

The Group's revenue is derived from the sale of crude oil produced in China and New Zealand. The Group sells to external customers, including through sales agreements with the respective joint venture operators.

Reportable segment revenues are equal to consolidated revenue.

(ii) Segment profit before tax

The chief operating decision maker assesses the performance of operating segments based on a measure of profit before tax.

Reportable segment profit before tax is equal to consolidated profit before tax.

(iii) Segment assets and liabilities

The amounts provided to the chief operating decision maker with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

Reportable segment assets and liabilities are equal to consolidated total assets and liabilities.

Note 4 Revenue

Revenue for the half-year ended 31 December 2020 relates to contracts executed for the sale of crude oil and the performance obligations being met within the period. There is no variable consideration requiring estimation for the period ended 31 December 2020.

The Group did not have contracts that were executed in a prior period, whereby the performance obligations were partially met at the beginning of the period. There are no existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2020.



The Group's revenue disaggregated by primary geographical markets is reported in Note 3 Segment information.

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	НА	HALF-YEAR TO	
	31 DEC 2020 US\$'000	31 DEC 2019 US\$'000	
CRUDE OIL SALES			
Goods transferred at a point in time	10,195	25,895	
Goods transferred over a period of time	16,043	26,780	
Total	26,238	52,675	

Note 5 Profit for the half-year - Significant items

Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:

	HALF-YEAR TO	
	31 DEC 2020 US\$'000	31 DEC 2019 US\$'000
INCOME		
Proceeds from insurance claims (refer to note (a) below)	780	-
Finance income – unrealised movement in value of options (refer to note (b) below)	843	
Gain on the remeasurement of derivative financial instruments (refer to note (c) below)	324	
EXPENSES		
Finance cost – unrealised movement in value of options	-	[1,708]

(a) During the period, the Group recovered US\$0.8 million as full and final settlement for outstanding insurance claims pertaining to the Maari asset. Following the recovery of these funds there are no outstanding insurance claims.

(b) Financing costs includes an unrealised movement of US\$0.8 million relating to the revaluation of the derivative financial liability arising from the share options issued in respect of the subordinated secured facility in September 2016.

(c) The gain on the remeasurement of derivative financial instruments relates to oil price swaps whereby hedge accounting has not been applied. Oil swaps were undertaken to mitigate the Group's exposure to oil price volatility and its impact on the drilling costs of the WZ12-8E development which are directly linked to the oil price.

Note 6 Fair value measurement of financial instruments

(a) Fair value measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Derivative financial instruments
- Financial liabilities at fair value through profit or loss (FVTPL)



The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2020 and 30 June 2020:

AT 31 DECEMBER 2020	LEVEL 1 US\$'000	LEVEL 2 US\$'000	LEVEL 3 US\$'000	TOTAL US\$'000
ASSETS				
Derivatives used for hedging	-	410	-	410
New Zealand carbon credits	1,337	-	-	1,337
Financial assets at fair value through profit or loss:				
Oil price swaps	-	324	-	324
Total assets	1,337	734	-	2,071
Total assets LIABILITIES	1,337	734	-	2,071
	1,337	734 601	-	2,071 601
LIABILITIES			-	
LIABILITIES Derivatives used for hedging	-		-	601
LIABILITIES Derivatives used for hedging New Zealand ETS obligation	-		- - - 2,948	601

AT 30 JUNE 2020	LEVEL 1 US\$'000	LEVEL 2 US\$'000	LEVEL 3 US\$'000	TOTAL US\$'000
ASSETS				
Derivatives used for hedging	-	15	-	15
New Zealand carbon credits	802	-	-	802
Total assets	802	15	-	817
LIABILITIES				
Derivatives used for hedging	-	1,344	-	1,344
New Zealand ETS obligation	361	-	-	361
Financial liabilities at fair value through profit or loss:				
Options over unissued shares	-	-	3,791	3,791
Total liabilities	361	1,344	3,791	5,496

There were no transfers between levels 1, 2 or 3 for recurring fair value measurements during the period.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.



The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2020.

(b) Valuation techniques used to derive fair values

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) was based on quoted market prices at the end of each reporting period. The quoted market price used for financial liabilities held by the Group was the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The fair value of oil price swaps and collars are calculated as the present value of the estimated future cash flows based on forward prices at balance sheet date;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of foreign currency contracts and swaps calculated as the present value of the estimated future cash flows based on forward prices at balance sheet date; and
- Other techniques, such as discounted cash flow analysis and Black-Scholes valuations, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 unless otherwise stated.

For the financial liabilities, the best evidence of fair value is current prices in an active market for similar financial liabilities. Where such information is not available the directors consider information from a variety of sources including:

- Discounted cash flow projections based on reliable estimates of future cash flows; and
- Black-Scholes valuations.

All resulting fair value estimates for properties are included in level 3.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the half year ended 31 December 2020 for recurring fair value measurements:

	OPTIONS OVER UNISSUED SHARES US\$'000
Opening balance at 1 July 2020	3,791
Additions during the period	-
Gain recognised in profit or loss	[843]
Closing balance at 31 December 2020	2,948



(i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

DESCRIPTION	FAIR VALUE AT 31 DEC 2020 \$'000	UNOBSERVABLE INPUTS	RANGE OF INPUTS (PROBABILITY-WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Options over unissued shares	2,948	Share price volatility	60.0%	All other inputs being equal, an increase in share volatility results in an
				increase in the fair value of the liability

(ii) Valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of the share options for financial reporting purposes on a half-yearly basis. The fair value of the share options is determined based on a risk-neutral framework using the Black-Scholes Model. The Black-Scholes Model used to calculate the theoretical value of the options uses current stock prices, expected dividend yield, the option's strike price, expected interest rates, time to expiration and expected volatility.

A calculated share price volatility of 60.0% was applied in the valuation. All other parameters were based on the specific terms of the options issued or observable market data.

Note 7 Cash and cash equivalents

	31 DEC 2020 US\$'000	30 JUN 2020 US\$'000
Cash at bank and on hand	23,283	23,007
Restricted cash ¹	9,752	2,913
Closing balance	33,035	25,920

¹ Under the terms of Horizon's Syndicated Revolving Cash Advance Facility, certain cash balances are available to the Group after certain conditions of the relevant facility agreement are satisfied. No restricted cash was held on deposit during the half year.



Note 8 Plant and Equipment

	BUILDING ^[a]	OTHER PLANT AND EQUIPMENT ^(a)	LEASEHOLD IMPROVEMENTS	TOTAL
	US\$000	US\$'000	US\$'000	US\$'000
As at 1 July 2020				
Cost	603	2,305	1,263	4,171
Accumulated depreciation	[173]	[2,216]	[913]	[3,302]
Net book amount	430	89	350	869
Half-year ended 31 December 2020				
Opening net book amount	430	89	350	869
Additions	-	-	16	16
Disposals	[5]	-	[47]	(52)
Depreciation expense ^(b)	(106)	[22]	[49]	[177]
Closing net book amount	319	67	270	656
As at 31 December 2020				
Cost	547	1,563	1,105	3,215
Accumulated depreciation	[228]	[1,496]	[835]	(2,559)
Net book amount	319	67	270	656

[a] Included in the net book amount of land and building, and other plant and equipment are right-of-use assets as follows:

	31 DEC 2020 US\$'000	30 JUN 2020 US\$'000
Office premises	319	430
Photocopier and IT equipment	15	24
Total	334	454

(b) Depreciation expense in relation to the right of use assets is US\$97,914.

Note 9 Exploration phase expenditure

	31 DEC 2020 US\$'000	30 JUN 2020 US\$'000
Opening balance	8,225	56,903
Disposal of exploration asset [Note 14]	[3,352]	-
Reassessment of rehabilitation asset	-	1,695
Transfer of cost to production phase	[4,468]	[1,372]
Exploration expenditure incurred during the period	[329]	3,538
Exploration expenditure expensed during the period	[76]	(3,811)
Impairment expenditure	-	[48,728]
Closing balance	-	8,225



Note 10 Oil and gas assets

	31 DEC 2020 US\$'000	30 JUN 2020 US\$'000
Opening balance	116,702	157,453
Transfer from exploration phase	4,468	1,372
Development and production costs incurred during the period	6,138	846
Reassessment of rehabilitation asset	664	2,349
Disposal of oil and gas assets [Note 14]	[2,408]	-
Amortisation incurred	(11,568)	[26,354]
Impairment expenditure	-	(18,557)
Development and production costs expensed during the period	[471]	[407]
Closing balance	113,525	116,702

Note 11 Payables

Lease liabilities are presented in the statement of financial position within payables as follows:

	31 DEC 2020 US\$'000	30 JUN 2020 US\$'000
CURRENT		
Trade creditors	985	784
Share of joint operation creditors and accruals	10,427	3,996
NZ Emissions Trading Scheme obligation	828	361
Other creditors	671	1,523
Lease liabilities (a)	221	223
	13,132	6,887
NON-CURRENT		
Other creditors	109	123
Lease liabilities (a)	179	262
	288	385
Total payables	13,420	7,272

[a] The Group has a lease for the Sydney office and various other equipment leases. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 were as follows:

		MINIMUM LEASE PAYMENTS DUE		
	Within one year US\$'000	One to five years US\$'000	After five years US\$'000	Total US\$'000
<i>31 December 2020</i>				
Lease payments	236	183	-	419
Finance charges	(15)	[4]	-	[19]
Net present values	221	179	-	400



Note 12 Borrowings

	31 DEC 2020 US\$'000	30 JUN 2020 US\$'000
CURRENT		
Bank loans (b)	14,323	12,236
	14,323	12,236
NON-CURRENT		
Bank loans (b)	7,848	12,079
	7,848	12,079
Total borrowings	22,171	24,315

(a) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	31 DEC 2020 US\$'000	30 JUN 2020 US\$'000
Cash and cash equivalents	33,035	25,920
Borrowings ¹ – repayable within one year (including overdraft)	[14,586]	(12,758)
Borrowings ¹ – repayable after one year	[8,444]	[12,673]
Net cash	10,005	489
Cash and liquid investments	33,035	25,920
Gross debt ¹ – variable interest rates	[23,030]	[25,431]
Net cash	10,005	489

¹ Borrowings exclude associated transaction costs and accrued interest and accordingly represents the nominal value of the borrowings as at 31 December 2020 and 30 June 2020.

(b) Reconciliation of borrowings arising from financing activities

	CASHFLOWS				
	Opening 1 Jul 2020	Drawdown ¹ US\$'000	Repayments US\$'000	Amortisation of transaction costs US\$'000	Closing 31 Dec 2020 US\$'000
Syndicated Revolving Cash Advance Facility	US\$'000 24,315	-	[2,401]	257	22,171
Total liabilities from financing activities	24,315	-	[2,401]	257	22,171

¹ Funds drawn down are shown net of associated transaction costs.

(c) Bank loans - Revolving Cash Advance Facility / Syndicated Revolving Cash Advance Facility

On 15 November 2018, the Group finalised and executed a US\$95 million Syndicated Revolving Cash Advance Facility with Australia and New Zealand Banking Group (ANZ), Westpac Banking Corporation (Westpac) and Industrial and Commercial Bank of China (ICBC). The proceeds on this facility were applied to repay the outstanding subordinated and senior debt facilities. The facility retained key elements of the previous Reserves Based Debt Facility, with key changes including additional tenor to July 2022, reduced interest rate at LIBOR plus 2.75% and the removal of lender security over Horizon's



interests in PNG. Under the facility, the facility limit and thus future repayments are determined by applying a minimum loan life coverage ratio to the net present value of estimated future cash flows from all projects included in the facility. Estimated future cash flows are dependent on, amongst other things, the lenders views on forecast oil prices, reserve estimates, operating and capital cost estimates and forecast interest and exchange rates.

At 31 December 2020, total debt drawn under the facility was US\$23.0 million. Floating interest in respect of the facility was at LIBOR plus a weighted average margin of 2.75%.

The facility was secured by a floating charge over the shares and assets of the borrowers (Horizon Oil International Limited and Horizon Oil (Beibu) Limited which are wholly owned subsidiaries of Horizon Oil Limited) and other Horizon Oil Limited subsidiaries, in favour of ANZ Fiduciary Services Pty Limited as security trustee. Horizon Oil Limited has guaranteed the performance of Horizon Oil International Limited and Horizon Oil (Beibu) Limited (which have also given guarantees) in relation to the loan facility from ANZ, Westpac and ICBC. In addition, the shares of the following Horizon Oil Limited subsidiaries have been mortgaged to ANZ Fiduciary Services Pty Limited: Horizon Oil International Limited and Horizon Oil (Beibu) Limited. The Group is subject to covenants which are common for a facility of this nature.

Note 13 Other financial liabilities

	31 DEC 2020 US\$'000	30 JUN 2020 US\$'000
CURRENT		
Fair value of share options	2,948	-
NON-CURRENT		
Fair value of share options	-	3,791
Total other financial liabilities	2,948	3,791

The amount shown for other financial liabilities is the fair value of the derivative financial liability arising from the 300 million share options issued as part of the subordinated debt facility undertaken in 2016, and subsequently extinguished in 2018. The options are exercisable at A\$0.061 per share on or before 15 September 2021 and as the functional currency of the Group is United States Dollars, this will result in a variable amount of cash being received on exercise of the options. The share options are accounted for as a derivative financial liability at fair value on a recurring basis and are revalued at each balance date, with any gains/losses recognised through profit or loss. At 31 December 2020 the financial liability has been classified as current due to the expiry date of the options being less than 12 months from the balance sheet date.

Note 14 Discontinued operation

(a) Description

On 27 October 2020, the Group announced that it had agreed to sell all of the shares in its wholly owned subsidiary Horizon Oil (PNG Holdings) Limited. The sale completed on 2 December 2020 resulting in the transfer of the Group's entire asset portfolio in Papua New Guinea to Arran Energy Investments Pty Ltd. On completion of the sale the Group received cash consideration of US\$3,500,000, with a further US\$264,225 received upon the finalisation of customary working capital adjustments. Following the completion of the sale, the Group does not have any operations in Papua New Guinea and no longer holds an interest in Horizon Oil (PNG Holdings) Limited, Horizon Oil (Papua) Limited, Horizon Oil (Ubuntu) Limited and Horizon Oil (Ketu) Limited.



(b) Financial performance and cash flow information

The financial performance and cash flow information presented for the half year ended 31 December 2020 reflects the discontinued PNG operations for the 5 months ended 2 December 2020.

FINANCIAL PERFORMANCE	31 DEC 2020 US\$'000	31 DEC 2019 US\$'000
Revenue	-	-
Expenses	(380)	[3,240]
Impairment expense	-	[67,285]
Loss before income tax	(380)	(70,525)
Income tax expense	-	-
Loss after tax of discontinued operation	(380)	(70,525)
Gain on sale of subsidiary after tax (refer to Note 14 (c) below)	3,527	-
Profit/(Loss) from discontinued operation	3,147	[70,525]
Net cash outflow from operating activities	[74]	(925)
Net cash inflow/(outflow) from investing activities (includes proceeds from sale)	3,493	[2,575]
Net increase/(decrease) in cash generated by subsidiaries	3,419	[3,500]

(c) Details of the sale of the subsidiaries

GAIN ON SALE OF SUBSIDIARIES	31 DEC 2020 US\$'000
Cash	3,500
Cash for working capital	264
Total disposal consideration	3,764
Cash	246
Accounts receivable	171
Fixed assets	52
Exploration assets	3,352
Development assets	2,408
Accounts payable	[161]
Restoration liabilities	(5,831)
Less: Carrying value of net assets sold	237
Gain on sale of subsidiaries	3,527



Note 15 Contributed equity

(a) Share capital

		31 DEC 2020 NUMBER'000	30 JUN 2020 NUMBER'000	31 DEC 2020 US\$'000	30 JUN 2020 US\$'000
ORDINARY SHARES					
Fully paid	(b) (i)	1,301,981	1,301,981	174,342	174,342
Partly paid	(b) (ii)	1,500	1,500	459	459
	-	1,303,481	1,303,481	174,801	174,801

(b) Movements in share capital

(i) Ordinary shares (fully paid)

DATE	DETAILS	NUMBER	US\$'000
30/06/2020	Balance at 30 June 2020	1,301,981,265	174,342
31/12/2020	Balance at 31 December 2020	1,301,981,265	174,342

(ii) Ordinary shares (partly paid to A\$0.01)

DATE	DETAILS	NUMBER	US\$'000
30/06/2020	Balance at 30 June 2020	1,500,000	459
31/12/2020	Balance at 31 December 2020	1,500,000	459

Note 16 Contingent assets and liabilities

(a) Contingent assets

The Group had no contingent assets as at 31 December 2020.

(b) Contingent liabilities

The Group had contingent liabilities as at 31 December 2020 that may become payable in respect of:

In accordance with normal oil and gas industry practice, the Group has entered into joint operations and farm-out agreements with other parties for the purpose of exploring and developing its petroleum interests. If a participant to a joint operation defaults and fails to contribute its share of joint operation obligations, then the remaining joint operation participants are jointly and severally liable to meet the obligations of the defaulting participant. In this event, the interest in the permit or licence held by the defaulting participant may be redistributed to the remaining participants. In the event of a default, a contingent liability exists in respect of expenditure commitments due to be met by the Group in respect of defaulting joint operation participants.

The Group occasionally receives claims arising from its operations in the normal course of business. In the opinion of directors, all such matters are either covered by insurance or, if not covered, are without merit or are of such a nature the amounts involved would not have a material impact on the results.

HORIZON

No material losses are anticipated in respect of the above contingent liabilities.

Note 17 Exploration, development and production expenditure commitments

The Group has entered into joint operations for the purpose of exploring, developing and producing from certain petroleum interests. To maintain existing interests or rights to earn interests in those joint operations the Group will be expected to make contributions to ongoing exploration and development programs. Since such programs are subject to continual review by operating committees, upon which the Group is represented, the extent of future contributions in accordance with these arrangements is subject to continual renegotiation.

Subject to the above-mentioned limitations, the directors have prepared the following disclosure of exploration and development expenditure commitments not recognised in the financial statements. These are payable as follows, based on current status and knowledge of estimated quantum and timing of such commitments by segment.

31 DECEMBER 2020	NEW ZEALAND EXPLORATION & DEVELOPMENT US\$'000	CHINA EXPLORATION & DEVELOPMENT US\$'000	TOTAL US\$'000
Within one year	2,767	12,692	15,459
Later than one year but not later than 5 years	-	5,815	5,815
After 5 financial years	-	-	-
Total	2,767	18,507	21,274

30 JUNE 2020	NEW ZEALAND EXPLORATION & DEVELOPMENT US\$'000	CHINA EXPLORATION & DEVELOPMENT US\$'000	PAPUA NEW GUINEA EXPLORATION & DEVELOPMENT US\$'000	TOTAL US\$'000
Within one year	2,810	8,319	1,098	12,227
Later than one year but not later than 5 years	-	12,537	-	12,537
After 5 financial years	-	-	-	-
Total	2,810	20,856	1,098	24,764

The above commitments may be deferred or modified with the agreement of the host government, by variations to the terms of individual permits or licences, or extensions to the terms thereof. Another factor likely to delay timing of these commitments is the potential lack of availability of suitable drilling rigs in the area of interest.

The commitments may also be reduced by the Group entering into farm-out agreements or working interest trades, both of which are typical of the normal operating activities of the Group. During the period the Group finalised its PNG asset portfolio divestment, accordingly there are no commitments in Papua New Guinea as at 31 December 2020.

Note 18 Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties, unless otherwise stated.

Other than the matters disclosed elsewhere in this report, there were no related party transactions with directors and other key management personnel during the half-year outside of contractual remuneration.



Note 19 Events occurring after balance sheet date

Other than the matters disclosed in this report, there has not been any other matter or circumstance which has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.



Directors' Declaration

In the directors' opinion:

- (a) the attached interim financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with relevant Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance, as represented by the results of its operations and its cashflows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Horizon Oil Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

R. N. Handing

M Harding Chairman

C Hodge Chief Executive Officer

Sydney 24 February 2021





Independent auditor's review report to the members of Horizon Oil Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Horizon Oil Limited (the Company) and the entities it controlled from time to time during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income and consolidated statement of changes in equity for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Horizon Oil Limited does not comply with the *Corporations Act 2001* including:

- 1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date
- 2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of management for the half-year financial report

Management is responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as management determines is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that

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the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoper

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Kugers

Sean Rugers Partner

Sydney 24 February 2021