

# QUARTERLY REPORT

PERIOD ENDING 30 JUNE 2021 [ASX:HZN]

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## HIGHLIGHTS

### Capital Management including capital return of 3 cents per share

- An AUD 3 cent per share (~US\$35 million) equal share capital return was announced on 23 July 2021 which is to be put to shareholders at an extraordinary general meeting (**EGM**) on 10 August 2021.
- The on-market share buy-back was cancelled with a total of 20.3 million ORD shares having been bought back at an average price of AUD 8.7 cents per share.

### Production and Financial metrics within / exceeding FY21 guidance range

- Quarterly production and sales volumes were steady with production of 342,815 bbls and sales of 316,378 bbls; production and sales volumes for the 2021 financial year were both within guidance at 1.3 million bbls.
- Revenue inclusive of hedge settlements increased by 14.4% to US\$19.9 million for the quarter – resulting in FY21 revenue exceeding the top end of Horizon's guidance range at US\$63.6 million.
- Cash operating costs for the quarter continue to be maintained well below US\$20/bbl produced.
- Net cash increased to US\$31.7 million at 30 June, aided by the receipt of A\$18.3 million on exercise of the 300 million outstanding options held by Samuel Terry Asset Management. Following cash receipts from late June liftings net cash is expected to increase to ~US\$37 million by 31 July 2021, ahead of the proposed capital return.
- Additional hedging implemented to protect cashflows from commodity price volatility covering approximately 50% of forecast production to 31 December 2021. 300,000bbls are hedged using a mixture of swaps, collars and options with a weighted average floor price of ~US\$69/bbl, with the majority of instruments retaining exposure to higher oil prices.

### China Beibu Gulf WZ12-8E Development to produce first oil in Q1 2022

- Fabrication of the facilities for the WZ12-8E development remains on schedule - with first oil anticipated in Q1 CY2022.

## CHIEF EXECUTIVE OFFICER'S COMMENTARY

This has been a highly significant and pleasing quarter for Horizon.

Continuing strong oil prices has given us greater confidence in future cash flows, and with a one-off capital injection of A\$18.3 million from the exercise of options, the Board has recommended a very significant capital return to our shareholders. We are pleased to be able to reward our loyal shareholders for their patience. Furthermore, as a result of the options exercise, Samuel Terry is now a substantial shareholder in Horizon with approximately 20% and we welcome its representative Nigel Burgess to the Board.

Looking ahead, encouraged by a strong oil price outlook, we are directing all our efforts and influence on how to maximise production and revenue from the producing fields and especially to the successful commissioning of the WZ12-8E field in China.

We are optimistic for another good year ahead.

**Chris Hodge**  
Chief Executive Officer

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# FINANCIAL SUMMARY

Production	Q4 FY2021 bbls	Q3 FY2021 bbls	CHANGE %	FINANCIAL YEAR 2021 Bbls
<b>BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA</b>				
Crude oil production	217,912	221,513	[1.6%]	873,139
Crude oil sales	199,794	204,148	[2.1%]	801,280
<b>PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND</b>				
Crude oil production	124,903	123,895	0.8%	461,675
Crude oil inventory on hand	28,202	20,695	36.3%	28,202
Crude oil sales	116,584	111,700	4.4%	464,445
<b>TOTAL PRODUCTION</b>				
<b>Crude oil production</b>	<b>342,815</b>	<b>345,408</b>	<b>[0.8%]</b>	<b>1,334,814</b>
<b>Crude oil sales</b>	<b>316,378</b>	<b>315,848</b>	<b>0.2%</b>	<b>1,265,725</b>
<b>PRODUCING OIL AND GAS PROPERTIES</b>				
	<b>US\$'000</b>	<b>US\$'000</b>		<b>US\$'000</b>
<b>BLOCK 22/12 (BEIBU GULF), OFFSHORE CHINA</b>				
Production revenue <sup>1</sup>	13,555	12,406	9.3%	43,161
Operating expenditure	2,237	1,705	31.2%	10,831
Amortisation	3,965	4,031	[1.6%]	15,889
<b>PMP 38160 (MAARI AND MANAIA), OFFSHORE NEW ZEALAND</b>				
Production revenue <sup>1</sup>	8,842	7,476	18.3%	26,964
Operating expenditure	3,299	2,834	16.4%	11,516
Inventory adjustment <sup>2</sup>	[360]	[442]	[18.5%]	390
Amortisation	2,157	2,139	0.8%	7,972
<b>Total Producing Oil and Gas Properties</b>				
<b>Production revenue<sup>1</sup></b>	<b>22,397</b>	<b>19,882</b>	<b>12.6%</b>	<b>70,124</b>
<b>Oil hedging settlements</b>	<b>[2,481]</b>	<b>[2,465]</b>	<b>0.6%</b>	<b>[6,553]</b>
<b>Total revenue [incl. hedging gains/(losses)]</b>	<b>19,916</b>	<b>17,417</b>	<b>14.3%</b>	<b>63,571</b>
Direct production operating expenditure	5,536	4,539	22.0%	22,347
<b>Net operating cash flow<sup>3</sup></b>	<b>14,380</b>	<b>12,878</b>	<b>11.7%</b>	<b>41,224</b>
Amortisation	6,122	6,170	[0.8%]	23,861
<b>EXPLORATION AND DEVELOPMENT</b>				
Papua New Guinea Exploration & Pre-development	-	-		388
PMP 38160 (Maari and Manaia), New Zealand	2,060	320		3,042
Block 22/12 (Beibu Gulf), offshore China	1,076	4,110		10,602
<b>Total capital expenditure</b>	<b>3,136</b>	<b>4,430</b>		<b>14,032</b>
<b>Cash on hand</b>	<b>44,436</b>	<b>32,179</b>		<b>44,436</b>
<b>Senior debt facility<sup>4</sup></b>	<b>12,740</b>	<b>18,940</b>		<b>12,740</b>
<b>Net Cash<sup>4</sup></b>	<b>31,696</b>	<b>13,239</b>		<b>31,696</b>

<sup>1</sup> Represents gross revenue excluding hedge gains and losses.

<sup>2</sup> Represents an accounting adjustment for cost of crude oil inventory sold or produced during the period (includes amortisation of \$0.1 million).

<sup>3</sup> Represents total revenue less direct production operating expenditure (including workover costs).

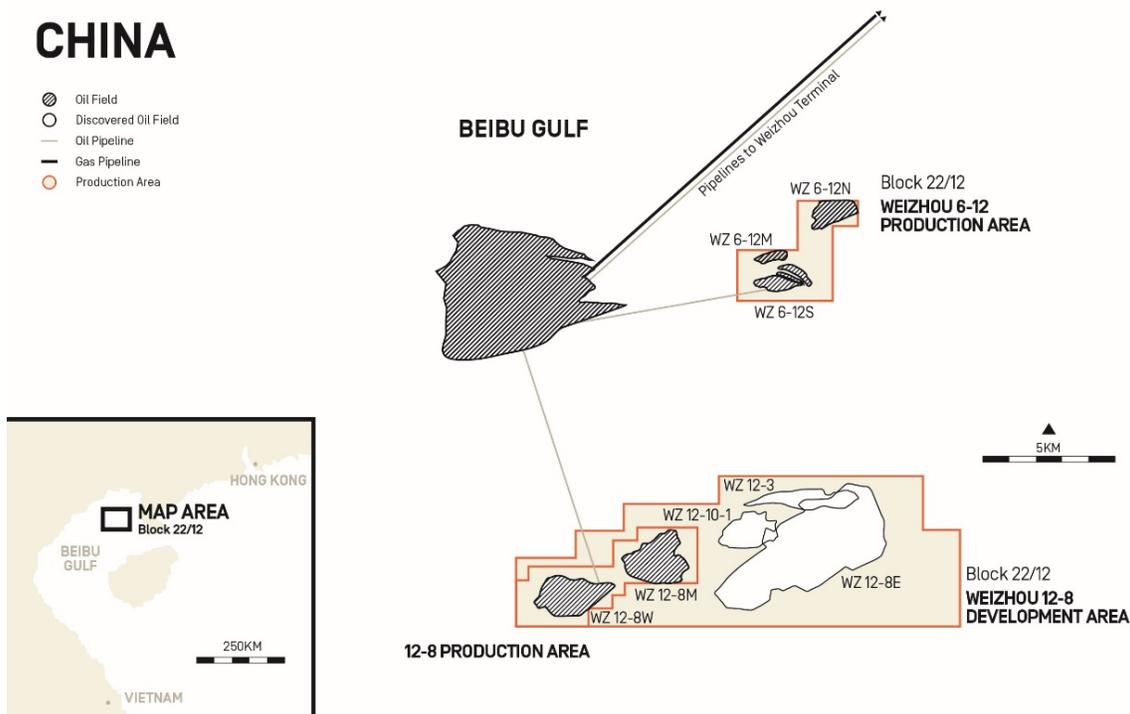
<sup>4</sup> Represents principal amounts drawn down at 30 June 2021.

<sup>5</sup> 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 their strong performance with production materially in line with the prior quarter aided by continued strong production from the two infill wells drilled earlier in the calendar year. Production for the 2021 financial year averaged 8,876 bopd (Horizon net 26.95%: 2,392 bopd) with production for the quarter averaging 8,885 bopd (Horizon net 26.95%: 2,395 bopd). At the date of this report gross production remains stable at approximately 8,800 bopd. Net sales for the quarter were 199,794 bbls, with net sales for the 2021 financial year of 801,280 bbls.

Cash operating costs for the 2021 financial year were US\$12.40/bbl produced, inclusive of the costs of workovers. Average cash operating costs in the quarter were US\$10.27/bbl (produced). This consistent, low-cost production ensures continued strong free cashflow generation from the Beibu fields.

The operator is advancing plans to upgrade water handling capacity at the fields and to install larger pumps in a number of the WZ 12-8W wells, with the objective of increasing production levels through the remainder of the 2021 calendar year.

Excellent progress continues to be made in the construction and procurement phases of the WZ12-8 East development, under the management of our JV partner, Roc Oil [China] (ROC). Fabrication of the wellhead platform modules and jacket are progressing well in the China construction yards, with platform construction over 70% complete at the end of June and sail away scheduled Q3 CY 2021. Refinements to the well design and drilling sequencing continues, with the *COSL CRAFT* jack up rig contracted and scheduled to commence drilling in Q4 CY 2021. First oil remains on schedule for Q1 CY 2022, with gross oil production from this first phase 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 some oil price hedging was implemented in late 2020 when oil prices were below US\$45/bbl to mitigate the impact on capital costs from a rising oil price, based on current oil prices being sustained at approximately US\$70/bbl Horizon's share of capital costs for the development are forecast to be ~US\$19 million. US\$3.1 million has been paid to date, with the majority of remaining payment schedule coinciding with the commencement of production.



Platform helideck completed and ready for installation

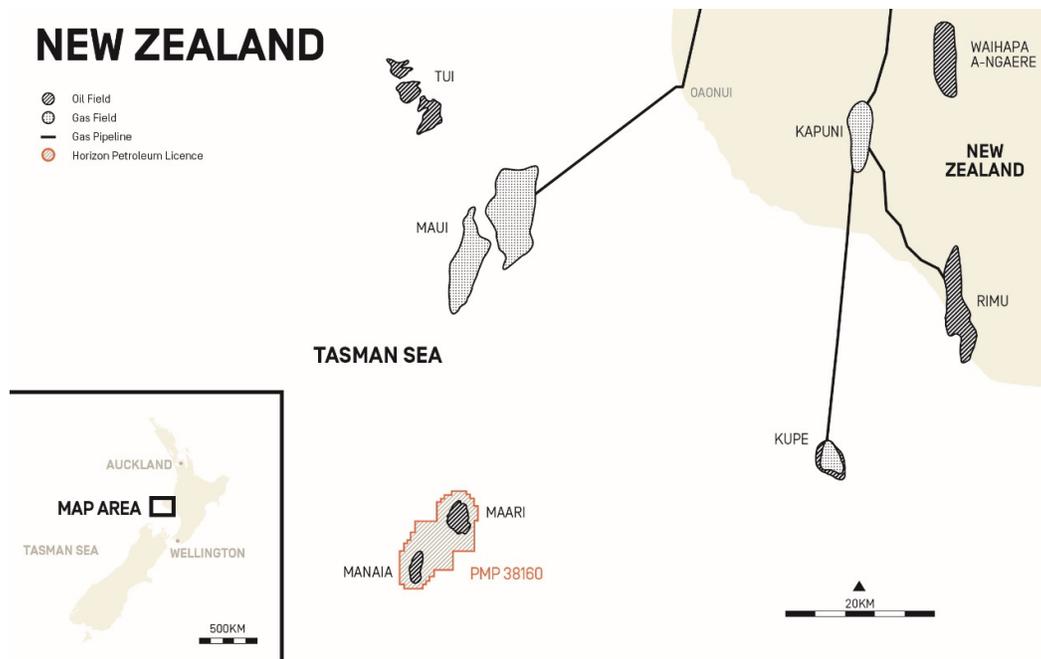


Production skid completed and ready for installation on the platform



Platform legs completed and ready for connection

## PMP 38160, Maari/Manaia fields, Taranaki Basin, offshore New Zealand [Horizon: 26%]



Gross oil production for the quarter increased 1% to an average of 5,279 bopd [Horizon net 26%: 1,373 bopd]. Production for the 2021 financial year averaged 4,865 bopd [Horizon net 26%: 1,265 bopd]. At the date of this report gross production remains stable at approximately 5,300 bopd, with production rates being maintained due to continued water injection into the field.

Average cash operating costs for the quarter were US\$26.41/bbl [produced]. Cash operating costs for the 2021 financial year were US\$24.94/bbl produced, inclusive of the costs of workovers.

Sales for the 2021 financial year were 464,445 bbls generating US\$27.0 million in revenue. Revenue for the quarter was US\$8.8 million generated on 116,584 bbls sold. Crude oil inventory at 30 June 2021 was 28,202 bbls.

The workover to the MR6A well was completed during the quarter, with the well commencing clean up flow in early June. During the final stages of the clean-up, low levels of sand were detected in the produced well fluid, resulting in a precautionary shut-in. Installation of a temporary desander on the wellhead platform is being considered to enable production to be reinstated. In addition, plans were progressed to temporarily convert the shut-in MR2 well to a water injection well to increase water injection rates into the Maari Moki formation and further increase oil recovery. The benefit of the temporary well conversion will be assessed over the coming months, as plans are concurrently progressed to permanently convert the well to a water injector in 2022.

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 August 2021 as a precautionary measure, owing to delays in the regulatory approval process. 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 27 July 2021.

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