HORIZON 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 2021. The financial results for the period are set out in the attached half-year report which incorporates the Appendix 4D.

HIGHLIGHTS

Increased production into a higher oil price

- Production volumes for the half-year increased 3% over the prior comparative period to 666,206 bbls; production for the 2021 calendar year of 1,354,428 bbls.
- Sales volumes for the half-year were 532,579 bbls, impacted by the deferral of a scheduled Maari lifting (~116,000 bbls (net)) to early January 2022; Sales volumes for the 2021 calendar year of 1,164,805.
- Revenue for the half-year increased 50% to US$39.3 million (~A$54.7 million) (inclusive of hedge settlements) at a net realised oil price of US$73.76/bbl, with a further US$10.7 million of Maari revenue recorded in early January 2022 following the deferred lifting; Revenue for the 2021 calendar year of US$76.6 million.
- Cash operating costs for the half-year of US$17.81/bbl (including workover costs).
- Cash flow from operating activities for the half-year of US$25.0 million, an increase of 150% over the prior comparative period.
- EBITDAX of US$28.0 million for the half-year, an increase of 154% compared to the prior comparative period.
- Net cash of US$14.7 million following a ~US$35 million return of capital to shareholders.
- Current hedge position at 1 February 2022 includes 140,000 bbls covering the period to 30 June 2022 using a mixture of swaps, puts and collars with a weighted average floor price of ~US$80/bbl. During January 2022 110,000 bbls matured such that the Company retains significant exposure to higher oil prices.

China Beibu Gulf WZ12-8E Development – production platform installed on location

- The project continues to progress well. The platform was successfully installed on location and preparations are being made for the arrival of the drilling rig. The COSL Strike drilling rig is scheduled to arrive on site in mid-February to commence development drilling. Anticipated first oil remains unchanged in the first half of Q2 CY2022.

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

"This has been a very positive half-year with increased production at Beibu following a successfully executed workover program and other production optimisation initiatives. The increased production rates during a period of higher oil prices continued to drive increased revenues and free cashflow generation. The deferral of the Maari lifting to early January 2022 has opportunistically pushed the lifting into a higher oil price environment which will further boost revenue and cashflow for the second half of the financial year.

Looking ahead, we have a very busy second half of the financial year with seven wells to be drilled as part of the WZ12-8E development and a possible further 2 to 3 additional infill/nearfield appraisal and exploration wells, which are all targeting near term production growth. With the recent surge in oil prices to multi-year highs, this sets up the Company for a very strong period of production growth and cashflow generation."

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 2022 HALF-YEAR RESULT		31 DEC 2021 US$'000	31 DEC 2020 US$'000	CHANGE %
Oil and gas sales	*bbls*	532,579	633,500	(16%)
Oil and gas production	*bbls*	666,206	646,592	3%
Sales revenue		39,284	26,238	50%
EBITDAX[1]		28,012	11,031	>100%
Statutory profit/(loss) before tax		14,351	(1,644)	>100%
Statutory profit for the period		**7,827**	**4,713**	**66%**
Profit from discontinued operations		-	(3,147)	>100%
Gain on remeasurement of derivative financial instruments		(359)	(324)	11%
Financing income – Unrealised movement in value of options		-	(843)	>100%
Underlying profit after tax		**7,468**	**399**	**>100%**
Cash on hand		**23,627**	**33,035**	**(28%)**
Cashflow from operating activities		24.968	9,988	>100%
Senior debt facility[2]		8,906	23,030	(61%)
Net Cash[2]		**14,721**	**10,005**	**47%**

Note 1: EBITDAX is a financial measure which are not prescribed by Australian Accounting Standards. EBITDAX represents 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 2020 and 31 December 2021, 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 23 February 2022 at 11.00am (AEDT) 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 https://ccmediaframe.com/?id=WZpl8TeW.

Authorisation

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

HALF-YEAR REPORT

INCORPORATING APPENDIX 4D

31 DECEMBER 2021

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 2021 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 2021

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 2021.

Current reporting period: Half-year ended 31 December 2021

Previous corresponding period: Half-year ended 31 December 2020

Results for announcement to the market

		PERCENTAGE CHANGE		AMOUNT US$'000
Revenue from continuing operations	Up	50%	to	39,284
Profit from ordinary activities after tax	Up	66%	to	7,827
Profit for the period attributable to members	Up	66%	to	7,827
Underlying profit after tax	**Up**	**>100%**	**to**	**7,468**

Dividends / distributions

	AMOUNT PER SECURITY AUD CENTS	FRANKED AMOUNT PER SECURITY
Capital Return (paid on 23 August 2021)	3.0	N/A
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Net Tangible Assets

	2021 US CENTS	2020 US CENTS
Net tangible asset backing per ordinary share	5.2	6.8

Controlled entities acquired or disposed of

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

During the prior reporting period, 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 prior period has been disclosed as profit/(loss) from discontinued operations in the prior period income statement. No controlled entities were acquired during the prior reporting period.

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

US$'000	2021	2020
Profit from ordinary activities after tax	7,827	4,713
Profit from discontinued operations	-	(3,147)
Gain on remeasurement of derivative financial liabilities	(359)	(324)
Financing income – Unrealised movement in value of options	-	(843)
Underlying Profit after tax	**7,468**	399

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 2021 and 31 December 2020.

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 2021.

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:

M Harding
C Hodge
S Birkensleigh
G Bittar
B Clement
N Burgess (appointed 1 July 2021)

G de Nys was a director from the beginning of the period until his retirement and resignation from the board at the Company's Annual General Meeting on 19 November 2021.

N Burgess was appointed as a non-executive director on 1 July 2021.

Review of operations

Principal activities

During the course of the half-year ended 31 December 2021, the Group's principal activities continued to be directed towards petroleum production, development and exploration.

The Group's producing assets performed well, with a 3% increase in net production to 666,206 barrels of oil against the prior comparative period (HY2021: 646,592 barrels). Production at Block 22/12 was higher compared to the comparative period owing to a successfully executed multi-well workover program and other production optimisation initiatives, with Maari production also slightly ahead of the comparative period despite the temporary shut-in of two production wells. One of these wells was successfully worked over during the period restoring production levels. Sales volumes were 532,579 bbls (HY2021: 633,500 bbls), impacted by the deferral of a scheduled Maari lifting (~116,000 bbls (net)) to early January 2022.

Sales revenue of US$39.3 million (HY2021: US$26.2 million) was generated during the half-year resulting from a net realised oil price of US$73.76 per barrel (HY2021: US$41.42 per barrel), inclusive of hedge settlements. Sales revenue was impacted by the deferral of a scheduled Maari lifting to early January 2022, which resulted in revenue of US$10.7 million being recorded in the next half of FY22. Throughout the period 56% of sales were hedged (HY2021: 63%) with hedging settlement expense of US$1.4 million (HY2021: US$1.6 million) realised on 300,000 barrels hedged (HY2021: 400,000 barrels).

Operating costs for the period were US$21.0 million, 16% lower than the prior comparative period (HY2021: US$25.0 million). The cost reduction was primarily driven by the recognition of crude oil inventory at Maari, deferring the costs associated with the Maari crude oil production to January 2022 which is the month of sale.

The Group reported a Statutory Profit After Tax of US$7.8 million for the half-year (HY2021:US$4.7 million). The profit result includes a non-cash US$0.3 million gain on the remeasurement of derivative financial instruments (HY2021: US$ nil). Underlying Profit After Tax was US$7.5 million (HY2021: US$0.4 million) after adjusting for the above-mentioned item.

Non-cash items impacting on the half-year result include US$12.5 million (HY2021: US$11.6 million) in amortisation of production phase assets, US$0.3 million gain on the remeasurement of derivative financial instruments (HY2021: US$ nil), US$0.3 million (HY2021: US$0.2 million) related to the value of share appreciation rights granted to Horizon employees and US$0.5 million (HY2021: US$0.3 million) financing expense related to amortised establishment fees on the senior debt facility.

EBITDAX from continuing operations was US$28.0 million (HY2021: US$11.0 million), and EBIT from continuing operations was US$15.3 million (HY2021: loss US$1.7 million). Cashflows from operating activities of US$25.0million (HY2021: US$10.0 million) and cash reserves enabled the Group to return US$35 million in surplus capital to shareholders whilst also meeting its capital expenditure commitments and repaying a further US$3.8 million in debt during the half-year.

EBITDAX, EBIT and Underlying Profit After Tax are financial measures which are not prescribed by Australian Accounting Standards. EBITDAX represents the profit under Australian Accounting Standards adjusted for interest expense, revaluation of derivative financial instruments, taxation expense, depreciation, amortisation, exploration expenditure and profit from discontinued operations. The directors consider EBITDAX, EBIT and Underlying Profit Before 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 2020 and 31 December 2021.

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

Corporate

Group liquidity

At 31 December 2021, the Group's net cash position had decreased to US$14.7 million (30 June 2021: US$31.7 million) following the US$34.8 million Capital Return paid in August 2021. Net cash comprises cash and cash equivalent assets held of US$23.6 million (30 June 2021: US$44.4 million) offset by the nominal value of borrowings drawn down of US$8.9 million (30 June 2021: US$12.7 million), on the Syndicated Revolving Cash Advance Facility. Details of the Group's debt facilities are set out in Note 12.

Hedging

At 31 December 2021, commodity hedges were in place over 150,000 bbls of oil, with a further 100,000 bbls executed shortly after period end. This resulted in an aggregate of 250,000 bbls of oil hedged which covers 1 January 2022 to 30 June 2022 using a mixture of swaps, puts and collars with a weighted average floor price of ~US$76/bbl. This covers approximately a third of forecast sales volumes with the majority of these instruments retaining exposure to higher oil prices.

Capital Return

On 23 August 2021 and following shareholders' approval at the Extraordinary General Meeting (EGM) on 10 August 2021, a share capital return of AUD 47.4 million (AUD 3 cents per share) was paid to Horizon shareholders who held Horizon shares on 16 August 2021. On 18 November 2021 Horizon advised that the Australian Taxation Office issued a Class Ruling (CR2021/7) in respect of the Australian income tax implications on the Capital Return. The Class Ruling confirmed the tax implications for Australian shareholders as disclosed in the Revised Notice of Extraordinary General Meeting dated 23 July 2021. Importantly, the ruling confirmed that no part of the return of capital will be treated as a dividend for Australian income tax purposes.

Sustainability

Sustainability continues to be an important focus for Horizon with progress made during the half year ended 31 December 2021 on the 3 year Environmental Social and Governance (ESG) Action Plan presented in the Company's Sustainability Report for the year ended 30 June 2021. Set out below for each of Horizon's ESG priority areas is an update on the progress made during the half-year.

Health, safety & environment (HSE)

As at the half year ended 31 December 2021, Horizon achieved a Total Recordable Injury Frequency Rate (TRIFR) of 0.76, and a Lost Time Injury Frequency Rate (LTIFR) of 0.76, both less than the National Offshore Energy Regulator (NOPSEMA) industry averages in Australia. There were also zero fatalities and zero reported environmental incidents for the first half of FY2022.

The Beibu operations had no loss of containment incidents and continued a strong safety record with no recordable incidents despite significant drilling, production and development activities during the period.

The Maari operations also had no loss of containment incidents with TRIFR remaining below the NOPSEMA industry average.

Environmental regulation

The Group is subject to significant environmental regulation in respect of exploration, development and production activities in all countries in which it operates – China and New Zealand. Horizon Oil Limited is committed to undertaking all of its exploration, development and production activities in an environmentally responsible manner.

The Directors believe the Group has adequate systems in place for managing its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

Governance

Governance continues to be a core focus for the Group, During the period Horizon conducted its annual assessments on its value and supply chain for risks and incidences of modern slavery. The second Modern Slavery Statement, for the calendar year 2021, was submitted to the Australian Government during the half-year ended 31 December 2021 in line with the requirements of the Australian Modern Slavery Act 2018.

This statement may be accessed from the Company's website at **www.horizonoil.com.au**.

Climate change

Horizon continues to evolve its climate change strategy with the ambition of achieving Net Zero GHG emissions by 2050, in alignment with the Paris Agreement on climate change. As outlined in Horizon's FY 21 Sustainability Report, the Company's immediate focus is on reducing Scope 1 and 2 emissions, either directly or through carbon offsets, with future plans to consider how to address Scope 3 emissions. Consistent with our ESG Action Plan, during the half year Horizon acquired ~15,000 tonnes of carbon units for a United Nations (UNFCC) Clean Development Mechanism (CDM) accredited project in Sichuan province, China (Cooking with Gas POA 2898). These carbon units were surrendered and are intended to significantly offset Beibu Scope 1 emissions whilst also supporting the communities in which we operate. The project is certified to various UN Sustainable Development Goals (SDG) including good health and wellbeing, and affordable clean energy. The Company continues to acquire and surrender carbon credits in New Zealand (NZUs) under the NZ Emissions Trading Scheme (ETS) to cover 100% of the Group's share of Maari Scope 1 emissions. Through participation in the NZ ETS, the Company is supporting New Zealand in achieving its stated commitment to Net Zero GHG emissions by 2050 in alignment with the Paris Agreement.

During the half year, Horizon also completed its submission for the 2021 Carbon Disclosure Project (CDP). Horizon's responses were assessed against the CDP scoring methodology, with an overall score of B- being achieved (scoring range from A to D). This score is in the Management band where the Company is assessed as 'taking coordinated action of climate issues'.

People – Employees & Community

During the period the COVID-19 pandemic continued to impact our employees and the communities within which our operations are conducted. Our Sydney staff were subjected to a long period of lockdown with a return to remote working. We continued to support our employees during this challenging period and provided staff with the tools and support to work remotely. We were actively engaged with our operators regarding the impact of COVID-19 on operations and provided our continued support to their efforts to maintain operations whilst also responding to the risks and challenges faced as a result of the pandemic.

As mentioned above, the Company voluntarily acquired carbon offsets in China with the primary objective of offsetting Scope 1 emissions from Block 22/12. In considering the carbon offsets to acquire, the Company was motivated to identify carbon offsets which also served to have a local community benefit. The Cooking with Gas project builds biogas digesters for families in the Sichuan province, China, that capture methane emissions from animal and human waste and converts it to renewable energy for cooking. The project (POA GS 1239 or GS ID 7049) is a Gold Standard verified project and can be found on the Clean Development Mechanism (CDM) projects registry. The project meets 5 UN sustainable development goals. The Company is proud to support such a worthwhile project that provides both a community and environmental benefit in our area of operation.

Activities Review

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 451,305 barrels of oil, an 4% increase over the prior comparative period. Production benefited from the successful completion of a multi-well workover program and other production optimisation initiatives. Average gross production over the half-year was 9,101 bopd, of which the Group's share was 2,453 bopd. At the date of this report gross production was approximately 9,600 bopd.

Crude oil sales were 411,150 barrels at an average price of US$76.43/bbl exclusive of executed hedging. The Group's share of sales volumes over the period was an average of 2,235 bopd. Cash operating costs for the half- year averaged US$12.71/bbl, impacted by some operating costs which are oil price linked.

Significant progress has been made on the WZ12-8 East development during the half-year. Key activities completed included:

- Laying and trenching of the 12-8E export pipeline, installation of the expansion joint and riser at the 12-8W end of the pipeline;
- Completion of platform HYSY 163 repairs and commissioning of utility systems;
- Platform receiving its Chinese Classification Society (CCS) certificate;
- Platform sail away from the Zhoushan shipyard on 19 December and dry tow for a distance of 1,050 nautical miles to project location; and
- Approved basis of well design for development wells A1 to A7.

In the first week of January 2022 the platform was set in position, legs lowered, and deck jacked up to design height. Offshore personnel have now been mobilised to the platform for mechanical completion and other pre-production activities. The lay vessel, Lan Hai 300, has been remobilised to the project location for subsea power cable laying. The COSL Strike drilling rig is scheduled to arrive on site in mid-February to commence development drilling and anticipated first oil remains unchanged in the first half of Q2 CY2022.

The gross oil production from this first phase of the development is expected to average a first-year oil rate of approximately 4,000 bopd, incremental to ongoing production from the WZ6-12 and WZ12-8W fields. As previously advised, project development costs and platform lease costs are linked to the oil price providing the project with a natural hedge to the oil price. Whilst these costs are linked to the oil price, they are capped at an oil price between US$70-75/bbl. Accordingly, despite the recent increase in oil prices, Horizon's net share of the capital costs are still forecast to be ~US$19 million after factoring in the benefit of the below oil price hedging. 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 the current oil price these hedges will insulate Horizon's cashflow from ~US$2 million of capital costs. At 31 December 2021, US$3.7 million of 12-8E capital costs have been paid, with the majority of the remaining payment schedule coinciding with the commencement of production.

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

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 214,901 barrels of oil. Average gross production over the half-year was 4,492 bopd, of which the Group's share was 1,168 bopd. Crude oil sales were 121,429 barrels at an average effective price of US$76.07/bbl exclusive of executed hedging. Cash operating costs for the half-year were US$25.16/bbl (produced), excluding workovers

Production for the period was impacted by temporary shut-ins of production wells MR6A and MR8A with the Operator successfully completing a workover of the MR8A well during the period and restoring production from this well. The MR6A well was precautionarily shut-in after low levels of sand were detected in the produced well fluid earlier in 2021. Progress is being made with the installation of a temporary desander on the wellhead platform which is scheduled to be installed over the coming months to enable production from this well to be reinstated. At the date of this report gross production was approximately 4,400 bopd.

Crude oil inventory at 31 December 2021 was 118,821 bbls due to the deferral of a Maari lifting to early January 2022. The early January 2022 lifting, with a parcel size of ~116,000 bbls (net to Horizon), generated revenue of US$10.7 million with the associated cash receipt in early February 2022.

The previously advised acquisition by Jadestone Energy PLC (AIM:JSE) of OMV New Zealand Limited's 69% interest in the Maari project continues to progress. The long-awaited NZ decommissioning legislation which includes trailing liabilities for previous owners following a change in control received Royal Assent in December 2021, which the Company understands was a necessary step before the NZ government would determine whether to approve the transaction. Now that the legislation has been enacted, we would anticipate a final decision by the NZ government during the first half of CY2022. This will pave the way for progressing further potential near term production additions and extracting greater value from Maari. OMV will continue as operator of the Maari project until, and subject to, completion of the proposed transaction.

Outlook

In the near term, enhanced operating cashflow generation is forecast, aided by a higher oil price environment, and production growth, with the WZ12-8E development due to commence production, and with proposed additional infill drilling in Block 22/12. These cashflows will enable payment of the Group's proportionate share of the WZ12-8E development and proposed additional infill drilling costs in Block 22/12, and meeting mandatory debt repayments. Further returns to shareholders will be considered when it is prudent to do so.

The Group's short-term focus is on:

– Progressing the Beibu Gulf fields WZ12-8E field development;
– Continued optimisation of production performance from the Beibu and Maari/Manaia fields;
– Continued evaluation of nearby prospects in Block 22/12.

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 out on page 11.

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. M. Harding

M Harding
Chairman

C Hodge
Chief Executive Officer

Sydney
23 February 2022

Auditor's Independence Declaration

As lead auditor for the review of Horizon Oil Limited for the half-year ended 31 December 2021, 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.

S Rugers

Sean Rugers
Partner
PricewaterhouseCoopers

Sydney
23 February 2022

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HORIZON OIL LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

	NOTE	31 DEC 2021 US$'000	31 DEC 2020 US$'000
Revenue	4	39,284	26,238
Cost of sales		(20,968)	(25,033)
Gross profit		**18,316**	1,205
Other revenue / other income	5	-	817
General and administrative expense		(1,468)	(1,781)
Insurance expense		(1,048)	(934)
Exploration expense		(369)	(1,044)
Gain on remeasurement of derivative financial instruments	5	359	324
Finance costs – interest, transaction costs, other		(962)	(1,074)
Finance income/(cost) – unrealised movement in value of options	5	-	843
Non-recurring foreign exchange loss	5	(477)	-
Profit/(loss) before income tax expense		**14,351**	(1,644)
NZ royalty tax expense		(1,281)	(147)
Income tax (expense)/benefit		(5,243)	3,357
Profit from continuing operations		**7,827**	1,566
Profit from discontinued operations	13(b)	-	3,147
Profit for the half year		**7,827**	4,713
OTHER COMPREHENSIVE INCOME **ITEMS THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS**			
Changes in the fair value of cash flow hedges		**101**	833
Total comprehensive income for the half-year		**7,928**	5,546
PROFIT ATTRIBUTABLE TO:			
Security holders of Horizon Oil Limited		7,827	4,713
Profit for the period		**7,827**	4,713
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Security holders of Horizon Oil Limited		7,928	5,546
Total comprehensive income for the period		**7,928**	5,546
		US CENTS	
Basic earnings per share from continuing operations		**0.50**	0.12
Diluted earnings per share from continuing operations		**0.48**	0.09
Basic earnings per share from discontinued operations		**-**	0.24
Diluted earnings per share from discontinued operations		**-**	0.19

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

HORIZON OIL LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTE	31 DEC 2021 US$'000	30 JUN 2021 US$'000
CURRENT ASSETS			
Cash and cash equivalents	7	23,627	44,436
Receivables		6,683	13,982
Inventories		7,075	2,555
Current tax receivable		907	1,005
Derivative financial instruments		1,033	1,413
Other assets		817	564
Intangible assets	8	1,296	1,296
Total current assets		**41,438**	65,251
NON-CURRENT ASSETS			
Deferred tax assets		7,517	8,700
Plant and equipment	9	351	501
Oil and gas assets	10	108,372	112,338
Total non-current assets		**116,240**	121,539
Total assets		**157,678**	186,790
CURRENT LIABILITIES			
Payables	11	14,650	16,405
Current tax payable		4,293	1,774
Borrowings	12	8,633	10,939
Derivative financial instruments		42	-
Total current liabilities		**27,618**	29,118
NON-CURRENT LIABILITIES			
Payables	11	107	181
Deferred tax liability		13,994	14,808
Borrowings	12	-	1,196
Provisions		32,671	31,212
Total non-current liabilities		**46,772**	47,397
Total liabilities		**74,390**	76,515
Net assets		**83,288**	110,275
EQUITY			
Contributed equity	14	159,343	194,114
Reserves		12,654	12,697
Accumulated losses		(88,709)	(96,536)
Total equity		**83,288**	110,275

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

HORIZON OIL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2021

	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 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 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**
BALANCE AT 1 JULY 2021	**194,114**	**12,697**	**(96,536)**	**110,275**
Profit for the half-year	-	-	7,827	**7,827**
Other comprehensive income	-	101	-	**101**
Total comprehensive profit for the half-year	**-**	**101**	**7,827**	**7,928**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS EQUITY HOLDERS:				
Capital return	(34,771)	359	-	**(34,412)**
Acquisition of treasury shares	-	(359)	-	**(359)**
Employee share options	-	(144)	-	**(144)**
Balance at 31 Dec 2021	**159,343**	**12,654**	**(88,709)**	**83,288**

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

HORIZON OIL LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2021

	HALF-YEAR TO	
	31 DEC 2021 US$'000	31 DEC 2020 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	45,341	25,385
Payments to suppliers and employees	(16,408)	(12,846)
	28,933	12,539
Interest paid	(439)	(672)
Income and royalty taxes paid	(3,526)	(1,879)
Net cash inflows from operating activities	**24,968**	9,988
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration phase expenditure	-	(1,382)
Payments for oil and gas assets	(7,067)	(2,717)
Payments for plant and equipment	-	(16)
Proceeds from the sale of PNG portfolio	-	3,764
Net cash (outflows) from investing activities	**(7,067)**	(351)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments under leasing arrangements	(105)	(120)
Repayment of borrowings	(3,834)	(2,401)
Return of capital to shareholders	(34,771)	-
Net cash (outflows) from financing activities	**(38,710)**	(2,521)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(20,809)	7,116
Cash and cash equivalents at the beginning of the half-year	44,436	25,920
Effects of exchange rate changes on cash and cash equivalents	-	(1)
Cash and cash equivalents at the end of the half-year	**23,627**	33,035

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 2021 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 2021 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.

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.

New Zealand, Maari Restoration

During the half-year, 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, the Group revised the discount and inflation rate used in quantifying the New Zealand restoration provision. In addition to the discount and inflation rate changes, the Group also made minor scope changes to the decommissioning methodology. The resultant effect is an increase in the restoration provision and rehabilitation asset of US$0.7 million.

China, WZ12-8E Restoration

During the half-year, significant progress has been made in relation to the WZ12-8E development, which included modifications to the 12-8W platform, laying and trenching of 8.2 km 12-8E oil export pipeline and the installation of a riser, J- tube and expansion joint at the 12-8W end. Taking these works into consideration, a decommissioning provision of US$0.5 million has been recorded.

Impairment of oil and gas assets

The Group assesses whether its oil and gas assets are impaired on a semi-annual basis when an indicator of impairment is present. 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. Current climate change legislation is also factored into the estimated future cashflows and future uncertainty around climate change risks continue to be monitored. In most cases, the present value of future cashflows is most sensitive to estimates of future oil price and discount rates. 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%.

(iv) 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.

(v) 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 losses and temporary tax differences becomes probable, this could result in significant changes to deferred 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 PMP38160; and
- 'All other segments' include amounts of a corporate nature not specifically attributable to an operating segment.

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

HALF-YEAR 2021 (31 DECEMBER 2021)	CHINA EXPLORATION AND DEVELOPMENT US$'000	NEW ZEALAND EXPLORATION AND DEVELOPMENT US$'000	ALL OTHER SEGMENTS US$'000	TOTAL US$'000
SEGMENT REVENUE:				
Revenue from external customers	30,366	8,918	-	39,284
Profit before tax	**11,956**	**1,958**	**437**	**14,351**
Depreciation and amortisation	(8,421)	(4,119)	(150)	(12,690)
Total segment assets at 31 December 2021	**79,667**	**73,041**	**4,960**	**157,668**
Additions to non-current assets other than financial assets and deferred tax during the half-year:				
Exploration phase expenditure:	-	-	369	369
Development and production phase expenditure:	5,361	824	-	6,185
Total segment liabilities at 31 December 2021	**35,371**	**38,294**	**725**	**74,390**

HALF-YEAR 2020 (31 DECEMBER 2020)	CHINA EXPLORATION AND DEVELOPMENT US$'000	NEW ZEALAND EXPLORATION AND DEVELOPMENT US$'000	ALL OTHER SEGMENTS US$'000	TOTAL US$'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 financial assets and deferred tax 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**

(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 2021 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 2021.

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 2021.

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:

	HALF-YEAR TO	
	31 DEC 2021 US$'000	**31 DEC 2020 US$'000**
CRUDE OIL SALES		
Goods transferred at a point in time	**8,918**	10,195
Goods transferred over a period of time	**30,366**	16,043
Total	**39,284**	26,238

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 2021 US$'000	**31 DEC 2020 US$'000**
INCOME/(EXPENSE)		
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)	**359**	324
Non-recurring foreign exchange loss (refer to note (d) below)	**(477)**	-

(a) During the prior 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 in the prior period included 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. The options were exercised on 31 May 2021.

(c) The gain on the remeasurement of derivative financial instruments relates to the revaluation of oil price swaps whereby hedge accounting has not been applied. The gain recorded represents the movement in the fair value of these instruments during the reporting period. These 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. On 31 December 2021, half of these instruments matured with a cash receipt of US$0.9 million in January 2022. The remaining instruments mature in March 2022 with the related cash receipt scheduled for April 2022.

(d) The net foreign exchange loss in the current period predominately relates to the non-recurring foreign exchange movement of the AUD cash proceeds received (AUD 18.3 million) on exercise of the 300 million general options received in June 2021 and subsequently distributed to shareholders as part of the capital return paid in August 2021. The foreign exchange movement arises due to the depreciation of the AUD over the period between receipt of the funds and subsequent capital return. This is required to be recorded for accounting purposes as the Group has a USD functional currency despite the funds being received, held and subsequently distributed in AUD.

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 assets 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 2021 and 30 June 2021:

AT 31 DECEMBER 2021	LEVEL 1 US$'000	LEVEL 2 US$'000	LEVEL 3 US$'000	TOTAL US$'000
ASSETS				
Derivatives used for hedging	-	184	-	184
Financial assets at fair value through profit or loss:				
Oil price swaps	-	849	-	849
Total assets	**-**	**1,033**	**-**	**1,033**
LIABILITIES				
Derivatives used for hedging	-	42	-	42
Total liabilities	**-**	**42**	**-**	**42**

AT 30 JUNE 2021	LEVEL 1 US$'000	LEVEL 2 US$'000	LEVEL 3 US$'000	TOTAL US$'000
ASSETS				
Financial assets at fair value through profit or loss:				
Oil price swaps	-	1,413	-	1,413
Total assets	-	1,413	-	1,413

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 2021.

(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, puts 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 Monte Carlo simulations, 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
- Monte Carlo simulations.

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

Note 7 Cash and cash equivalents

	31 DEC 2021 US$'000	30 JUN 2021 US$'000
Cash at bank and on hand	13,789	37,152
Restricted cash[1]	9,838	7,284
Closing balance	**23,627**	44,436

[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.

Note 8 Intangible assets

CURRENT ASSETS	CONSOLIDATED	
	NEW ZEALAND CARBON CREDITS[1]	TOTAL US$'000
HALF YEAR ENDED 31 DECEMBER 2021		
Cost – 1 July 2021	1,296	1,296
Additions	-	-
Disposals – settlements[2]	-	-
Closing value	**1,296**	**1,296**

[1] The Group acquires New Zealand Units [(NZUs) also referred to as carbon credits] to surrender to the New Zealand Government through the Environmental Protection Authority, for its proportionate share of the Maari/Manaia fields direct greenhouse gas emissions for the calendar year. NZUs are tradable instruments with transactions taking place on the New Zealand Emissions Trading Register, which is operated by the Environmental Protection Authority. The NZUs are recorded at cost and are not amortised and are tested for impairment at each balance sheet date.

[2] The Company's obligation for the 2021 calendar year is due to be settled in May 2022 whereby a proportion of the 59,264 NZUs on hand will be surrendered to the Environmental Protection Authority.

Note 9 Plant and Equipment

	BUILDING[a] US$000	OTHER PLANT AND EQUIPMENT[a] US$'000	LEASEHOLD IMPROVEMENTS US$'000	TOTAL US$'000
As at 1 July 2021				
Cost	547	1,720	1,103	3,370
Accumulated depreciation	(320)	(1,686)	(863)	(2,869)
Net book amount	**227**	**34**	**240**	**501**
Half-year ended 31 December 2021				
Opening net book amount	227	34	240	501
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation expense[b]	(91)	(19)	(40)	(150)
Closing net book amount	**136**	**15**	**200**	**351**
As at 31 December 2021				
Cost	547	1,720	1,103	3,370
Accumulated depreciation	(411)	(1,705)	(903)	(3,019)
Net book amount	**136**	**15**	**200**	**351**

(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 2021 US$'000	30 JUN 2021 US$'000
Office premises	136	228
Photocopier and IT equipment	3	9
Total	**139**	237

(b) Depreciation expense in relation to the right of use assets is US$96,426.

Note 10 Oil and gas assets

	31 DEC 2021 US$'000	30 JUN 2021 US$'000
Opening balance	112,338	113,525
Transfer from exploration phase	-	569
Development and production costs incurred during the period	6,185	8,406
Increase in restoration asset	2,388	2,131
Disposal of oil and gas assets (note 13)	-	-
Amortisation incurred	(12,539)	(12,293)
Closing balance	**108,372**	112,338

Note 11 Payables

	31 DEC 2021 US$'000	30 JUN 2021 US$'000
CURRENT		
Trade creditors	667	2,988
Share of joint operation creditors and accruals	10,623	10,703
ETS obligation(a)	456	227
Other creditors	2,741	2,264
Lease liabilities (b)	163	223
	14,650	16,405
NON-CURRENT		
Other creditors	107	122
Lease liabilities (b)	-	59
	107	181

(a) The ETS liability represents Horizon Oil International Limited's obligation to the New Zealand Government for the companies proportionate share of the Maari/Manaia fields greenhouse gas emissions. Refer to Note 8 for the disclosure of the carbon credits acquired (NZUs) which will be surrendered to the New Zealand Government for settlement of this obligation. The ETS obligation is recorded at the cost of the units acquired to settle the obligation. When the number of units required to settle the obligation exceeds the units on hand, the excess will be accounted for at the cost of obtaining the incremental units required to settle the obligation.

(b) The Group has leases for Sydney office and various equipment. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2021 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
31 December 2021				
Lease payments	166	-	-	166
Finance charges	(3)	-	-	(3)
Net present values	**163**	**-**	**-**	**163**

Note 12 Borrowings

	31 DEC 2021 US$'000	30 JUN 2021 US$'000
CURRENT		
Bank loans[1] (b)	8,633	10,939
	8,633	10,939
NON-CURRENT		
Bank loans[1] (b)	-	1,196
	-	1,196
Total borrowings	**8,633**	12,135

[1] bank loans are shown net of associated transaction costs.

(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 2021 US$'000	30 JUN 2021 US$'000
Cash and cash equivalents	23,627	44,436
Borrowings[1] – repayable within one year (including overdraft)	(8,906)	(11,500)
Borrowings[1] – repayable after one year	-	(1,240)
Net cash	**14,721**	31,696
Cash and liquid investments	23,627	44,436
Gross debt[1] – variable interest rates	(8,906)	(12,740)
Net cash	**14,721**	31,696

1 Borrowings exclude associated transaction costs and accrued interest and accordingly represents the nominal value of the borrowings as at 31 December 2021 and 30 June 2021.

[b] Reconciliation of borrowings arising from financing activities

	Opening 1 Jul 2021 US$'000	CASHFLOWS Drawdown US$'000	Repayments US$'000	Amortisation of transaction costs US$'000	Closing 31 Dec 2021 US$'000
Syndicated Revolving Cash Advance Facility	12,135	-	(3,834)	332	8,633
Total liabilities from financing activities	**12,135**	**-**	**(3,834)**	**332**	**8,633**

[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 and a reduced interest rate at LIBOR plus 2.75%. 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 2021, total debt drawn under the facility was US$8.9 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 Discontinued operation

[a] Description

During the prior financial year, 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 2021 US$'000	31 DEC 2020 US$'000
Revenue	-	-
Expenses	-	(380)
Impairment expense	-	-
Loss before income tax	-	**(380)**
Income tax expense	-	-
Loss after tax of discontinued operation	-	**(380)**
Gain on sale of subsidiary after tax (refer to note 13 (c) below)	-	3,527
Profit from discontinued operation	-	**3,147**

Net cash outflow from operating activities	-	(74)
Net cash inflow from investing activities (includes proceeds from sale)	-	3,493
Net increase in cash generated by subsidiaries	-	**3,419**

(c) Details of the sale of the subsidiaries

GAIN ON SALE OF SUBSIDIARIES	31 DEC 2021 US$'000	31 DEC 2020 US$'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 14 Contributed equity

(a) Share capital

		31 DEC 2021 NUMBER'000	30 JUN 2021 NUMBER'000	31 DEC 2021 US$'000	30 JUN 2021 US$'000
ORDINARY SHARES					
Fully paid	(b) (i)	**1,578,943**	1,578,943	**158,884**	193,655
Partly paid	(b) (ii)	**1,500**	1,500	**459**	459
		1,580,443	1,580,443	**159,343**	194,114

(b) Movements in share capital

(i) Ordinary shares (fully paid)

DATE	DETAILS	NUMBER	US$'000
30/06/2021	Balance at 30 June 2021	1,578,942,962	193,655
23/08/2021	Capital Return (3 cents AUD per share)	-	(34,771)
31/12/2021	**Balance at 31 December 2021**	**1,578,942,962**	**158,884**

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

DATE	DETAILS	NUMBER	US$'000
30/06/2021	Balance at 30 June 2021	1,500,000	459
31/12/2021	**Balance at 31 December 2021**	**1,500,000**	**459**

Note 15 Contingent assets and liabilities

(a) Contingent assets

The Group had no contingent assets as at 31 December 2021.

(b) Contingent liabilities

The Group had contingent liabilities as at 31 December 2021 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.

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

Note 16 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 2021	NEW ZEALAND EXPLORATION & DEVELOPMENT US$'000	CHINA EXPLORATION & DEVELOPMENT US$'000	TOTAL US$'000
Within one year	1,684	22,991	**24,675**
Later than one year but not later than 5 years	-	3,425	**3,425**
Total	**1,684**	**26,416**	**28,100**

30 JUNE 2021	NEW ZEALAND EXPLORATION & DEVELOPMENT US$'000	CHINA EXPLORATION & DEVELOPMENT US$'000	TOTAL US$'000
Within one year	684	3,332	4,016
Later than one year but not later than 5 years	482	14,230	14,712
Total	**1,166**	**17,562**	**18,728**

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.

Note 17 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.

During the financial period and on cessation of employment of a key management person, 4,553,298 share rights were exercised and settled in cash (AUD 170,554).

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 18 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 2021 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 2021 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. M. Harding

M Harding
Chairman

C Hodge
Chief Executive Officer

Sydney
23 February 2022

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 during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2021 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are 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 the directors determine 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 responsibilities 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 2021 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

S Rugers

Sean Rugers
Partner

Sydney
23 February 2022