

HORIZON

ANNUAL REPORT 2020

Horizon Oil Limited
ABN 51 009 799 455

2020 INVESTMENT HIGHLIGHTS

- Strengthened balance sheet with return to net cash despite economic headwinds
- Consistent strong production with sales volume maintained above 1.4 mmbbls
- Accelerated debt reduction with 101% reduction in net debt in FY20
- Maintenance of low operating costs driving strong cashflow and EBITDAX
- 2P reserves added in China resulting from exploration success and further commitment to development

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**UNDERLYING PROFIT
BEFORE TAX**
US\$15 million

SALES VOLUME
1.43 mmbbls

RETURN TO NET CASH
US\$0.5 million

Net Debt Reduction of
US\$28.4 million

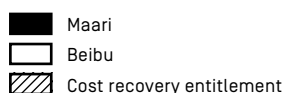
SALES REVENUE
US\$84 million

2P RESERVES
~50%
reserves replacement ratio

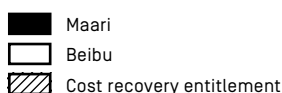
EBITDAX
US\$50.6 million

Looking ahead, we intend to further strengthen the Horizon balance sheet and to augment it by identifying growth opportunities for the company.

OIL SALES (mmbbls)

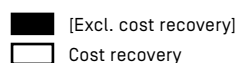


REVENUE¹ (US\$m)

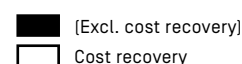


¹ Net of hedge settlements

EBITDAX (US\$m)



UNDERLYING PROFIT BEFORE TAX (US\$m)



AREAS OF OPERATION

CHINA

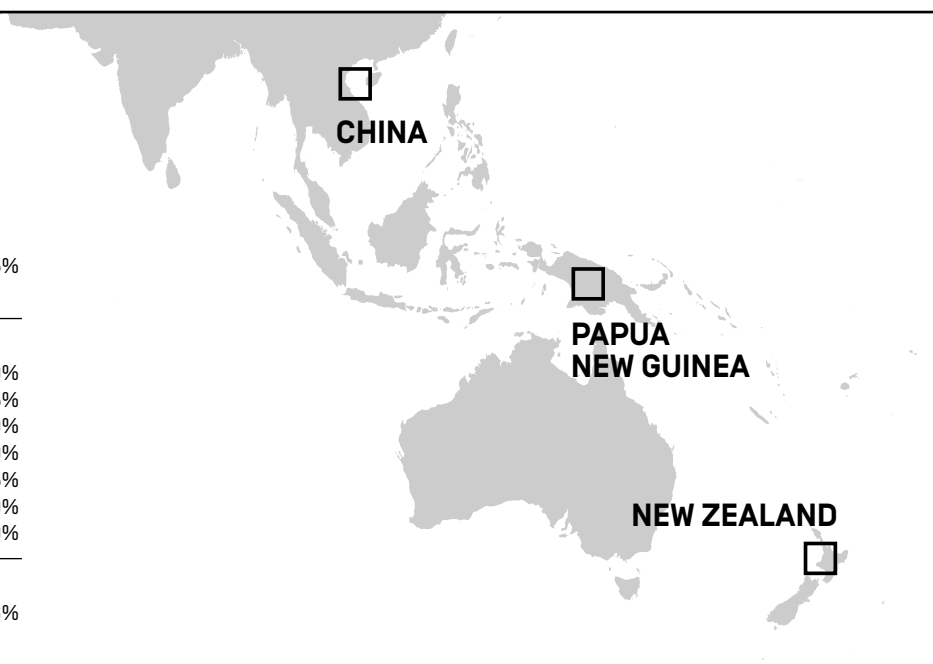
Block 22/12 26.95%/55%
(Production/Exploration)

PAPUA NEW GUINEA

PDL 10 (Stanley) 30%
PRL 21 (Elevala/Ketu) 30.15%
PRL 28 (Ubuntu) 30%
PRL 40 (Puk Puk/Douglas) 20%
PPL 372 95%
PPL 373 100%
PPL 574 80%

NEW ZEALAND

PMP 38160 (Maari/Manaia) 26%



A MESSAGE FROM OUR CHAIRMAN

It is credit to the strength of Horizon's underlying business that despite the significant challenges faced in 2020, we were able to achieve an underlying profit before tax of US\$15 million. In addition, thanks to some judicious forward oil-price hedging and timely cost-cutting, the Company was able to end the financial year in a net cash position – the first time in over 10 years.

The challenges faced during the year were several. Initially it was the allegations of corruption by Horizon in PNG by the Australian Financial Review, prompting an immediate investigation led by Herbert Smith Freehills and Deloitte and overseen by an independent board committee. No breach of Australian foreign bribery laws was established. This was closely followed by the emergence of COVID-19 and the associated precipitous fall in the price of oil. In the midst of these challenges, the Board called upon Chris Hodge, being an existing Horizon director, and therefore familiar with the Company, to step into the role of CEO at short notice.

In contrast to the strong performance of the Beibu and Maari oil producing assets, we needed to be pragmatic with respect to the Company's longstanding investment in PNG. On one hand Horizon has a net contingent resource of 600bcf of gas plus 26mmbbls of liquids in high quality reservoirs, but on the other hand the remote location, lack of infrastructure, a bearish LNG outlook, and concerns over recent and pending legislative changes in PNG have led the company to take a US\$67.3 million write-down.

Looking ahead, we intend to further strengthen the Horizon balance sheet and to augment it by identifying growth opportunities for the Company. We have high but realistic aspirations. High aspirations because we are committed to the challenging goal of re-admission to the ASX300, and realistic because we need to be mindful of global disruptive forces and rapid changes in the energy market along with heightened community expectations.

With this latter issue in mind, we have significantly increased our focus on all aspects of sustainability, and for the first time are reporting against the recommendations of the Task Force for Climate Related Financial Disclosures (TCFD). We have also taken the opportunity to refresh the “look” of the Company and are optimistic that with a fresh start we can deliver on the challenge we have set ourselves.

We look forward to the year ahead – along with the challenges comes the opportunity.



Mike Harding
Chairman

A MESSAGE FROM OUR CEO

It has been a year of two halves in every respect.

The first half of the year was characterised by strong production from both Beibu and Maari, which coupled with an average realised oil price US\$68 per barrel (inclusive of hedging) yielded US\$53 million in sales revenue.

The second half was a different story due to the (Brent) oil price dipping to below US\$25 per barrel in March – and then slowly recovering to US\$43 by year end. Realised oil price over the second half was US\$48 per barrel (inclusive of hedging) for US\$31 million in sales revenue.

Overall, whilst the second half of the year undoubtedly was difficult, with the Company needing to take an active defensive stance, there were several encouraging takeaways:

- The high margin production at Maari and Beibu continued to drive free cashflow generation allowing for a further US\$28.4 million reduction in net debt and a return to a net cash position. The deleveraging over recent years has strengthened the Group's balance sheet and ensured the Company is able to weather the recent global economic challenges.
- Cash operating costs were further reduced and maintained below US\$20 per barrel.
- Production was at the upper end of guidance with 1.48 million barrels produced, driving EBITDAX of US\$50.6 million and a strong underlying profit of US\$15.1 million. The strong result was achieved despite recoupment of the cost recovery entitlement in Block 22/12 in the prior year, such that sales volumes reverted to being materially in line with Horizon's net working interest share of production.

Key drivers of the resilience of the company, and its ability to survive this unforgiving economic environment, are the cash operating costs of \$10 / barrel at Beibu and \$25 / barrel at Maari and our low gearing levels.

Looking ahead, our growth strategy is simple and flexible and falls into three broad categories.

Maximising value from the existing assets: in practice this means extracting as much value as we can from

Beibu and Maari. In the case of Beibu, we plan to drill two infill wells later in 2020 and the final investment decision (FID) for the WZ 12-8 East development is expected shortly. With cash operating costs of US\$10 / barrel this strategy makes sense. At Maari, we have been successful in reducing operating costs and are currently undergoing a workover program to restore key wells to full production. With Jadestone coming in as the new Operator, we can expect further cost cutting and/or production enhancing operations to improve the overall economics and to extend the project life.

Systematic asset search: the Company has been extremely active and has reviewed some 30 possible assets. The focus has been in two areas, Southeast Asia and eastern Australia – with more emphasis on gas than oil. There are several deals around, but to-date we have erred on the conservative side given the volatile business environment, the need to preserve cash, and arguably better short-term growth opportunities within our existing asset base.

Opportunistic: the challenging business environment has a flip side in that it can throw up some interesting and often game-changing opportunities at short notice. We have reviewed four or five such opportunities in recent months; they are typically exciting and have the potential to be transformative for Horizon.

It is important to stress that our strategy is not to grow at any cost. We are mindful of the need to deliver value to our shareholders. If the right assets at the right price are not forthcoming, we will review our approach, and adjust the strategy accordingly.

We look forward to the year ahead, and hope that Horizon can take full advantage of its strong cashflow and strategic flexibility to reach its full potential.



Chris Hodge
Chief Executive Officer



HORIZON OIL LIMITED

2020 RESERVES & RESOURCES STATEMENT

as at 30 June 2020

Highlights

Consistent performance from producing conventional oil assets in China and New Zealand, with balanced production contributions from China (0.9 MMbbl Net Working Interest) and New Zealand (0.6 MMbbl Net Working Interest) for a total of 1.5 MMbbl.

Proved plus Probable Reserves (2P) of oil is 8.1 MMbbl, compared with 8.8 MMbbl last year, as production and revisions were offset by reserves additions associated with the WZ12-8 East development and two proposed infill wells in China.

Cashflow from continued strong production puts Horizon in a good position to take advantage of a pipeline of development and exploration opportunities in China and New Zealand.

Proved and Proved plus Probable Reserves (Horizon Oil share)

		1P Total Liquids [MMbbl]	2P Total Liquids [MMbbl]
CHINA			
Block 22/12	Developed: WZ6-12 + WZ12-8W	1.4	3.2
	Undeveloped: Infill drilling, WZ12-8E [Phase 1]	0.4	1.1
	Total China (arithmetic summation)	1.9	4.3
NEW ZEALAND			
PMP 38160	Developed: Maari + Manaia	1.4	3.8
Closing Balance 30 June 2020 (arithmetic summation)		3.2	8.1

Contingent Resources (Horizon Oil share)

		2C Total Liquids [MMbbl]	2C Raw Gas [Bcf]	2C Sales Gas [PJ]
CHINA				
Block 22/12	WZ6-12 + WZ12-10-1 + WZ12-8E	1.1	-	-
NEW ZEALAND				
PMP 38160	Maari + Manaia	5.3	-	-
PAPUA NEW GUINEA				
PDL 10	Stanley	3.4	123	110
PRL 21	Elevala-Ketu	15.2	351	371
PRL 28	Ubuntu	0.7	14	14
PRL 40	Puk Puk, Douglas, Weimang & Langia Fields	0.1	111	109
Closing Balance 30 Jun 2020 (arithmetic summation)		25.8	599	604

Reconciliation of Proved and Proved plus Probable Reserves

PRODUCTION

Total production of 1.5 MMbbl Net Working Interest similar to prior year (1.6 MMbbl Net Working Interest)

CHINA

At a 2P level, production of 0.9 MMbbl Net Working Interest and a 0.5 MMbbl downward revision in ultimate recovery due to field performance, offset by the transfer from contingent resources of 1.1 MMbbl associated with the addition of the WZ12-8 East project and two planned infill wells; similar changes at a 1P level.

NEW ZEALAND

No revisions were made to previous 1P or 2P ultimate recovery with the reduction in reserves due to net production of 0.6 MMbbl.

Proved and Proved plus Probable Reserves Reconciliation

	1P Total Liquids (MMbbl)	2P Total Liquids (MMbbl)
Opening Balance 30 June 2019	4.9	8.8
Production (Net Working Interest)	(1.5)	(1.5)
Production (Cost Recovery oil entitlement)	0.1	0.1
Revisions of Previous Estimates	(0.8)	(0.5)
Economic Interest Adjustment	0.0	0.1
Transfers, Discoveries and Extensions	0.4	1.1
Acquisitions and Divestments	-	-
Closing Balance 30 June 2020	3.2	8.1

Reconciliation of Contingent Resources

CHINA

Transfer of 0.9 MMbbl to reserves associated with the WZ12-8 East project and one infill well, with two possible infill wells remaining as contingent resources at this time.

NEW ZEALAND

No revisions from prior estimates.

PAPUA NEW GUINEA

No revisions from prior estimates.

Contingent Resources Reconciliation

	2C Total Liquids (MMbbl)	2C Total Raw Gas (Bcf)	2C Total Sales Gas (PJ)
Opening Balance 30 June 2019	26.7	599	604
Revisions of Previous Estimates	-	-	-
Economic Interest Adjustment	-	-	-
Transfers, Discoveries and Extensions	(0.9)	-	-
Acquisitions and Divestments	-	-	-
Closing Balance 30 June 2020	25.8	599	604

Permits, Licences and Interests Held

PERMIT OR LICENSE	OPERATOR	MATERIAL PROJECTS	WORKING INTEREST [%]	
			30 June 2020	30 June 2019
CHINA				
Block 22/12	CNOOC	WZ 6-12N, WZ 6-12S, WZ 6-12Mid, WZ 12-8W & W12-8E Fields	26.95%	26.95%
		WZ 12-8 Development area	55.00%¹	55.00% ¹
NEW ZEALAND				
PMP 38160	OMV	Maari and Manaia fields	26.00%	26.00%
PAPUA NEW GUINEA				
PDL 10	Arran Energy	Stanley field	30.00%^{2,3}	30.00% ^{2,3}
PRL 21	Horizon Oil	Elevala-Ketu fields	30.15%^{2,4}	30.15% ^{2,4}
PRL 28	Horizon Oil	Ubuntu field	30.00%²	30.00% ²
PPL 574	Horizon Oil	Exploration activities	80.00%²	80.00% ²
PPL 430	Horizon Oil	Exploration activities	–⁵	100.00% ²
PPL 372	Horizon Oil	Exploration activities	95.00%^{2,6}	95.00% ^{2,6}
PPL 373	Horizon Oil	Exploration activities	100.00%^{2,6}	100.00% ^{2,6}
PRL 40	Arran Energy	Puk Puk, Douglas, Weimang and Langia fields	20.00%^{2,3}	20.00% ^{2,3}

¹ China National Offshore Oil Corporation ('CNOOC') is entitled to participate at up to a 51% equity level in any commercial development within Block 22/12.

² PNG government may appoint a state nominee to acquire up to a 22.5% participating interest in any commercial development within the PNG licence areas.

³ On 28 January 2020 Arran Energy Niugini Pty Limited became Operator of PDL10 and PRL40.

⁴ The PRL 21 licensees have applied for a development licence. Tenure remains current, subject to PNG ministerial approval.

⁵ PPL 430 licence term expired on 24 July 2019.

⁶ The PPL 372 and 373 licensees have applied for an extension and variation of the licences. Tenure remains current, subject to PNG ministerial approval. The licences had no identified reserves or contingent resources at 30 June 2020.

Notes

- 1 All estimates are prepared in accordance with the Society of Petroleum Engineers (SPE) Petroleum Resources Management System (PRMS) revised 2018.
- 2 Relevant terms used in this statement, capitalised or otherwise, have the same meaning given to those terms in the SPE PRMS.
- 3 Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.
- 4 Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.
- 5 Contingent Resource estimates quoted for China have assumed China National Offshore Oil Corporation ('CNOOC') participation at 51%. CNOOC is entitled to participate at up to a 51% equity level in any commercial development within Block 22/12.
- 6 Contingent Resource estimates quoted for PNG do not assume PNG State Nominee participation at this time. The PNG government may appoint a state nominee to acquire up to a 22.5% participating interest in any commercial development within the PNG licence areas.
- 7 Liquids are equal to the total of oil, condensate and natural gas liquids where 1 barrel of condensate or natural gas liquids equals 1 barrel of oil.
- 8 Raw Gas is natural gas as it is produced from the reservoir which may include varying amounts of heavier hydrocarbons which liquefy at atmospheric conditions, water vapor and other non-hydrocarbon gases such as hydrogen sulphide, carbon dioxide, nitrogen or helium.
- 9 Sales Gas represents volumes that are likely to be present a saleable product. Sales Gas are reported assuming average values for fuel, flare and shrinkage considering the variable reservoir fluid properties of each constituent field on an energy basis the customary unit is PJ. PJ means petajoules and is equal to 10^{15} joules.
- 10 Depending on the asset, either deterministic estimates or probabilistic estimates have been used to calculate the petroleum reserves, contingent resources and prospective resources in this statement.
- 11 Reported estimates of petroleum reserves and contingent resources have been aggregated by arithmetic summation by category. 1P reserves reported beyond the field, property or project level aggregated by arithmetic summation may be a very conservative estimate due to the portfolio effects of arithmetic summation.
- 12 Estimates are reported according to Horizon Oil's economic interest, this being Horizon Oil's net working interest as adjusted for entitlements [Economic Interest adjustment] under production-sharing contracts and risked-service contracts; and are reported net of royalties and lease fuel up to the reference point. For New Zealand, the reference point is defined as the outlet of the Raroa Floating Production Storage and Offtake (FPSO) facility. For China, the reference point is the exit flange of the loading hoses at Weizhou Terminal.
- 13 Horizon Oil employs a Reserves Management System to ensure the veracity of data used in the estimation process. This process includes review by senior staff where data is endorsed for inclusion in the estimating process. Estimates are reviewed annually, at a minimum, with interim reviews as required, to respond to any material changes. Horizon Oil undertakes semi-regular external reviews to complement its own internal process.
- 14 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, Subsurface Manager 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 and the Society of Petroleum Engineers. Mr Douglas' qualifications include a Master of Reservoir Evaluation and Management from the Heriot Watt University UK, and more than 23 years of relevant experience. Mr Douglas consents to the use of the petroleum reserves and resources estimates in the form and context in which they appear in this statement.
- 15 Some totals in the tables may not add due to rounding.

HORIZON

ACTIVITIES REVIEW






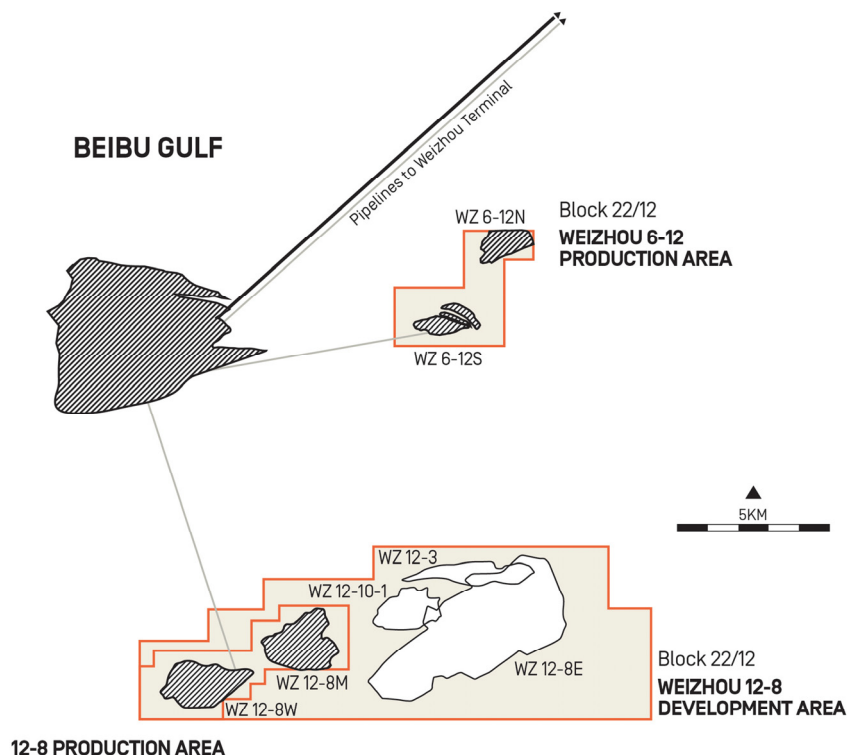
PRODUCTION

Block 22/12, Beibu Gulf, Offshore China

HORIZON INTEREST		%
PRODUCTION		26.95
EXPLORATION		55%

CHINA

-  Oil Field
-  Discovered Oil Field
-  Oil Pipeline
-  Gas Pipeline
-  Production Area



During the year, the Group's working interest share of production from the Beibu Gulf fields was 907,886 barrels of oil. Crude oil sales were 833,071 barrels at an average price of US\$50/bbl, exclusive of executed hedging. Gross oil production for the 2020 financial year averaged 9,230 bopd, of which the Group's working interest share was 2,487 bopd. The Group's share of sales volumes over the year was an average of 2,282 bopd. As anticipated, sales volumes during the financial year reverted to being materially in line with the Group's net working interest share of production owing to the recoupment of the company's remaining Block 22/12 exploration and development cost recovery entitlement under the petroleum sharing contract. Sales volumes attributable to the cost recovery entitlement reduced to 2,474 bbls during the year, compared with 288,454 bbls in the prior year.

Production from the fields continued uninterrupted by the COVID-19 pandemic, with production maintained above budget. Workover campaigns were carried out throughout the year to sustain production rates, with the

most recent program commencing shortly after period end. This is focused on optimising downhole electrical submersible pumps and adding perforations of undrained oil zones with the objective of increasing gross production from the field to over 10,000 bopd.

Average cash operating costs including workovers for the year were US\$11.38/bbl (produced). The strong production result, coupled with the low cost of production, ensured continued strong free cashflow generation from the Beibu Gulf fields, despite the lower oil price environment resulting from the COVID-19 pandemic.

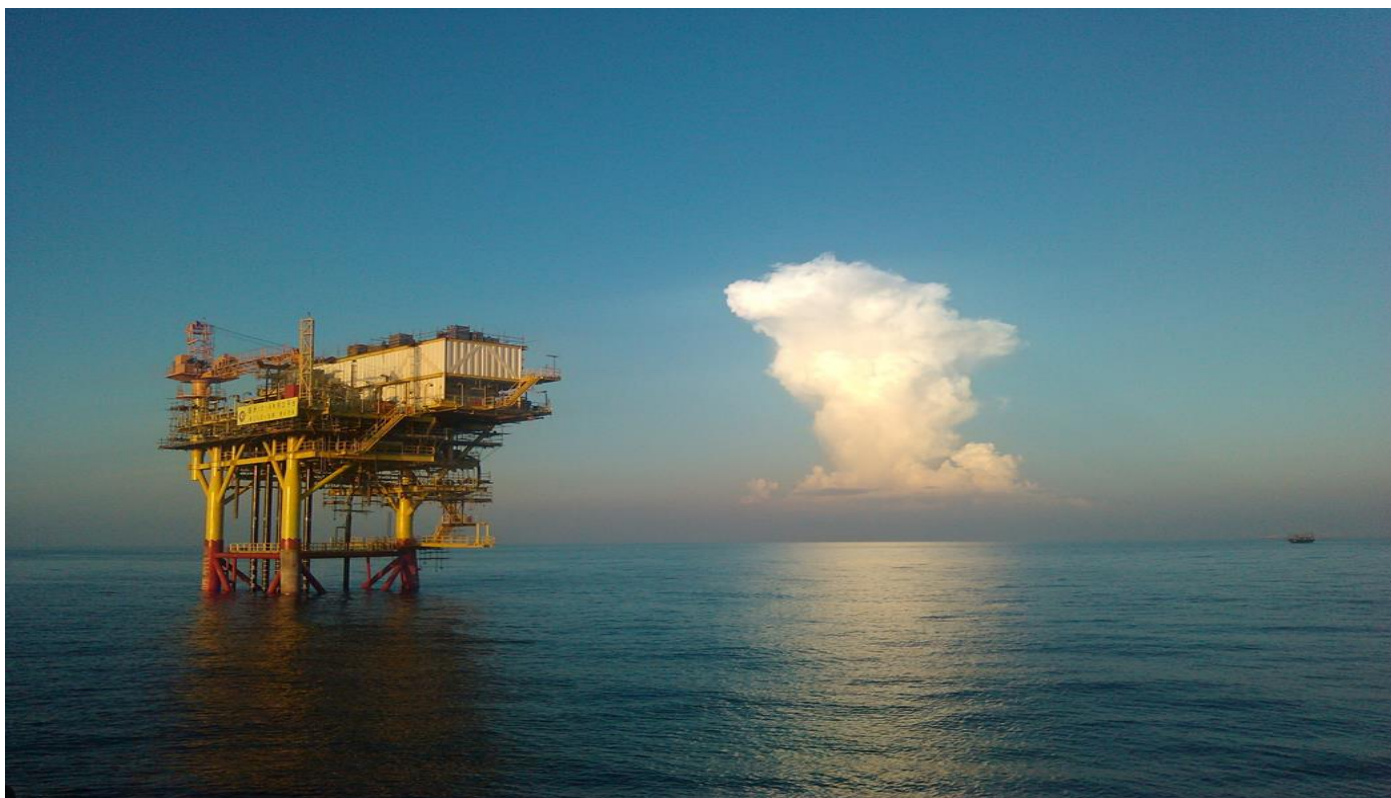
The WZ6-12 M1 exploration well was successfully drilled to a total depth of 2025mMD during the year, with the well intersecting 65m of oil pay in the Oligocene-aged Weizhou T30A, T31L, T31C and T32L sands. The WZ6-12 M1 well is located between the Weizhou 6-12 North and South fields, with the joint venture advancing plans to develop the discovery with an infill well drilled from the WZ6-12 platform later in the 2020 calendar year.

The continued low operating and capital cost environment, and recent recovery in oil prices has encouraged the joint venture to advance infill well opportunities with two wells targeted for drilling at the end of the 2020 calendar year. Planning for the infill wells is well underway with the wells to be drilled from the WZ6-12 platform, including one well into the producing WZ6-12 North field, and one well into the WZ6-12 M1 discovery. Horizon's 2P reserves for these two wells are 0.3 mmbbls and 0.2 mmbbls respectively, with Horizon's share of the well costs forecast to be approximately US\$5 million, which is to be funded from existing cash reserves and field production revenue.

Basic engineering for the WZ12-8 East development was completed during the year, together with finalisation of commercial contracts with the drilling and platform provider, and completion of joint venture sub-surface and commercial reviews. All necessary pre-final investment decision (FID) environmental approvals are in place. FID for the WZ12-8 East development is expected shortly. The development represents the first phase of a possible multi-phase development, depending on the production performance of the first phase. The initial development will recover 0.6 mmbbls net to Horizon and includes five wells in the large shallower Jiaowei reservoir and one well into the nearby Weizhou reservoir.

Further development of the Jiaowei reservoir will be considered by the joint venture following the results of the first phase of the project. The WZ12-8 East project utilises a mobile offshore production platform (MOPU) which will be leased by the joint venture. The MOPU will be linked to the existing WZ12-8 West platform via a new pipeline and subsea power cable, with oil then exported via existing CNOOC facilities to CNOOC's Weizhou Terminal. Horizon's share of production will be sold directly to the Chinese domestic market.

Importantly, upfront capital costs have been minimised with Horizon's share of costs in the 2020 calendar year expected to be approximately US\$2 million. The remaining capital costs and platform lease costs are linked to the oil price providing the project with a natural hedge to the oil price. Based on the Horizon oil price forecast, Horizon's share of capital costs for the first phase are forecast to be ~US\$15 million, which is ~20% less than if oil prices were around US\$60/bbl. Most of these costs are forecast to be incurred in the 2021 and 2022 calendar years, concentrated around the timing of first production, which the Operator expects to be in early calendar year 2022. Development costs will be internally funded using Horizon's existing cash reserves and field production revenue.



WZ12-8W Wellhead Platform, Beibu Gulf, China

NOTES:

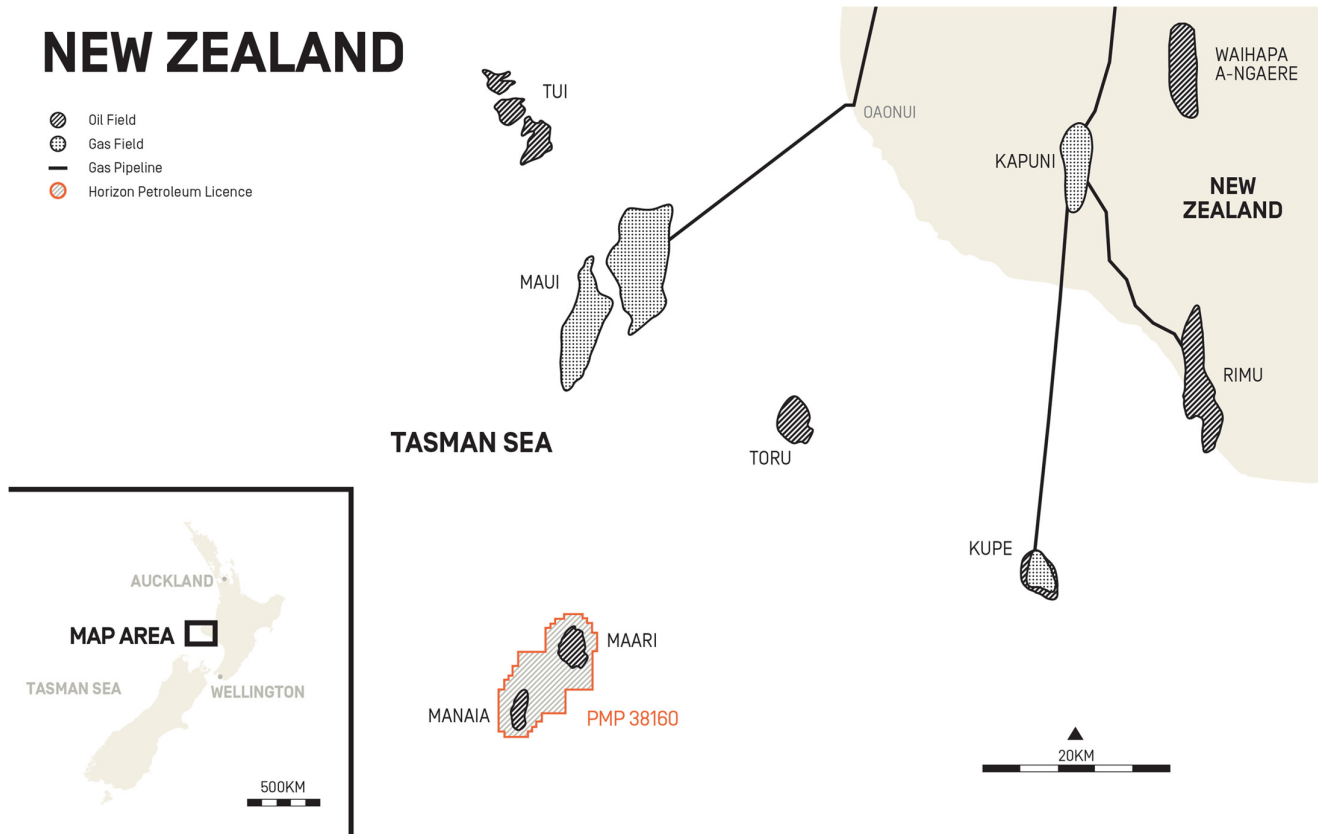
1. Petroleum reserves have been calculated using industry oil price forecasts and forecast project operating and capital costs based on current exchange rates and industry oil price forecasts. The terms of the relevant Block 22/12 PSC (Production Sharing Contract) and SDA (Supplementary Development Agreement) have been incorporated into the calculations.

2. The basis for confirming commercial producibility and booking reserves in the WZ12-8 east area was through the acquisition of a 3D seismic programme and the drilling, evaluation and testing of the WZ12-8-2 discovery well and the drilling and evaluation of the subsequent WZ12-8-3 appraisal well. For the WZ6-12-A11 infill well it is by analogy with other wells in the same field (WZ-12 North); and for the WZ-12-A3S2 infill well it is based on evaluation of the WZ-12M-1D discovery well and by analogy with nearby wells / fields in Block 22/12.

3. Reserves for the WZ12-8 East (Phase 1) project and for the WZ6-12-A11 infill well into the WZ6-12 north reservoir were estimated by reservoir simulation; reserves for the WZ6-12-A3S2 infill well into the WZ6-12 M1 reservoir were estimated volumetrically. The reservoir simulation method involves the construction of computer models which are used to predict the flow of fluids through the rock pore volume. The volumetric method entails determining the areal extent of the reservoir, the rock pore volume, and the fluid content within the pore volume. This provides an estimate of the amount of hydrocarbons-in-place. The ultimate recovery is then estimated by using an appropriate recovery factor.

PMP 38160, Maari/Manaia fields, Taranaki Basin, offshore New Zealand

HORIZON INTEREST	
PRODUCTION	%
	26



During the year the Group's working interest share of production from the Maari and Manaia fields was 567,676 barrels of oil. Crude oil sales were 594,450 barrels at an average effective price of US\$56/bbl exclusive of executed hedging. Average gross production from the field over the year was approximately 5,982 bopd, of which Horizon's share was 1,555 bopd.

Production for the year exceeded budget, driven by well optimisation activities including the installation of a larger electric submersible pump (ESP) in the MR6a well and continued water injection. Whilst production and liftings from the Maari oil field continued largely uninterrupted by the COVID-19 pandemic, temporary shut-ins of production wells MR6A, MR7A and MR9 impacted production late in the year with the Operator advancing plans to workover these wells.

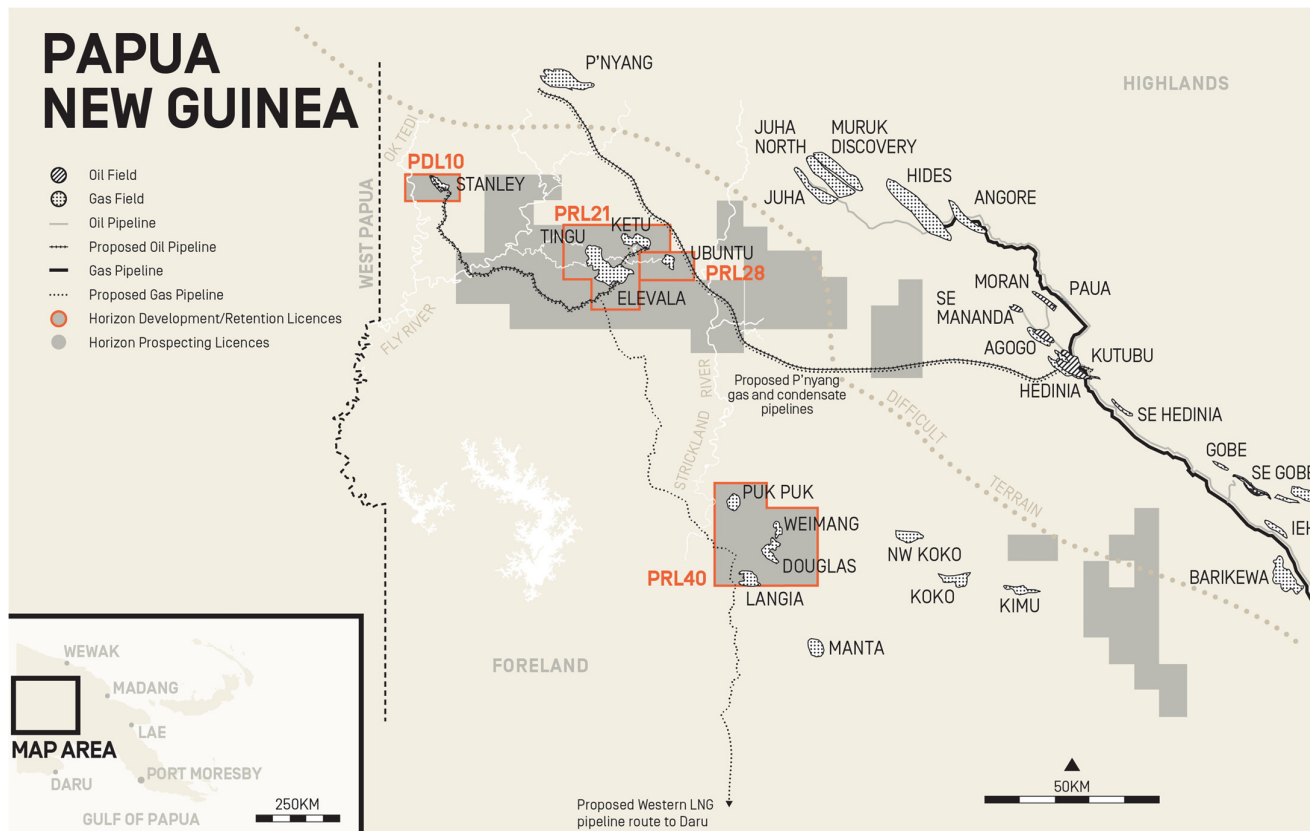
Continued cost savings initiatives were implemented by the Operator, with average cash operating costs maintained below US\$25/bbl [sold] during the year. Average cash operating costs decreased 17.6% for the 2020 financial year despite a modest 6% reduction in production attributable to the temporary well shut-ins.

During the year Jadestone Energy Inc. (AIM:JSE, TSXV:JSE) announced that it had executed a conditional sale and purchase agreement to acquire OMV New Zealand Limited's 69% interest in the Maari project. The completion of the proposed transaction will occur upon satisfaction of conditions, including acceptance of Jadestone as operator by the Maari joint venture partners, New Zealand Government approvals relating to title transfer and change of operatorship and other customary conditions on or before 15 November 2020. Whilst the transaction continues to remain subject to joint venture and New Zealand government approvals, OMV and Jadestone progressed plans for operatorship transition. OMV New Zealand will continue as operator of the Maari Project until, and subject to, completion of the proposed transaction.

DEVELOPMENT

Western Province, Papua New Guinea

HORIZON INTEREST	%
STANLEY FIELD (PDL 10)	30
ELEVALA/KETU FIELDS (PRL 21)	30.15
UBUNTU FIELD (PRL 28)	30
PUK PUK & DOUGLAS FIELDS (PRL 40)	20



In Papua New Guinea, Horizon continued planning for the commercialisation of the gross appraised resource of 2,200 PJ of sales gas and 64 million barrels of associated condensate in four petroleum licences in the foreland basin of Western Province. The Company holds approximately 30% of the resource and is Operator of two licences constituting the majority of the resource.

During the year, Arran Energy Pty Limited became the legal and beneficial owner of Repsol Oil & Gas Niugini Pty Ltd and Foreland Oil Limited, which hold PNG licence interests, including PDL 10, PRL 21, PRL 28 and PRL 40. As part of the transaction, Arran assumed operatorship of PDL 10 and PRL 40. The new Operator of the PDL 10 licence articulated its proposal to progress a condensate stripping operation at the Stanley field and to refine development costs. The PDL 10 joint venture was also encouraged by the recent receipt of correspondence from the Papua New Guinea Petroleum & Energy Minister, Hon. Kerenga Kua M.P. withdrawing the purported notices of intention to cancel PDL 10 and PL 10, and notice of cancellation of the Stanley Gas Agreement. The

Minister's correspondence and the development options for the Stanley field are being reviewed by the PDL 10 joint venture. Refinement of the engineering basis for a PRL 21 condensate development encompassing the Elevala and Ketu fields also continued during the year.

The condensate rich gas resources in the Stanley, Elevala, Ketu and Ubuntu fields lie to the south of ExxonMobil and Oil Search's P'nyang gas field which is planned to provide the threshold volumes for expansion train 3 of the PNG LNG scheme. The planned pipeline route from P'nyang to the PNG LNG facilities passes within 20 kilometres of the Ketu field. Gas agreement negotiations for the planned expansion of PNG LNG continued during the year with the State publicly expressing its strong encouragement for third party access to the pipelines. On 31 January 2020 the Prime Minister of PNG issued a media release stating that negotiations on the P'nyang Gas Agreement had stopped as the parties were unable to reach a mutually acceptable commercial arrangement.

Late in the year, the PNG government also amended laws dealing with the review and grant of development licences for oil and gas projects. Among other things, the amendments provide for greater Ministerial discretion in dealing with development licence applications and allow for a review of development proposals against a national interest test prior to the granting of development licence. The strong stance taken by the PNG Government in the context of their desire for an increased 'state take' in future projects may have significant ramifications for future oil and gas projects.

The recent shift by the PNG Government in requiring improved fiscal returns from resource projects, coupled with the lack of progress in commercialisation of the discovered resources, comparable market transactions, and unresolved licence tenure issues, led to the Group impairing its exploration and development assets in PNG to a carrying amount of US\$5.8 million.

In light of the above, the challenges presented by COVID-19 and a lower oil price, the Company took steps during the year to rationalise the cost base of its PNG operations.

EXPLORATION

Western Province, Papua New Guinea

Horizon operates and holds working interests in the exploration licences containing the prospective acreage surrounding its gas-condensate fields in PNG. The largely unexplored acreage provides the potential for expansion gas volumes for a gas development involving Horizon's PNG resources.

HORIZON INTEREST	%
EXPLORATION LICENCES	80 - 100

During the year further studies were performed to refine the substantial prospects and leads inventory. The PPL 430 licence was relinquished during the year with the PPL 430 joint venture formerly wound up.



Gasuke village staging area during routine wellhead maintenance operations in 2019, Papua New Guinea



ANNUAL FINANCIAL REPORT

This annual financial report covers the consolidated financial statements of the Group, consisting Horizon Oil Limited (Company) and its subsidiaries. The annual financial report is presented in United States dollars.

Horizon Oil Limited is a public company limited by shares and is listed on the ASX. It is incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 6
134 William Street
Woolloomooloo NSW 2011

This annual financial report was authorised for issue by the Board of Directors on 27 August 2020. The Board of Directors has the power to amend and reissue the annual financial report.

All references to reserves and contingent resources within the financial report are drawn from the Horizon Reserves and Resources Statement dated 27 August 2020.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity [referred to hereafter as the 'Group'] consisting of Horizon Oil Limited (the 'Company') and the subsidiaries it controlled at the end of, or during the financial year ended, 30 June 2020.

Directors

The following persons were directors of Horizon Oil Limited during the whole, or for part where noted, of the financial year and up to the date of this report:

M Harding
C Hodge
G de Nys
S Birkenleigh
G Bittar
M Sheridan

C Hodge was a non-executive director up until 14 February 2020 when he was appointed as Chief Executive Officer and Managing Director. He continues in office as at the date of this report. C Hodge replaced M Sheridan as the Group's Chief Executive Officer on 28 February 2020.

Review of operations

Principal activities

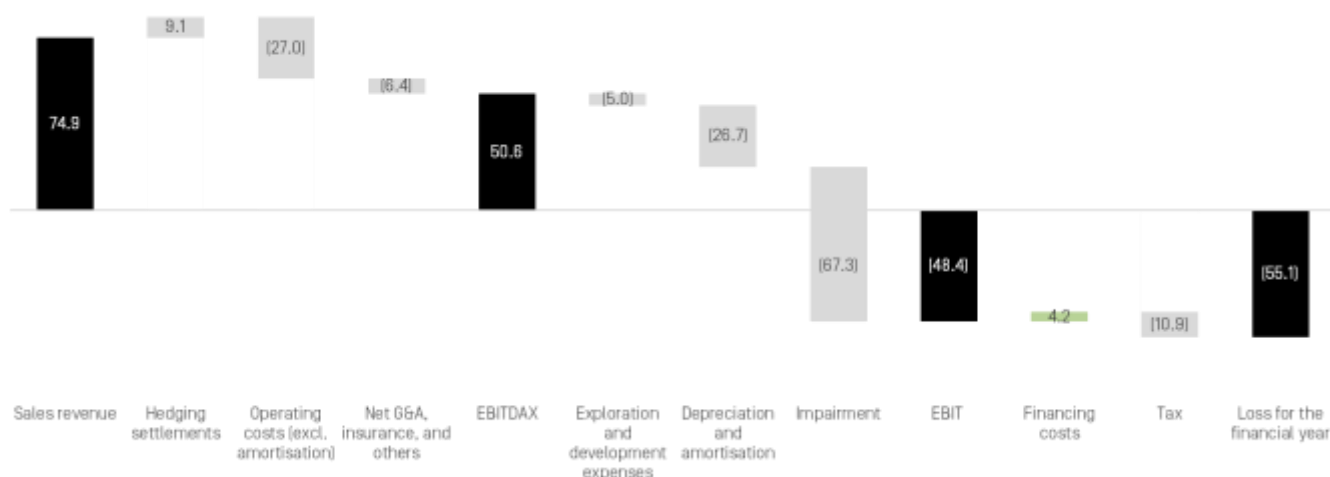
During the financial year, the principal activities of the Group continued to be directed towards petroleum exploration, development and production.

A detailed review of the operations of the Group during the financial year is set out in the Activities Review on pages 10 to 15 of this annual financial report.

Group Financial Performance

Consolidated Statement of Profit or Loss and Other Comprehensive Income

2020 Profit Drivers



The Group reported a statutory loss before tax of US\$44.2 million for the financial year (2019: profit US\$48.4 million). The loss result includes a non-cash impairment expense of \$67.3 million associated with the Group's PNG licence interests (2019: US\$nil) and non-cash financing income of US\$8.0 million (2019: US\$11.2 million) associated with the revaluation of the options issued under the subordinated loan facility, which once excluded results in an Underlying Profit Before Tax of US\$15.0 million (2019: US\$37.3 million).

EBITDAX was US\$50.6 million (2019: US\$93.0 million), and EBIT was a loss of US\$48.4 million (2019: US\$49.0 million). Included in the EBIT result is the non-cash impairment expense of \$67.3 million associated with the Group's PNG licence interests. Cashflows from operating activities of US\$36.7 million (2019: US\$72.8 million) and cash reserves enabled the Group to meet its capital expenditure commitments and also repay a further US\$24.0 million in debt during the financial year.

EBITDAX, EBIT and underlying profit before tax are financial measures which are not prescribed by Australian Accounting Standards and represent the profit under Australian Accounting Standards adjusted for interest expense, taxation expense, depreciation, amortisation, and exploration expenditure (including non-cash impairments). 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 before tax information have not been audited. However, they have been extracted from the audited annual financial reports for the financial years ended 30 June 2020 and 30 June 2019.

Basic earnings per share for the financial year were a loss of 4.18 US cents based on a weighted average number of fully and partly paid ordinary shares on issue of 1,303,481,265 shares.

Sales and Production Growth

The Group concluded a strong financial year despite the economic challenges resulting from the COVID-19 pandemic, with net production of 1,475,562 barrels of oil (2019: 1,604,578 barrels), a modest reduction from the prior comparative period owing to natural reservoir decline and temporary well shut-ins in New Zealand. Sales volumes were 1,427,521 bbls (2019: 1,866,581 bbls) which, as anticipated, reverted to being materially in line with the Group's net working interest share of production owing to the recoupment of the company's remaining Block 22/12 exploration and development cost recovery entitlement under the petroleum sharing contract. Sales volumes attributable to the cost recovery entitlement reduced to 2,474 bbls (2019: 288,454 bbls) during the financial year.

Crude oil sales revenue of US\$84.0 million (2019: US\$122.4 million) was generated during the financial year resulting from a net realised oil price of US\$58.86 per barrel (2019: US\$65.57 per barrel), inclusive of hedge settlements. Whilst oil prices were materially impacted by the collapse in oil demand resulting from the COVID-19 pandemic during the second half of the financial year, revenue was supported by the Company's commodity hedging. Throughout the year 53% of sales were hedged (2019: 53%) with a hedging gain of US\$9.1 million (2019: loss US\$4.3 million) realised on 760,000 barrels hedged at a weighted average price of US\$64.05 per barrel (2019: 980,000 barrels at US\$64.79 per barrel).

Operating costs for the period were US\$53.4 million, 21% lower than the prior comparative period (2019: US\$67.4 million) driven by continued cost optimisation initiatives, particularly at Maari, combined with a lower amortisation charge.

General and Administrative Expenses

General and administrative expenses were higher than the prior comparative period at US\$4.5 million (2019: US\$3.8 million) owing to ad-hoc legal costs pertaining to the PNG investigation conducted during the period. These ad-hoc costs were partially offset by a continued focus on costs and reduced headcount following the COVID-19 pandemic. This expense comprised net employee benefits expense of US\$2.3 million (including non-cash share-based payment expense of US\$0.6 million), corporate office expense of US\$1.8 million, depreciation of US\$0.4 million, and rental expense of US\$0.1 million.

Insurance Expense

Insurance expense of US\$2.1 million (2019: US\$1.9 million) in the period reflected increased premiums associated with a deterioration in insurance markets.

Exploration and Development Expenses

Exploration and development expenses of US\$5.0 million (2019: US\$4.6 million) were primarily related to the Group's China and PNG assets. During the period there was continued focus on infill, appraisal and exploration opportunities in and around the Group's existing permits, in particular in China. The objective is to integrate any commercial discoveries, such as the drilling success at the WZ 6-12 M1 well, into the existing Block 22/12 development to sustain production rates late into the decade.

Impairment of Non-Current Assets

Included in the result was US\$67.3 million of non-cash impairment expenses associated with the Group's exploration and development assets in Papua New Guinea. The impairment assessment conducted in respect of the period considered challenges faced by the Company in PNG, including unresolved licence tenure issues, the lack of progress in commercialisation of the discovered resources in the Western Province of PNG, and the recent shift by the PNG Government in requiring improved fiscal returns from resource projects. Reference was also made to comparable market transactions. In light of these matters and uncertainties, the Group impaired its PNG exploration and development assets during the year to a carrying amount of US\$5.8 million.

Other Income

Other income was minimal in the current year, with the US\$4.4 million recorded in the prior financial period generated from insurance recoveries associated with the repairs to the Maari water injection flow line, production and test riser, and wellhead platform which were performed during the 2016 and 2017 financial years.

Finance Costs

The Group's borrowing costs of US\$3.9 million were US\$7.8 million lower during the period following the successful refinancing and restructuring of the Group's financing arrangements in the prior financial period. The progressive repayment of debt during the period and reduced global interest rates has further reduced interest and other financing costs. Other non-cash financing income of US\$8.0 million (2019: US\$11.2 million) associated with the revaluation of the options issued under the subordinated loan facility was recorded during the financial period.

Income and Royalty Tax

The net income and royalty tax expense of US\$10.9 million (2019: US\$12.6 million) incurred during the financial year included a current tax expense of US\$5.9 million, a deferred income tax expense of US\$2.0 million and a royalty related tax expense of US\$2.9 million. The net income tax expense was driven by cash taxes of US\$4.3 million in China and US\$1.6 million in New Zealand. Royalty tax expense of US\$2.9 million reflected cash and deferred royalty tax associated with the Maari/Manaia field.

Consolidated Statement of Financial Position

At 30 June 2020, total assets were US\$171.6 million (2019: US\$262.7 million) and total liabilities were US\$88.8 million (2019: US\$141.3 million), resulting in a reduction in net assets to US\$82.9 million (2019: net assets of US\$141.3 million).

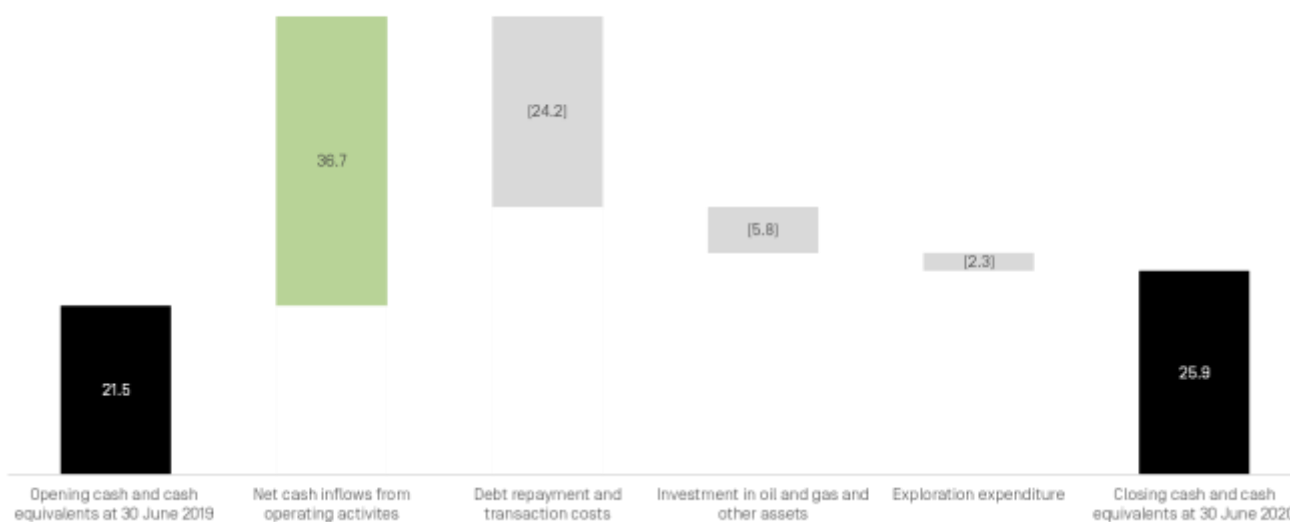
The reduction in assets is primarily due to the non-cash impairment expense of US\$67.3 million, coupled with the amortisation of the producing oil and gas assets. The reduction in total liabilities primarily reflects the US\$24.0 million of debt repayments made during the financial period, combined with the US\$8.0 million non-cash revaluation of the options issued under the subordinated debt facility.

At 30 June 2020, the Group had a working capital surplus of US\$15.3 million (2019: US\$13.9 million) resulting predominately from the strong cash flow generation which was offset by the US\$24.0 million in debt repayments.

At 30 June 2020, the Group returned to a net cash position of US\$0.5 million, based on nominal amounts drawn down, which represented a 101% reduction in the net debt position from 2019 of US\$28.0 million. Net cash of US\$0.5 million comprised of cash and cash equivalents held of US\$25.9 million (2019: US\$21.5 million) offset by borrowings of US\$25.4 million (2019: US\$49.4 million). At financial year end, borrowings consisted US\$25.4 million principal outstanding on the US\$95 million Syndicated Revolving Cash Advance Facility executed with senior lenders in November 2018.

Consolidated Statement of Cash Flows

2020 Cash Drivers



Net cash generated from operating activities was 50% lower for the financial year at US\$36.7 million (2019: US\$72.8 million) due to the lower oil prices following the COVID-19 pandemic and reduced sales volumes. As foreshadowed and previously communicated, sales volumes reduced owing to the full recoupment of the Company's remaining Block 22/12 exploration and development cost recovery entitlement under the petroleum sharing contract. Following the recoupment early in the financial year, the Group's sales volumes reverted to being materially in line with the Group's net working interest share of

production. The free cash available after operating and investing activities enabled further debt reduction with a net outflow of US\$24.0 million from financing activities for the period.

Corporate

Debt Facilities

At 30 June 2020, the Group's net debt was further reduced to a net cash position of US\$0.5 million (30 June 2019: net debt of US\$28.0 million), a reduction of US\$28.4 million during the financial year. The net cash position comprises cash and cash equivalent assets held of US\$25.9 (30 June 2019: US\$21.5 million) offset by the nominal value of borrowings drawn down of US\$25.4 million (30 June 2019: US\$49.4 million) on the Syndicated Revolving Cash Advance Facility. Details of the Group's debt facilities are set out in Note 18.

Oil Price Hedging

At 30 June 2020, the Group had 220,000 barrels of crude oil hedged through Brent oil price swaps (30 June 2019: 480,000 barrels) at a weighted average price of approximately US\$36/bbl. Subsequent to period end, a further 180,000 barrels of crude oil were hedged through Brent oil price swaps at a weighted average price of approximately US\$45/bbl. During the financial year, 760,000 barrels of oil price derivatives were settled, securing revenue of US\$48.7 million.

Group business strategies and prospects for future financial years

The Company's exploration, development and production activities are focused in Southeast Asia. The robust, long-lived cash flows from the Company's interests in Block 22/12, offshore China, and the Maari/Manaia fields, offshore New Zealand will be applied to fund the Company's future capital and growth program and retire debt. That program is directed to bring into production the Company's substantial inventory of discovered reserves and contingent resources in fields in China, New Zealand and Papua New Guinea, and identify suitable inorganic growth opportunities.

The Company has a conservative and selective exploration policy with specific focus on plays providing material scale and upside. The reserves and contingent resources in the company's inventory provide shareholders with exposure to commodity price upside, especially oil price and production growth.

The achievement of these strategic objectives may be affected by macro-economic and other risks including, but not limited to, global growth, volatile commodity prices, exchange rates, climate change, access to financing and political risks. The speculative nature of petroleum exploration and development will also impact the Company's ability to achieve these objectives; key risks of which include production and development risk, exploration and drilling risks, joint operations risk, and geological risk surrounding resources and reserves.

The Group has various risk management policies and procedures in place to enable the identification, assessment and mitigation of risks that may arise. Whilst the Group can mitigate some of the risks described above, many are beyond the control of the Group. For further information in relation to the Company's risk management framework, refer to the Corporate Governance Statement.

Outlook

It is expected that the 2021 financial year and beyond will be underpinned by continued strong oil production from the Group's China and New Zealand operations. Continued water injection at Maari combined with the progressive planned development of WZ 12-8E oil field in China and other infill well opportunities, are forecast to materially offset the longer term reduction in production associated with natural reservoir decline. In the near term, strong cashflow generation is forecast to continue albeit at a slightly reduced rate owing to the lower oil price environment resulting from the COVID-19 pandemic. The forecast cashflow from the producing oil fields will enable continued material reductions in the Company's debt levels and funding for the Block 22/12 infill drilling and WZ 12-8E oil field development. Whilst we acknowledge the current challenges faced in Papua New Guinea, we continue to focus on progressing opportunities to realise value from our PNG resources in the near term.

The Group's short-term focus is on:

- Optimising production performance from the Beibu and Maari/Manaia fields through various well intervention activities;
- Successfully executing the Block 22/12 infill drilling program;
- Progressing the Block 22/12 WZ 12-8E field development;
- Continued evaluation of growth opportunities to complement the Group's existing oil producing assets; and
- Progressing opportunities to realise value from the Group's PNG assets.

Significant changes in the state of affairs

PNG Investigation

Beginning on 10 February 2020, the Australian Financial Review published a series of articles concerning Horizon's payment to acquire a 10 percent licence interest in PRL 21 in the Western Province of Papua New Guinea during 2011. Given the seriousness of the allegations, the significant adverse market impact to Horizon's shareholders and that the transaction occurred more than 8 years ago, the Horizon Board initiated an immediate and in-depth investigation. The investigation, which included a forensic review of all aspects of the transaction, was conducted by Herbert Smith Freehills and Deloitte with the oversight of an Independent Board Committee (IBC). The investigation was to examine whether the Company's actions in respect of the 2011 transaction breached Australia's foreign bribery laws. The investigation was concluded in June 2020 with Horizon confirming that the investigation did not establish any breach of Australian foreign bribery laws. At the date of this report, Horizon is not aware of any regulatory investigation into these matters involving the Company in Australia or Papua New Guinea.

Other than the matters noted above and disclosed in the review of operations, there have not been any other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Other than the matters noted above and disclosed in the review of operations, there has not been any matter or circumstance which has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

- [1] - the Group's operations in future financial years; or
- [2] - the results of those operations in future financial years; or
- [3] - the Group's state of affairs in future financial years.

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, New Zealand, and Papua New Guinea. 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.

Reporting currency

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

Information on Directors

The following persons held office as Directors of Horizon Oil Limited at the date of this Directors' Report:

Chairman, Independent Non-Executive Director	Mike Harding
Responsibilities:	Mr Harding has been Chairman of Horizon since November 2018. He is Chairman of Horizon's Disclosure Committee and Member of Horizon's Audit and Remuneration and Nomination Committees.
Experience:	Mr Harding has held management positions around the world with British Petroleum (BP), including President and General Manager of BP Exploration Australia.
Directorships:	Mr Harding is currently the Chairman of Downer and a Director of Cleanaway Waste Management Limited. He is a former Chairman of Lynas Limited, Roc Oil Company Limited, Clough Limited and ARC Energy Limited and a former Director of Santos Limited.
Qualifications:	Mr Harding holds a Master of Science, majoring in Mechanical Engineering.

Managing Director, Chief Executive Officer	Chris Hodge
Responsibilities:	Mr Hodge has been Managing Director and Chief Executive Officer of Horizon since February 2020, and a Director since April 2019. He is a Member of Horizon's Risk Management and Disclosure Committees.
Experience:	Mr Hodge has over 40 years' oil and gas experience; training as a geologist and petroleum geophysicist. Mr Hodge held senior managerial and consulting positions in major petroleum exploration and production companies, including E&P Advisor to both Mitsubishi and Mitsui in Australia, Managing Director of Adelphi Energy and Exploration Manager of Ampolex. He played a significant part in the growth of each of these companies through a mix of successful exploration, field development and acquisition.
Directorships:	Mr Hodge is a former Director of Roc Oil Company Limited and Xstate Resources.
Qualifications:	Mr Hodge holds a Master of Science, majoring in Structural Geology and Rock Mechanics and a Graduate Diploma of Applied Finance. He is a Member of the Petroleum Exploration Society of Australia (PESA) and the American Association of Petroleum Geologists (AAPG).

Non-executive Director	Gerrit de Nys
Responsibilities:	Mr de Nys has been a Director of Horizon since June 2007. He is Chairman of Horizon's Risk Management Committee and Member of Horizon's Remuneration and Nomination Committees.
Experience:	Mr de Nys has over 45 years' experience in civil engineering, construction, oil field contracting and natural resource investment management.
Directorships:	Mr de Nys is a Director of various IMC Pan Asia Alliance Group subsidiaries, companies affiliated with Horizon's substantial shareholder IMC Pan Asia Alliance Group. Mr de Nys is a former Director of SOCAM Development Limited.
Qualifications:	Mr de Nys holds a Bachelor of Technology (Civil Engineering). He is a Fellow of the Institution of Engineers, Australia, a past Fellow of the Australian Institute of Company Directors and a retired Chartered Professional Engineer.

Independent Non-Executive Director	Sandra Birkenleigh
Responsibilities:	Ms Birkenleigh has been a Director of Horizon since February 2016. She is Chair of Horizon's Audit Committee and a Member of Horizon's Risk Management, and Remuneration and Nomination Committees.
Experience:	Ms Birkenleigh has 24 years' experience in financial services, risk management, compliance and corporate governance with PricewaterhouseCoopers including as Global Lead for Governance Risk & Compliance, National Lead for Partner Risk and Controls Solutions and a Service Team Leader for Performance Improvement.
Directorships:	Ms Birkenleigh is a Director of Auswide Bank Limited, MLC Limited, 7-11 Holdings and its subsidiaries, National Disability Insurance Agency, the Sunshine Coast Children's Therapy Centre and a Council Member of the University of the Sunshine Coast. Ms Birkenleigh is Chair of the Audit and Risk Committee of the University of the Sunshine Coast, Chair of the Audit and Risk Committee of the Public Trustee of Queensland and an Independent Member of the Audit Committee of the Reserve Bank of Australia. Ms Birkenleigh is a Former Director of Plum Financial Services Limited.
Qualifications:	Ms Birkenleigh is a Chartered Accountant and holds a Bachelor of Commerce. She is a Graduate Member of the Australian Institute of Company Directors.
Non-executive Director	Greg Bittar
Responsibilities:	Mr Bittar has been a Director of Horizon since March 2017, as nominated by Horizon's substantial shareholder IMC Pan Asia Alliance Group. He is Chairman of Horizon's Remuneration and Nomination Committee and a Member of Horizon's Audit Committee.
Experience:	Mr Bittar has extensive experience in public and private markets mergers and acquisitions, capital markets and strategic advisory assignments across a range of sectors including general industrials, metals and mining, mining services and energy. Mr Bittar has worked for Bankers Trust, Baring Brothers Burrows and Morgan Stanley.
Directorships:	Mr Bittar is Chairman of Trek Metals Limited, and former Chairman of Millennium Minerals Limited.
Qualifications:	Mr Bittar holds a Master of Finance from London Business School, a Bachelor of Economics and a Bachelor of Laws (Hons).
Alternate Director for Greg Bittar	Bruno Lorenzon
Responsibilities:	Mr Lorenzon has been an Alternate Director for Greg Bittar since March 2017.
Experience:	Mr Lorenzon is Head, Group Corporate Finance for the IMC Pan Asia Alliance Group and has more than 16 years' experience in investments, strategy and corporate finance in the resources sector both in Australia and overseas. He has worked for the IMC Pan Asia Alliance Group for the past 10 years and previously worked for Vale in Brazil and Rio Tinto in Australia in roles encompassing strategic planning, mergers and acquisitions and business development.
Qualifications:	Mr Lorenzon is a Chartered Financial Analyst and holds a Master of Business Administration and Bachelor of Civil Engineering.
Company Secretary	Kylie Quinlivan
Responsibilities:	Ms Quinlivan has been General Counsel and Company Secretary of Horizon since July 2018.
Experience:	Ms Quinlivan is a corporate lawyer with expertise in public markets mergers and acquisitions and private transactions, corporate fund raising and corporate governance across a range of sectors, particularly oil and gas. She has over 14 years' experience as a corporate lawyer including first tier Corporate M&A practice at Minter Ellison, Sydney.
Qualifications:	Ms Quinlivan holds a Master of Laws and Bachelor of Commerce.
Assistant Company Secretary	Kyle Keen
Responsibilities:	Mr Keen joined Horizon in February 2018 as Finance Manager and has been the Assistant Company Secretary since November 2018.
Experience:	Mr Keen is a Chartered Accountant with expertise in external audit across a range of sectors, in particular oil and gas. He has 9 years' experience including working in first tier auditing practices such as EY, United Kingdom and KPMG, South Africa.
Qualifications:	Mr Keen holds a Bachelor of Accounting (Hons) and is a member of the South African Institute of Chartered Accountants.

Directors' Interests in the Company's Securities

As at the date of this Directors' Report, the Directors held the following number of fully paid ordinary shares:

DIRECTOR	ORDINARY SHARES		
	DIRECT	INDIRECT	TOTAL
M Harding	-	-	-
C Hodge	-	-	-
G de Nys	-	2,203,639	2,203,639
S Birkenleigh	-	-	-
G Bittar	-	-	-
B Lorenzon (as alternate)	-	-	-

Meetings of Directors

The numbers of meetings of the Company's Board of Directors (the 'Board') and of each Board Committee held during the financial year, and the numbers of meetings attended by each Director were:

	BOARD	AUDIT COMMITTEE	RISK MANAGEMENT COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE	DISCLOSURE COMMITTEE
Number of meetings held:	11 ¹	3	2	3	5
Number of meetings attended by:					
M Harding	11	3		3	5
G de Nys	11		2	3	
S Birkenleigh	11	3	2	3	
G Bittar	10	3		1	
C Hodge ²	10	2	2	2 ³	4
B Lorenzon (as alternate for G Bittar)	7				
M Sheridan ⁴	5	1	1	1	1

- Eleven Board meetings were held during the period, with an additional six Board meetings held exclusively for Independent Non-Executive Directors during the financial year.
- C Hodge attended audit committee meetings in his capacity as Chief Executive Officer of Horizon Oil Limited and is not a member of the audit committee.
- C Hodge attended the remuneration and nomination committee meetings in his capacity as chair of the committee and as an Independent Non-Executive Director prior to his appointment as Chief Executive Officer.
- M Sheridan attended an audit committee meeting in his capacity as Chief Executive Officer of Horizon Oil Limited and was not a member of the audit committee.

Corporate Governance

The Company and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the Company's governance framework and practices to ensure they meet the interests of shareholders. The Corporate Governance Statement was approved by the Board on 27 August 2020.

The Company's Corporate Governance Statement for the year ended 30 June 2020 may be accessed from the Company's website at www.horizonoil.com.au. A description of the Company's main corporate governance practices is set out in the Corporate Governance Statement. All these practices, unless otherwise stated, were in place for the full financial year and comply with the ASX Corporate Governance Council's revised Corporate Governance Principles and Recommendations 3rd edition, released in March 2014.

Sustainability Reporting

This year Horizon has increased its focus on sustainability and engaged a sustainability consultant to undertake a materiality review of the environmental, social and governance issues arising from our operations. Our materiality review is our first step in building an environment, social and governance (ESG) framework and action plan for the Company.

Horizon is reporting for the first time against the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We are also participating in the Carbon Disclosure Project (CDP) in 2020. This is consistent with Principle 7.4 of the ASX Corporate Governance Council Principles and Recommendations (fourth edition), which recommends that ASX listed entities disclose any material exposure to environmental or social risks, and how the company manages or intends to manage those risks.

The Company's Sustainability Report for the year ended 30 June 2020 may be accessed from the Company's website at www.horizonoil.com.au.

Remuneration Report

This Remuneration Report (Report) outlines the remuneration arrangements for the Key Management Personnel (KMP) of the Company for the financial year ended 30 June 2020. This Report forms part of the Directors' Report and has been audited in accordance with section 308(3)(c) of the Corporations Act 2001. The Report is structured as follows:

- [1] - Individuals covered by the Remuneration Report
- [2] - Executive remuneration framework
- [3] - Actual remuneration of executives
- [4] - Contractual arrangements for executives
- [5] - Performance and financial year remuneration outcomes
- [6] - Non-executive Director remuneration
- [7] - Statutory and share-based reporting
- [1]** - Individuals Covered by the Remuneration Report

The Group is required to prepare a Report in respect of KMP, those persons who have the authority and responsibility for planning, directing, and controlling the activities of the Company and the Group, either directly or indirectly, being:

- Directors; and
- Other Key Management Personnel

The table below outlines the KMP movements during the financial year:

NAME	TITLE	PERIOD AS KMP
DIRECTORS		
Mike Harding	Chairman (non-executive)	Full financial year
Chris Hodge ¹	Director (executive)	Full financial year
Michael Sheridan ²	Director (executive)	Up to 28 February 2020
Gerrit de Nys	Director (non-executive)	Full financial year
Sandra Birkenleigh	Director (non-executive)	Full financial year
Greg Bittar	Director (non-executive)	Full financial year
Bruno Lorenzon	Alternate Director (non-executive)	Full financial year
OTHER KMP (EXECUTIVES)		
Richard Beament	Chief Financial Officer	Full financial year
Kylie Quinlivan	General Counsel/Company Secretary	Full financial year
Kelvin Bramley	General Manager - PNG	Full financial year
Andrew McArdle ³	Chief Operating Officer	Up to 19 December 2019

1 C Hodge served as an Independent Non-executive Director until his appointment as Chief Executive Officer and Managing Director effective 14 February 2020.

2 M Sheridan ceased to be a Director and KMP effective 28 February 2020.

3 A McArdle ceased to be a KMP effective 19 December 2019.

[2] - Executive Remuneration Framework

[2.1] - How does Horizon determine remuneration outcomes?

The objective of the Group's remuneration framework is to provide reward for performance that is competitive and appropriate for the results delivered. The Board, through its Remuneration and Nomination Committee, continues to review KMP remuneration arrangements to ensure they align with the Group's strategic objectives. The remuneration framework for executives is based on the following principles for guiding the Group's decisions regarding executive remuneration.

- Good reward governance principles:
 - competitiveness and reasonableness;
 - acceptability to shareholders;
 - performance linkage / alignment of executive compensation;
 - transparency; and
 - capital management.
- **Alignment to shareholders'** interests:
 - focuses on sustained growth in shareholder value; and
 - attracts and retains high calibre executives capable of managing the Group's diverse international operations.
- **Alignment to program participants' interests:**
 - rewards capability and experience;
 - reflects competitive reward for contribution to growth in shareholder wealth;
 - provides a clear structure for earning rewards; and
 - provides recognition for contribution.

[2.2] - Remuneration policy and link to performance

The remuneration framework is designed to recognise performance during the financial year (Short-Term Incentives (STIs)) and maximise shareholder value (Long-Term Incentives (LTIs)). Executive remuneration is comprised of fixed and variable ["at risk"] remuneration consisting of STIs and LTIs. The graph below sets out the proportion of fixed and variable remuneration mix of maximum incentive payments as a percentage of total remuneration. Annual incentives have been established to drive performance without encouraging undue risk taking. The remuneration mix for the financial year is shown in the table below.

Chief Executive Officer



Other Executive KMP



¹ Fair value of LTI determined at 1 July in accordance with the Long Term Incentive Plan.

[2.3] - Elements of remuneration

FIXED REMUNERATION (FR)

What is Fixed Remuneration?	Fixed Remuneration comprises 'Total Fixed Remuneration' (TFR), together with non-monetary benefits. TFR is base salary plus superannuation. Non-monetary benefits include car parking, insurances and other expenses inclusive of fringe benefits tax. Executive remuneration (which is set and paid in Australian Dollars (A\$)) and other terms of employment are reviewed annually by the Remuneration and Nomination Committee having regard to relevant comparative information.
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Link to strategy and performance	Competitive TFR is paid to ensure that the Group can attract and retain suitable executives to deliver the strategic goals. Fixed Remuneration is reviewed annually by the Remuneration and Nomination Committee considering market data, scope of the Executive's role, expected skill, experience and qualification and individual performance.
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SHORT-TERM INCENTIVE (STI)

Objective	The STI provides all Executives with an opportunity to earn an annual incentive which is delivered in cash. The STI award is determined by the Board following the end of the financial year having regard to Group performance over the financial year.
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How is the STI linked to performance?	The STI is designed to motivate and reward Executives for contributing to the delivery of annual business performance. Key Performance Indicators (KPIs) are determined each financial year and approved by the Board. The Company's performance against these KPIs is reviewed annually.
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How is performance measured for the STI?	Awards are made annually with performance measured over the twelve months to 30 June and are aligned to the attainment of the Company's Board approved KPIs for the relevant year. Awards under the plan are determined and paid (in cash) in the first quarter of the new financial year. Actual performance against financial, non-financial and individual measures is assessed at the end of the financial year. In assessing the achievement of measures, the Remuneration and Nomination Committee may exercise its discretion to adjust outcomes for significant factors outside the control of management that contribute positively or negatively to results.
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STI opportunity	Up to 50% of the CEO's TFR and up to 21.4% of the Other Executives TFR.
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LONG-TERM INCENTIVE (LTI)

Objective	The LTI plan aims to align Executive remuneration with the creation of shareholder value.
How is the LTI linked to performance?	LTI vesting is linked to absolute Horizon share performance, and Horizon share performance relative to the S&P ASX 200 Energy Index.
Form of LTI grant?	<p>LTIs are awarded as performance rights, known as share appreciation rights (SARs).</p> <p>SARs vest over a three to five year period on fulfilment of two performance criteria: (1) Horizon's Total Shareholder Return (TSR) must exceed 10%; and (2) Horizon's TSR must equal or exceed the S&P ASX 200 Energy Index (Index), with the level of outperformance determining the proportion of SARs that vest.</p> <p>The SAR value on vesting is calculated as the difference between the Horizon share price at allocation, and the Horizon share price at exercise. The Company may settle the SAR value in cash or shares or a combination, in the Board's absolute discretion.</p>
What are the performance measures applied to the LTI?	<p>The Board considers that the absolute and relative TSR performance hurdles effectively align the interests of Executives with Horizon's shareholders, by motivating Executives to achieve superior outcomes. TSR is a robust and transparent means of measuring shareholder returns.</p> <p>SARs vest over a three to five-year period on fulfilment of two performance criteria:</p> <p>(1) Horizon's Total Shareholder Return (TSR) must exceed 10%; and (2) Horizon's TSR must equal or exceed the S&P ASX 200 Energy Index, whereby the proportion of SARs that vest is calculated as follows:</p> <ul style="list-style-type: none"> • if Horizon's TSR is equal to the Index, 50% vest; • if the Company's TSR is 14% or more above the Index, 100% vest; and • if Horizon's TSR is between the Index and 14% above the Index, a percentage vest based on a linear pro rata calculation. <p>Performance fourteen percent above the Index equates to a performance level likely to exceed the 75th percentile of market returns of companies in the Index (weighted by company size).</p>
Performance period?	SARs will first be tested for vesting at 3 years from award; and thereafter re-tested every 6 months until 5 years from award.
What is the LTI opportunity?	<p>The CEO has an LTI opportunity equal to 50% of TFR, and other Executives have an LTI opportunity equal to 21.4% of TFR. The LTI opportunity is prescribed by the Executives' employment contracts.</p> <p>The number of SARs issued to an Executive in a relevant year is calculated by dividing the monetary value of the Executive's LTI opportunity by the fair value of a SAR at allocation. The fair value of a SAR is determined by an independent expert each year using a Monte Carlo simulation.</p>
Treatment of incentives on cessation of employment	On cessation of an Executive's employment, the Board may exercise its discretion to: (1) lapse all or some of the Executive's SARs; or (2) determine that some or all of the Executive's SARs which have not become exercisable, become exercisable.
When do SARs lapse?	<p>SARs will lapse:</p> <ul style="list-style-type: none"> – where the SAR has not vested, 5 years after award or such longer period necessary for the Executive to freely deal in Horizon securities in accordance with the Securities Trading Policy; – the Board exercises its discretion to lapse the SARs on cessation of employment; – the Board exercises its discretion to lapse the SARs for serious misconduct or fraud by an Executive; or – the Executive provides a notice to Horizon that they wish the SARs to lapse.
Effect of take-over or change of control of Company, death or disablement	<p>In the event of a takeover or change of control event, the Board will either have the discretion or be required (if a change of control occurs) to determine a special retesting date for vesting of Executives' SARs.</p> <p>For example, the Board will have discretion to determine a special retesting date where a takeover bid is made for the Company. In that case, the special retesting date will be the date determined by the Board. Where a statement is lodged with the ASX that a person has become entitled to acquire more than 50% of the Company, the Board will be required to determine a special retesting date, and the special retesting date will be the day the statement is lodged with the ASX.</p> <p>The SARs will vest if the performance criteria are fulfilled in relation to that special retesting date.</p>

[2.4] - Associated policies

The Group has adopted several policies to support remuneration framework and governance, including the Securities Trading Policy, Disclosure Policy and the Code of Conduct. These policies are available on the Group's website www.horizonoil.com.au.

[3] - Actual Remuneration of Executives

Disclosing actual pay provides shareholders with additional information to assist in understanding the cash and other benefits received by Executives in respect of a financial year. This information differs from the remuneration details prepared in accordance with statutory obligations and accounting standards on pages 36 - 37 of this Report, as those details include the values of performance rights that have been awarded, but which may or may not vest. The information provided below is not prescribed by Australian Accounting Standards and represents the actual remuneration payable to KMP in respect of this financial year. See Statutory and Security-based Reporting (Section 7) of this Report for statutory remuneration disclosures that have been prepared in accordance with the Australian Accounting Standards. The table below excludes the accounting expenses of equity grants and other long-term benefits such as annual and long service leave awards and sets out the actual value of remuneration received by executive KMP in connection with the financial year.

Actual remuneration received in respect of the financial year

EXECUTIVE		TOTAL FIXED REMUNERATION (INCLUDING SUPERANNUATION) US\$	NON-MONETARY BENEFITS US\$	STI AMOUNTS US\$ ¹	LTI AWARDS ²	TOTAL
C Hodge ³	2020	156,007	11,151	-	-	167,158
	2019	-	-	-	-	-
M Sheridan ⁴	2020	349,594	40,517	-	-	390,111
	2019	536,138	56,829	223,539	-	816,506
R Beament	2020	308,881	8,786	12,808	-	330,475
	2019	321,486	7,277	57,405	-	386,168
K Quinlivan ⁷	2020	172,159	4,837	7,211	-	184,207
	2019	271,480	5,165	48,475	-	325,120
K Bramley ⁵	2020	316,570 ⁵	82,044 ⁵	10,816	-	409,430
	2019	399,612 ⁵	146,136 ⁵	48,475	-	594,223
A McArdle ⁶	2020	174,991	3,279	-	-	178,270
	2019	357,425	6,171	63,783	-	427,379
Total	2020	1,478,202	150,614	30,835	-	1,659,651
	2019	1,886,141	221,578	441,677	-	2,549,396

1 Includes STIs payable in respect of the current financial period performance.

2 LTI awards that vested and were exercised during the financial year.

3 Actual remuneration for C Hodge reflects only the remuneration received from the date of appointment as Chief Executive Officer and Managing Director on 14 February 2020. Mr Hodge forfeited 100% of his STI opportunity for the financial year.

4 Actual remuneration for M Sheridan reflects only the remuneration to 28 February 2020, when M Sheridan ceased to be a KMP and Director. M Sheridan was on notice from 28 February 2020 to 9 June 2020 during which period he was paid US\$135,907 in accordance with his employment contract. Following the notice period M Sheridan received a US\$558,088 termination payment in accordance with his employment contract. Mr Sheridan is not entitled to any STI above his termination payment.

5 Included in Kelvin Bramley's fixed remuneration and non-monetary benefits are expatriate allowances and insurances commensurate with expatriates' living abroad in countries such as Papua New Guinea. Mr Bramley returned to Australia during December 2019, upon which his entitlement to expatriate allowances ceased.

6 A McArdle ceased to be a KMP effective 19 December 2019.

7 K Quinlivan was on unpaid parental leave from 1 July 2019 to 31 October 2019. Ms Quinlivan's STI amount has been reduced on a pro rata basis.

[4] - Contractual Arrangements for Executives

Remuneration and other terms of employment for the Executives are formalised in employment contracts.

The key terms of the contractual arrangements for the CEO are summarised below:

COMPONENT	CONTRACT TERM	EXPIRY DATE	NOTICE PERIOD EMPLOYEE	NOTICE PERIOD GROUP
Chief Executive Officer	Ongoing basis	No expiration date	6 months	6 months
Termination of employment (without cause)		Payment of termination benefit on termination without cause by the Company, equal to the total of: <ul style="list-style-type: none"> ▪ for 1 year or less continuous service, 3 months' total fixed remuneration: ▪ for between 1 year and 2 years continuous service, 6 months' total fixed remuneration: and ▪ for more than 2 years continuous service, 12 months' total fixed remuneration. Board has discretion to permit the SARs not yet exercised to lapse or accelerate the date on which the SARs become exercisable.		
Termination of employment (with cause)		STI is not awarded. Board has discretion to lapse all SARs.		

The key terms of the contractual arrangements for the other Executive KMPs are summarised below:

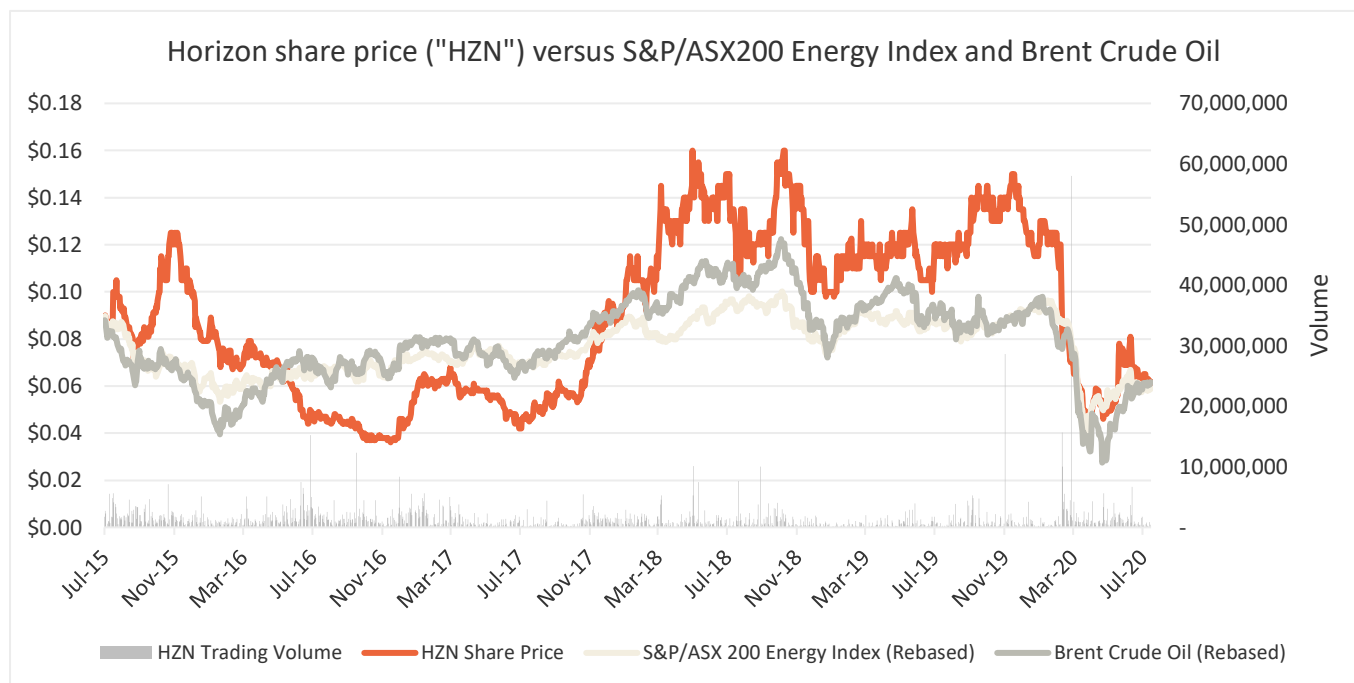
COMPONENT	CONTRACT TERM	EXPIRY DATE	NOTICE PERIOD EMPLOYEE	NOTICE PERIOD GROUP
Other Executives	Ongoing basis	No expiration date	3 months	6 months
Termination of employment (without cause)		Payment of termination benefit on termination without cause by the Company, equal to 6 months remuneration. 50% of the value of any STI paid to the Executive in the preceding 12 months. 50% of the value of any LTI awards granted or paid in the preceding 12 months. Board has discretion to cause the SARs not yet exercised to lapse or accelerate the date on which the SARs become exercisable.		
Termination of employment (with cause)		STI is not awarded. Board has discretion to lapse all SARs.		

[5] - Group Performance and Financial Year Remuneration Outcomes

[5.1] - Overview of Horizon performance

The Board aligns remuneration and performance by using 'at risk' remuneration, including STI's and LTI's. Award of STIs is dependent on overall company performance and the vesting of LTIs occurs on fulfilment of absolute Horizon Total Shareholder Return (TSR), and Horizon TSR relative to the S&P/ASX200 Energy Index.

Horizon share price performance for the current and previous four financial years is displayed in the chart below:



The table below sets out information regarding the Group's performance over the last five years as required by the Corporations Act.

	FY20	FY19	FY18	FY17	FY16
[Loss]/profit before tax [US\$'000]	(44,235)	48,409	(1,580)	4,154	(149,726)
EBITDAX [US\$'000]	50,600	93,012	68,482	45,171	53,995
Net cash/(debt) [US\$'000]	489	(27,959)	(88,608)	(108,469)	(131,862)

[5.2] - Performance against STI measures for the financial year

The Executive's STI opportunity is calculated with reference to achievement of KPI targets based on a weighted scorecard approach. The following table sets out the performance conditions for the STI and their rationale for the financial year.

	KEY FOCUS AREAS	OBJECTIVE AND MEASUREMENT	RATIONALE	STATUS
FINANCIAL	Financial Metrics & Profitability	Achievement of budgeted revenue, operating costs and cashflow across the Block 22/12 and Maari/Manaia fields	Maintain and enhance operating income streams Maximise profitability and cashflow	Partially Achieved
		Maintain average Group operating costs below US\$20/bbl and maintain low corporate general and administrative expenditure	Effective cost control	Exceed
	Capital Management	Gearing & Net debt reduction	Appropriate level of gearing and exposure to manage business risk	Exceed
OPERATIONAL	Production Optimisation	Achieve budgeted production	Maximise profitability and cashflow	Achieved
	Reserves	Reserves replacement	Ensure sustainability of business and cashflow	Partially Achieved
	PNG Commercialisation	Progression of PNG resource development planning and commercialisation	Maximise shareholder value and future growth	In Progress
BUSINESS DEVELOPMENT	Growth of the business	Focus on organic & inorganic growth opportunities	Ensure sustainability of the business and cashflow whilst creating value for shareholders	In Progress
SAFETY	HSSE	Achievement of no lost time injuries across Horizon's operated joint ventures	Provide a safe workplace for employees and residents	Achieved
PEOPLE, CULTURE & SUSTAINABILITY	People & Culture	Attracting the right skills and retaining key staff	Ensure Company has the necessary resources to achieve strategic objectives	Achieved
	Sustainability	Disclosure and reporting in accordance with TCFD guidelines and external benchmarking participation	Sustainability awareness; make the right kind of impact	Achieved

Voluntary forfeiture of STI Opportunity

Based on the KPI scorecard approved by the Board in respect of the financial year, Executives were eligible for a possible STI award equal to 38% of their total STI opportunity.

Horizon, and the broader economy, has experienced significant adverse financial impacts as a result of the global COVID-19 pandemic. In particular, the oil and gas sector faced and continues to face ongoing oil price volatility due to lower short to medium term demand and variable supply. Having said this, Horizon's relatively low gearing has meant that it is in a financially stable position and has not had to seek any forms of supplementary corporate financing.

Having regard to the impact of COVID-19, the Chief Executive Officer voluntarily forfeits 100% of his possible STI opportunity, and all other Executives voluntarily forfeit 50% of their possible STI Opportunity.

The table below shows the STIs awarded during the financial year:

EXECUTIVE	TOTAL OPPORTUNITY US\$ ⁵	% OF FIXED REMUNERATION	% AWARDED	% FORFEITED
C Hodge ¹	79,464	50%	0%	100%
M Sheridan ²	262,510	50%	0%	100%
R Beament	67,413	21.4%	19%	81.0%
K Quinlivan ³	37,951	21.4%	19%	81.0%
K Bramley	56,926	21.4%	19%	81.0%
A McArdle ⁴	74,903	21.4%	0%	100%

- Under the terms of Mr Hodge's employment agreement, the STI opportunity for the FY20 financial year is 50% of fixed remuneration on a pro-rata basis from 14 February 2020. Mr Hodge forfeited 100% of his STI opportunity for the financial year.
- M Sheridan ceased as a KMP on 28 February 2020. Mr Sheridan is not entitled to any STI above his termination payment.
- K Quinlivan was on unpaid parental leave from 1 July 2019 to 31 October 2019. Ms Quinlivan's STI amount has been reduced on a pro rata basis.
- A McArdle ceased as a KMP on 19 December 2019. Mr McArdle was not eligible for an STI for FY20.
- The STI opportunity is calculated by translating the Executives Australian Dollar denominated TFR to United States Dollars at the prevailing spot rate on 30 June 2020.

[5.3] - Performance against LTI measures for the financial year

Horizon's share price performance for the current and previous four financial years is displayed in the chart under section 5.1 of this Report.

LTI awarded in respect of FY20	LTI awards for Executives are made at the beginning of the financial year. In 2019, LTIs were awarded to Executives in respect of FY20. Michael Sheridan's LTI award was approved by shareholders at the AGM on 22 November 2019. LTI awards take the form of SARs. For 2019, each SAR had a fair value of A\$0.057617, calculated by an independent expert using a Monte Carlo simulation. The Horizon share price at allocation (known as 'strike price') was A\$0.1054.																																										
LTI quantum for FY20	The table below shows the financial year LTI grants. <table border="1"> <thead> <tr> <th>EXECUTIVE</th> <th>% OF TFR</th> <th>NUMBER OF SARs GRANTED DURING FY20</th> <th>VALUE OF SARs AT EFFECTIVE ALLOCATION DATE¹</th> <th>NUMBER OF SARs VESTED DURING FY20</th> <th>NUMBER OF SARs LAPSED DURING FY20</th> </tr> </thead> <tbody> <tr> <td>C Hodge²</td> <td>50%</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>M Sheridan</td> <td>50%</td> <td>6,508,496</td> <td>\$262,275</td> <td>12,186,198</td> <td>2,200,649</td> </tr> <tr> <td>R Beament</td> <td>21.4%</td> <td>1,671,382</td> <td>\$67,352</td> <td>-</td> <td>-</td> </tr> <tr> <td>K Quinlivan</td> <td>21.4%</td> <td>1,411,389</td> <td>\$56,875</td> <td>-</td> <td>-</td> </tr> <tr> <td>K Bramley</td> <td>21.4%</td> <td>1,411,389</td> <td>\$56,875</td> <td>-</td> <td>-</td> </tr> <tr> <td>A McArdle³</td> <td>21.4%</td> <td>1,857,091</td> <td>\$74,836</td> <td>-</td> <td>-</td> </tr> </tbody> </table> <ol style="list-style-type: none"> The value of a SAR at allocation (1 July 2019) calculated in accordance with AASB 2 'Share-based Payment' of SARs. Mr Hodge was not a KMP at the time of LTI award at the beginning of the financial year. Under the terms of Mr Hodge's employment agreement, he will be eligible for an LTI award following the first anniversary of employment as the Group's Chief Executive Officer. Subsequent to year end the Board exercised its discretion to lapse Mr McArdle's SARs due to the cessation of his employment. 	EXECUTIVE	% OF TFR	NUMBER OF SARs GRANTED DURING FY20	VALUE OF SARs AT EFFECTIVE ALLOCATION DATE ¹	NUMBER OF SARs VESTED DURING FY20	NUMBER OF SARs LAPSED DURING FY20	C Hodge ²	50%	-	-	-	-	M Sheridan	50%	6,508,496	\$262,275	12,186,198	2,200,649	R Beament	21.4%	1,671,382	\$67,352	-	-	K Quinlivan	21.4%	1,411,389	\$56,875	-	-	K Bramley	21.4%	1,411,389	\$56,875	-	-	A McArdle ³	21.4%	1,857,091	\$74,836	-	-
EXECUTIVE	% OF TFR	NUMBER OF SARs GRANTED DURING FY20	VALUE OF SARs AT EFFECTIVE ALLOCATION DATE ¹	NUMBER OF SARs VESTED DURING FY20	NUMBER OF SARs LAPSED DURING FY20																																						
C Hodge ²	50%	-	-	-	-																																						
M Sheridan	50%	6,508,496	\$262,275	12,186,198	2,200,649																																						
R Beament	21.4%	1,671,382	\$67,352	-	-																																						
K Quinlivan	21.4%	1,411,389	\$56,875	-	-																																						
K Bramley	21.4%	1,411,389	\$56,875	-	-																																						
A McArdle ³	21.4%	1,857,091	\$74,836	-	-																																						
Awards vesting in FY20	No SARs were exercised by KMP during the financial year.																																										

[6] - Non-Executive Director Remuneration

NEDs are paid fees for services on the Board and committees and do not receive any performance-related incentives and no retirement benefits are provided other than superannuation contributions. The Remuneration and Nomination Committee reviews fees annually and the Board may also seek advice from external advisers when undertaking the review process.

NED fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. Shareholders approved the current fee pool limit of A\$600,000 at the 2009 Annual General Meeting. These fees have not changed in A\$ terms for the last seven years. Note that the remuneration table set out on page 36 shows remuneration in US\$ in line with the Group's functional currency.

The table below shows the levels for NEDs (exclusive of superannuation) for FY20.

FEES	DESCRIPTION	PER ANNUM
Board Fees	Chair	A\$163,110
	Other Non-executive Directors	A\$81,555

There were no additional fees paid to NEDs during the financial year for being members of the Board committees. The NEDs are reimbursed for expenses reasonably incurred in attending to the affairs of the Company. There are no retirement allowances in place for NEDs.

7] - Statutory and share based reporting

[7.1] - Director remuneration for the financial year

The following table sets out the statutory disclosures required under the *Corporations Act 2001 (Cth)* and in accordance with Australian Accounting Standards remuneration for Directors for the years ended 30 June 2020 and 30 June 2019.

FINANCIAL YEAR ENDED 30 JUNE 2020 AND 2019		SHORT-TERM BENEFITS	POST-EMPLOYMENT BENEFITS	TOTAL ⁵
		CASH SALARY / BOARD FEES	SUPERANNUATION ⁴	
NON-EXECUTIVE DIRECTORS		US\$	US\$	US\$
M Harding	2020	109,198	10,374	119,572
	2019	68,260	6,485	74,745
J Humphrey ¹	2020	-	-	-
	2019	59,188	5,623	64,811
G de Nys	2020	54,599	5,187	59,786
	2019	58,237	5,532	63,769
S Birkenleigh	2020	54,599	5,187	59,786
	2019	58,237	5,532	63,769
G Bittar ²	2020	54,599	5,187	59,786
	2019	58,237	5,532	63,769
C Hodge ³	2020	33,898	3,220	37,118
	2019	12,508	1,188	13,696
Total Director remuneration	2020	306,893	29,155	336,048
	2019	314,667	29,892	344,559
Total Director remuneration (A\$)	2020	457,729	43,484	501,213
	2019	441,234	41,917	483,151

1 John Humphrey resigned as a Director and Chairman on 28 November 2018.

2 B Lorenzon, as alternate Director to G Bittar, received no fees during the current and prior financial periods.

3 Remuneration for C Hodge reflects remuneration as an Independent Non-executive Director prior to Mr Hodge's appointment as Chief Executive Officer and Managing Director on 14 February 2020. Refer to note 7.2 for Mr Hodge's remuneration as Chief Executive Officer.

4 Superannuation includes both compulsory superannuation payments and salary sacrifice payments made on election by Directors.

5 Remuneration is paid in Australian dollars and converted to US dollars at the foreign exchange rate prevailing on the date of the transaction.

[7.2] - Statutory details of other key management personnel remuneration for the financial year

The table below outlines the remuneration of other key management personnel for the years ended 30 June 2020 and 30 June 2019.

FINANCIAL YEAR ENDED 30 JUNE 2020 AND 2019		SHORT-TERM BENEFITS			POST-EMPLOY- MENT BENEFITS	TOTAL CASH OR IN-KIND BENEFIT	LONG-TERM BENEFITS	SHARE BASED PAYMENTS	TOTAL ⁶
		CASH SALARY AND FEES	STIs	NON- MONETARY ¹	SUPERANNUATION ²		LONG SERVICE LEAVE ACCURAL ³	SARs ⁴	
OTHER KEY MANAGEMENT PERSONNEL		US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
C Hodge ⁶ Chief Executive Officer	2020	149,765	-	11,151	6,242	167,158	-	-	167,158
	2019	-	-	-	-	-	-	-	-
M Sheridan ⁷ Chief Executive Officer	2020	340,570	-	40,517	9,024	390,111	9,838	175,900	575,849
	2019	518,266	223,539	56,829	17,871	816,505	30,733	256,706	1,103,944
R Beament Chief Financial Officer	2020	294,458	12,808	8,786	14,423	330,475	6,850	46,231	383,556
	2019	303,615	57,405	7,277	17,871	386,168	25,119	23,675	434,962
K Quinlivan ¹⁰ General Counsel	2020	163,456	7,211	4,837	8,703	184,207	-	39,040	223,247
	2019	253,608	48,475	5,165	17,871	325,119	-	19,992	345,111
K Bramley ⁸ General Manager PNG	2020	302,062	10,816	82,044	14,508	409,430	6,122	39,040	454,592
	2019	381,761	48,475	146,136	17,852	594,224	26,689	19,992	640,905
A McArdle ⁹ Chief Operations Officer	2020	170,185	-	3,279	4,806	178,270	-	12,495	190,765
	2019	342,748	63,783	6,171	14,677	427,379	-	-	427,379
Total KMP remuneration	2020	1,420,496	30,835	150,614	57,706	1,659,651	22,810	312,706	1,995,167
	2019	1,799,998	441,677	221,578	86,142	2,549,395	82,541	320,365	2,952,301
Total KMP remuneration (A\$)	2020	2,113,057	44,929	223,101	85,991	2,467,078	33,625	430,427	2,931,130
	2019	2,518,714	629,799	309,964	120,531	3,579,008	115,466	428,768	4,123,242

- 1 Non-monetary benefits include the value of car parking, insurances and other expenses inclusive of Fringe Benefits Tax ('FBT').
- 2 Superannuation includes both compulsory superannuation payments and salary sacrifice payments made on election by Directors and KMPs.
- 3 Reflects the movement in the long service accrual between respective reporting dates.
- 4 Reflects the theoretical value (calculated as at effective allocation date and converted to US dollars at the foreign exchange rate prevailing at the date of grant) of previously unvested options/SARs which vested during the financial year.
- 5 Remuneration is paid in Australian dollars and converted to US dollars at the foreign exchange rate prevailing on the date of the transaction.
- 6 Remuneration for C Hodge reflects remuneration from the date of Mr Hodge's appointment as Chief Executive Officer and Managing Director on 14 February 2020. Mr Hodge forfeited 100% of his STI opportunity for the financial year.
- 7 Actual remuneration for M Sheridan reflects only the remuneration to 28 February 2020, when M Sheridan ceased to be a KMP and Director. M Sheridan was on notice from 28 February 2020 to 9 June 2020 during which period he was paid US\$135,907 in accordance with his employment contract. Following the notice period M Sheridan received a US\$558,088 termination payment in accordance with his employment contract. Mr Sheridan is not entitled to any STI above his termination payment.
- 8 Included in Kelvin Bramley's fixed remuneration and non-monetary benefits are expatriate allowances and insurances commensurate with expatriates' living abroad in countries such as Papua New Guinea. Mr Bramley returned to Australia on 7 December 2019, upon which his entitlement to expatriate allowances ceased.
- 9 A McArdle ceased to be a KMP effective 19 December 2019.
- 10 K Quinlivan was on unpaid parental leave from 1 July 2019 to 31 October 2019. Ms Quinlivan's STI amount has been reduced on a pro rata basis.

[7.3] - Shareholding of key management personnel

Shareholding

The following tables detail the number of shares held by KMP, either directly or indirectly or beneficially during the reporting period ended 30 June 2020:

KMP	OPENING BALANCE 30 JUNE 2019	ACQUIRED DURING FY20	DISPOSED OF DURING FY20	RECEIVED DURING FINANCIAL YEAR ON THE EXERCISE OF OPTIONS	CLOSING BALANCE 30 JUNE 2020
DIRECTORS					
M Harding	-	-	-	-	-
C Hodge	-	-	-	-	-
M Sheridan	7,968,201	-	-	-	7,968,201
G de Nys	2,203,639	-	-	-	2,203,639
S Birkenleigh	-	-	-	-	-
G Bittar	-	-	-	-	-
OTHER KMP					
R Beament	38,184	-	-	-	38,184
K Bramley	36,250	146,040	-	-	182,290
A McArdle	50,000	-	(50,000)	-	-
K Quinlivan	-	-	-	-	-

Long Term Incentives (Share Appreciation Rights)

The following tables detail the number of SARs held by KMP, either directly or indirectly or beneficially during the reporting period ended 30 June 2020:

KMP	BALANCE AT START OF FINANCIAL YEAR	GRANTED AS REMUNERATION DURING FINANCIAL YEAR	EXERCISED DURING FINANCIAL YEAR	LAPSED DURING FINANCIAL YEAR	BALANCE AT END OF FINANCIAL YEAR	VESTED AND EXERCISABLE AT END OF FINANCIAL YEAR	UNVESTED
C Hodge ¹	-	-	-	-	-	-	-
M Sheridan	43,537,715	6,508,496	-	2,200,649	47,845,562	19,644,975	28,200,587
R Beament	1,318,690	1,671,382	-	-	2,990,072	-	2,990,072
K Quinlivan	1,113,561	1,411,389	-	-	2,524,950	-	2,524,950
K Bramley	1,113,561	1,411,389	-	-	2,524,950	-	2,524,950
A McArdle ²	-	1,857,091	-	-	1,857,091	-	1,857,091

1 Under the terms of C Hodge's employment agreement, Mr Hodge will be eligible for an LTI award following the first anniversary of employment as the Group's Chief Executive Officer and Managing Director.

2 Subsequent to year end the Board exercised its discretion to lapse Mr McArdle's SARs due to the cessation of his employment.

3 Subsequent to year end and in accordance with contract entitlement, 10,004,499 SARs were issued to key management personnel.

Option holdings

No listed or unlisted options in the Company were held during the current or prior financial year by Directors and other KMP, including their personally related entities.

[7.4] - Securities Trading Policy

The Group's Securities Trading Policy applies to all Directors, other Executives, employees and their related parties and sets out the procedures and principles that apply to trading in Horizon Oil Limited securities. A copy of the Securities Trading Policy is available on the Company website www.horizonoil.com.au.

[7.5] - Other transactions with KMP

Other than as noted above, there are no other transactions between any of the KMP with any of the companies which are related to or provide services to the Group unless disclosed in this Report.

There were no loans to any of the KMP during the financial year.

[7.6] - Additional statutory information

Terms and conditions of the share-based arrangements

The terms and conditions of each grant of SARs presently on issue affecting remuneration for Executive KMP in the previous, current or future reporting periods are as follows:

EFFECTIVE ALLOCATION DATE	ESTIMATED EXPIRY DATE	EXERCISE PRICE ³	STRIKE PRICE ¹	VALUE PER SAR AT EFFECTIVE ALLOCATION DATE ²	DATE EXERCISABLE
01/07/2015	01/07/2020	Nil	A\$0.0865	A\$0.0438	100% after 12/08/2018 ⁴
01/07/2016	01/07/2021	Nil	A\$0.0483	A\$0.0263	100% after 20/10/2019 ⁴
01/07/2016	01/07/2021	Nil	A\$0.0930	A\$0.0193	100% after 20/10/2019 ⁴
01/07/2017	01/07/2022	Nil	A\$0.0453	A\$0.0197	100% after 20/10/2020 ⁴
01/07/2018	01/07/2023	Nil	A\$0.1439	A\$0.0730	100% after 20/10/2021 ⁴
01/07/2019	01/07/2024	Nil	A\$0.1054	A\$0.0576	100% after 20/10/2022 ⁴

1 The 'strike price' for SARs is the 10-day volume weighted average price for Horizon shares at effective allocation date.

2 The value per SAR at effective allocation date is determined by an independent expert using a Monte Carlo simulation.

3 No price is payable by a participant in the Long-Term Incentive Plan on the exercise of a SAR.

4 SARs will become exercisable subject to meeting vesting or performance conditions. See summary in section 2.

5 SARs on issue to Michael Sheridan for the 30 June 2020 financial year, were approved by shareholders for the purposes of the ASX listing rules at the 2019 Annual General Meeting.

The amounts disclosed for the remuneration of Directors and other KMP include the assessed fair values of SARs granted during the financial year, at the effective date of allocation. Fair values have been assessed by an independent expert using a Monte Carlo simulation. Factors taken into account by this model include the 'strike price', the term of the SAR, the current price and expected price volatility of the underlying Horizon shares, the expected dividend yield and the risk-free interest rate for the term of the SAR (refer below). The value attributable to SARs is allocated to particular periods in accordance with AASB 2 'Share-based Payment' and also with the guidelines issued by the Australian Securities and Investments Commission ('ASIC') which require the value of a SAR at effective allocation date to be allocated equally over the period from the effective allocation date to the end of the vesting period, unless it is probable that the individual will cease service at an earlier date and the Board will determine that such persons SARs lapse, in which case the value is to be spread over the period from effective allocation date to that earlier date.

The model inputs for each grant of SARs during the financial year ended 30 June 2020 included:

Effective allocation date	1 July 2019
Estimated expiry date	1 July 2024
Exercise price	Nil ¹
'Strike price', being the 10-day VWAP of Horizon shares at effective allocation date	A\$0.1054
Expected price volatility	65.80% p.a.
Risk free rate	1.030% p.a.
Expected dividend yield	0.00% p.a.

¹ No price is payable by a participant in the Long-Term Incentive Plan on the exercise of a SAR.

Details of remuneration –SARs

For each grant of SARs currently on issue to KMP in the current or prior financial years which results in an amount being disclosed in the Remuneration Report as a share-based payment to KMP for the financial year, the percentage of the grant that vested in the financial year and the percentage that was forfeited because the person did not meet the vesting or performance conditions is set out below. The SARs may vest after three years, subject to the performance conditions being met. No SARs will vest if the performance conditions are not fulfilled, therefore the minimum value of SARs yet to vest is US\$Nil. The maximum value of the SARs yet to vest has been determined as the amount of the fair value of the SARs at the effective allocation date that is yet to be expensed.

SARs

NAME	FINANCIAL YEAR GRANTED	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH SARs MAY VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST ¹ US\$
R Beament	2019	-	-	30/06/2022	23,675
	2020	-	-	30/06/2023	44,861
K Bramley	2019	-	-	30/06/2022	19,992
	2020	-	-	30/06/2023	37,882
K Quinlivan	2019	-	-	30/06/2022	19,992
	2020	-	-	30/06/2023	37,882
FORMER KMP					
M Sheridan	2015	100%	-	30/06/2018	-
	2016	100%	-	30/06/2019	-
	2017	-	-	30/06/2020	-
	2018	-	-	30/06/2021	-
	2019	-	-	30/06/2022	92,191
	2020	-	-	30/06/2023	174,690
A Fernie	2015	100%	-	30/06/2018	-
	2016	100%	-	30/06/2019	-
	2017	-	-	30/06/2020	-
	2018	-	-	30/06/2021	-
B Emmett	2015	100%	-	30/06/2018	-
	2016	100%	-	30/06/2019	-
	2017	-	-	30/06/2020	-
	2018	-	-	30/06/2021	-

1 The above values have been converted to dollars at the exchange rate prevailing on the date of the grant of the SARs.

2 Subsequent to year end the Board exercised its discretion to lapse Mr McArdle's SARs due to the cessation of his employment.

Dividends

No dividend has been paid or declared by the Company to the shareholders since the end of the prior financial year.

Insurance of Officers

During the financial year, Horizon Oil Limited paid a premium to insure the Directors and secretaries of the Company and related bodies corporate. The insured liabilities exclude conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage. The contract prohibits the disclosure of the premium paid.

The officers of the Company covered by the insurance policy include the Directors and secretaries, and other officers who are Directors or secretaries of subsidiaries who are not also Directors or secretaries of Horizon Oil Limited.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company or a related body corporate.

Non-Audit Services

The Company may decide to employ PricewaterhouseCoopers on assignments additional to its statutory audit duties where the external auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the financial year are set out below.

The Board of Directors has considered the position and, in accordance with the written advice received from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for external auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the external auditor, as set out below, did not compromise the external auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the external auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Australian Professional Ethical Standards 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

Remuneration of external auditors

CONSOLIDATED

	2020 US\$	2019 US\$
During the financial year, the following fees were paid or payable for services provided by the external auditor of the parent entity and its related practices:		
1. PWC AUSTRALIA		
Audit and other assurance services		
Audit and review of financial reports	158,282	168,234
Other assurance services	14,267	14,307
Total remuneration for audit and other assurance services	172,549	182,541
Taxation services		
Tax compliance ¹	15,895	16,361
Total remuneration for taxation services	15,895	16,361
2. NON-PWC AUDIT FIRMS		
Audit and other assurance services	8,085	19,667
Total remuneration for audit and other assurance services	8,085	19,667
Total auditors' remuneration	196,529	218,569

1 Remuneration for taxation services has been recorded on a gross basis; some of these fees were for services provided to PNG operated joint ventures.

External Auditor's Independence Declaration

A copy of the external auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 44.

Rounding of Amounts to The Nearest Thousand Dollars

The amounts contained in this report, and in the financial report, have been rounded under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Group is an entity of the kind to which the Class Order applies, and accordingly amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars or, in certain cases, to the nearest dollar.

External Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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



M Harding
Chairman



C Hodge
Chief Executive Officer

Sydney
27 August 2020

Auditor's Independence Declaration

As lead auditor for the audit of Horizon Oil Limited for the year ended 30 June 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Sydney

Sean Rutgers
Partner
PricewaterhouseCoopers

27 August 2020

Independent auditor's report

To the members of Horizon Oil Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Horizon Oil Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 and 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> • For the purpose of our audit we used overall Group materiality of \$1.01 million, which represents approximately 2% of the Group’s EBITDA after adjusting for exploration and development expenses and impairment (adjusted EBITDA). • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose adjusted EBITDA because, in our view, it is the benchmark against which the performance of the Group is most commonly measured and is a generally accepted benchmark in the oil and gas industry. We determined that a 2% threshold was appropriate based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • Our audit focused on the joint arrangement oil producing operations in New Zealand and China, the joint arrangement gas exploration and development assets in PNG and the Group’s corporate head office in Sydney. • The Group uses an internal expert to perform an assessment of the Reserves and Resources on an annual basis. Our scope included assessing the work of the internal expert. 	<ul style="list-style-type: none"> • Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> – Impairment assessment of exploration, development and oil & gas assets • These are further described in the <i>Key audit matters</i> section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of exploration, development and oil & gas assets <i>Refer to note 1(k), 1(o), 14, 15 & 28</i></p> <p>As indicators of impairment were identified by the Group with respect to exploration, development and oil & gas assets, the Group performed an impairment assessment and calculated the recoverable amount of the assets which is the higher of the asset's fair value less costs to sell and value in use.</p> <p>This is a key audit matter due to the:</p> <ul style="list-style-type: none">• significant judgement exercised by the Group in estimating the recoverable amount of the exploration, development and oil and gas assets in different jurisdictions• volatility of global oil prices which have been impacted by the recent COVID19 pandemic• financial significance of these assets to the business	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none">• Read the impairment assessment prepared by the Group. Assisted by PwC valuation experts, we assessed the key assumptions applied within the Group's discounted cash flow model, including:<ul style="list-style-type: none">- the assessment of the discount rates used by the Group in the valuation process of its exploration, development and oil and gas assets held in the joint arrangements, New Zealand and China.- Considering the Group's forecast oil prices which were derived from broker forecasts and analysing the Group's process for developing oil price assumptions.- Comparing recent market transactions to the carrying value of the relevant asset, where available. <p>Compared the underlying value drivers (reserves estimate, production profile, operating and capital expenditure requirements) in the Group's impairment assessment to the underlying value drivers identified by the Group's internal expert in their most recent reserves and resources statement on China and New Zealand joint arrangements.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 26 to 40 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Horizon Oil Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



PricewaterhouseCoopers



Sydney

Sean Rutgers
Partner

27 August 2020

DIRECTORS' DECLARATION

In the directors' opinion:

[A] the financial statements and notes are in accordance with the Corporations Act 2001 including:

- (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

[B] there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

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



M Harding
Chairman



C Hodge
Chief Executive Officer

Sydney
27 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

CONSOLIDATED

	NOTE	2020 US\$'000	2019 US\$'000
REVENUE	4	84,025	122,401
Cost of sales	5	(53,384)	(67,354)
Gross profit		30,641	55,047
Other income	4	28	4,427
General and administrative expenses	5	(4,469)	(3,754)
Insurance expense	5	(2,132)	(1,907)
Exploration and development expenses	5	(5,035)	(4,592)
Impairment of non-current assets	5, 28	(67,285)	-
Finance costs – interest, transaction costs, other	5	(3,850)	(11,748)
Finance income – unrealised movement in value of options	5	8,047	11,157
Other expenses	5	(180)	(221)
(Loss)/profit before income tax		(44,235)	48,409
NZ royalty tax expense	6a	(2,949)	(1,653)
Income tax (expense)/benefit	6b	(7,955)	(10,930)
(Loss)/profit for the financial year		(55,139)	35,826
OTHER COMPREHENSIVE (LOSS)/INCOME ITEMS THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS			
Changes in the fair value of cash flow hedges		(2,749)	9,782
Total comprehensive (loss)/income for the financial year		(57,888)	45,608
(Loss)/profit attributable to:			
Security holders of Horizon Oil Limited		(55,139)	35,826
Non-controlling interests		-	-
(Loss)/profit for the financial year		(55,139)	35,826
Total comprehensive (loss)/income attributable to:			
Security holders of Horizon Oil Limited		(57,888)	45,608
Non-controlling interests		-	-
Total comprehensive (loss)/income for the financial year		(57,888)	45,608
Earnings per share for (loss)/profit attributable to ordinary equity holders of Horizon Oil Limited:			
Basic earnings per ordinary share	40a	(4.23)	2.75
Diluted earnings per ordinary share	40b	(4.23)	2.17

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

		CONSOLIDATED	
	NOTE	2020 US\$'000	2019 US\$'000
CURRENT ASSETS			
Cash and cash equivalents	7	25,920	21,472
Receivables	8	7,923	8,046
Inventories	9	3,510	5,519
Derivative financial instruments	10	15	2,708
Other assets	11	1,387	1,673
Total current assets		38,755	39,418
NON-CURRENT ASSETS			
Deferred tax assets	12	7,084	8,357
Property, plant and equipment	13	869	528
Exploration phase expenditure	14	8,225	56,903
Oil and gas assets	15	116,702	157,453
Total non-current assets		132,880	223,241
Total assets		171,635	262,659
CURRENT LIABILITIES			
Payables	16	6,887	11,503
Current tax payable	17	2,942	4,189
Borrowings	18	12,236	9,506
Derivative financial instruments	10	1,344	307
Total current liabilities		23,409	25,505
NON-CURRENT LIABILITIES			
Payables	16	385	71
Deferred tax liabilities	21	15,169	16,623
Other financial liabilities	19	3,791	11,838
Borrowings	18	12,079	38,298
Provisions	20	33,947	29,018
Total non-current liabilities		65,371	95,848
Total liabilities		88,780	121,353
Net assets		82,855	141,306
EQUITY			
Contributed equity	22	174,801	174,801
Reserves	23a	12,599	15,911
Accumulated losses	23b	(104,545)	(49,406)
TOTAL EQUITY		82,855	141,306

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

CONSOLIDATED

ATTRIBUTABLE TO MEMBERS OF HORIZON OIL LIMITED

		CONTRIBUTED EQUITY	RESERVES	RETAINED PROFITS / (ACCUMULATED LOSSES)	TOTAL EQUITY
	NOTE	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2018		174,801	5,740	(85,232)	95,309
Profit for the financial year	23(b)	-	-	35,826	35,826
Changes in the fair value of cash flow hedges	23(a)	-	9,782	-	9,782
Total comprehensive income for the financial year		-	9,782	35,826	45,608
Transactions with owners in their capacity as equity holders:					
Employee share-based payments expense	23(a)	-	389	-	389
		-	389	-	389
Balance as at 30 June 2019		174,801	15,911	(49,406)	141,306
Balance as at 1 July 2019		174,801	15,911	(49,406)	141,306
Loss for the financial year	23(b)	-	-	(55,139)	(55,139)
Changes in the fair value of cash flow hedges	23(a)	-	(2,749)	-	(2,749)
Total comprehensive loss for the financial year		-	(2,749)	(55,139)	(57,888)
Transactions with owners in their capacity as equity holders:					
Employee share-based payments benefit	23(a)	-	(563)	-	(563)
		-	(563)	-	(563)
Balance as at 30 June 2020		174,801	12,599	(104,545)	82,855

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		CONSOLIDATED	
	NOTE	2020 US\$'000	2019 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		83,871	130,383
Payments to suppliers and employees		(32,386)	(37,441)
		51,485	92,942
Interest received		28	32
Interest paid		(3,469)	(6,490)
Income taxes paid		(11,313)	(13,671)
Net cash inflow from operating activities	39	36,731	72,813
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration phase expenditure		(2,274)	(2,684)
Payments for oil and gas assets		(5,755)	(7,465)
Payments for plant and equipment		(22)	(71)
Net cash outflow from investing activities		(8,051)	(10,220)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transaction costs incurred on borrowings		-	(1,942)
Leasing arrangements		(233)	-
Proceeds from borrowings	18a	-	94,588
Repayment of borrowings	18a	(24,000)	(161,390)
Net cash outflow from financing activities		(24,233)	(68,744)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,447	(6,151)
Cash and cash equivalents at the beginning of the financial year		21,472	27,625
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		1	(2)
Cash and cash equivalents at the end of the financial year		7	25,920

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

A summary of the significant accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied, unless otherwise stated. The financial statements are for the consolidated entity consisting of Horizon Oil Limited and its subsidiaries (the 'Group'). For the purposes of preparing the financial statements, the consolidated entity is a for profit entity.

The nature of the operations and principal activities for the Group are described in the Directors' Report.

[a] Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'), Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The consolidated financial statements comply with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

[b] Basis of preparation

These financial statements are presented in United States dollars and have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss, or other comprehensive income where hedge accounting is adopted.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The general purpose financial statements for the year ended 30 June 2020 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. At the date of this report, the directors are of the opinion that no asset is likely to be realised for amounts less than the amount at which it is recorded in the financial report as at 30 June 2020. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

New and amended standards adopted by the Group

The Group has adopted all of the new and revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and effective for the financial year ended 30 June 2020. None of the new and revised standards and interpretations were deemed to have a material impact on the results of the Group.

AASB 16 'Leases'

AASB 16 'Leases' (issued during January 2016) is the new standard for lease accounting which eliminates the classification of leases as either 'operating' or 'finance' and requires a lessee to recognise on statements of financial position assets and liabilities for leases with terms of more than 12 months unless the underlying asset is of low value.

The new standard has been applied as at 1 July 2019 using the simplified transition approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019 and comparatives are not restated. The application of AASB 16 has resulted in the recognition of right-of-use assets of US\$140,510 and an equal increase in lease liabilities at 1 July 2019, with no impact on the opening retained earnings for the year ending 30 June 2020.

The adoption of AASB 16 has resulted in a change in the Groups lease recognition policy (refer to Note 1(j)).

There are no other Australian Accounting Standards that are not yet effective and that are expected to have a material impact on the Group in the current or future financial years.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

Changes in accounting estimates

A review of the Group's accounting estimates has not affected items recognised in the financial statements for the financial year ended 30 June 2020, except as disclosed in Note 2.

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Horizon Oil Limited (the 'Company' or 'Parent Entity') as at 30 June 2020 and the results of all subsidiaries for the financial year then ended. Horizon Oil Limited and its subsidiaries together are referred to in these financial statements as 'the Group'.

Subsidiaries are those entities (including special purpose entities) over which the Group has control. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement and has the ability to affect those returns through its power over that entity. There is a general presumption that a majority of voting rights results in control. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 1(n)). Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Horizon Oil Limited. These investments may have subsequently been written down to their recoverable amount determined by reference to the net assets of the subsidiaries as at 30 June each financial year where this is less than cost.

Joint operations

A joint operation is a joint arrangement whereby the participants that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises assets, liabilities, revenues and expenses according to its share in the assets, liabilities, revenues and expenses of a joint operation or similar as determined and specified in contractual arrangements (Joint Operating Agreements). Details of major joint operation interests and the sum of the Group's interests in joint operation assets, liabilities, revenue and expenses are set out in Note 27.

Where part of a joint operation interest is farmed out in consideration of the farminee undertaking to incur further expenditure on behalf of both the farminee and the entity in the joint operation area of interest, exploration expenditure incurred and carried forward prior to farm-out continues to be carried forward without adjustment, unless the terms of the farm-out are excessive based on the diluted interest retained. An impairment provision is then made to reduce exploration expenditure to its estimated recoverable amount. Any cash received in consideration for farming out part of a joint operation interest is recognised in the profit or loss.

[d] Crude oil and gas inventory and materials in inventory

Crude oil and gas inventories, produced but not sold, are valued at the lower of cost and net realisable value. Cost comprises a relevant proportion of all fixed and variable production, overhead, restoration and amortisation expenses and is determined on an average cost basis.

Stocks of materials inventory, consumable stores and spare parts are carried at the lower of cost and net realisable value, with cost primarily determined on an average cost basis.

[e] Operating segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

[f] Foreign currency translation

[i] Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the 'functional currency'). The consolidated financial statements are presented in United States dollars, which is Horizon Oil Limited's functional and presentation currency. Horizon Oil Limited has selected United States dollars as its presentation currency for the following reasons:

- (a) a significant portion of Horizon Oil Limited's activity is denominated in United States dollars; and
- (b) it is widely understood by Australian and international investors and analysts.

[ii] Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in the profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

[iii] Group companies

All Group subsidiaries have a functional currency of United States dollars and, as a result, there is no exchange differences arising from having a different functional currency to the presentation currency of Horizon Oil Limited.

[g] Revenue recognition

Revenue arises from the sale of crude oil. To determine whether to recognise revenue, the Group follows a 5-step process:

- [1] - Identifying the contract with a customer;
- [2] - Identifying the performance obligations;
- [3] - Determining the transaction price;
- [4] - Allocating the transaction price to the performance obligations; and
- [5] - Recognising revenue when/as performance obligation(s) are satisfied.

The Group enters into sales transactions involving a single product. The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods to its customers.

Revenue from Block 22/12, China, is derived over a period in time as the crude oil produced continuously flows through a metered pipeline. The metered monthly production is invoiced at the end of each month, in accordance with a monthly sales contract, and revenue recognised for the month of production. At the end of each month, once billing occurs and revenue is recognised, there are no unsatisfied performance obligations or variable revenue requiring estimation.

Revenue from the Maari/Manaia fields, New Zealand, is derived at a point in time as the crude oil produced is stored and sold in individual liftings which are pursuant to individual sales contracts. Each lifting is invoiced in accordance with the respective contract and revenue recognised based on the bill of lading date associated with the lifting. Once the lifting is complete there are no unsatisfied performance obligations or variable revenue requiring estimation.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

(h) Deferred income

A liability is recorded for obligations under petroleum sales contracts where the risks and rewards of ownership have not passed to the customer and payment has already been received.

(i) Taxation

[i] Income tax

The income tax expense or revenue for the reporting period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

[ii] Government royalties

Government royalties are treated as taxation arrangements when they are imposed under Government authority and when the calculation of the amount payable is derived from a measure of profit that falls within the definition of 'taxable profit' for the purposes of AASB 112 *Income Taxes*. Current and deferred tax is then provided on the same basis as described in (i) above. Royalty arrangements that do not meet the criteria for treatment as a tax are recognised on an accruals basis.

[j] Leases

The Group leases offices in Sydney and PNG, as well as various equipment, with rental contracts typically taken out for fixed periods of 12 months to 3 years. These contracts do not have a reasonably certain extension option and may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis, and do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Previously, the above leases were classified as operating leases by the Group, where the Group is the lessee. The company did not have any leases which are classified as finance leases. On adoption of AASB 16 at 1 July 2019, the leases described above are recognised as a right-of-use asset (Note 13) and a corresponding liability (Note 16) at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.1%.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost and are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

[k] Impairment of assets

Assets are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. If an impairment indicator exists a formal estimate of the recoverable amount is calculated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ('cash-generating units').

In assessing the recoverable amount, an asset's estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Exploration phase expenditure is assessed for impairment in accordance with Note 1(o).

[l] Cash and cash equivalents

For presentation purposes in the statement of cash flows, cash and cash equivalents includes cash at banks and on hand (including share of joint operation cash balances), deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

[m] Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days from the date of recognition. They are included in current assets, except for those with maturities greater than one year after the end of the reporting period which are classified as non-current assets.

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical rates are adjusted to reflect current and forward-looking information on key factors affecting the ability of the customers to settle the receivables. Management assesses the collectability of these amounts based on the customer relationships and historical payment behaviour.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

[n] Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities assumed, equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

For purchase combinations which do not constitute the acquisition of a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed. The consideration paid is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Transaction costs associated with the acquisition are a component of the consideration transferred and are therefore capitalised.

[o] Exploration phase expenditure

Exploration phase expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration phase expenditure to be expensed in the period it is incurred, except the costs of successful wells, the costs of acquiring interests in new exploration assets and pre-development costs where there is a high degree of probability that the development will go ahead, which are capitalised. Costs directly associated with the drilling of exploration wells and any associated geophysical and geological costs are initially capitalised pending determination of whether potentially economic reserves of hydrocarbons have been discovered. Areas of interest are recognised at the cash-generating unit level, being the smallest grouping of assets generating independent cash flows which usually is represented by an individual oil or gas field.

When an oil or gas field has been approved for development, the capitalised exploration phase expenditure is reclassified as oil and gas assets in the statement of financial position. Prior to reclassification, capitalised exploration phase expenditure is assessed for impairment.

Where an ownership interest in an exploration and evaluation asset is purchased, any cash consideration paid net of transaction costs is treated as an asset acquisition. Alternatively, where an ownership interest is sold, any cash consideration received net of transaction costs is treated as a recoupment of costs previously capitalised, with any excess accounted for as a gain on disposal of non-current assets.

Impairment of capitalised exploration phase expenditure

Exploration phase expenditure is reviewed for impairment semi-annually in accordance with the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources*. The carrying value of capitalised exploration phase expenditure is assessed for impairment at the asset or cash-generating unit level (which usually is represented by an exploration permit or licence) whenever facts and circumstances (as defined in AASB 6) suggest that the carrying amount of the asset may exceed its recoverable amount. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written-down to its recoverable amount. Impairment losses are recognised as an expense in profit or loss.

Capitalised exploration phase expenditure that suffered impairment is tested for possible reversal of the impairment loss whenever facts or changes in circumstances indicate that the impairment may have reversed.

[P] Oil and gas assets

[i] Development expenditure

Development expenditure is stated at cost less any accumulated impairment losses. Development expenditure incurred by or on behalf of the Group is accumulated separately for fields in which proven and probable hydrocarbon reserves have been identified to the satisfaction of directors. Such expenditure comprises direct costs and overhead expenditure incurred which can be directly attributable to the development phase or is acquired through the acquisition of a permit.

Once a development decision has been taken on an oil or gas field, the carrying amount of the relevant exploration and evaluation expenditure in respect of the relevant area of interest is aggregated with the relevant development expenditure.

Development expenditure is reclassified as 'production assets' at the end of the commissioning phase, when the oil or gas field is capable of operating in the manner intended by management (that is, when commercial levels of production are capable of being achieved).

Development expenditure is tested for impairment in accordance with the accounting policy set out in Note 1(k).

[ii] Production assets

When further development costs are incurred in respect of a production asset after the commencement of production, such expenditure is carried forward as part of the production asset when it is probable that additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is classified as production expense in income statements when incurred.

Production assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Once commercial levels of production commence, amortisation is charged using the unit-of-production method. The unit-of-production method results in an amortisation expense proportional to the depletion of proven and probable

hydrocarbon reserves for the field. Production assets are amortised by area of interest in the proportion of actual production for the financial period to the proven and probable hydrocarbon reserves of the field.

The cost element of the unit-of-production calculation is the capitalised costs incurred to date for the field together with the estimated/anticipated future development costs (stated at current financial period-end unescalated prices) of obtaining access to all the proven and probable hydrocarbon reserves included in the unit-of-production calculation.

Production assets are tested for impairment in accordance with the accounting policy set out in Note 1(k).

[iii] Restoration provision

The estimated costs of decommissioning and removing an asset and restoring the site are included in the cost of the asset as at the date the obligation first arises and to the extent that it is first recognised as a provision. This restoration asset is subsequently amortised on a unit-of-production basis.

The corresponding provision, of an amount equivalent to the restoration asset created, is reviewed at the end of each reporting period. The provision is measured at the best estimate of the present value amount required to settle the present obligation at the end of the reporting period, based on current legal and other requirements and technology, discounted where material using market yields at the balance sheet date on US Treasury bonds with terms to maturity and currencies that match, as closely as possible, to the estimated future cash outflows.

Where there is a change in the expected restoration, rehabilitation or decommissioning costs, an adjustment is recorded against the carrying value of the provision and any related restoration asset, and the effects are recognised in profit or loss on a prospective basis over the remaining life of the operation.

The unwinding of the effect of discounting on the restoration provision is included within finance costs in profit or loss.

[iv] Reserves

The estimated reserves include those determined on an annual basis by Mr Gavin Douglas, Subsurface Manager of Horizon Oil Limited. Mr Douglas is a full-time employee of Horizon Oil Limited and is a member of the American Association of Petroleum Geologists. Mr Douglas' qualifications include a Master of Reservoir Evaluation and Management from the Heriot Watt University, UK and more than 23 years of relevant experience. The reserve estimates are determined by Mr Douglas based on assumptions, interpretations, and assessments. These include assumptions regarding commodity prices, foreign exchange rates, operating costs and capital expenditures, and interpretations of geological and geophysical models to make assessments of the quantity of hydrocarbons and anticipated recoveries.

[q] Investments and other financial assets

Subsidiaries are accounted for in the consolidated financial statements as set out in Note 1(c).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

[r] Plant and equipment

The cost of improvements to, or on, leasehold property is depreciated over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is shorter.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

– Computer equipment	3 – 4 years
– Furniture, fittings and equipment	3 – 10 years
– Leasehold improvement	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

[s] Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Due to their short-term nature they are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition. They are included in current liabilities, except for those with maturities greater than one year after the end of the reporting period which are classified as non-current liabilities.

[t] Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges). The Group currently does not have any derivatives designated as fair value hedges.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative financial instruments used for hedging purposes are disclosed in Note 10. Movements in the hedging reserve in equity are shown in Note 23(a).

[i] Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are recycled to profit or loss in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within "finance costs". The gain or loss relating to the effective portion of forward foreign exchange contracts and commodity price contracts hedging export

sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

[ii] Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

[u] Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities which are not an incremental cost relating to the actual drawdown of the facility, are recognised as prepayments (netted against the loan balance) and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

[v] Borrowing costs

Borrowing costs which includes the costs of arranging and obtaining financing, incurred for the acquisition or construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed when incurred.

There were US\$Nil borrowing costs (2019: US\$Nil) capitalised during the current financial year and the amount of borrowing costs amortised to the income statement were US\$776,816 (2019: US\$1,053,169).

[w] Employee benefits

[i] Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and related on-costs expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are recognised in other payables.

[ii] Long service leave

The liability for long service leave is recognised as a provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of

the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

[iii] Share-based payments

Share-based payment compensation benefits are provided to employees and consultants via the Horizon Oil Limited Long Term Incentive Plan, the Horizon Oil Limited Employee Option Scheme, and the General Option Plan. Information relating to these schemes is set out in Note 32.

The fair value of options and share appreciation rights ('SARs') granted under the Horizon Oil Limited Long Term Incentive Plan and Horizon Oil Limited Employee Option Scheme are recognised as an employee share-based payments expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options and SARs granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions. Non-market performance vesting conditions are included in assumptions about the number of options and SARs that are expected to vest.

The fair value is measured at effective allocation date. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options and SARs that are expected to vest based on the non-market performance vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The fair value at effective allocation date is independently determined using either a Black-Scholes or Monte Carlo simulation option pricing model that takes into account the exercise price, the term of the option or SAR, the impact of dilution, the share price at effective allocation date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option or SAR.

The Company has elected to retain any amounts originally recognised in the share-based payments reserve, regardless of whether the associated options are exercised, cancelled or lapse unexercised.

[x] Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options over unissued ordinary shares are shown in share capital as a deduction, net of related income tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration but are expensed.

[y] Earnings per share

[i] Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

[ii] Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Potential ordinary shares are considered dilutive only when their conversion to ordinary shares would decrease earnings per share, or increase loss per share, from continuing operations.

[z] Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

[aa] Parent entity financial information

The financial information for the parent entity, Horizon Oil Limited, disclosed in Note 41, has been prepared on the same basis as the consolidated financial statements, except as set out below.

[i] Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Horizon Oil Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

[ii] Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Note 2 Critical accounting estimates and judgements

This section considers estimates and judgements which 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

The Group's policy for exploration and evaluation expenditure is discussed in Note 1(o). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances. These estimates and assumptions include whether commercially viable reserves have been found and whether the capitalised exploration and evaluation expenditure will be recovered through future exploitation or sale. The carrying amount of exploration and evaluation assets has been disclosed in Note 14.

[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. The carrying amount of the provision for restoration is disclosed in Note 20.

During the period the Group revised the future cost estimates from which the provisions for restoration of the PNG licences are derived. Following the significant reductions in yields and inflation rates caused by the COVID-19 pandemic, the Group revised the discount and inflation rate used in quantifying the restoration provisions. The resultant effect is an increase in the restoration provision of US\$1.7 million pertaining to PNG licences and a US\$2.3 million increase in the restoration provision for the New Zealand licence.

[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% to take into account risks which have not already been adjusted for in the cash flows.

The Group's current oil price forecast assumes a recovery in oil prices over the next 4 years to US\$60/bbl real. Should longer term oil prices be sustained at current levels this may lead to further impairment of the Groups assets.

During the period the Group recorded a US\$67.3 million non-cash impairment expenses associated with the Group's exploration and development assets in Papua New Guinea. The impairment assessment conducted in respect of the period considered challenges faced by the company in PNG, including unresolved licence tenure issues, the lack of progress in commercialisation of the discovered resources in the Western Province of PNG, and the recent shift by the PNG Government in requiring improved fiscal returns from resource projects. Reference was also made to comparable market transactions. In light of these matters and uncertainties, the Group has impaired its PNG exploration and development assets during the financial period, to a carrying amount of US\$5.8 million. The impairment of the PNG assets is disclosed in Note 28.

[v] Share-based payments and General options

Share-based payment transactions with directors and employees are measured by reference to the fair value of the share performance rights and employee options at the date they were granted. The fair value of the derivative liability associated with the general options is valued as at financial year end. The fair value is ascertained using an appropriate pricing model, being either the Black-Scholes or Monte Carlo simulation, depending on the terms and conditions upon which the share performance rights, employee options and general 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. The number of share performance rights, employee options and general options outstanding are disclosed in Note 32.

[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 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. During the current year, the deferred tax asset associated with historical losses recorded in the Group's Australian parent entity were derecognised on the basis that it is no longer expected that the Group's Australian operations would generate sufficient taxable profits to fully utilise those losses recorded.

[b] Critical judgements in applying the Group's accounting policies

No critical judgements 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 four operating segments:

- 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 the permit;
- China exploration and development – the Group is currently involved in developing and producing crude oil from the Block 22/12 – WZ 6-12 and WZ 12-8W oil field development and in the exploration and evaluation of hydrocarbons within Block 22/12;
- PNG exploration and development - the Group is currently involved in the Stanley condensate/gas development, and the exploration and evaluation of hydrocarbons in six onshore permit areas – PRL 21, PRL 28, PRL 40, PPL 574, PPL 372 and PPL 373; 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

	CHINA EXPLORATION & DEVELOPMENT	NEW ZEALAND EXPLORATION & DEVELOPMENT	PAPUA NEW GUINEA EXPLORATION & DEVELOPMENT	ALL OTHER SEGMENTS	TOTAL
2020	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
SEGMENT REVENUE:					
Revenue from external customers	46,958	37,067	-	-	84,025
Profit/(loss) before tax	15,346	5,670	(71,536)	6,285	(44,235)
Depreciation and amortisation	(15,554)	(10,800)	(95)	(263)	(26,712)
Total segment assets as at 30 June 2020	77,307	70,156	18,678	5,494	171,635
Additions to non-current assets other than financial assets and deferred tax during the financial year ended:					
Exploration phase expenditure:	2,431	-	1,107	817	4,355
Development and production phase expenditure:	55	321	470	-	846
Plant and equipment:	-	-	73	796	869
Total segment liabilities as at 30 June 2020	35,237	41,059	6,069	6,415	88,780

	CHINA EXPLORATION & DEVELOPMENT	NEW ZEALAND EXPLORATION & DEVELOPMENT	PAPUA NEW GUINEA EXPLORATION & DEVELOPMENT	ALL OTHER SEGMENTS	TOTAL
2019	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
SEGMENT REVENUE:					
Revenue from external customers	80,112	42,289	-	-	122,401
Profit/(loss) before tax	36,126	6,810	(4,298)	9,771	48,409
Depreciation and amortisation	(21,234)	(18,050)	(20)	(116)	(39,420)
Total segment assets as at 30 June 2019	96,340	80,480	75,407	10,432	262,659
Additions to non-current assets other than financial assets and deferred tax during the financial year ended:					
Exploration phase expenditure:	1,070	171	1,440	66	2,747
Development and production phase expenditure:	3,495	3	760	-	4,258
Plant and equipment:	-	-	5	66	71
Total segment liabilities as at 30 June 2019	62,732	40,573	4,610	13,438	121,353

[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.

Segment profit before tax is equal to consolidated profit before tax.

[iii] Segment assets

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

Reportable segment assets are equal to consolidated total assets.

[iv] Segment liabilities

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

Reportable segment liabilities are equal to consolidated total liabilities.

Note 4 Revenue

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
FROM CONTINUING OPERATIONS		
Crude oil sales	74,942	126,742
Net realised gain/(loss) on oil hedging derivatives	9,083	(4,341)
	84,025	122,401
OTHER INCOME		
Insurance claim income ¹	-	4,395
Interest received from unrelated entities	28	32
	28	4,427

¹ During the prior financial period the Group finalised the recovery of US\$4.4 million of outstanding insurance claims associated with historical Maari repair works.

Revenue for the financial year ended 30 June 2020 relates to contracts executed for the sale of crude oil and all performance obligations have been met within the period. There is no variable consideration requiring estimation for the year ended 30 June 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 30 June 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:

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
CRUDE OIL SALES		
Goods transferred at a point in time	37,067	42,289
Goods transferred over a period of time	46,958	80,112
	84,025	122,401

Note 5 Expenses

CONSOLIDATED

	2020 US\$'000	2019 US\$'000
COST OF SALES		
Direct production costs	24,538	27,414
Inventory adjustments ¹	2,243	(1,750)
Amortisation expense	26,354	39,284
Royalties and other levies	249	2,406
	53,384	67,354
1 Adjustment for the cost of inventory produced which is on hand as at the end of the financial period.		
GENERAL AND ADMINISTRATIVE EXPENSES		
Employee benefits expense (<i>net</i>)	1,655	1,317
Employee share options expense	611	680
Corporate office expense	1,756	1,189
Depreciation expense	358	136
Rental expense relating to operating leases	89	432
	4,469	3,754
INSURANCE EXPENSE		
Insurance expense (including Loss of Production Income insurance)	2,132	1,907
	2,132	1,907
EXPLORATION AND DEVELOPMENT EXPENSES		
Exploration and development expenditure expensed	5,035	4,592
	5,035	4,592
IMPAIRMENT OF NON-CURRENT ASSETS		
Impairment of non-current assets ²	67,285	-
	67,285	-
2 Refer to Note 28 for a detailed impairment assessment of the Group's non-current assets.		
FINANCING COSTS		
Interest and finance charges	2,454	6,379
Discount unwinding on provision for restoration	885	833
Unrealised movement in fair value of derivative financial instrument ³	(8,047)	(11,157)
Amortisation of prepaid financing costs	511	4,536
	(4,197)	591
3 The amount shown reflects an unrealised gain of \$8,047,000 (2019: gain of \$11,157,000) relating to the mark to market revaluation of the derivative financial liability arising from the share options issued in respect of the subordinated secured facility. Refer to Note 19 for further details of the component parts recognised in relation to this financing transaction.		
OTHER EXPENSES		
Net foreign exchange losses/(gain)	104	104
Other expenses	76	117
	180	221

Note 6 Income tax expense

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
(a) Royalty tax expense (benefit)		
Royalty paid/payable in New Zealand – current tax expense	4,220	4,069
Tax benefit related to movements in deferred tax balances	(1,271)	(2,416)
Total royalty tax expense	2,949	1,653
(b) Income tax expense		
Current tax expense	4,775	10,798
Tax expense related to movements in deferred tax balances	2,071	126
Adjustments for current tax of prior periods	1,109	6
Total income tax expense	7,955	10,930
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease in deferred tax assets	3,398	875
Decrease in deferred tax liabilities	(1,327)	(749)
Total deferred income tax expense	2,071	126
		CONSOLIDATED
	2020 US\$'000	2019 US\$'000
(c) Numerical reconciliation between profit before tax and tax expense/(benefit)		
(Loss)/profit from continuing operations before income tax	(44,235)	48,409
Less: Royalty paid/payable	(4,220)	(4,069)
	(48,455)	44,340
Tax at the Australian tax rate of 30% (2019: 30%)	(14,537)	13,302
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Expenditure not allowed for income tax purposes	27,336	6,497
Other deductible items	(48)	(268)
Non-assessable income	(9,740)	(7,844)
Other assessable income	786	214
	18,334	(1,401)
Effect of overseas tax rates	(888)	(2,017)
Deferred tax asset not brought to account	1,161	1,320
Previously unrecognised deferred tax now recognised	-	1,163
Previously recognised tax losses now not recognised	2,985	-
Tax losses utilised to reduce current tax expense	(212)	-
Tax paid on non-resident insurance premiums	3	6
Previously unrecognised tax losses now recognised to reduce current tax expense	-	(1,449)
Adjustments for current tax of prior periods	1,109	6
Income tax expense	7,955	10,930
Royalty tax expense	2,949	1,653
Total tax expense/(benefit) recognised in statement of profit or loss	10,904	12,583

CONSOLIDATED

	2020 US\$'000	2019 US\$'000
(d) Amounts recognised in other comprehensive income		
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited to other comprehensive income.		
Deferred tax: Changes in fair value of cash flow hedges	(990)	3,387
Total tax expense/(benefit) recognised in other comprehensive income	(990)	3,387
(e) Tax losses		
Unused tax losses (and applicable tax rate) for which no deferred tax asset has been recognised:		
Horizon Oil Limited – 30% (2019: 30%)	3,038	-
Potential tax benefit at applicable tax rates	3,038	-

The Company has no Australian subsidiaries and therefore it is not subject to the Australian tax consolidation regime.

Note 7 Cash and cash equivalents

CONSOLIDATED

	2020 US\$'000	2019 US\$'000
Cash at bank and on hand	23,007	10,050
Restricted cash ¹	2,913	11,422
	25,920	21,472

¹ Under the terms of Horizon's Revolving Cash Advance Facility (refer to Note 18(b)), 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 year (2019: US\$Nil).

Note 8 Receivables

CONSOLIDATED

	2020 US\$'000	2019 US\$'000
Trade and other receivables ¹	7,923	8,046
	7,923	8,046

¹ Of this balance US\$Nil (2019: US\$Nil) related to amounts receivable from related parties. Refer to Note 31 for further details.

Information about the Company's exposure to credit and market risks, and collectability of overdue amounts, is included in Note 24(b).

Note 9 Inventories

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
Crude oil, at cost	1,483	3,726
Drilling and workover spares inventory	2,027	1,793
	3,510	5,519

Note 10 Derivative financial instruments

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
CURRENT:		
Derivative (liability)/asset - Oil price swaps – cash flow hedges	(1,197)	2,605
Derivative asset – Foreign exchange contracts – cash flow hedges	15	103
Derivative (liability) – Foreign exchange contracts – cash flow hedges	(147)	-
Derivative (liability) – Interest rate swaps – cash flow hedges	-	(307)
	(1,329)	2,401

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to oil price, interest rate and foreign exchange fluctuations in accordance with the Group's financial risk management policies (refer to Note 24(a)).

Oil price swap contracts (cash flow hedges)

During the financial year, oil price hedging was undertaken as a risk mitigation measure to ensure the Group's financial position remains sound and that the Group is able to meet its financial obligations in the event of low oil prices. At 30 June 2020, the Group had 220,000 barrels of crude oil hedged through Brent oil price swaps (30 June 2019: 480,000) at a weighted average price of US\$35.75.

Interest rate swap contracts (cash flow hedges)

During the financial year, interest rate hedging was in place as a risk mitigation measure to ensure the Group's financial position remains sound and that the Group is able to meet its financial obligations in the event of a high LIBOR rate. As at 30 June 2020, the Group had no outstanding LIBOR swaps.

Foreign exchange contracts (cash flow hedges)

During the financial year, foreign currency hedging was undertaken as a risk mitigation measure to ensure the Group's financial position remains sound and that the Group is able to meet its financial obligations in the event of a weakening United States Dollar against the Group's major operating currencies, the NZD, AUD and RMB. As at 30 June 2020, the Group had RMB 48 million hedged through currency swaps, hedging a portion of the China operating and capital costs over the next 12 months. In addition, the Group had hedged NZD 6 million, through forward exchange contracts, hedging a portion of the New Zealand operating costs over the next 6 months. The Group had also hedged AUD 1.5 million, through forward exchange contracts, hedging a portion of its corporate costs over the next 6 months.

The gain or loss arising from re-measurement of the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit or loss when the hedged transaction is recognised. The ineffective portion is recognised in profit or loss immediately. During the financial year, a profit of US\$ 8,795,267.56 (2019: loss of US\$4,379,815) was transferred to profit or loss.

Note 11 Other assets

CONSOLIDATED

	2020 US\$'000	2019 US\$'000
Prepayments	585	877
Financial asset at fair value – New Zealand carbon credits ¹	802	796
	1,387	1,673

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 fair value through profit and loss.

Note 12 Deferred tax assets

CONSOLIDATED

	2020 US\$'000	2019 US\$'000
Recognised deferred tax assets are attributable to:		
Tax losses	-	2,804
Development and production expenditure	6,824	6,681
Cash flow hedges	352	78
Provisions and other	128	865
Total deferred tax assets	7,304	10,428
Set off of deferred tax liabilities pursuant to set off provisions	(220)	(2,071)
Net deferred tax assets	7,084	8,357

2020 MOVEMENTS	TAX LOSSES US\$'000	DEVELOPMENT & PRODUCTION EXPENDITURE \$US'000	CASH FLOW HEDGES US\$'000	PROVISIONS AND OTHER US\$'000	TOTAL \$US'000
AT 1 JULY 2019	2,804	6,681	78	865	10,428
(Charged)/credited					
– to profit or loss	(2,804)	143	-	(737)	(3,398)
– to other comprehensive income	-	-	274	-	274
At 30 June 2020	-	6,824	352	128	7,304

2019 MOVEMENTS	TAX LOSSES US\$'000	DEVELOPMENT & PRODUCTION EXPENDITURE \$US'000	CASH FLOW HEDGES US\$'000	PROVISIONS AND OTHER US\$'000	TOTAL \$US'000
AT 1 JULY 2018	4,421	6,149	568	411	11,549
(Charged)/credited					
– to profit or loss	(1,617)	532	-	454	(631)
– to other comprehensive income	-	-	(490)	-	(490)
At 30 June 2019	2,804	6,681	78	865	10,428

Note 13 Property, plant and equipment

	LAND ⁽²⁾	BUILDING ⁽²⁾	OTHER PLANT AND EQUIPMENT ⁽²⁾	LEASEHOLD IMPROVEMENTS	TOTAL
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>As at 1 July 2018</i>					
Cost	-	-	2,179	1,263	3,442
Accumulated depreciation	-	-	(2,110)	(738)	(2,848)
Net book amount	-	-	69	525	594
<i>FINANCIAL YEAR ENDED 30 JUNE 2019</i>					
Opening net book amount	-	-	69	525	594
Additions	-	-	71	-	71
Disposals	-	-	(1)	-	(1)
Depreciation expense	-	-	(55)	(81)	(136)
Closing net book amount	-	-	84	444	528
<i>As at 30 June 2019</i>					
Cost	-	-	2,247	1,263	3,510
Accumulated depreciation	-	-	(2,163)	(819)	(2,982)
Net book amount	-	-	84	444	528
<i>As at 1 July 2019</i>					
Cost	-	-	2,247	1,263	3,510
Adjustment on transition to AASB 16	16	103	21	-	140
Accumulated depreciation	-	-	(2,163)	(819)	(2,982)
Net book amount	16	103	105	444	668
<i>FINANCIAL YEAR ENDED 30 JUNE 2020</i>					
Opening net book amount	16	103	105	444	668
Additions	-	547	37	-	584
Disposals	(8)	(17)	-	-	(25)
Depreciation expense ⁽¹⁾	(8)	(203)	(53)	(94)	(358)
Closing net book amount	-	430	89	350	869
<i>As at 30 June 2020</i>					
Cost	-	603	2,305	1,263	4,171
Accumulated depreciation	-	(173)	(2,216)	(913)	(3,302)
Net book amount	-	430	89	350	869

(1) Depreciation expense in relation to the right of use assets is US\$223,283.

(2) Included in the net book amount of land and building, and other plant and equipment are right-of-use assets as follows:

	30 JUN 2020 US\$'000	1 JUL 2019 US\$'000
Land	-	16
Office premises	430	103
Photocopier and IT equipment	24	21
Total	454	140

Note 14 Exploration phase expenditure

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
EXPLORATION PHASE EXPENDITURE		
Deferred geological, geophysical, drilling and other exploration and evaluation expenditure	8,225	56,903
The reconciliation of exploration phase expenditure carried forward above is as follows:		
Balance at beginning of financial year	56,903	57,453
Acquisition of exploration asset	-	202
Disposal of exploration asset	-	(202)
Reassessment of rehabilitation asset	1,695	-
Transfer of costs to production phase	(1,372)	-
Exploration expenditure incurred during financial year	3,538	2,747
Exploration expenditure expensed during financial year	(3,811)	(3,297)
Impairment expenditure	(48,728)	-
Balance at end of financial year	8,225	56,903

Note 15 Oil and gas assets

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
DEVELOPMENT AND PRODUCTION PHASE EXPENDITURE		
Producing oil and gas property acquisition, deferred geological, seismic and drilling, production and distribution facilities and other development expenditure	506,855	505,932
Development costs expensed during financial year	(407)	(1,295)
Increase in restoration asset during financial year	2,349	-
Carried forward accumulated impairment losses	(98,041)	(98,041)
Impairment expenditure recognised during the period	(18,557)	-
Less accumulated amortisation	(275,497)	(249,143)
	116,702	157,453

The reconciliation of development and production phase expenditure carried forward above is as follows:

CONSOLIDATED			
	DEVELOPMENT PHASE EXPENDITURE US\$'000	PRODUCTION PHASE EXPENDITURE US\$'000	TOTAL US\$'000
BALANCE AT 1 JULY 2018	20,960	172,814	193,774
Amortisation incurred	-	(39,284)	(39,284)
Development and production costs incurred during financial year	760	3,498	4,258
Development and production costs expensed during financial year	(760)	(535)	(1,295)
Balance at 30 June 2019	20,960	136,493	157,453
Amortisation incurred	-	(26,354)	(26,354)
Increase in restoration asset	-	2,349	2,349
Transfer from exploration phase	-	1,372	1,372
Impairment expenditure	(18,557)	-	(18,557)
Development and production costs incurred during financial year	469	377	846
Development and production costs expensed during financial year	(464)	57	(407)
Balance at 30 June 2020	2,408	114,294	116,702

Note 16 Payables

CONSOLIDATED		
	2020 US\$'000	2019 US\$'000
CURRENT LIABILITIES		
Trade creditors	784	707
Share of joint operation creditors and accruals	3,996	7,546
Financial liability at fair value – ETS obligation ¹	361	488
Lease liabilities ²	223	-
Other creditors	1,523	2,762
	6,887	11,503
NON-CURRENT LIABILITIES		
Lease liabilities ²	262	-
Other creditors	123	71
	385	71

¹ The ETS financial 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 11 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 fair value through profit and loss.

- 2 The Group has leases for offices in Sydney and PNG, and various equipment. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 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>30 June 2020</i>				
Lease payments	244	271	-	515
Finance charges	(21)	(9)	-	(30)
Net present values	223	262	-	485

Note 17 Current tax payable

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
Current tax payable – China	134	2,503
Current tax payable – New Zealand	1,638	-
Current royalty tax payable – New Zealand	1,170	1,686
	2,942	4,189

Note 18 Borrowings

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
CURRENT:		
Bank loans (b)	12,236	9,506
	12,236	9,506
NON-CURRENT:		
Bank loans (b)	12,079	38,298
	12,079	38,298
Total Borrowings	24,315	47,804

[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.

	2020 US\$'000	2019 US\$'000
Cash and cash equivalents	25,920	21,472
Borrowings ¹ – repayable within one year (including overdraft)	(12,758)	(10,030)
Borrowings ¹ – repayable after one year	(12,673)	(39,401)
Net cash/(debt)	489	(27,959)
Cash and liquid investments	25,920	21,472
Gross debt – fixed interest rates	-	-
Gross debt ¹ – variable interest rates	(25,431)	(49,431)
Net cash/(debt)	489	(27,959)

	CASHFLOWS			NON-CASH CHANGES		
	OPENING 1 JULY 2019	DRAWDOWN ¹	REPAYMENTS	AMORTISATION OF TRANSACTION COSTS	CHANGES IN FAIR VALUE	CLOSING 30 JUNE 2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Syndicated Revolving Cash Advance Facility	47,804	-	(24,000)	511	-	24,315
Total liabilities from financing activities	47,804	-	(24,000)	511	-	24,315

1 Funds drawn down are shown net of associated transaction costs incurred during the period.

[b] Bank loans – 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 some key elements of the previous Reserves Based Debt Facility, with key changes including additional tenure to July 2022, reduced interest rate at LIBOR plus 2.75% and the removal of lender security over Horizon Oil'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 30 June 2020, total debt drawn under the facility was US\$25.43 million with undrawn debt capacity of US\$1.6 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 19 Other financial liabilities

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
NON-CURRENT		
Fair value of share options	3,791	11,838
Total other financial liabilities	3,791	11,838

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 a subordinated debt facility executed in 2016 and repaid in full during 2018. The options are exercisable at A\$0.061 per share and as the functional currency of the Group is United States dollars, which 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 marked to market at each balance date, with any gains/losses arising recognised through profit or loss. Refer to Note 24(d) for details of the valuation techniques used to derive this fair value.

The following is a reconciliation of the fair value of the share options:

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
Balance at beginning of financial year	11,838	22,995
Unrealised gain on revaluation during the period	(8,047)	(11,157)
Balance at end of financial year	3,791	11,838

1 The weighted average fair value of the options at measurement date was A\$0.0184 (2019: A\$0.0563). Refer to Note 24(d) for details of the valuation techniques used to derive this fair value.

Note 20 Provisions

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
Restoration (current)	-	-
Restoration (non-current)	33,947	29,018
	33,947	29,018
The reconciliation of the movement in the total of the restoration provisions is as follows:		
Balance at beginning of financial year	29,018	28,185
Additional provision during financial year	1,695	-
Unwinding of discount	885	833
Effect of change in inflation/discount rate	2,349	-
Balance at end of financial year	33,947	29,018

Note 21 Non-current liabilities – Deferred tax liabilities

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
RECOGNISED DEFERRED TAX LIABILITIES ARE ATTRIBUTABLE TO:	-	-
Development and production expenditure	11,919	11,345
Accounting profits royalty	2,227	3,498
Cash flow hedges	4	711
Other	1,239	3,140
Total deferred tax liabilities	15,389	18,694
Set off of deferred tax assets pursuant to set off provisions	(220)	(2,071)
Net deferred tax liabilities	15,169	16,623

2020 MOVEMENTS	DEVELOPMENT AND PRODUCTION EXPENDITURE \$US'000	ACCOUNTING PROFITS ROYALTY \$US'000	CASH FLOW HEDGES US\$,000	OTHER US\$'000	TOTAL \$US'000
AT 1 JULY 2019					
(Charged)/credited	11,345	3,498	711	3,140	18,694
– to profit or loss	574	(1,271)	-	(1,901)	(2,598)
– to other comprehensive income	-	-	(707)	-	(707)
At 30 June 2020	11,919	2,227	4	1,239	15,389

2019 MOVEMENTS	DEVELOPMENT AND PRODUCTION EXPENDITURE \$US'000	ACCOUNTING PROFITS ROYALTY \$US'000	CASH FLOW HEDGES US\$,000	OTHER US\$'000	TOTAL \$US'000
AT 1 JULY 2018					
(Charged)/credited	12,579	5,962	-	1,764	20,305
– to profit or loss	(1,234)	(2,464)	-	1,376	(2,322)
– to other comprehensive income	-	-	711	-	711
At 30 June 2019	11,345	3,498	711	3,140	18,694

Note 22 Contributed equity

	CONSOLIDATED NUMBER OF SHARES		CONSOLIDATED	
	2020 '000	2019 '000	2020 US\$'000	2019 US\$'000
[a] Issued share capital				
Ordinary shares				
Fully paid	1,301,981	1,301,981	174,342	174,342
Partly paid to A\$0.01	1,500	1,500	459	459
	1,303,481	1,303,481	174,801	174,801

[b] Movements in ordinary share capital

[i] Ordinary shares (fully paid)

DATE	DETAILS	NUMBER OF SHARES	US\$'000
30/06/2019	Balance as at 30 June 2019	1,301,981,265	174,342
30/06/2020	Balance as at 30 June 2020	1,301,981,265	174,342

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

DATE	DETAILS	NUMBER OF SHARES	US\$'000
30/06/2019	Balance as at 30 June 2019	1,500,000	459
30/06/2020	Balance as at 30 June 2020	1,500,000	459

[c] Ordinary shares

Fully paid

Fully paid ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Voting rights are governed by the Company's Constitution. In summary, on a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each fully paid ordinary share is entitled to one vote.

Partly paid

Partly paid ordinary shares are issued on exercise of employee options. The partly paid shares currently on issue are held by the Company following forfeiture by their original holder. The outstanding obligation in relation to the partly paid ordinary shares is payable either when called or by the date not exceeding 5 years from the grant date of the option which gave rise to the partly paid ordinary share. Partly paid ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Voting rights are governed by the Company's Constitution. In summary, on a show of hands every holder of partly paid ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll, is entitled to one vote to the proportion of the total issue price then paid up.

[d] Unlisted options over unissued ordinary shares

Information related to general options and the Employee Option Scheme, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year is set out in Note 32.

Note 23 Reserves and retained profits

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
[a] Reserves		
SHARE-BASED PAYMENTS RESERVE		
Movements:		
Balance at beginning of financial year	14,144	13,755
Employee share-based payments expense	(563)	389
Balance at end of financial year	13,581	14,144
HEDGE RESERVE		
Movements:		
Balance at beginning of financial year	1,767	(8,015)
Movement in net market value of hedge contracts	(3,730)	13,169
Deferred tax	981	(3,387)
Balance at end of financial year	(982)	1,767
Total reserves	12,599	15,911

[b] Accumulated (losses)/retained profits

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
Accumulated losses at beginning of financial year	(49,406)	(85,232)
Net (loss)/profit for financial year	(55,139)	35,826
Accumulated losses at end of financial year	(104,545)	(49,406)

[c] Nature and purpose of reserves

Share-based payment reserve:

The fair value of options and share appreciation rights granted to employees results in an increase in equity upon recognition of the corresponding employee benefits expense, as described in the accounting policy set out in Note 1(w)(iii). The fair value of general options granted also results in an increase in equity unless accounting standards require the options to be treated otherwise.

The Company has elected to retain any amounts originally recognised in the share-based payments reserve, regardless of whether the associated options or share appreciation rights are exercised, cancelled or lapse unexercised.

Hedge reserve:

Changes in the market value of the effective portion of derivatives is reflected directly in equity until such time as the hedge is ineffective or expires, as described in the accounting policy set out in Note 1(t).

Note 24 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk); credit risk; liquidity risk; capital risk; and climate related and other emerging risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as oil price swaps, interest rate swaps and foreign exchange forward contracts, to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and commodity price risks, and aging analysis for credit risk.

Risk management is carried out by the finance function under policies approved by the Board of Directors. The finance function identifies, evaluates and if necessary hedges financial risks in close co-operation with Group management. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investment of excess liquidity.

The Group has no off-balance sheet financial assets or liabilities as at the end of the reporting period.

The Group held the following financial instruments at 30 June 2020 and 30 June 2019:

	CONSOLIDATED	
	30 JUNE 2020 US\$'000	30 JUNE 2019 US\$'000
FINANCIAL ASSETS		
Cash and cash equivalents	25,920	21,472
Receivables	7,923	8,046
Derivative financial instruments	15	2,708
Financial asset – New Zealand carbon credits	802	796
	34,660	33,022
FINANCIAL LIABILITIES		
Payables (current)	6,887	11,503
Current tax payable	2,942	4,189
Payables (non-current)	385	71
Borrowings (net of borrowing costs capitalised)	24,315	47,804
Derivative financial instruments	1,344	307
Other financial liabilities	3,791	11,838
	39,664	75,712

[a] Market risk

[i] Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the Group's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising predominately from Australian and New Zealand dollars, Chinese Renminbi and Papua New Guinea Kina.

The Group manages foreign exchange risk by monitoring forecast cash flows in currencies other than US dollars and ensuring that adequate Australian dollar, New Zealand dollar, Chinese Renminbi and Papua New Guinea Kina cash balances are maintained.

The objective of the Group's foreign exchange risk management policy is to ensure its financial viability despite potential periods of unfavourable exchange rates. Regular sensitivity analysis is conducted to evaluate the potential impact of unfavourable exchange rates on the Group's future financial position. The results of this evaluation are used to determine the most appropriate risk mitigation tool to be used. The Group will hedge when it is deemed the most appropriate risk mitigation tool to be used.

As at 30 June 2020, the Group had a derivative asset of US\$15,000 (30 June 2019: US\$103,000 derivative asset) and a derivative liability of US\$147,000 (30 June 2019: \$Nil) with NZD 6 million hedged through forward exchange contracts at an average USD rate of 0.6501, RMB 48 million hedged through currency swaps at an average USD rate of 7.0580, and AUD 1.5 million hedged through forward exchange contracts at an average USD rate of 0.6755. All hedges are designed to cover a portion of the Group's future operating costs in New Zealand and China, and corporate costs in Australia.

Effects of hedge accounting

The effects of the foreign currency related hedging instruments on the Group's financial position and performance are as follows:

	CONSOLIDATED	
	30 JUNE 2020 US\$'000	30 JUNE 2019 US\$'000
FOREIGN CURRENCY SWAPS (USD/RMB)		
Carrying amount – (liability)/asset	(75)	8
Notional amount	6,801	1,739
Maturity date	1 July 2020 – 30 June 2021	1 July 2019 – 31 December 2019
Hedge ratio ¹	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since 30 June 2019	(75)	8
Change in value of hedged item used to determine hedge ineffectiveness	-	(8)
Weighted average hedged rate for the year	US\$1: RMB7.0580	US\$1: RMB6.9013
FOREIGN CURRENCY FORWARDS (USD/NZD)		
Carrying amount – (liability)/asset	(72)	95
Notional amount	3,900	3,953
Maturity date	15 July 2020 – 16 December 2020	15 July 2019 – 16 December 2019
Hedge ratio ¹	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since 30 June 2019	(72)	95
Change in value of hedged item used to determine hedge ineffectiveness	-	(95)
Weighted average hedged rate for the year	US\$1: NZD0.6501	US\$1: NZD0.6588
FOREIGN CURRENCY FORWARDS (USD/AUD)		
Carrying amount – asset	15	-
Notional amount	1,013	-
Maturity date	10 July 2020 – 10 December 2020	-
Hedge ratio ¹	1:1	-
Change in discounted spot value of outstanding hedging instruments since 30 June 2019	15	-
Change in value of hedged item used to determine hedge ineffectiveness	-	-
Weighted average hedged rate for the year	US\$1: AUD0.6755	-

¹ The foreign currency swaps and foreign currency forward contracts are denominated in the same currencies as the highly probable future operating and corporate overhead expenditures (RMB and NZD operating and AUD corporate expenditures), therefore the hedge ratio is 1:1.

Exposure to foreign exchange risk

The Group's exposure to foreign exchange risk at the end of each reporting period was as follows:

GROUP	30 JUNE 2020				30 JUNE 2019			
	AUD US\$'000	NZD US\$'000	PGK US\$'000	RMB US\$'000	AUD US\$'000	NZD US\$'000	PGK US\$'000	RMB US\$'000
Cash and cash equivalents	937	804	72	9	702	279	90	9
Receivables	111	178	12	-	128	111	8	-
Financial asset – New Zealand carbon credits	-	66	-	-	-	796	-	-
Current tax payable	-	2,808	-	134	-	1,686	-	2,503
Current payables	2,073	391	65	19	1,760	542	120	256
Non-current payables	96	-	-	-	71	-	-	-

For the financial year ended and as at 30 June 2020, if the currencies set out in the table below had strengthened or weakened against the US dollar by the percentage shown, with all other variables held constant, the net result for the financial year would increase/(decrease) and net assets would increase/(decrease) by:

GROUP	NET RESULT		NET ASSETS		NET RESULT		NET ASSETS	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Change in currency ¹	+10%	+10%	+10%	+10%	-10%	-10%	-10%	-10%
Australian dollar impact	(553)	(519)	(78)	(70)	553	519	78	70
New Zealand dollar impact	(422)	(979)	(102)	(75)	422	979	102	75
Papua New Guinea kina impact	(56)	(84)	2	(2)	56	84	(2)	2
Chinese Renminbi impact	-	(87)	(11)	(206)	-	87	11	206

1 This has been based on the change in the exchange rate against the US dollar in the financial years ended 30 June 2020 and 30 June 2019. The sensitivity analysis has been based on the sensitivity rates when reporting foreign exchange risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates based on historic volatility. In management's opinion, the sensitivity analysis is not fully representative of the inherent foreign exchange risk as the end of the reporting period exposure does not necessarily reflect the exposure during the course of the financial year.

[ii] Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market commodity prices for crude oil.

The objective of the Group's commodity price risk management policy is to ensure its financial viability despite potential periods of unfavourable prices. Regular sensitivity analysis is conducted to evaluate the potential impact of unfavourable prices on the Group's future financial position. The results of this evaluation are used to determine the most appropriate risk mitigation tool to be used. The Group will hedge when it is deemed the most appropriate risk mitigation tool to be used or where required by its financing arrangements. During the current financial year, oil price hedging was undertaken as a risk mitigation measure to ensure the Group's financial position remains sound and that the Group is able to meet its financial obligations in the event of low oil prices.

As at 30 June 2020, the Group had a derivative liability of US\$1,197,000 (30 June 2019: US\$2,605,000 derivative asset) as there were 220,000 bbls hedged at this date (30 June 2019: 480,000 bbls) at a weighted average price of US\$35.75/bbl.

Effects of hedge accounting

The effects of the oil price swaps on the group's financial position and performance are as follows:

	CONSOLIDATED	
	30 JUNE 2020 US\$'000	30 JUNE 2019 US\$'000
OIL PRICE SWAPS		
Carrying amount – (liability)/asset	(1,197)	2,605
Notional amount	7,865	33,326
Maturity date	1 July 2020 – 31 December 2020	1 July 2019 – 31 March 2020
Hedge ratio ¹	1:1	1:1
Change in fair value of outstanding hedging instruments since 30 June 2019	(1,197)	13,373
Change in value of hedged item used to determine hedge ineffectiveness	-	(13,373)
Weighted average hedged rate for the year	US\$35.75/bbl	US\$69.43/bbl

¹ The oil price swaps were executed in the same oil price benchmark as the highly probable future oil sales, therefore the hedge ratio is 1:1.

For the financial year ended and as at 30 June 2020, if the crude oil price rose or fell by the percentage shown, with all other variables held constant, the result for the financial year would increase/(decrease) and net assets would increase/(decrease) by:

GROUP	NET RESULT		NET ASSETS		NET RESULT		NET ASSETS	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Change in crude oil price	+10%	+10%	+10%	+10%	-10%	-10%	-10%	-10%
Impact	965	2,661	965	2,661	(1,587)	(3,360)	(1,587)	(3,360)

[iii] Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has no interest-bearing assets considered to materially expose the Group's core income and/or operating cash flows to changes in market interest rates.

As at 30 June 2020 and 30 June 2019, the Group's interest rate risk arises from long term borrowings, issued at variable rates, exposing the Group to cash flow interest rate risk. Group policy is to manage material interest rate exposure. Regular sensitivity analysis is conducted to evaluate the potential impact of unfavourable interest rate movements on the Group's future financial position. The results of this evaluation are used to determine the most appropriate risk mitigation tool to be used.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

As at 30 June 2020, the Group had no outstanding LIBOR swaps (30 June 2019: US\$307,000 of derivative liability).

Effects of hedge accounting

The effects of the interest rate swaps on the group's financial position and performance are as follows:

	CONSOLIDATED	
	30 JUNE 2020 US\$'000	30 JUNE 2019 US\$'000
INTEREST RATE SWAPS		
Carrying amount – liability	-	307
Notional amount	-	36,600
Maturity date	-	30 June 2020
Hedge ratio ¹	-	1:1
Change in fair value of outstanding hedging instruments since 30 June 2019	-	(307)
Change in value of hedged item used to determine hedge effectiveness	-	307
Weighted average hedged rate for the year	-	2.867%

1 The interest rate swaps were executed with the same reference rate as the interest rate applied against the senior debt facility, therefore the hedge ratio is 1:1.

The Group's exposure to interest rate risk for financial instruments is set out below:

	FLOATING INTEREST RATE US\$'000	FIXED INTEREST RATE MATURING IN:			NON- INTEREST BEARING US\$'000	CARRYING AMOUNT US\$'000
		1 YEAR OR LESS US\$'000	OVER 1 TO 2 YEARS US\$'000	OVER 2 TO 5 YEARS US\$'000		
AS AT 30 JUNE 2020						
FINANCIAL ASSETS						
Cash and cash equivalents	4,233	-	-	-	21,687	25,920
Receivables	-	-	-	-	7,923	7,923
Financial asset – New Zealand carbon credits	-	-	-	-	802	802
Derivative financial instruments	-	-	-	-	15	15
	4,233	-	-	-	30,427	34,660
Weighted average interest rate p.a.	0.15%					
FINANCIAL LIABILITIES						
Trade and other payables	-	-	-	-	6,887	6,887
Current tax payable	-	-	-	-	2,942	2,942
Non-current payables	-	-	-	-	385	385
Derivative financial instruments	-	-	-	-	1,344	1,344
Borrowings	25,431	-	-	-	-	25,431
	25,431	-	-	-	11,558	36,989
Weighted average interest rate p.a.	4.92%					
Net financial assets/(liabilities)	(21,198)	-	-	-	18,869	(2,329)

	FLOATING INTEREST RATE	FIXED INTEREST RATE MATURING IN:			NON-INTEREST BEARING	CARRYING AMOUNT
	US\$'000	1 YEAR OR LESS US\$'000	OVER 1 TOP 2 YEARS US\$'000	OVER 2 TO 5 YEARS US\$'000	US\$'000	US\$'000
AS AT 30 JUNE 2019						
FINANCIAL ASSETS						
Cash and cash equivalents	6,687	-	-	-	14,785	21,472
Receivables	-	-	-	-	8,046	8,046
Financial asset – New Zealand carbon credits	-	-	-	-	796	796
Derivative financial instruments	-	-	-	-	2,708	2,708
	6,687	-	-	-	26,335	33,022
Weighted average interest rate p.a.	0.15%					
FINANCIAL LIABILITIES						
Trade and other payables	-	-	-	-	11,503	11,503
Current tax payable	-	-	-	-	4,189	4,189
Non-current payables	-	-	-	-	71	71
Derivative financial instruments	-	-	-	-	307	307
Borrowings	49,431	-	-	-	-	49,431
	49,431	-	-	-	16,070	65,501
Weighted average interest rate p.a.	5.90%					
Net financial assets/(liabilities)	(42,744)	-	-	-	10,265	(32,479)

As at 30 June 2020 and 30 June 2019, the Group had the following variable rate borrowings outstanding:

	30 JUNE 2020		30 JUNE 2019	
	WEIGHTED AVERAGE INTEREST RATE	BALANCE	WEIGHTED AVERAGE INTEREST RATE	BALANCE
	% P.A.	US\$'000	% P.A.	US\$'000
External loans	4.92%	25,431	5.90%	49,431
Net exposure to cash flow interest rate risk		25,431		12,831

At 30 June 2020, if the interest rates had been 1.0% p.a. higher or lower and all other variables held constant, the net result for the financial year would increase/(decrease) and net assets as at 30 June 2020 would increase/(decrease) by:

GROUP	NET RESULT		NET ASSETS		NET RESULT		NET ASSETS	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
CHANGE IN INTEREST RATE p.a.	+1%	+1%	+1%	+1%	-1%	-1%	-1%	-1%
Impact of Assets	38	43	38	43	(6)	(6)	(6)	(6)
Impact of Liabilities	51	521	51	521	(51)	(521)	(51)	(521)
Impact of Net Assets	(13)	(478)	(13)	(478)	46	515	46	515

[b] Credit risk

Credit risk is managed on a Group basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, derivative financial instruments, as well as credit exposures to customers, including outstanding receivables.

It is acknowledged that the Group's sales of crude oil are currently concentrated with two counterparties. However, the Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history, and that the Group has the ability to sell crude to other parties if desired.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. Where commercially practical the Group seeks to limit the amount of credit exposure to any one financial institution.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets as summarised in this note.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
CASH AND CASH EQUIVALENTS		
Counterparties with external credit rating (Standard & Poors)		
AA-	24,819	19,794
A+	9	9
B	7	-
	24,835	19,803
Counterparties without external credit rating		
Share of joint operations cash balances	1,019	1,579
Overseas financial institutions	66	90
	1,085	1,669
Total cash and cash equivalents	25,920	21,472
RECEIVABLES		
Counterparties with external credit rating (Standard & Poors/Fitch)		
AAA	111	125
AA+	178	111
AA-	2,795	1,492
A+	2,434	5,656
A-	2,073	-
B	12	5
	7,603	7,389
Counterparties without external credit rating		
Share of joint operation receivables balances	273	412
Joint operations partners	47	117
Other	-	128
	320	657
Total receivables	7,923	8,046

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical rates are adjusted to reflect current and forward-looking information on key factors affecting the ability of the customers to settle the receivables. Management has assessed the collectability of these amounts based on the customer relationships and historical payment behaviour and believe that the amounts are still collectable in full.

On that basis, the loss allowance as at 30 June 2020 was determined as follows for trade receivables:

AS AT 30 JUNE 2020	CURRENT	MORE THAN 30 DAYS DUE PAST	MORE THAN 60 DAYS DUE PAST	TOTAL
Expected loss rate	0%	0%	0%	
Gross carrying amount	7,923	-	-	7,923
Loss Allowance	-	-	-	-

As at 30 June 2020, there were no financial assets that are past due (30 June 2019: US\$Nil). At the date of this report, the full balance of the receivables has been received in cash.

[c] Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group has policies in place to manage liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities.

Financing arrangements

The Group had access to the following undrawn borrowing facilities as at the end of each reporting period:

	CONSOLIDATED	
	30 JUNE 2020 US\$'000	30 JUNE 2019 US\$'000
FLOATING RATE:		
Expiring within one year	1,599	9,300
Expiring beyond one year	-	-

Maturities of financial liabilities

An analysis of the Group's financial liability maturities for the current and prior financial year is set out below:

AS AT 30 JUNE 2020	NON-INTEREST BEARING US\$'000	VARIABLE RATE ¹ US\$'000	FIXED RATE US\$'000
Less than 6 months	9,829	5,556	-
6 – 12 months	1,354	13,230	-
Between 1 and 2 years	375	7,662	-
Between 2 and 5 years	-	-	-
Over 5 years	-	-	-
Total contractual cash flows	11,558	26,448	-

AS AT 30 JUNE 2019	NON-INTEREST BEARING US\$'000	VARIABLE RATE ¹ US\$'000	FIXED RATE US\$'000
Less than 6 months	15,692	1,350	-
6 – 12 months	307	11,315	-
Between 1 and 2 years	71	25,216	-
Between 2 and 5 years	-	16,338	-
Over 5 years	-	-	-
Total contractual cash flows	16,070	54,219	-

1 Includes principal repayments and future interest payments.

[d] Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 'Financial Instruments: Disclosures' requires disclosure of fair value measurements 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).

[i] Fair value measurements

The following table presents the Group's assets and liabilities measured and recognised at fair value as at 30 June 2020 and 30 June 2019:

AS 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

AS AT 30 JUNE 2019	LEVEL 1 US\$'000	LEVEL 2 US\$'000	LEVEL 3 US\$'000	TOTAL US\$'000
ASSETS				
Derivatives used for hedging	2,708	-	-	2,708
New Zealand carbon credits	796	-	-	796
Total Assets	3,504	-	-	3,504
LIABILITIES				
Derivatives used for hedging	307	-	-	307
New Zealand ETS obligation	488	-	-	488
Financial liabilities at fair value through profit or loss: Options over unissued shares	-	-	11,838	11,838
Total liabilities	795	-	11,838	12,633

There were transfers between levels 1 and 2 for recurring fair value measurements during the year. The Group transferred its hedging derivatives from level 1 to level 2. There were no other transfers between levels 1,2 or 3 for recurring fair value measurements during the year.

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 30 June 2020.

(ii) 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 hedging derivatives 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 estimate. 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 is 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 observable yield curves; 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.

[iii] Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended 30 June 2020 for recurring fair value measurements:

	OPTIONS OVER UNISSUED SHARES US\$'000
Opening balance at 1 July 2019	11,838
Additions during the period	-
Profit recognised in profit or loss	(8,047)
Closing balance at 30 June 2020	3,791

[a] 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 30 JUNE 2020 US\$'000	UNOBSERVABLE INPUTS	RANGE OF INPUTS (PROBABILITY- WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Options over unissued shares	3,791	Share price volatility	62.50%	All other inputs being equal, an increase/decrease in share volatility results in an increase/decrease in the fair value of the liability

[b] 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 62.5% was applied in the valuation. All other parameters were based on the specific terms of the options issued or observable market data.

[iv] Other fair value measurements

The carrying value of receivables and payables are assumed to approximate their fair values due to their short-term nature.

The fair value of other financial liabilities (being financial guarantees), after factoring in the likelihood that the parent entity would be required to perform under the guarantees, was not considered material.

The fair value of borrowings for disclosure purposes is not materially different to their carrying value given the likely anticipated repayment profile. Refer to Note 18 for further details.

The fair value of other classes of financial instruments not yet covered above was determined to approximate their carrying value.

[c] Capital risk

The consolidated entity manages its capital to ensure that entities in the consolidated group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

[d] Climate-related and other emerging risks

Climate-related and other emerging risks encompass the impact of climate change, any associated climate change regulations, funding restrictions and any other emerging factors (e.g. technological disruption to the oil and gas industry) that could have a material impact on the Group. The Group will continue to monitor the impact of these risks.

At the date of this report, the Group is impacted by emissions trading regulations in New Zealand. Currently there are no equivalent emissions trading regulations in the other jurisdictions in which the Group operates.

The Group manages the impact of the emissions trading regulations in New Zealand by acquiring New Zealand carbon credits (NZUs) throughout the financial period to offset its annual obligation, such that it is not wholly exposed to the NZU price at the date of settlement.

At 30 June 2020, if the New Zealand carbon credit price had been 10% p.a. higher or lower and all other variables held constant, the net result for the financial year would increase/(decrease) and net assets as at 30 June 2020 would increase/(decrease) by:

GROUP	NET RESULT		NET ASSETS		NET RESULT		NET ASSETS	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Change in NZU price	+10%	+10%	+10%	+10%	-10%	-10%	-10%	-10%
Impact	(42)	(74)	44	31	42	74	(44)	(31)

Note 25 New Zealand Imputation Credits

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
Imputation credits available for subsequent financial years ¹	2,961	2,983

¹ The franking credits available for subsequent financial years are only available to New Zealand resident shareholders under the Trans-Tasman imputation legislation.

Note 26 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy set out in Note 1(c):

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY HOLDING AND VOTING INTEREST (ALL SHARES ISSUED ARE ORDINARY SHARES)		BUSINESS ACTIVITIES CARRIED ON IN
		2020 %	2019 %	
Horizon Oil International Limited	New Zealand	100	100	New Zealand
Horizon Oil (New Zealand) Limited	New Zealand	100	100	New Zealand
Horizon Oil International Holdings Limited	BVI	100	100	BVI
Horizon Oil (Beibu) Limited	BVI	100	100	China
Horizon Oil (China Holdings) Limited	BVI	100	100	BVI
Horizon Oil (PNG Holdings) Limited	BVI	100	100	BVI
Horizon Oil (Papua) Limited	Bermuda	100	100	PNG
Horizon Oil (Ketu) Limited	BVI	100	100	PNG
Horizon Oil (Ubuntu) Limited	BVI	100	100	PNG

The Group has deregistered the Horizon Oil USA Inc. subsidiary and accordingly the subsidiary is not consolidated into the financial statements for the 30 June 2020 financial period.

Note 27 Interest in joint operations

Companies in the Group were participants in a number of joint operations. The Group has an interest in the assets and liabilities of these joint operations. The Group's share of current assets and liabilities of the joint operations is included in the consolidated statement of financial position in accordance with the accounting policy described in Note 1(c), and the carrying values of Group's share of exploration, development and production phase expenditure is recorded in accordance with the accounting policies set out in Note 1(o) & (p), under the following classifications:

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
CURRENT ASSETS		
Cash and cash equivalents	1,019	1,579
Receivables	273	412
Inventories	3,510	5,519
Total current assets	4,802	7,510
NON-CURRENT ASSETS		
Plant and equipment	-	-
Exploration phase expenditure	8,225	56,903
Oil and gas assets	116,702	157,453
Total non-current assets	124,927	214,356
Total assets	129,729	221,866
CURRENT LIABILITIES		
Payables	3,996	7,441
Total current liabilities	3,996	7,441
NON-CURRENT LIABILITIES		
Payables	-	-
Total non-current liabilities	-	-
Total liabilities	3,996	7,441
Share of net assets employed in joint operations	125,733	214,425

Contingent liabilities in respect of joint operations are detailed in Note 35.

Exploration and development expenditure commitments in respect of joint operations are detailed in Note 38.

The Group had an interest in the following joint operations:

PERMIT OR LICENCE	PRINCIPAL ACTIVITIES	INTEREST (%) 30 JUNE 2020	INTEREST (%) 30 JUNE 2019
NEW ZEALAND PMP 38160 (Maari/Manaia)	Oil and gas production, exploration and development	26.00%	26.00%
CHINA Block 22/12	Oil and gas production, exploration and development	26.95% / 55% ¹	26.95% / 55% ¹
PNG PDL 10	Oil and gas development	30.00% ²	30.00% ²
PRL 21	Oil and gas exploration and development	30.15% ^{2,3}	30.15% ²
PRL 28	Oil and gas exploration and development	30.00% ²	30.00% ²
PPL 259/574	Oil and gas exploration	80.00% ²	80.00% ²
PPL 430	Oil and gas exploration	0% ⁴	100.00% ^{2,4}
PPL 372	Oil and gas exploration	95.00% ^{2,5}	95.00% ²
PPL 373	Oil and gas exploration	100.00% ^{2,5}	100.00% ²
PRL 40	Oil and gas exploration	20.00% ²	20.00% ²

1 China National Offshore Oil Corporation ('CNOOC') is entitled to participate at up to a 51% equity level in any commercial development within Block 22/12. During 2011 CNOOC exercised its right to participate in the development of WZ 6-12 and WZ 12-8W within Block 22/12 at 51%.

2 PNG government may appoint a state nominee to acquire up to a 22.5% participating interest in any commercial development within the PNG licence areas.

3 The PRL 21 licensees have applied for a development licence. Tenure remains current, subject to PNG ministerial approval.

4 During the financial period the PPL 430 licence term expired. The licence had a \$nil carrying value at 30 June 2019 and the date of expiration.

5 The PPL 372 and 373 licensees have applied for an extension and variation of the licenses. Tenure remains current, subject to PNG ministerial approval.

Note 28 Impairment of non-current assets

During the financial period, the Group reassessed the carrying amounts of its exploration and development assets for indicators of impairment in accordance with the Group's accounting policy.

Estimates of recoverable amount are based on an asset's value-in-use or fair value less costs to sell (level 3 value hierarchy), using a discounted cash flow method, and are most sensitive to the following key assumptions:

For oil and gas assets, the estimated future cash flows for the value-in-use calculation are based on estimates, the most significant of which are 2P hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Under a fair value less costs to sell calculation, future cash flows are based on estimates of 2P hydrocarbon reserves in addition to other relevant factors such as value attributable to additional resource and exploration opportunities beyond 2P reserves based on production plans.

Estimates of future commodity prices are based on the Group's best estimate of future market prices with reference to external market analysts' forecasts, current and historical spot prices and forward curves. Future commodity prices are reviewed at least annually.

Forecasts of the foreign exchange rate for foreign currencies, where relevant, are estimated with reference to observable external market data and forward values, including analysis of broker and consensus estimates.

The discount rates applied to the future forecast cash flows are based on the Group's post-tax weighted average cost of capital, adjusted for risks where appropriate, including the risk profile of the countries in which the asset operates.

For capitalised exploration phase expenditure, in conjunction with consideration of the key assumptions detailed above, a further assessment is performed at each balance date, to determine whether any of the following indicators of impairment exists:

- (i) tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed; or
- (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is not budgeted or planned; or
- (iii) exploration for and evaluation of resources in the specific area have not led to the discovery of commercially viable quantities of resources, and the Group has decided to discontinue activities in the specific area; or
- (iv) sufficient data exists to indicate that although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

For plant and equipment, an assessment is performed at each balance date to determine if an asset's carrying amount is greater than its estimated recoverable amount. This assessment considers, amongst other things, whether the asset is still in use and the value that would likely be recovered from sale.

Recoverable amounts and resulting impairment write-downs recognised during the year ended 30 June 2020 are presented in the table below:

AREA OF INTEREST/CGU	SEGMENT	IMPAIRMENT WRITE DOWN US\$'000	RECOVERABLE AMOUNT ¹ US\$'000
<i>Exploration Phase Expenditure</i>			
Block 22/12	China Exploration	-	4,872
PRL 21	Papua New Guinea Exploration and Development	(48,498)	3,353
PRL 28	Papua New Guinea Exploration and Development	(230)	-
PRL 40	Papua New Guinea Exploration and Development	-	-
PRL 259/574	Papua New Guinea Exploration and Development	-	-
PPL 372	Papua New Guinea Exploration and Development	-	-
PPL 373	Papua New Guinea Exploration and Development	-	-
Impairment of exploration phase expenditure		(48,728)	8,225
<i>Oil & Gas Assets</i>			
PMP 38160 (Maari/Manaia)	New Zealand Development and Production	-	52,295
Block 22/12	China Development and Production	-	61,999
PDL 10 (Stanley)	Papua New Guinea Exploration and Development	(18,557)	2,408
Impairment of oil and gas assets		(18,557)	116,702
<i>Property, Plant & Equipment</i>			
Building	All other segments	-	410
Building	Papua New Guinea Exploration and Development	-	21
Other plant and equipment	All other segments	-	91
Leasehold improvements	All other segments	-	295
Leasehold improvements	Papua New Guinea Exploration and Development	-	52
Impairment of property, plant & equipment		-	869
Total		(67,285)	125,796

¹ Recoverable amount represent the carrying value of the asset before deducting the carrying value of the restoration liability (US\$33,947,000) and deferred royalty tax balance (US\$2,226,000).

The post-tax discount rates that have been applied to the above non-current assets range between 10% and 11% (2019: between 10% and 11%). The impairment assessment conducted in respect of the period considered recent challenges faced by the company in PNG, including unresolved licence tenure issues, the lack of progress in commercialisation of the discovered resources in the Western Province of PNG, and the recent shift by the PNG Government in requiring improved fiscal returns from resource projects. Reference was also made to comparable market transactions. In light of these matters and uncertainties, the Group has impaired its PNG exploration and development assets, to a carrying amount of US\$5.8 million.

Note 29 Remuneration of external auditors

	CONSOLIDATED	
	2020 US\$	2019 US\$
During the financial year, the following fees were paid or payable for services provided by the external auditor of the parent entity and its related practices:		
1. PwC Australia		
Audit and other assurance services		
Audit and review of financial reports	158,282	168,234
Other assurance services	14,267	14,307
Total remuneration for audit and other assurance services	172,549	182,541
Taxation services		
Tax compliance ¹	15,895	16,361
Total remuneration for taxation services	15,895	16,361
2. Non-PwC audit firms		
Audit and other assurance services	8,085	19,667
Total remuneration for audit and other assurance services	8,085	19,667
Total auditors' remuneration	196,529	218,569

¹ Remuneration for taxation services has been recorded on a gross basis; some of these fees were for services provided to PNG operated joint ventures.

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to its statutory external audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. It is the Group's policy to seek competitive tenders for all major consulting projects.

Note 30 Remuneration of key management personnel

See the Remuneration Report within the Directors' Report for details of directors and other key management and their detailed remuneration.

KEY MANAGEMENT PERSONNEL COMPENSATION	2020 US\$	2019 US\$
Short-term employee benefits	2,485,483	2,777,949
Post-employment benefits	86,860	116,036
Long-term benefits	22,810	82,541
Share-based payments (non-cash)	312,706	320,365
Total key management personnel remuneration	2,907,859	3,296,891

Detailed remuneration disclosures are provided in sections 1-7 of the audited Remuneration Report.

Loans to key management personnel

There were no loans to directors or other key management personnel during the current or prior financial year.

Other transactions with key management personnel

There were no other transactions with key management personnel during the current or prior financial year, other than as disclosed in sections 1-7 of the remuneration report.

Note 31 Related parties

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

Directors and other key management personnel

There were no related party transactions with directors and other key management personnel during the current or prior year other than as disclosed in sections 1-7 of the Remuneration report and Note 32.

Subsidiaries

Interests in subsidiaries are set out in Note 26. Details in respect of guarantees provided to subsidiaries are set out in Note 41 (ii).

Transactions with related parties

Transactions between Horizon Oil Limited and related parties in the wholly-owned Group during the financial years ended 30 June 2020 and 30 June 2019 consisted of:

- (a) Contributions to share capital by Horizon Oil Limited;
- (b) Loans advanced by Horizon Oil Limited;
- (c) Loans repaid to Horizon Oil Limited;
- (d) Payments to Horizon Oil Limited under financial guarantee contract arrangements;
- (e) Interest payments to Horizon Oil Limited on loans advanced to subsidiaries;
- (f) Dividends paid to Horizon Oil Limited; and
- (g) Reimbursement of expenses to Horizon Oil Limited.

The reimbursement of expenses to Horizon Oil Limited by subsidiaries is based on costs recharged on a relevant time allocation of consultants and employees and associated office charges.

The following transactions occurred with related parties:

	2020 US\$	2019 US\$
SUPERANNUATION CONTRIBUTIONS		
Superannuation contributions to superannuation funds on behalf of employees	284,020	296,757
OTHER TRANSACTIONS		
Payments to Horizon Oil Limited under financial guarantee contract arrangements from wholly owned subsidiary	1,158,521	2,067,258
Dividends from Horizon Oil International Limited to Horizon Oil Limited	9,500,000	-
Dividends from Horizon Oil (Beibu) Limited to Horizon Oil Limited	4,000,000	5,000,000

LOANS TO/FROM RELATED PARTIES	2020 US\$	2019 US\$
Balance at beginning of the financial year	170,251,852	163,361,550
Loans advanced	36,090,468	58,923,695
Loan repayments received	(22,456,323)	(53,403,781)
Interest charged	1,719,196	1,370,388
Balance at end of financial year	185,605,193	170,251,852

Terms and conditions

Transactions relating to dividends, calls on partly paid shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. Certain loans to/from subsidiaries are subject to interest, however, the interest is typically suspended until commercial production commences or a change in the ownership interest of the entity occurs. The average interest rate on loans attracting interest during the financial year was LIBOR plus 5.14% (2019: LIBOR plus 5.64%). Outstanding balances are unsecured and repayable in cash.

Note 32 Share-based payments

Set out below is a summary of unlisted options and share appreciation rights on issue:

EFFECTIVE ALLOCATION DATE	ESTIMATED EXPIRY DATE	EXERCISE PRICE	BALANCE START OF FINANCIAL YEAR NUMBER	GRANTED DURING FINANCIAL YEAR NUMBER	EXERCISED DURING FINANCIAL YEAR NUMBER	LAPSED/CANCELLED DURING FINANCIAL YEAR NUMBER	BALANCE END OF FINANCIAL YEAR NUMBER	VESTED AND EXERCISABLE AT END OF FINANCIAL YEAR NUMBER
CONSOLIDATED ENTITY 2020 SHARE APPRECIATION RIGHTS ISSUED								
01/07/2014	01/07/2019	A\$0.37 ²	7,402,177	-	-	7,402,177	-	-
01/07/2015	01/07/2020	A\$0.09 ²	17,629,840	-	10,171,063	-	7,458,777	7,458,777
01/07/2016	01/07/2021	A\$0.09 ²	16,617,522	-	-	-	16,617,522	16,617,522
01/07/2016	01/07/2021	A\$0.05 ²	24,372,395	-	12,186,198	-	12,186,197	12,186,197
01/07/2017	01/07/2022	A\$0.05 ²	55,691,714	-	-	-	55,691,714	-
01/07/2018	01/07/2023	A\$0.07 ²	8,680,899	-	-	-	8,680,899	-
01/07/2019	01/07/2024	A\$0.11 ²	-	12,859,747	-	-	12,859,747	-
Total			130,394,547	12,859,747	22,357,261	7,402,177	113,494,856	36,262,496
Weighted average exercise price			A\$0.08	A\$0.011	A\$0.07	A\$0.37	A\$0.07	A\$0.08
OPTIONS ISSUED								
02/11/2015	02/11/2020	A\$0.20 ¹	1,000,000	-	-	-	1,000,000	-
15/09/2016	15/09/2021	A\$0.06 ³	300,000,000	-	-	-	300,000,000	300,000,000
Total			301,000,000	-	-	-	301,000,000	300,000,000
Weighted average exercise price			A\$0.06	-	-	-	A\$0.06	-

1 Relates to options issued under the Employee Option Scheme.

2 No price is payable by a participant in the Long-Term Incentive Plan on the exercise of a SAR.

3 Relates to general options issued in connection with the subordinated secured debt facility. Refer to Note 19 for further details.

EFFECTIVE ALLOCATION DATE	ESTIMATED EXPIRY DATE	EXERCISE PRICE	BALANCE START OF FINANCIAL YEAR NUMBER	GRANTED DURING FINANCIAL YEAR NUMBER	EXERCISED DURING FINANCIAL YEAR NUMBER	LAPSED/CANCELLED DURING FINANCIAL YEAR NUMBER	BALANCE END OF FINANCIAL YEAR NUMBER	VESTED AND EXERCISABLE AT END OF FINANCIAL YEAR NUMBER
CONSOLIDATED ENTITY 2019 SHARE APPRECIATION RIGHTS ISSUED								
01/07/2014	01/07/2019	A\$0.37 ²	7,402,177	-	-	-	7,402,177	-
01/07/2015	01/07/2020	A\$0.09 ²	25,088,617	-	7,458,777	-	17,629,840	17,629,840
01/07/2016	01/07/2021	A\$0.09 ²	16,617,522	-	-	-	16,617,522	-
01/07/2016	01/07/2021	A\$0.05 ²	24,372,395	-	-	-	24,372,395	-
01/07/2017	01/07/2022	A\$0.05 ²	55,691,714	-	-	-	55,691,714	-
01/07/2018	01/07/2023	A\$0.07 ²	-	8,680,899	-	-	8,680,899	-
Total			129,172,425	8,680,899	7,458,777	-	130,394,547	17,629,840
Weighted average exercise price			A\$0.08	A\$0.07	A\$0.09	-	A\$0.08	A\$0.09
OPTIONS ISSUED								
02/11/2015	02/11/2020	A\$0.20 ¹	1,000,000	-	-	-	1,000,000	-
15/09/2016	15/09/2021	A\$0.06 ³	300,000,000	-	-	-	300,000,000	300,000,000
Total			301,000,000	-	-	-	301,000,000	300,000,000
Weighted average exercise price			A\$0.06	-	-	-	A\$0.06	-

1 Relates to options issued under the Employee Option Scheme.

2 No price is payable by a participant in the Long-Term Incentive Plan on the exercise of a SAR.

3 Relates to general options issued in connection with the subordinated secured debt facility. Refer to Note 19 for further details.

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.89 years (2019 – 3.32 years).

Long Term Incentive Plan

The LTI arrangements approved at the 2010 annual general meeting apply to senior executives and involve the grant of share appreciation rights which may vest subject (amongst other things) to the level of total shareholder return ('TSR') achieved in the vesting period, relative to an appropriate index.

Under the LTI Plan, the board has the discretion, subject to the ASX Listing Rule requirements, to grant share appreciation rights ('SARs') to executives as long-term incentives. The board has determined that up to 25% of senior executive's total remuneration would be long-term incentives in the form of SARs, with the number of SARs granted based on the value of a SAR.

A SAR is a right to receive either or both a cash payment or shares in the Company, as determined by the board, subject to the Company satisfying certain conditions, including performance conditions.

The LTI Plan provides that the amount of the cash payment or the number of shares in the Company that the participant receives on exercise of the SAR is based on the value of the SAR at the time it is exercised ('SAR Value'). The SAR Value is the excess, if any, of the volume weighted average price ('VWAP') of shares in the Company for the ten business day period up to the date before the date the SAR is exercised over the VWAP of shares in the Company for the ten business day period up to the day before the "Effective Allocation Date" for the SARs. The Effective Allocation Date for the SARs is the grant date of the SARs or any other day determined by the board, at the time of the grant. The Effective Allocation Date would generally be the date the executive's entitlement was determined.

If the board determines that the SARs are to be satisfied in cash, the amount of cash that the participant receives on the exercise of the SARs is the SAR Value multiplied by the number of SARs exercised (less any deduction for taxes that the Company is required to make from the payment). If the board determines that the SARs are to be satisfied in shares, the number of shares that the participant receives on the exercise of the SARs is the SAR Value divided by the volume weighted average price of shares in the Company for the ten business day period up to the day before the day the SARs are

exercised. Where the number of shares calculated is not a whole number, it will be rounded down to the nearest whole number.

No price is payable by a participant in the Long-Term Incentive Plan on the exercise of a SAR.

Employee Option Scheme

The issue of securities under the Employee Option Scheme was approved by shareholders for the purposes of the ASX Listing Rules at the 2014 Annual General Meeting. The scheme is open to permanent full time or part time employees of the Company. Executive directors and the Company's senior executives were eligible to participate until April 2010, when the board resolved to modify the remuneration arrangements for the Company's senior executives.

The maximum number of ordinary shares in respect of which options may be issued pursuant to the Employee Option Scheme, together with the number of partly paid ordinary shares on issue pursuant to any other employee share scheme of the Company, must not exceed 5% of the number of ordinary shares in the Company on issue from time to time.

Each option entitles the employee to subscribe for one share in the Company and each option expires 5 years from the date of issue. Options granted are progressively exercisable in three equal tranches from dates which are 12, 24 and 36 months after grant date. Upon exercise of the option, only one cent of the exercise price will be payable, with the balance being paid at the expiration of the period which is 5 years from the date of the issue of the options.

The exercise price will be the greater of:

- (a) the price determined by directors but will not be less than the weighted average sale price per share of all sale prices at which fully paid ordinary shares are sold on the ASX during the period of 5 business days ending on the business day prior to the date of the directors' meeting at which the directors resolved to grant the option; and
- (b) 20 cents per option.

The option exercise prices are subject to adjustment in certain circumstances in line with the ASX Listing Rule 6.22.2.

General options issued

On 15 September 2016 the Group issued 300 million general options over unissued shares in Horizon Oil Limited in connection with the drawdown of a subordinated secured non-amortising loan during the period. The carrying value of the associated derivative liability at 30 June 2020 was \$3,790,926 (2019: \$11,838,224). Refer to Note 19 for further details, including details of unrealised gains/losses resulting from revaluations through profit or loss recorded during the year. This liability is measured at fair value on a recurring basis and the options are not subject to any vesting conditions.

The general terms associated with the options included:

- Each option entitles the option holder to subscribe for one share in Horizon Oil Limited;
- The options expire 5 years from date of grant;
- Options are settled by the issue of shares in Horizon Oil Limited; and
- Options are unlisted.

The options were issued in connection with the subordinated secured debt facility drawn down during the 2017 financial year. The options are standalone instruments and accordingly were not cancelled and/or lapsed upon early settlement of the subordinated secured debt facility in November 2018.

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 62.5% was applied in the valuation. All other parameters were based on the specific terms of the options issued or observable market data.

Refer to Note 24(d) for further details of the valuation techniques and option pricing models associated with these instruments.

The model inputs for the measurement of the fair value of the general options on grant date during the financial year ended 30 June 2020 included:

Grant date	15 September 2016
Expiry date	15 September 2021
Exercise price	A\$0.061
Horizon share price at grant date	A\$0.064
Expected price volatility	62.50% p.a.
Risk free rate	0.26% p.a.
Expected dividend yield	0.00% p.a.

Share appreciation rights issued

12,859,747 share appreciation rights were issued under the Long-Term Incentive Plan. The weighted average exercise price of these SARs is A\$0.1054 with performance hurdles to be achieved prior to exercise. The independently assessed weighted average fair value at effective allocation date of these share appreciation rights was A\$0.057617 per SAR.

The fair value at effective allocation date is independently determined using a Monte Carlo Simulation method that takes into account the exercise price, the term of the option/SAR, the impact of dilution, the share price at effective allocation date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option/SAR.

The model inputs for the grant of share appreciation rights during the financial year ended 30 June 2020 included:

Effective allocation date	1 July 2019
Estimated expiry date	1 July 2024
Exercise price	N/A
10 Day VWAP of Horizon shares at effective allocation date	A\$0.1054
Expected price volatility	65.80% p.a.
Risk free rate	1.030% p.a.
Expected dividend yield	0.00% p.a.

No options were issued under the Employee Option Scheme during the year.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the financial year as part of employee benefits expense in profit or loss were as follows:

CONSOLIDATED

	2020 US\$'000	2019 US\$'000
SHARE APPRECIATION RIGHTS ISSUED UNDER:		
Long Term Incentive Plan	611	678
OPTIONS ISSUED UNDER:		
Employee Option Scheme	-	2
Total employee share-based payments expense	611	680

Options/SARs in respect of which expiry dates were modified during the financial year
No options/SARs were modified during the financial year.

Options/SARs exercised during the financial year
During the financial year 22,357,261 SARs were exercised and settled with cash payments of US\$1,174,315.

Options/SARs lapsing or cancelled during the financial year
During the financial year 7,458,777 SARs lapsed.

Options/SARs exercised and options/SARs issued subsequent to 30 June 2020
Subsequent to year end and in accordance with contract entitlement, 10,004,499 SARs were issued to key management personnel.

No options or SARs have been exercised subsequent to financial year end.

Options/SARs lapsed subsequent to 30 June 2020
No options or SARs have lapsed subsequent to financial year end.

Note 33 Employee entitlements

CONSOLIDATED

	2020 US\$'000	2019 US\$'000
EMPLOYEE ENTITLEMENT LIABILITIES ARE INCLUDED WITHIN:		
Current - other creditors	396	453
Non-current - other creditors (Note 16)	123	71
	NUMBER 2020	NUMBER 2019
EMPLOYEE NUMBERS		
Average number of employees during financial year	23	30

Note 34 Contingent asset

- [i] On 23 May 2013, the Group advised ASX that it had entered into an Agreement to sell 40% of its Papua New Guinea assets to Osaka Gas Niugini Pty Ltd ('Osaka Gas') a subsidiary of Osaka Gas Co. Ltd. of Japan. In addition to the cash on completion that was received, a further \$130 million in cash is due upon a project development decision which gives rise to Osaka Gas achieving equity LNG from its acquired gas volumes, plus potential production payments where threshold condensate production is exceeded. Due to the conditions required for the deferred consideration of \$130 million, and the potential production payments, all remaining consideration under the Agreement is disclosed as a contingent asset as at 30 June 2020. In the event that Osaka Gas does not participate in a project, under the terms of the Agreement, they are obliged to return their licence interests to Horizon. If Osaka Gas decide to transfer their PNG interests, the transferee must assume Osaka Gas's obligations and be financially acceptable to Horizon. If Osaka Gas decide to sell the entities holding the PNG interests, Osaka Gas's parent company, Osaka Gas Australia, will continue to guarantee the entities' performance of the obligations, unless Horizon agrees otherwise.
- [ii] The Maari joint venture carried out an upgrade of the FPSO *Rarua's* mooring system and repairs to the water injection flow line, production and test riser, and Maari wellhead platform during the 2016 and 2017 financial years. The works were carried out safely and within budget and the Group's share of the repair costs was approximately \$6.5 million. At the date of this report the Group had recovered \$5.0 million as settlement for the claims relating to the repairs to the water injection flow line, production and test riser, and Maari wellhead platform. Investigation and discussions with the relevant insurers continues in relation to the claim for the upgrade of the FPSO *Rarua's* mooring system.

Note 35 Contingent liabilities

The Group had contingent liabilities as at 30 June 2020 and 30 June 2019 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 the 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 any of the above contingent liabilities.

Note 36 Events after balance sheet date

Other than the matters disclosed in this report, there has not been any matter or circumstance which has arisen since 30 June 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.

The financial statements were authorised for issue by the Board of Directors on 27 August 2020. The Board of Directors has the power to amend and reissue the financial statements.

Note 37 Commitments for expenditure

Non-cancellable operating leases

On 1 July 2019, the Group adopted AASB 16 'Leases' (issued during January 2016), the new standard for lease accounting which eliminates the classification of leases as either 'operating' or 'finance' and requires a lessee to recognise on statements of financial position assets and liabilities. Accordingly, commitments for minimum lease payments in relation to non-cancellable operating leases are not disclosed below at 30 June 2020 as the financial obligations are recognised on the balance sheet at that date.

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases, not recognised in the financial statements, are payable as follows:		
Within one financial year	-	329
Later than one financial year but not later than five financial years	-	543
	-	872

Note 38 Exploration and development 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 consolidated financial statements. These are payable as follows, based on current status and knowledge of estimated quantum and timing of such commitments by segment.

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

2019	NEW ZEALAND DEVELOPMENT	CHINA EXPLORATION & DEVELOPMENT	PAPUA NEW GUINEA EXPLORATION & DEVELOPMENT	TOTAL
	US\$'000	US\$'000	US\$'000	US\$'000
Within one financial year	2,767	2,058	3,300	8,125
Later than one financial year but not later than 5 financial years	-	-	-	-
After 5 financial years	-	-	-	-
Total	2,767	2,058	3,300	8,125

The above commitments may be deferred or modified with the agreement of the host government, by variations to the terms of individual petroleum interests, 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.

In addition to the above commitments, the Group has invested funds in other petroleum exploration interests, but is not exposed to a contingent liability in respect of these, as it may choose to exit such interests at any time at no cost penalty other than the loss of the interests.

Note 39 Reconciliation of profit after income tax to net cash flows from operating activities

	CONSOLIDATED	
	2020 US\$'000	2019 US\$'000
(LOSS)/PROFIT FOR FINANCIAL YEAR	(55,139)	35,826
Impairment expense	67,285	
Exploration and development expenditure written off/expensed	4,218	4,592
Depreciation expense	358	136
Profit on sale of fixed assets	(24)	(24)
Movement in employee entitlement liabilities	51	9
Non-cash employee share-based payments expense	611	680
Amortisation expense	26,354	39,284
Amortisation of prepaid financing costs	511	1,406
Provision for restoration	885	833
Unrealised fair value movements associated with subordinated debt	-	3,133
Unrealised movement in in fair value of other financial liabilities	(8,047)	(11,157)
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
(Increase)/Decrease in trade debtors	(154)	6,806
Decrease/(Increase) in other debtors and prepayments	426	(3)
Decrease/(Increase) in inventory	2,243	(2,372)
Decrease in net deferred tax liabilities	(181)	(1,049)
(Decrease)/Increase in tax payable	(1,247)	1,243
Increase/(Decrease) in trade creditors	77	(5,825)
Decrease in other creditors	(1,496)	(705)
Net cash inflow from operating activities	36,731	72,813

Note 40 Earnings per share

	CONSOLIDATED	
	2020 US CENTS	2019 US CENTS
(a) Basic earnings per share attributable to the ordinary equity holders of the Company	(4.23)	2.75
(b) Diluted earnings per share attributable to the ordinary equity holders of the Company	(4.23)	2.17
	2020 NUMBER	2019 NUMBER
WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,303,481,265	1,303,481,265
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,303,481,265	1,653,557,138
	2020 US\$'000	2019 US\$'000
RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE		
(Loss)/profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	(55,139)	35,826

Information concerning the classification of securities

[a] Partly paid ordinary shares

Partly paid ordinary shares carry the rights of fully paid ordinary shares and to that extent they have been recognised as ordinary share equivalents in the determination of basic earnings per share. All partly paid shares on issue are held by the Company.

Details regarding the partly paid ordinary shares are set out in Note 22.

[b] Options and share appreciation rights granted as compensation

Options and share appreciation rights (SARs) granted to employees under the Long Term Incentive Plan or Employee Option Scheme and general options issued (including the 300 million options issued in connection with the drawdown of the subordinated secured non-amortising loan facility in a prior period), are included in the calculation of diluted earnings per share to the extent to which they are dilutive. The SARs are considered to be contingently issuable shares and are treated as outstanding and included in the calculation of diluted earnings per share if the relevant performance hurdles have been met. Options and SARs have not been included in the determination of basic earnings per share.

Details regarding the options and share appreciation rights are set out in Note 32.

Note 41 Parent Entity financial information

[i] Summary financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

	PARENT ENTITY	
	2020 US\$'000	2019 US\$'000
STATEMENT OF FINANCIAL POSITION		
Current assets	4,697	6,988
Non-current assets	120,518	154,556
Total assets	125,215	161,544
Current liabilities	2,524	1,530
Non-current liabilities	3,891	11,909
Total liabilities	6,415	13,439
Net assets	118,800	148,105
Contributed equity	174,801	174,801
Share-based payments reserve	13,592	14,144
Retained earnings	(69,593)	(40,840)
Total equity	118,800	148,105
(Loss)/profit for the financial year	(28,753)	17,645
Total comprehensive (loss)/profit for the financial year	(28,753)	17,645

[ii] Guarantees entered into by the parent entity

The parent entity has provided guarantees in respect of bank loans and hedge derivatives of its subsidiaries amounting to US\$26,775,165 (2019: US\$50,405,616) and has also provided customary joint venture guarantees.

No liability has been recognised for guarantees provided. After factoring in the likelihood that the parent entity would be required to perform under the guarantees the fair value of the liability was not considered material.

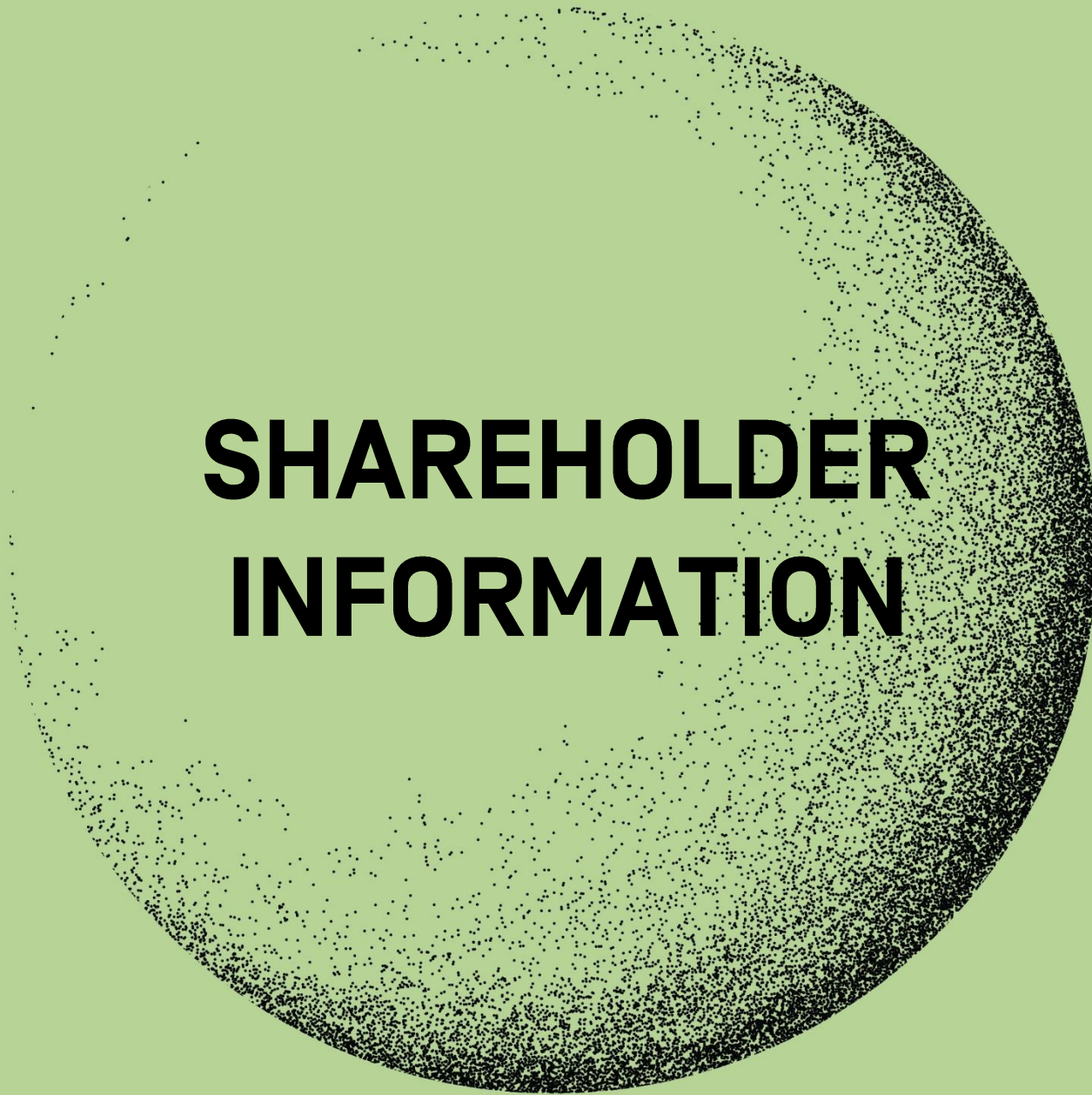
[iii] Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019. For information about guarantees given by the parent entity, see above.

[iv] Contractual commitment for the acquisition of property, plant or equipment

As at 30 June 2020, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2019 – US\$Nil).

HORIZON



**SHAREHOLDER
INFORMATION**

Horizon Oil Limited and Controlled Entities Securities Exchange Information as at 14 August 2020

Distribution of Equity Securities

The distribution of equity security holders ranked according to size at 14 August 2020 was as follows:

SIZE OF HOLDING	ORDINARY SHARES		SHARE APPRECIATION RIGHTS
	SHARES	UNLISTED OPTIONS	
1 to 1,000	487	-	-
1,001 to 5,000	813	-	-
5,001 to 10,000	797	-	-
10,001 to 100,000	2,052	-	-
100,001 and over	893	3	6
Total	5,042	3	6

A total of 1,719 holders held less than a marketable parcel of 8,475 ordinary shares.

Twenty Largest Shareholders

The names of the twenty largest shareholders of the Company's ordinary shares are listed below.

	NAME	NO. OF ORDINARY SHARES	% OF ISSUED ORDS
1	Citicorp Nominees Pty Limited	450,393,600	34.59
2	HSBC Custody Nominees (Australia) Limited	113,676,892	8.73
3	J P Morgan Nominees Australia Limited	109,148,559	8.38
4	Carrington Land Pty Ltd	20,000,000	1.54
5	Mr Geoffrey Victor Day & Mrs Anne Margaret Day	20,000,000	1.54
6	National Nominees Limited	13,627,737	1.05
7	Mr David Harvey Peek	13,000,000	1.00
8	BNP Paribas Nominees Pty Limited	10,594,175	0.81
9	Global Mosaic Pty Limited	9,632,100	0.74
10	Finot Pty Ltd	8,857,143	0.68
11	Mr Christian James Haustead	8,593,064	0.66
12	Grizzley Holdings Pty Limited	8,511,941	0.65
13	Neweconomy Com Au Nominees Pty Limited	7,973,282	0.61
14	Mr Michael Francis Sheridan	7,968,201	0.61
15	Mr John Bernard Porteous	7,558,716	0.58
16	Berne No 132 Nominees Pty Ltd	7,000,000	0.54
17	Grandway Holdings Pty Ltd	6,693,612	0.58
18	Mr Leendert Hoeksema & Mrs Aaltje Hoeksema	5,800,000	0.45
19	Brides Pty Limited	5,500,000	0.42
20	Ozlexa Pty Limited	5,000,000	0.38
	Total	839,527,022	64.54

Issued Securities

Issued securities as at 14 August 2020:

SECURITY	NUMBER ON ISSUE	NUMBER OF HOLDERS
Ordinary fully paid shares ¹	1,301,981,265	5,042
Ordinary partly paid shares	1,500,000	1
Unlisted general options	300,000,000 ²	1
Unlisted employee options	1,000,000	2
Unlisted share appreciation rights	111,637,765 ³	6

¹ The Company's ordinary fully shares are listed on the Australian Securities Exchange.

² The Company issued 300 million warrants over unissued shares in the Company in accordance with the terms of the subordinated debt facility with IMC Investments Limited signed on 15 September 2016.

³ The Company issues share appreciation rights (SARs) to employees under its Long-Term Incentive Plan. SARs do not vest into ordinary shares on a 1:1 basis. The SAR value on vesting is calculated as the difference between the Horizon share price at allocation, and the Horizon share price at exercise. The Company may settle the SAR value in cash or shares or a combination, in the Board's absolute discretion.

Substantial Holders

Substantial holders in the Company are set out below:

ORDINARY SHARES	NO. OF ORDINARY SHARES	% OF ISSUED ORDS
IMC Investments Ltd (an associate of Austral-Asia Energy Pty Ltd)	393,981,792	30.26
Spheria Asset Management	139,686,534	10.73
Total	533,668,326	40.99

Voting Rights

Ordinary shares – fully paid

Voting of members is governed by the Company's Constitution. In summary, every member present in person or by proxy, attorney or representative shall have one vote on a show of hands and one vote for each share on a poll.

Ordinary shares – partly paid

Voting of members is governed by the Company's Constitution. In summary, every member present in person or by proxy, attorney or representative shall have one vote on a show of hands and upon a poll, is entitled to one vote to the proportion of the total issue price then paid up.

Options (employee/general) - unlisted

No voting rights.

Share appreciation rights - unlisted

No voting rights.

Glossary

A-IFRS	Australian equivalents to International Financial Reporting Standards
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
bbl(s)	Blue barrel(s), oil barrel volume is 0.159 cubic metres
bcf	Billion cubic feet of natural gas
boe	Barrel of oil equivalent. The factor used to convert gas to oil equivalent is based upon an approximate energy value of 6,000 cubic feet per barrel and not price equivalence at the time
boepd	Barrel of oil equivalent per day
bopd	Barrel of oil per day inclusive of NGLs
CNOOC	China National Offshore Oil Corporation
DEC	Department of Environment and Conservation (PNG)
DPE	Department of Petroleum and Energy (PNG)
EBITDAX	Earnings before interest, tax, depreciation, depletion and amortisation, and exploration expenses
ESP	Electrical submersible pump
FID	Final investment decision
FPSO	Floating production, storage and offloading vessel
GST	Goods and services tax
JOA	Joint operating agreement
km	Kilometres
LIBOR	London inter-bank offered rate
LNG	Liquefied natural gas
mmbbl/mambo	Million barrels of oil
mmboe	Million barrels of oil equivalent
mmcfb	Millions cubic feet barrels
NDRC	National Development and Reform Commission
NGL(s)	Natural gas liquid(s)
ODP	Overall Development Plan
PL	Pipeline licence
PDL	Petroleum development licence
PEP	Petroleum exploration permit
PMP	Petroleum mining permit
PRL	Petroleum retention licence
Reserves	Reserves as included in this report refers to both Proven and Probable reserves [2P]. Proven and Probable reserves are reserves that analysis of geological and engineering data suggests are more likely than not to be recoverable – there is at least a 50% probability that reserves recovered will exceed Proven and Probable reserves.
Reserves replacement ratio	Reserves replacement ratio is the ratio of the change in petroleum reserves (excluding production) divided by production.
Contingent Resources	The Company's technically recoverable resources [2C] for its discovered oil and gas fields are classified as contingent resources. These resources would be expected to be booked in reserves (Proven and Probable reserves) once commercialisation arrangements have been finalised.
PSA	Production Sharing Agreement
PNG	Papua New Guinea
SDA	Supplemental Development Agreement
SPE-PRMS	Society of Petroleum Engineers – Petroleum Resources Management System
Sq km	Square kilometres
tcf	Trillion cubic feet of natural gas
USD / \$US	United States dollars
WHP	Wellhead platform
WOU	Workover unit
2D Seismic	Seismic recorded in 2 dimensions
3D Seismic	Seismic recorded in 3 dimensions

Horizon Oil Limited
ABN 51 009 799 455

Board of Directors	Michael Harding (Chairman) Chris Hodge (Chief Executive Officer) Gerrit de Nys Sandra Birkenleigh Gregory Bittar (Alternate: Bruno Lorenzon)
General Counsel/Company Secretary	Kylie Quinlivan
Assistant Company Secretary	Kyle Keen
Australian Registered Office [Principal place of business]	Level 6, 134 William Street, Sydney NSW 2011 Telephone: +[612] 9332 5000 Facsimile: +[612] 9332 5050 E-mail: exploration@horizonoil.com.au Web site: www.horizonoil.com.au
Domicile and country of incorporation	Australia
Share Registrar	Computershare Investor Services Pty Limited Level 4, 60 Carrington Street SYDNEY NSW 2000 Telephone: +[613] 9415 4000
Solicitors	King & Wood Mallesons Level 30 Waterfront Place 1 Eagle Street BRISBANE QLD 4000
Auditor	PricewaterhouseCoopers One International Towers Sydney Watermans Quay, Barrangaroo SYDNEY NSW 2000
Stock Exchanges	Horizon Oil Limited shares are listed on the ASX (ASX code: HZN)
Notice of annual general meeting	The Annual General Meeting of Horizon Oil Limited will be held as a virtual meeting. Time: 10.00am Date: 20 November 2020

HORIZON