Horizon Oil Limited ABN 51 009 799 455
Level 6, 134 William Street, Woolloomooloo NSW Australia 2011
Tel +61 2 9332 5000, Fax +61 2 9332 5050 www.horizonoil.com.au

13 July 2015

REPORT ON FOURTH QUARTER ACTIVITIES – 30 JUNE 2015

HIGHLIGHTS

- **Annual revenue of US$104.0 million through 30 June 2015; revenue of US$25.1 million for June quarter**
- **Annual production of 1.31 million bbls; annual sales 1.21 million bbls**
- **Production for quarter 367,342 bbls, an increase of 13.2% on prior quarter**
- **Average realised price US$78.10/bbl for oil sold in June quarter**
- **Cash at year end US$61.3 million**
- **Current net daily oil production rate of 4,400 bbls**
- **Operating cost US$12.35/bbl for June 2015 half**
- **Maintenance of strong operating income levels, despite falling oil prices, resulting from continued lower operating expenditure, decreasing approximately 40% from December 2014 half year, and hedging gains**
- **Capital expenditure for June 2015 half reduced by 70% from December 2014 half from US$63.9 million to US$18.7 million with completion of exploration and development drilling in China, Papua New Guinea and New Zealand**
- **Maari growth projects drilling program complete; final well commenced production on 6 July 2015 increasing field production to over 16,000 bopd**
- **Block 22/12, China: Horizon Oil's cost recovery oil entitlement - US$98.0 million at 30 June 2015; materially increasing the Company's production entitlement from the field in 2016 from 26.95% to over 35% while the cost recovery entitlement is preferentially recovered**
- **PNG: substantial activity and transactions surrounding Horizon Oil's Western Province gas/condensate resources as PNG LNG expansion and Papua LNG progress to FID by end 2017 and Repsol joins Elevala/Ketu and Stanley joint ventures**

CORPORATE

Financial close of US$120 million cash advance facility

The Company advised on 15 May 2015 that it had executed and closed the US$120 million revolving cash advance facility outlined in its March 2015 quarterly report.

The cash advance facility, provided by ANZ and Westpac, incorporates a base tranche of US$120 million, which was used to replace the Company's reserves based lending facility, together with an additional US$50 million "accordion" tranche to accommodate, if required, working capital and redemption[1] of the US$80 million, 5.5% convertible bonds in June 2016. The terms of the new revolving cash advance facility provide greater flexibility to the Group with improved commercial terms and additional tenor, with the facility extended to May 2019.

Taking into account:
- the Company's cash balance of US$61.3 million at 30 June 2015;
- forecast net operating income[2] to June 2016 in excess of US$80 million;
- materially reduced budgeted/forecast capital expenditure profile over the coming 12 months of approximately US$33 million;
- deferral of scheduled amortisation under the renegotiated debt facility; and
- to the extent required, the potential for additional debt capacity under the "accordion" tranche of the revolving cash advance facility (maximum additional debt of US$50 million)

the Company expects to have available substantial additional cash reserves to meet redemption obligations under the Company's US$80 million, 5.5% convertible bonds maturing in mid-2016.

[1] The current (and floor) conversion price of the convertible bonds is US$0.409 per share (approximately A$0.55/share) with no further potential resets as a result of the Company's share price applicable under the terms of the convertible bond trust deed.

[2] excluding amortisation

By way of background, the proceeds from the 2011 convertible bond issue provided funds for the acquisition and development of part of Horizon Oil's current 26.95% interest in Block 22/12. Since commencement of production in 2013, the Block 22/12 field has achieved cumulative production of over 9.0 mmbo. The convertible bond debt is unsecured and subordinated to Horizon Oil's senior debt facilities. The convertible bonds have a five year fixed term with the bond holders having no ability, in the ordinary course of business, to require redemption prior to their maturity date.

The Company's ability to obtain the revised terms for its cash advance facility in this low oil price environment was a result of Horizon Oil's strong debt servicing capability demonstrated by the Company's ratio of net debt to forecast net operating income[3] of approximately 1.7 times.

The strong underlying cashflow from high cash margin production revenue is enhanced by the Group's commodity hedging program which included 842,000 barrels of oil hedged in the 18 months from January 2015 to July 2016 at a weighted average hedge price of US$95/barrel.

Summary of results for quarter

Revenue for the quarter was US$25.1 million from sales of 321,455 bbls of oil. The average realised price of oil sold over the quarter, including hedging gains, was US$78.10/bbl.

Annual production for 2014/15 was 1,310,485 bbls with Horizon Oil's net crude oil inventory at 30 June 2015 of 54,665 bbls.

The average cash operating costs were US$12.35 /bbl produced during the half year to 30 June 2015, a reduction of approximately 40% on the December 2014 half operating costs.

Quarterly net operating income[3] was US$21.4 million.

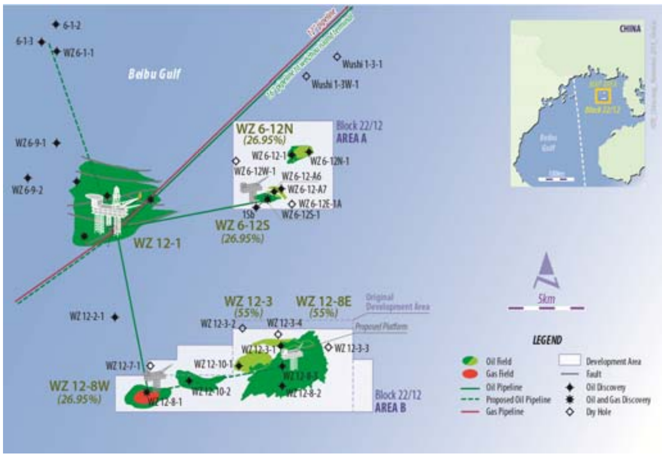
Forecast exploration and development capital expenditure for financial year 2015/16 (US$33 million) is materially reduced from the levels of previous periods and discretionary expenditure has been minimised across all of the joint ventures in which Horizon Oil participates. The material reduction in near term capital expenditure compared with prior periods reflects both:

(a) the completion of programmed exploration and development drilling in China, PNG and New Zealand; and

(b) the recognition by Horizon Oil and its joint venture partners of the need to conserve capital in the current oil price environment. Importantly, budgeted capital expenditure ensures planning for important development projects, particularly in China and Papua New Guinea, continues to advance so that they can benefit from lower development costs anticipated as a result of low oil prices.

PRODUCTION

Block 22/12, Beibu Gulf, offshore China (Horizon Oil: 26.95%)



Gross oil production averaged 10,215 bopd (HZN: 2,753 bopd). All of the 15 production wells are now being produced with artificial lift by electrical submersible pumps (ESPs). Cumulative oil production from the combined fields of 9 mmbo was achieved shortly after 30 June 2015.

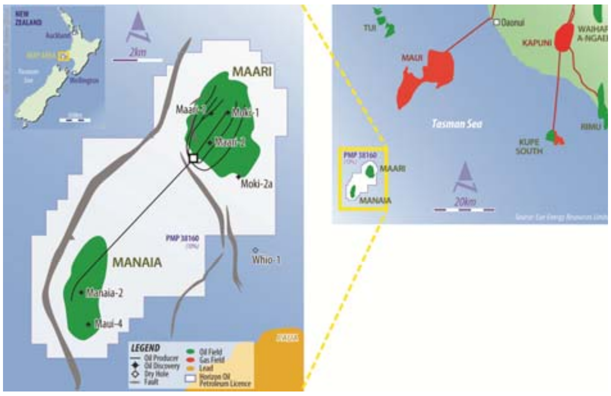
Horizon Oil's entitlement to cost recovery oil at 30 June 2015 was US$98 million. Based on forecast field production rates and current oil prices, Horizon Oil's Block 22/12 production entitlement will increase from 26.95% to over 35% of production with effect from Q4 2015, while the cost recovery entitlement is preferentially recovered.

Planning for an approved appraisal/development well on the WZ 12-10-2 new field discovery progressed in the quarter. The well (WZ 12-8W-A6H) will be drilled in Q4 2015 from the WZ 12-8W platform to evaluate the south eastern part of the structure and enable immediate production. The audited gross 2P reserves and 2C resources for the structure are 1.1 mmbo and 5.4 mmbo, respectively.

The WZ12-8 East feasibility expert review by CNOOC was concluded in May. Preparation of the Overall Development Plan for the field is underway, with completion scheduled in late 2015/early 2016. The audited gross 2C resources for the field (including WZ 12-10-1 and WZ 12-3-1) are 11.1 mmbo.

[3] excluding amortisation

PMP 38160, Maari/Manaia fields, Taranaki Basin, offshore New Zealand (Horizon Oil: 10%)



Gross oil production for the quarter averaged 12,840 bopd (HZN: 1,284 bopd). At the date of this report, gross production is in excess of 16,000 bopd.

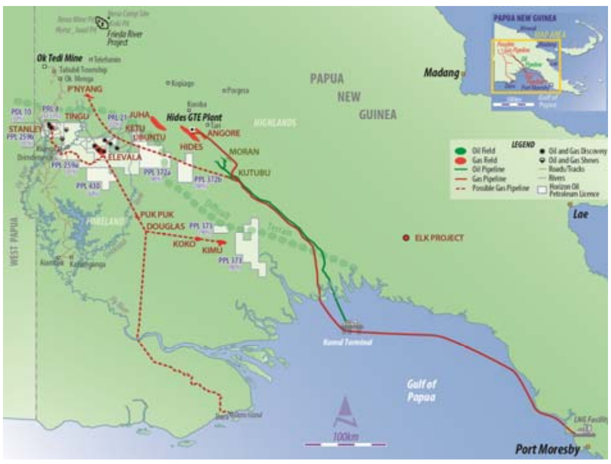
The Maari Growth Program progressed during the quarter. The Maari MR6A development well commenced production on 21 March 2015, with initial production of 7,800 bopd. The Maari MR7A and MR 10 wells were drilled and completed in the quarter and commenced production respectively on 18 May and 6 July 2015.

Drilling operations involving the *Ensco 107* were completed on 29 June 2015. The rig was successfully floated off the Maari Field location for demobilisation on 11 July 2015.

The Maari joint venture's work-over unit (WOU) equipment is being prepared for load out to the wellhead platform scheduled in late July 2015. The WOU will be used to carry out maintenance workovers and other activities such as adding perforations, initially on four wells, to further enhance production.

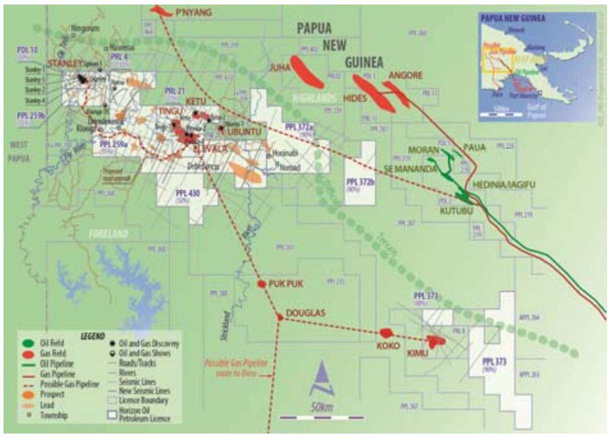
DEVELOPMENT

PDL 10, Stanley gas-condensate field, Western Province, Papua New Guinea (Horizon Oil: 30%)



The review process initiated by the Stanley joint venture to optimise project design, execution and timing prior to entering into material contracts for fabrication and construction of the project facilities continued in the quarter. The operator, Repsol, anticipates finalising the revised development concept for joint venture approval in 2H 2015.

Horizon Oil anticipates the revised project configuration will entail a phasing of the ultimate development and associated capital costs, enabling early investment to match the gas demand for power generation to meet the requirements of regional mining and industrial users. The target timing for first production is prior to the end of 2017.



PRL 21, Elevala/Tingu and Ketu gas-condensate fields, Western Province, PNG (Horizon Oil: 27% and operator)

Good progress was made in the quarter on pre-development planning and regulatory aspects of the project, including landowner, environmental and technical matters.

Horizon Oil, in partnership with Osaka Gas, progressed the feasibility study for a Western Province based mid-scale LNG concept, which is similar in approach to other barge mounted near shore LNG projects/proposals such as Pacific Rubiales *Caribbean FLNG* project, Santos/Engie's 2 mtpa Bonaparte Basin mid-scale LNG proposal and Woodside's Grassy Point near shore LNG development concept.

Oil Search Limited continued to highlight the potential for NW Hub gas resources, potentially including the gas resources in Stanley, Elevala, Ketu and Ubuntu fields, to supply the third PNG LNG expansion train, as indicated by the map below.

Source: Oil Search investor presentation 18 June 2015

Recent broker and media reports indicate that Santos may acquire an interest in the P'nyang field, located in the highlands approximately 70 km north of the Stanley, Elevala/Tingu and Ketu fields. The reports suggest a consideration payable/implied value of US$283 million for an estimated 13.5% interest in the 2.6 tcf (2C) P'nyang field (ie 350 bcf net). By way of comparison, in its more highly appraised Western Province (foreland) gas field, situated along the proposed pipeline route from P'nyang to Kutubu, Horizon Oil's audited 2C net gas resource volume is 400 bcf.

Considerable exploration and appraisal activity will be carried out in early 2016 immediately to the north of Horizon Oil's Western Province gas fields with the P'nyang participants planning to drill up to 2 appraisal wells and the PPL 269 participants, including Repsol, Santos and Oil Search to drill up to 2 exploration wells, with total drilling costs likely to be in the order of US$400-500 million.

Total, InterOil and Oil Search recently announced the selection of the facilities site for the Papua LNG project and confirmed the timetable for selection of the final development concept in early 2016.

Horizon Oil considers that these recent material developments have the potential to increase the likelihood of promising alternative commercialisation pathways emerging for its substantial gas resources in the Western Province forelands. The possible export pipeline route connecting P'nyang gas field to the existing PNG LNG system at Kutubu (see maps above), offers, in Horizon Oil's view, the potential for a gas aggregation project involving Stanley, Elevala/Tingu, Ketu, Ubuntu and P'nyang fields.

Naturally, the Company intends to progress planning for a greenfield LNG project at Daru Island as its base case. However, the opportunity to participate in a brownfield LNG development by way of aggregation of Horizon Oil's gas fields with those of other operators represents a potentially attractive proposition. The Company further understands that such proposals have considerable PNG governmental support.

FINANCIAL SUMMARY

Horizon Oil Limited Group
ASX Quarterly Announcement Unaudited Financial Summary
30/06/2015

	Q4 2015	Q3 2015	Change	YTD
	bbls	**bbls**	**%**	**bbls**
Production				
PMP 38160 (Maari and Manaia), offshore New Zealand				
Crude oil production	116,836	69,010	69.3%	316,628
Crude oil inventory on hand	54,665	25,372	115.5%	54,665
Crude oil sales	87,545	89,092	(1.7%)	286,474
Block 22/12 (Beibu Gulf), offshore China				
Crude oil production	250,506	255,468	(1.9%)	993,857
Crude oil sales	233,910	238,543	(1.9%)	928,014
Total Production				
Crude oil production	**367,342**	**324,478**	**13.2%**	**1,310,485**
Crude oil sales	**321,455**	**327,636**	**(1.9%)**	**1,214,488**
	US$'000	**US$'000**	**%**	**US$'000**
Producing Oil and Gas Properties				
PMP 38160 (Maari and Manaia), offshore New Zealand				
Production revenue[1]	5,803	4,608	25.9%	21,186
Operating expenditure[2]	976	2,538	(61.5%)	7,075
Amortisation	3,961	2,354	68.3%	9,023
Block 22/12 (Beibu Gulf), offshore China				
Production revenue[1]	13,357	11,262	18.6%	62,497
Operating expenditure[3]	2,692	2,337	15.2%	11,397
Special Oil Gain Levy	0	0	-	4,279
Amortisation	6,944	7,252	(4.2%)	28,074
Total Producing Oil and Gas Properties				
Production revenue	**19,160**	**15,870**	**20.7%**	**83,683**
Oil hedging gains/(losses)	**5,915**	**9,855**	**(40.0%)**	**20,267**
Total revenue (incl hedging gains/(losses))	**25,075**	**25,725**	**(2.5%)**	**103,950**
Operating expenditure[2,3]	**3,668**	**4,875**	**(24.8%)**	**22,751**
Amortisation	**10,905**	**9,606**	**13.5%**	**37,097**
Exploration and Development				
PEP 51313, offshore New Zealand	50	72		180
PDL 10 (formerly PRL 4), Papua New Guinea	0	0		19,259
PRL 21, Papua New Guinea	1,964	3,295		8,199
PPL 259, Papua New Guinea	2,171	0		20,745
PMP 38160 (Maari and Manaia), offshore New Zealand	5,613	5,557		25,954
Block 22/12 (Beibu Gulf), offshore China	0	0		8,333
	9,798	**8,924**	**9.8%**	**82,670**
Cash on hand at 30 June 2015[4]	**61,330**	**39,442**		**61,330**
Reserves-Based Debt Facility[5]	**120,000**	**110,000**		**120,000**
Convertible Bond[6]	**80,000**	**80,000**		**80,000**

1 Represents gross revenue excluding hedge gains and losses

2 Includes inventory adjustment

3 Includes Special Oil Gain Levy payable in China

4 Includes cash in transit

5 Represents principal amounts drawn down as at 30 June 2015

6 Represents principal amount repayable unless converted prior to 17 June 2016

7 Note the financial numbers contained in the summary above and the quarterly report as a whole are unaudited and subject to change

In accordance with ASX Listing Rules, the reserve and resource information in this report has been reviewed and approved by Mr Alan Fernie, Manager – Exploration and Development, Horizon Oil Limited. Mr Fernie (B.Sc), who is a member of AAPG, has more than 35 years relevant experience within the industry and consents to the information in the form and context in which it appears.