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28 October 2015

REPORT ON FIRST QUARTER ACTIVITIES – 30 SEPTEMBER 2015

HIGHLIGHTS

- **Revenue of US$20.8 million for September quarter 2015; calendar year to date revenue of US$75.6 million**
- **Production for quarter 354,063 bbls; calendar year to date production of 1.0 million bbls**
- **Average realised price, including hedging gains, of US$64.70/bbl for oil sold in September quarter**
- **Cash at 30 September 2015: US$44.0 million**
- **Current net daily oil production rate of approximately 4,000 bbls**
- **Operating cost US$11.60/bbl for September quarter sales volumes**
- **Maintenance of strong operating income levels, despite falling oil prices, resulting from continued lower operating expenditure and hedging gains**
- **Maari growth projects drilling program completed; final well commenced production on 6 July 2015 increasing field production to over 16,000 bopd**
- **Purchase and cancellation of US$21.2 million of 5.5% convertible bonds maturing in mid-2016, reducing outstanding bonds to US$58.8 million of initial $80 million**
- **Insurance proceeds from 2013 Maari mooring and swivel repair claim: aggregate net recoveries of US$7.4 million with US$4.0 million received in Q2 and Q3 2015 and remaining US$3.4 million to be received in December quarter**
- **Block 22/12, China: Horizon Oil's cost recovery oil entitlement - US$97.3 million at 30 September 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; emerging gas sales opportunities to meet West Papuan future agribusiness and industrial demand enjoying strong cross-border government support**

CORPORATE

Purchase and cancellation of convertible bonds

On 19 October 2015, the Company advised it had purchased and cancelled US$21.2 million of the Company's US$80 million, 5.5% convertible bonds which mature in mid-2016.

This repayment, in conjunction with the reduction of the drawn debt levels of the Company's senior debt facility, sees the Company's gross debt levels reduced by over US$60 million from April 2014.

The overall debt reduction has taken place in a period where the Company has completed the Maari Growth Program (leading to a doubling of field production), a highly successful exploration program in China (adding approximately 7.1 mmbo in gross reserves and contingent resources which are likely to be developed largely using existing infrastructure) and the subsurface development drilling at the Stanley field in PNG.

Insurance proceeds for the 2013 repair of the Maari FPSO swivel and mooring lines

The aggregate insurance proceeds for the 2013 repair of the Maari FPSO swivel and mooring lines were confirmed as US$74 million (US$7.4 million net to Horizon Oil). Horizon Oil received interim payments of US$4.0 million in Q2 and Q3 2015. The remaining US$3.4 million is anticipated in the December quarter.

The foregoing insurance recoveries were claimed under the Maari FPSO hull and machinery operational policy. Horizon Oil has a further material claim under its loss of production insurance policy that is anticipated to be finalised in coming months.

Taking into account:

- the Company's cash balance of US$44.0 million at 30 September 2015, supplemented by commodity hedge settlement revenue of US$4.0 million received in early October 2015;
- further insurance recoveries of US$3.4 million, plus additional recoveries under Horizon Oil's loss of production insurance policy;
- forecast annual net operating income[1] to June 2016 in excess of US$70 million;
- the recent repayment and cancellation of US$21.2 million of convertible bonds;
- materially reduced budgeted/forecast capital expenditure profile over the coming nine months of approximately US$26 million;
- deferral of scheduled amortisation under the Company's renegotiated US$120 million revolving cash advance debt facility as advised on 15 May 2015; 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 the necessary cash reserves to meet redemption obligations in respect of the Company's US$58.8 million[2], 5.5% convertible bonds maturing in mid-2016.

The Company's strong underlying cashflow from its high cash margin production revenue is enhanced by the Group's commodity hedging program which includes 450,000 barrels of oil hedged in the twelve months from July 2015 to June 2016 at a weighted average hedge price of US$95/barrel.

This cashflow, from conventional oil production developments, provides Horizon Oil with strong debt servicing capability as demonstrated by the Company's ratio of net debt to forecast net operating income[3] of less than 2.0 times.

Summary of results for quarter

Revenue for the quarter was US$20.8 million from sales of 321,724 bbls of oil. The average realised price of oil sold over the quarter, including hedging gains, was US$64.70/bbl. The average cash operating costs for oil sold in the quarter were US$11.60/bbl.

Calendar year to date production was 1.0 million bbls with Horizon Oil's net crude oil inventory at 30 September 2015 of 72,475 bbls, which was sold in early October 2015.

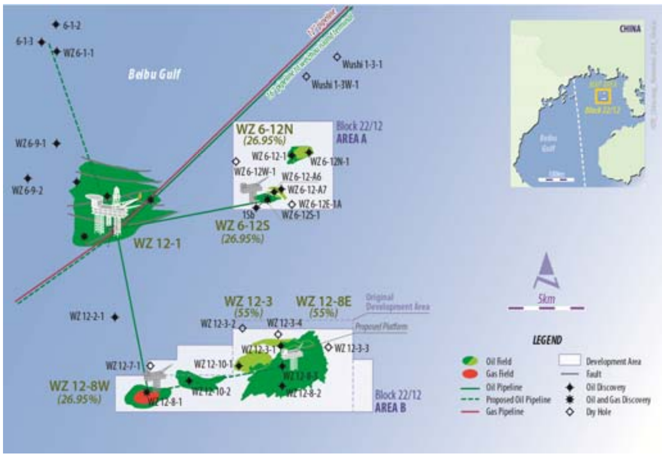
Quarterly net operating income[3] was US$17.1 million.

Forecast exploration and development capital expenditure for the remaining three quarters of the 2015/16 financial year is approximately US$26 million, a material reduction from the levels of previous periods with discretionary expenditure minimised across all of the joint ventures in which Horizon Oil participates.

Importantly, however, the reduced 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 8,817 bopd (HZN: 2,376 bopd). All of the 15 production wells are now being produced with artificial lift by electrical submersible pumps. Two wells were affected by pump issues, reducing optimum production rates during the quarter. Notwithstanding the downtime in the quarter, the Company expects the Block 22/12 2015 production budget of 3.1 mmbo will be exceeded. Cumulative oil production from the combined fields will achieve the significant milestone of 10 mmbo prior to 31 October 2015.

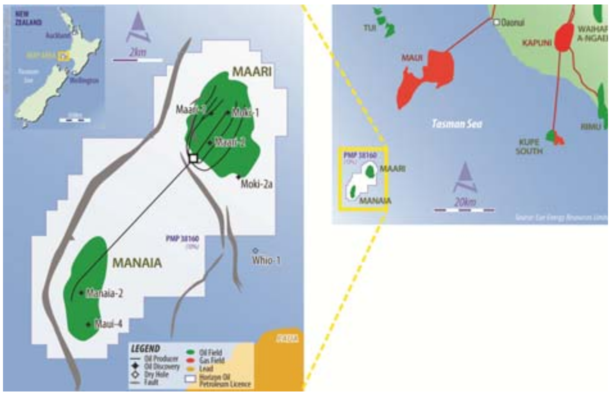
Horizon Oil's entitlement to cost recovery oil at 30 September 2015 was US$97.3 million. Based on forecast field production rates and current oil prices, Horizon Oil's Block 22/12 production entitlement will increase from 26.95% to over 35% of production in 2016, while the cost recovery entitlement is 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/Q1 2016 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.

Preparation of the Overall Development Plan for the WZ 12-8E field continues, with completion scheduled in early 2016. The audited gross 2C resources for the field (including WZ 12-10-1 and WZ 12-3-1) are 11.1 mmbo.

[1] excluding amortisation
[2] previously US$80 million
[3] excluding amortisation

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



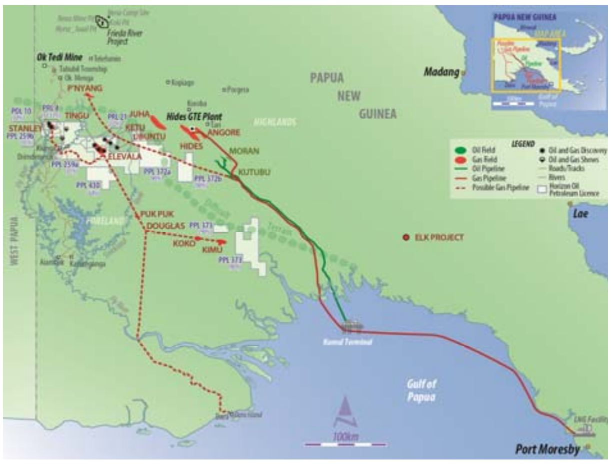
Gross oil production for the quarter averaged 14,723 bopd (HZN: 1,472 bopd). At the date of this report, gross production is approximately 15,000 bopd.

The Maari Growth Program was completed in the quarter with drilling operations involving the *Ensco 107* 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 was re-installed on the wellhead platform with recommissioning completed in late August. The WOU has been and will continue to be used to carry out maintenance workovers and other activities such as adding perforations, initially on four wells, to further enhance production.

DEVELOPMENT

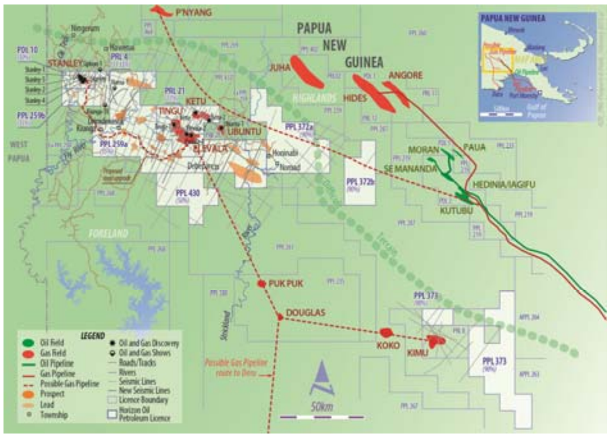
PDL 10, Stanley gas-condensate field, Western Province, Papua New Guinea (Horizon Oil: 30%)



Repsol, operator of the Stanley joint venture, continued its optimisation review of project design, execution and timing prior to entering into material contracts for fabrication and construction of the project facilities.

Concurrently, Repsol continues to engage in discussions with Ok Tedi Mining Limited and regional mining operators with respect to gas sales for power generation.

As previously advised, 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)

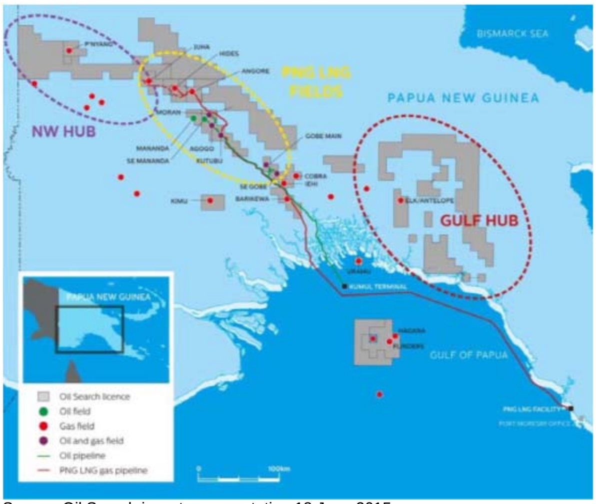
Further good progress was made in the quarter on pre-development planning and regulatory aspects of the project, including landowner, environmental and technical matters.

The PRL 21 joint venture participants progressed the feasibility study for a Western Province based mid-scale LNG development concept, potentially involving aggregation of the 3.3 tcf of discovered Western Province and offshore gas resources, the cornerstone volumes of which are the condensate-rich Elevala/Tingu and Ketu fields operated by Horizon Oil. The targeted completion date for the joint venture's feasibility study is mid-2016.

Significant potential is emerging for sales of large gas volumes to satisfy future West Papuan agribusiness and industrial demand arising from the Merauke Integrated Food and Energy Estate, an Indonesian government food security initiative. After preliminary discussions with key existing and potential Indonesian stakeholders, the Company is carrying out preliminary feasibility studies on these opportunities.

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

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 on the map below. The outcome of the P'nyang appraisal drilling by the Exxon led joint venture, anticipated in mid-2016, will determine the extent of that joint venture's demand for the Elevala/Tingu and Ketu gas volumes (1 tcf gas/50 mmb condensate audited 2C resources) to satisfy a threshold 4 tcf volume for the PNG LNG Train 3 expansion.



Source: Oil Search investor presentation 18 June 2015

Total, InterOil and Oil Search recently announced the selection of the facilities site for the Papua LNG project, utilising gas resources from the Elk/Antelope fields, 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.

As noted above, the PRL 21 joint venture will progress planning for a greenfield LNG project at Daru Island as its base case and the Company will continue its feasibility analysis for gas sales to West Papuan agribusiness and industrial users. 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 Financial Summary
30/09/2015

	Q1 2016	Q4 2015	Change	YTD
	bbls	bbls	%	bbls
Production				
PMP 38160 (Maari and Manaia), offshore New Zealand				
Crude oil production	135,450	116,836	15.9%	135,450
Crude oil inventory on hand	72,475	54,665	32.6%	72,475
Crude oil sales	117,594	87,545	34.3%	117,594
Block 22/12 (Beibu Gulf), offshore China				
Crude oil production	218,613	250,506	(12.7%)	218,613
Crude oil sales	204,130	233,910	(12.7%)	204,130
Total Production				
Crude oil production	**354,063**	**367,342**	**(3.6%)**	**354,063**
Crude oil sales	**321,724**	**321,455**	**0.1%**	**321,724**
	US$'000	US$'000	%	US$'000
Producing Oil and Gas Properties				
PMP 38160 (Maari and Manaia), offshore New Zealand				
Production revenue[1]	6,723	5,803	15.9%	6,723
Operating expenditure[2]	1,292	976	32.4%	1,292
Amortisation	3,860	3,961	(2.5%)	3,860
Block 22/12 (Beibu Gulf), offshore China				
Production revenue[1]	8,816	13,357	(34.0%)	8,816
Operating expenditure[3]	2,436	2,692	(9.5%)	2,436
Special Oil Gain Levy	0	0	-	0
Amortisation	6,220	6,944	(10.4%)	6,220
Total Producing Oil and Gas Properties				
Production revenue	**15,539**	**19,160**	**(18.9%)**	**15,539**
Oil hedging gains/(losses)	**5,278**	**9,855**	**(46.4%)**	**20,267**
Total revenue (incl hedging gains/(losses))	**20,817**	**29,015**	**(28.3%)**	**99,692**
Operating expenditure[2,3]	**3,728**	**3,668**	**1.6%**	**3,728**
Amortisation	**10,080**	**10,905**	**(7.6%)**	**10,080**
Exploration and Development				
PEP 51313, offshore New Zealand	48	50		156
PDL 10 (formerly PRL 4), Papua New Guinea	797	0		20,056
PRL 21, Papua New Guinea	0	1,964		4,904
PPL 259, Papua New Guinea	0	2,171		20,745
PMP 38160 (Maari and Manaia), offshore New Zealand	5,814	5,613		26,211
Block 22/12 (Beibu Gulf), offshore China	1,397	0		9,730
	8,056	**9,798**	**(17.8%)**	**81,802**
Cash on hand at 30 September 2015[4]	**44,001**	**61,330**		**44,001**
Reserves-Based Debt Facility[5]	**120,000**	**120,000**		**120,000**
Convertible Bond[6]	**58,800**	**80,000**		**58,800**

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 September 2015
6 Represents principal amount repayable (as at 28 October 2015) unless converted prior to 17 June 2016

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.