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QUARTERLY REPORT

PERIOD ENDING 30 JUNE 2016

HIGHLIGHTS

CORPORATE

- During the quarter, the Company and its major shareholder, IMC Investments Limited, agreed the terms and conditions for the provision of a subordinated secured non-amortising debt facility of US$50 million. The proceeds of the loan, together with the Company's available cash, will be applied to redeem the remaining US$58.8 million of convertible bonds, which were issued in 2011 to increase the Company's interest in, and provide the development funding for, the Company's core production asset – Block 22/12, offshore China. The refinancing arrangements extend the maturities of the Company's senior and subordinated debt to an average of no less than three years at a volume weighted interest rate of LIBOR plus 5% pa.
- In conjunction with Horizon Oil's refinancing arrangements, the Company's convertible bondholders unanimously approved the extension of the bond redemption date to 19 September 2016, providing adequate time to obtain shareholder approval and implement the refinancing arrangements. While having received the unanimous approval for the deferral of the principal repayment of US$58.8 million, the Company satisfied the other conditions of the convertible bonds at the original redemption date of 17 June 2016, namely the payment of the accrued yield of US$5.2 million, together with the scheduled interest payments of US$1.6 million.
- The foregoing refinancing arrangements will continue the progressive reduction of the Company's gross debt in 2014 (after completion of the Block 22/12 development) of approximately US$240 million to a forecast net debt position in Q4 calendar year 2016 of approximately US$120 million. This reduction continues to be funded by revenue generated from the Company's high margin production assets in China and New Zealand.

FINANCIAL

- Revenue of US$18.6 million for June quarter 2016; financial year to date sales revenue of US$76.0 million.
- Sales for quarter 335,420 bbls, financial year to date sales 1.4 million bbls; additional Block 22/12 sales entitlement resulting from priority cost recovery entitlement materially increasing resultant production revenue; Maari inventory at quarter end (~33,000 bbls net to Horizon Oil), sold in early July 2016.
- Block 22/12, China - As previously indicated, Horizon Oil's economic entitlement to production increased in the quarter, as the Company preferentially recovered cost recovery oil. As a result of such priority cost recovery entitlement and rising oil prices, the Company's production revenue in the quarter from Block 22/12 increased by 80% to US$11.9 million.
- Average realised price, including hedging gains, of US$55.49 bbl for oil sold in June quarter.

- Average operating cost US$12.45/bbl[1] for June quarter production volumes.
- Reduction in capital expenditure by 58.5% from previous quarter to US$2.6 million.
- Cash at 30 June 2016: US$16.1 million.
- Hedging settlements of US$4.3 million received in early July 2016; further hedging implemented with 270,300 bbls hedged at an average price of US$51.32 (net of credit charges) over three quarters to 31 March 2017.

PRODUCTION AND DEVELOPMENT

- Successful completion of Maari mooring repairs in quarter, replacing all (8) FPSO mooring lines, and further enhancing asset integrity. Requisite operational shut-down period in the quarter to enable repairs and review of water injection flowline was limited to 16 days, incorporating the scheduled annual maintenance period.
- Production for quarter 319,364 bbls; financial year to date production of 1.4 million bbls.
- Current net daily oil production rate of approximately 3,800 bbls (before additional priority cost recovery oil entitlement in Block 22/12).

[1] normalised for inventory adjustments, freight, demurrage and mooring repair costs

CHIEF EXECUTIVE OFFICER'S COMMENTS

The board and management of Horizon Oil were pleased to announce in the quarter the refinancing arrangements to address the scheduled redemption of the Company's remaining convertible bonds. Next week, shareholders will be issued with the formal notice of meeting and associated information (including an independent expert's and independent technical consultant's reports) to approve the abovementioned loan from IMC at a general meeting of shareholders. The support of IMC confirms the confidence that the major shareholder has in Horizon Oil and its assets

There is little doubt that the redemption of the convertible bonds has for some time weighed heavily on the Company's share price, particularly in the context of the dramatic impact of the fall in the oil price on both:

- the generation of free cash from the Company's high margin oil production assets in China and New Zealand; and
- the debt capacity available under the Company's senior debt facility.

The refinancing arrangements to be implemented by the Company on receipt of shareholder approval in the coming months involve a US$50 million subordinated debt facility provided by the Company's major shareholder, IMC. This subordinated debt facility, in conjunction with the Company's existing senior debt facility with ANZ and Westpac, extends the average maturity of the Company's debt to no less than 3 years, providing greater financial stability as the Company receives strong cashflow from its oil production assets. We continue to improve the profitability of Maari and Block 22/12 by further reducing cash operating expense and, in particular, cash flow from Block 22/12 increased markedly as the project entered the priority cost recovery phase of the petroleum contract.

Enhanced financial stability and improving cashflows will allow us to continue to reduce debt as a priority, as well as continue to advance Horizon Oil's large inventory of undeveloped resources towards production. The first example of this will be development of valuable additional oil resources in Block 22/12, offshore China, given the relatively modest incremental capital expenditure requirements for the development and that well-defined Block 22/12 commercial arrangements are already in place.

In recent months, we have seen demonstrated the strong competitive interest in PNG gas resources, with ExxonMobil's US$2.5 billion bid for InterOil Corporation eclipsing that by Oil Search and Total. Additionally, substantial expenditure on exploration and appraisal drilling continues to be incurred by large companies in areas close to Horizon Oil's condensate-rich gas fields. This investment activity highlights the value of Horizon Oil's material interests in the undeveloped Elevala/Ketu and Stanley fields, with certified gross 2C resources of 1.8 tcf and 67 million barrels of condensate. We believe our PNG assets provide a strong platform for material share price appreciation, as the Company progresses development planning with its partners including Repsol, Osaka Gas and Mitsubishi Corporation.

Brent Emmett
Chief Executive Officer

FINANCIAL SUMMARY

	Q4 2016 bbls	Q3 2016 bbls	Change %	YTD bbls
Production				
PMP 38160 (Maari and Manaia), offshore New Zealand				
Crude oil production	81,528	106,174	(23.2%)	451,384
Crude oil inventory on hand	32,994	5,486	501.4%	32,994
Crude oil sales	53,877	115,260	(53.3%)	472,871
Block 22/12 (Beibu Gulf), offshore China				
Crude oil production	237,836	247,544	(3.9%)	903,598
Crude oil sales	281,543	231,144	21.8%	903,198
Total Production				
Crude oil production	**319,364**	**353,718**	**(9.7%)**	**1,354,982**
Crude oil sales	**335,420**	**346,404**	**(3.2%)**	**1,376,069**

	US$'000	US$'000	%	US$'000
Producing Oil and Gas Properties				
PMP 38160 (Maari and Manaia), offshore New Zealand				
Production revenue[1]	2,452	4,092	(40.1%)	22,217
Operating expenditure[2]	1,543	2,448	(37.0%)	8,396
Inventory adjustment[3]	(1,158)	331	449.7%	816
Repairs and refurbishment expenditure	1,905	1,885	1.1%	4,510
Amortisation	2,854	3,832	(25.5%)	13,769
Block 22/12 (Beibu Gulf), offshore China				
Production revenue[1]	11,906	6,619	79.9%	34,238
Operating expenditure	2,527	2,251	12.3%	10,057
Amortisation	4,959	5,461	(9.2%)	22,631
Total Producing Oil and Gas Properties				
Production revenue	**14,358**	**10,711**	**34.0%**	**56,455**
Oil hedging gains/(losses)	**4,255**	**5,380**	**(20.9%)**	**19,497**
Total revenue (incl hedging gains/(losses))	**18,613**	**16,091**	**15.7%**	**75,952**
Direct production operating expenditure[2]	**4,070**	**4,699**	**(13.4%)**	**18,453**
Inventory adjustments and repairs and refurbishment expenditure[3]	**747**	**2,216**	**(66.3%)**	**5,326**
Amortisation	**7,813**	**9,293**	**(15.9%)**	**36,400**
Exploration and Development				
PEP 51313, offshore New Zealand	38	17		109
PDL 10, Papua New Guinea	1,416	888		3,797
PRL 21, Papua New Guinea	446	558		1,595
PPL 259, Papua New Guinea	256	0		864
PPL 430, Papua New Guinea	0	29		54
PMP 38160 (Maari and Manaia), offshore New Zealand	118	138		6,453
Block 22/12 (Beibu Gulf), offshore China	343	4,675		10,815
	2,617	**6,305**	**(58.5%)**	**23,687**
Cash on hand at 30 June 2016[4]	**16,079**	**17,034**		**16,079**
Reserves-Base Debt Facility[5]	**89,141**	**89,141**		**89,141**
Convertible Bond[6]	**58,800**	**58,800**		**58,800**

[1] Represents gross revenue excluding hedge gains and losses

[2] Represents direct production costs (during Q4 2016 included some demurrage and freight of $0.1 million on CIF sales)

[3] Includes accounting adjustment for cost of crude oil inventory sold or produced during the period (includes amortisation of $0.6 million in the quarter)

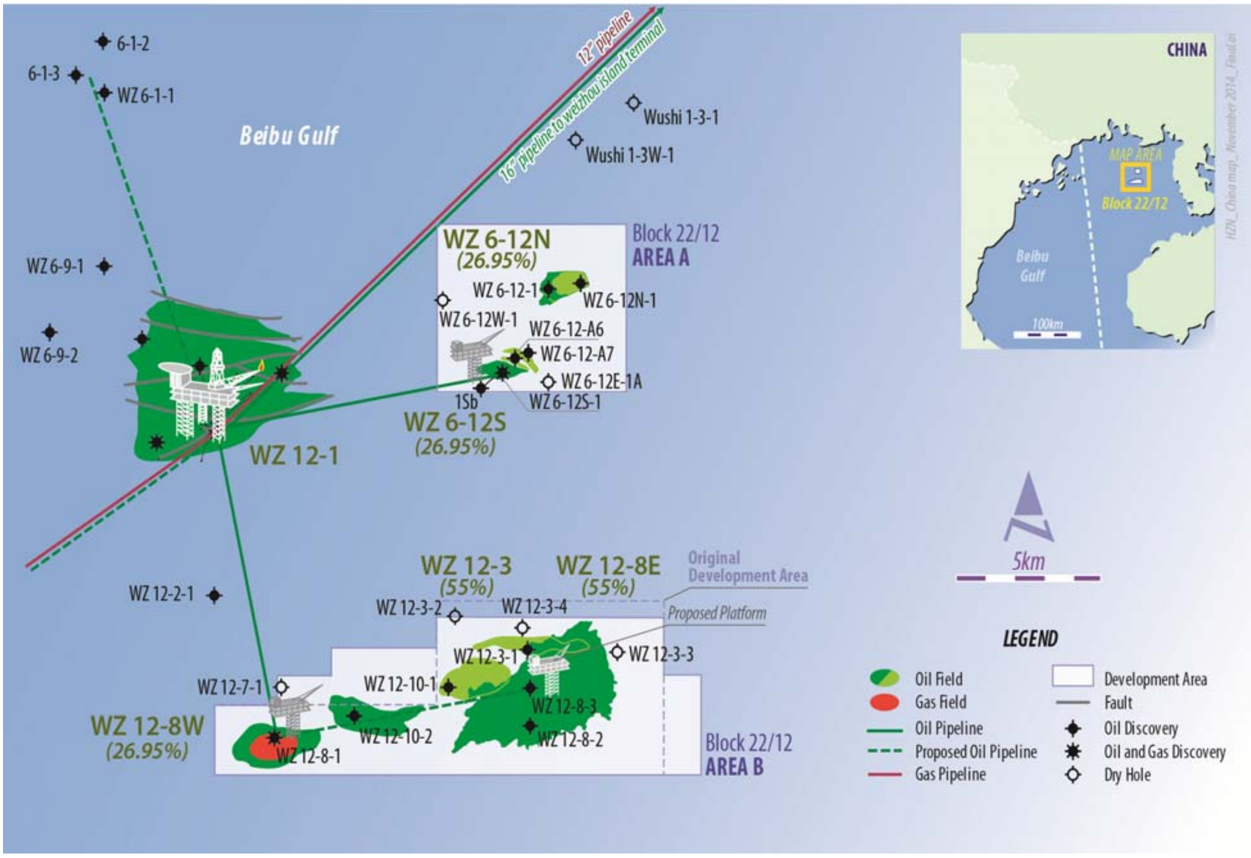
[4] Includes cash in transit

[5] Represents principal amounts drawn down as at 30 June 2016

[6] Represents principal amount repayable unless converted prior to 19 September 2016

PRODUCTION

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



Gross oil production for the quarter averaged 9,698 bopd (HZN: 2,614 bopd excluding cost recovery oil entitlement). Current production is approximately 9,420 bopd (HZN: 2,539 bopd excluding cost recovery oil entitlement).

Aggregate Block 22/12 production for the last 6 months is approximately 27% ahead of budget. Further, during the quarter, Horizon Oil's Block 22/12 production entitlement increased from 26.95% to over 35%, following the commencement of its entitlement to preferential cost recovery.

Sales revenue for the quarter increased by 80% through a combination of incremental cost recovery revenue and increasing oil prices. Horizon Oil's entitlement to cost recovery oil at 30 June 2016 was US$114 million.

Preparation of the Overall Development Plan for the WZ 12-8E field continues, with completion scheduled in 2017. The audited gross 2C resources for the field (including WZ 12-10-1 and WZ 12-3-1) are 11.1 mmbo.

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

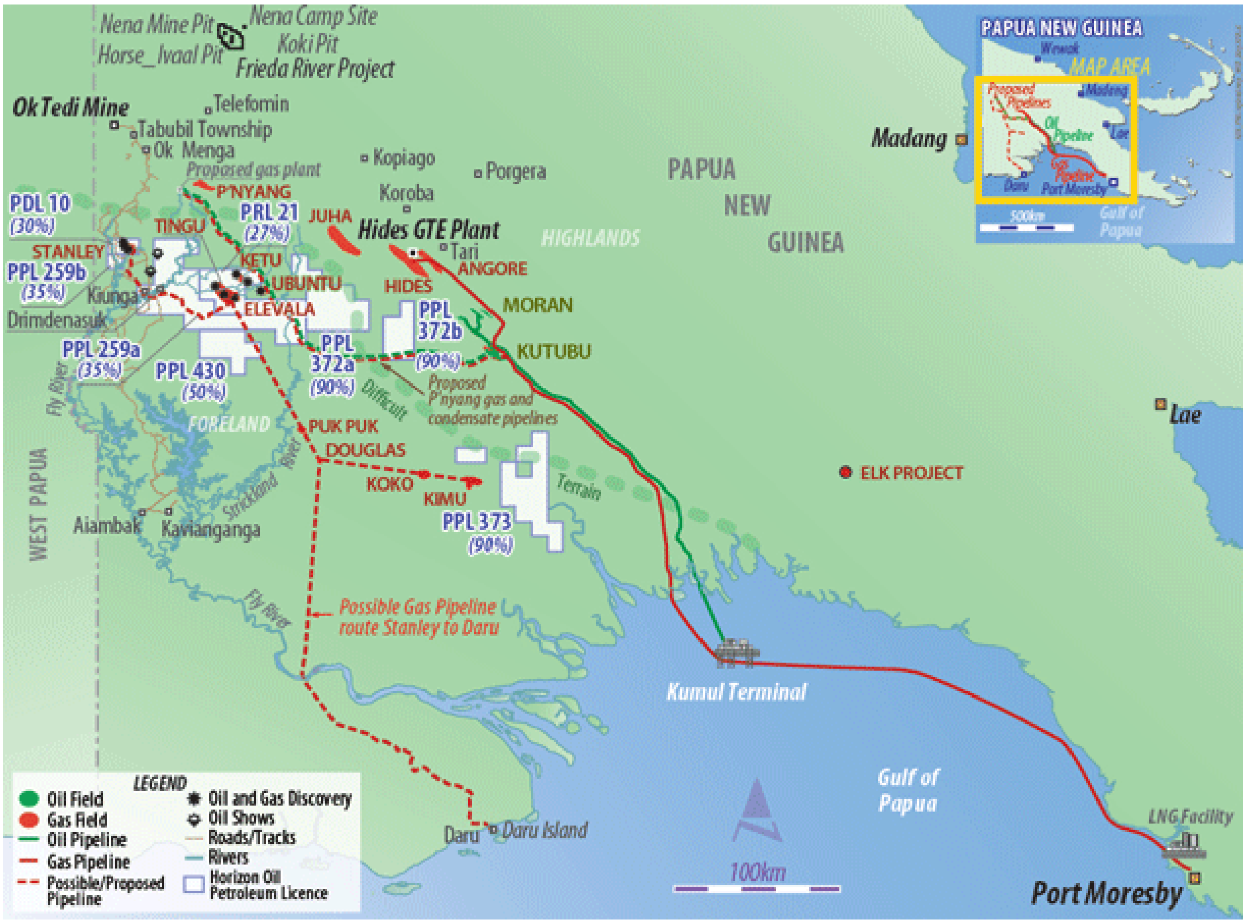
Gross oil production for the quarter averaged 8,959 bopd (HZN: 896 bopd). Current production is approximately 12,200 bopd (HZN: 1,220 bopd).

The repairs carried out on the FPSO *Raroa's* mooring system were successfully completed in the quarter. The Company anticipates that a significant portion of these works will be recovered from insurance.

The average oil production rate in the quarter was impacted by shut-in and restart periods while the foregoing activity was undertaken, reflected in the reduction in quarterly production compared with the prior period.

A multi-well work-over campaign is ongoing as planned with the highlight so far being the MR8A well additional perforation workover with the well now producing ~1,600 bopd. A similar workover is planned for the MN1 well in late August 2016.

DEVELOPMENT



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

Repsol, operator of the Stanley joint venture, continues to progress commercial and technical discussions with Ok Tedi Mining Limited and regional mining operators with respect to gas sales for power generation.

Repsol is currently reviewing the responses to the invitation to tender for the Stanley front end engineering design.

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 is progressing 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 with less engineering and financial risk.

EXPLORATION

PEP 51313, offshore New Zealand (Horizon Oil: 21% interest)

The joint venture participants have elected to withdraw from the permit, with completion of withdrawal anticipated in Q3 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.