

12 January 2017

The Manager, Company Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

HORIZON OIL (HZN) ADVISES SIGNIFICANT PRODUCTION MILESTONE AT BEIBU GULF FIELDS

Horizon Oil is pleased to advise that on 10 January 2017 production from the Beibu Gulf fields, offshore China, which came on stream in March 2013, reached a total of 13.9 million barrels of oil.

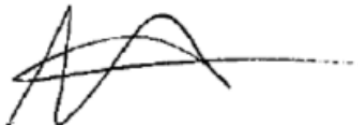
Up until this point, the Block 22/12 participants have been paying a fixed operating tariff of US\$4.75 per barrel to China National Offshore Oil Corporation (CNOOC) for transportation of oil through CNOOC's Weizhou pipeline, storage and loading facilities. This amount is part of the total cash operating cost which has averaged approximately US\$12 per barrel over the current financial year.

Having reached the 13.9 million barrel cumulative production milestone, the fixed tariff for all future production will reduce to US\$0.50 per barrel and the total per barrel operating cost will reduce accordingly.

Not only does Horizon Oil receive the benefit of reduced operating cost for its 26.95% working interest share of oil production, the additional effect is an increase in funds in the cost recovery pool under the Petroleum Contract, to which the Company currently has a 55% entitlement. The net result is an expected increase in cash flows to Horizon Oil of approximately US\$0.5 million per month.

The Beibu Gulf fields continue to produce in line with or above forecast levels, at a current rate of 8,500 bopd gross. CNOOC has done a commendable job in operating the fields safely and efficiently to date.

Yours faithfully,

A handwritten signature in black ink, appearing to be "Monika Fedorczyk". The signature is stylized with a large, sweeping initial 'M' and a long horizontal stroke extending to the right.

Monika Fedorczyk
Assistant Company Secretary

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