

HORIZON OIL LIMITED

ABN 51 009 799 455

Half Year FY2014 Financial Results 28 February 2014



Half Year Highlights

Reserves	Reserves and contingent resources expected to materially increase following successful Tingu-1 drilling results
Production	411% increase in 6 months production from comparable period last year, following successful ramp up in production in the Beibu Gulf
	Combined production rate of Maari and Beibu Gulf fields ~5,000 bopd net to Horizon by 31 December 2013
	Cumulative gross oil production from Maari field in excess of 22 million barrels; cumulative gross production from Beibu Gulf field in excess of 3 million barrels
Sales	672,143 barrels of oil, at an average realised price (net of hedging) of US\$100.80 per barrel, generating revenue of US\$64.8 million
Profit & Loss	EBITDAX of US\$32.9 million resulting from gross profit from operations of US\$15.1million
	Profit before tax of US\$1.8 million
Cash	One for seven entitlement offer at A\$0.33 per share successfully executed to raise A\$53.5 million
	Cash on hand at 31 December 2013 of US\$37.1 million
Capex	US\$54.7 million exploration and development expenditure program executed, driving production growth from China, improving future Maari performance, and reserves and resources growth
Debt	US\$160.0 million reserves based debt facility drawn to US\$134.3 million at 31 December 2013

Operational Results

HSE	TRIFR < 3 (Total recordable injury frequency rate) versus the APPEA five-year average of 5.4
	No significant loss of containment incidents (>1 barrel of oil equivalent)
China	Development of WZ 12-8W field completed and on stream in August 2013; combined with WZ 6-12 fields producing ~14,700 bopd gross (HZN share 4,000 bopd)
	Seismic farmin option negotiated for 40% interest in Block 09/05, Bohai Bay, offshore China
New Zealand	Maari Growth Projects program designed to bring additional reserves into production and boost current production rates significantly
	<i>Kan Tan IV</i> semi-submersible rig drilled Manaia-2 appraisal well which identified one new oil zone for development and one large oil zone in probably tight reservoir. <i>Ensco107</i> jack-up rig secured to carry out planned multi well Maari Growth Projects campaign beginning in Q2 CY2014
	Fields shut in for majority of period for major equipment upgrade and maintenance. Production recommenced on 12 December 2013, producing at a rate of approximately 11,600 bopd (HZN share 1,200 bopd)
	<i>Kan Tan IV</i> scheduled to spud Whio exploration well in PEP 51313 in Q1 CY2014, with Horizon Oil fully carried
Papua New Guinea	Significant gas/condensate discovery made with Tingu-1 exploration well in PRL 21, adding potentially 100 mmboe (gross) to resource base
	Government negotiations relating to Stanley PDL were finalised, and Gas Agreement issued for formal legal clearance. The landowner Development Forum will commence following PNG Cabinet approval of the Gas Agreement
	Negotiations regarding PRL 4 unitization with PPL 259 were finalised during the period

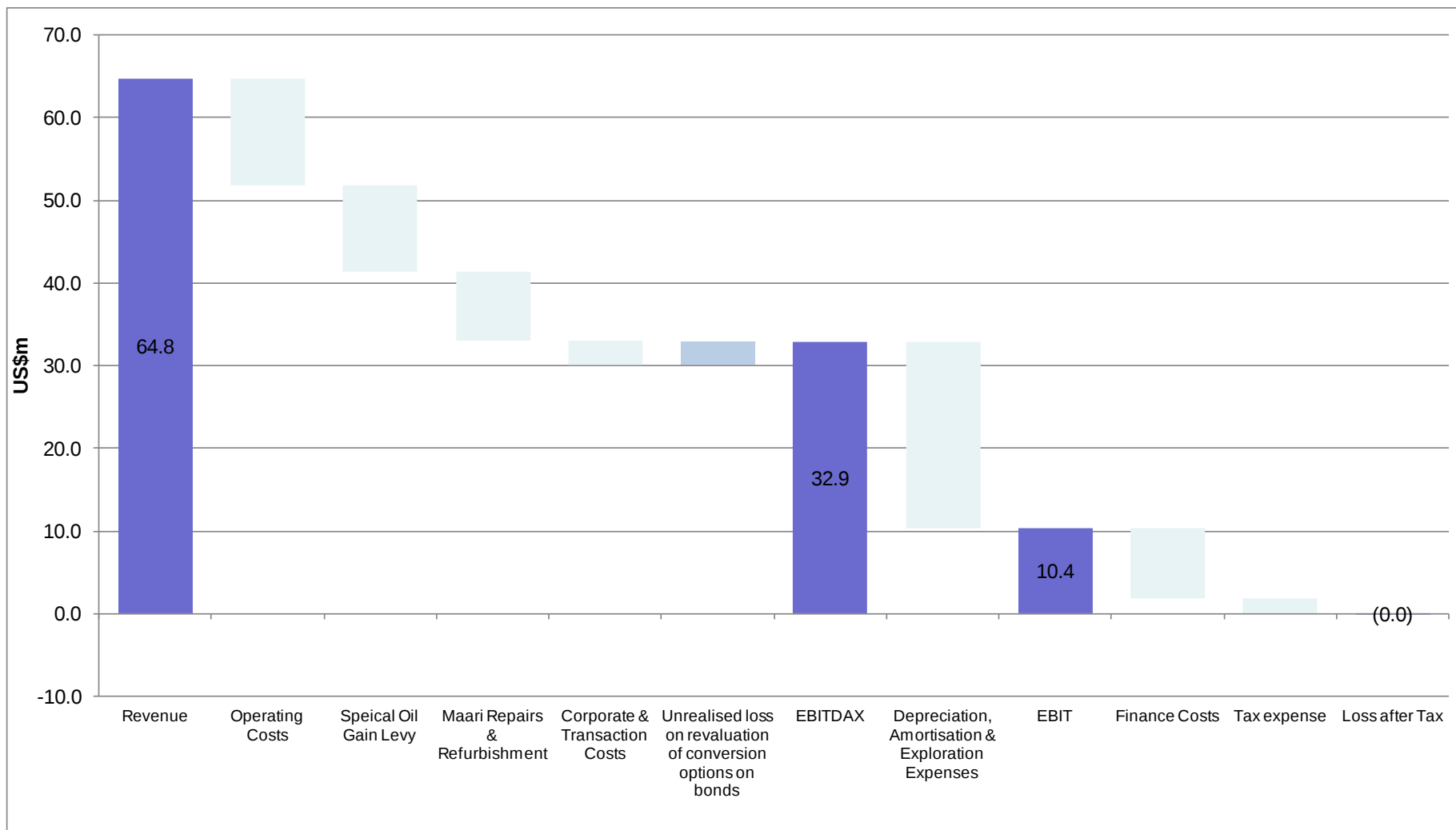
Profit and Loss

	6 Months to Dec 2013 (US\$ million)	6 Months to Dec 2012 (US\$ million)	Change (US\$ million)	Change (%)
Production	672,144 bbls	163,413 bbls	508,731 bbls	311
Sales	642,606 bbls	171,717 bbls	470,889 bbls	274
Realised Oil Price	US\$100.79/bbl	US\$106.34/bbl	(US\$5.55/bbl)	(5)
Sales Revenue	64.8	18.3	46.5	254
Gross Profit on Oil Sales	15.1	11.6	3.5	30
Unrealised gain/(loss) on revaluation of conversion options on bonds	2.8	(4.7)	7.5	159
EBITDAX*	32.8	4.5	28.3	629
EBIT*	10.4	2.2	8.2	373
Profit/(Loss) before Tax	1.8	(0.6)	2.4	400
Net (Loss)/Profit after Tax	(0.05)	(6.8)	6.75	99

- Significant increase in sales revenue and results driven by production from Beibu Gulf oil fields
- Results impacted by shut in of Maari field for 5 months for repairs and refurbishments costing US\$8.2m

*Note - EBITDAX and EBIT 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. The Directors consider EBITDAX and EBIT to be useful measures of performance as they are widely used by the oil and gas industry. EBITDAX and EBIT information have not been subject to any specific review procedures by the Group's auditor but have been extracted from the half-year financial report for the half-year ended 31 December 2013, which have been subject to review by the Group's auditors.

Profit and Loss analysis



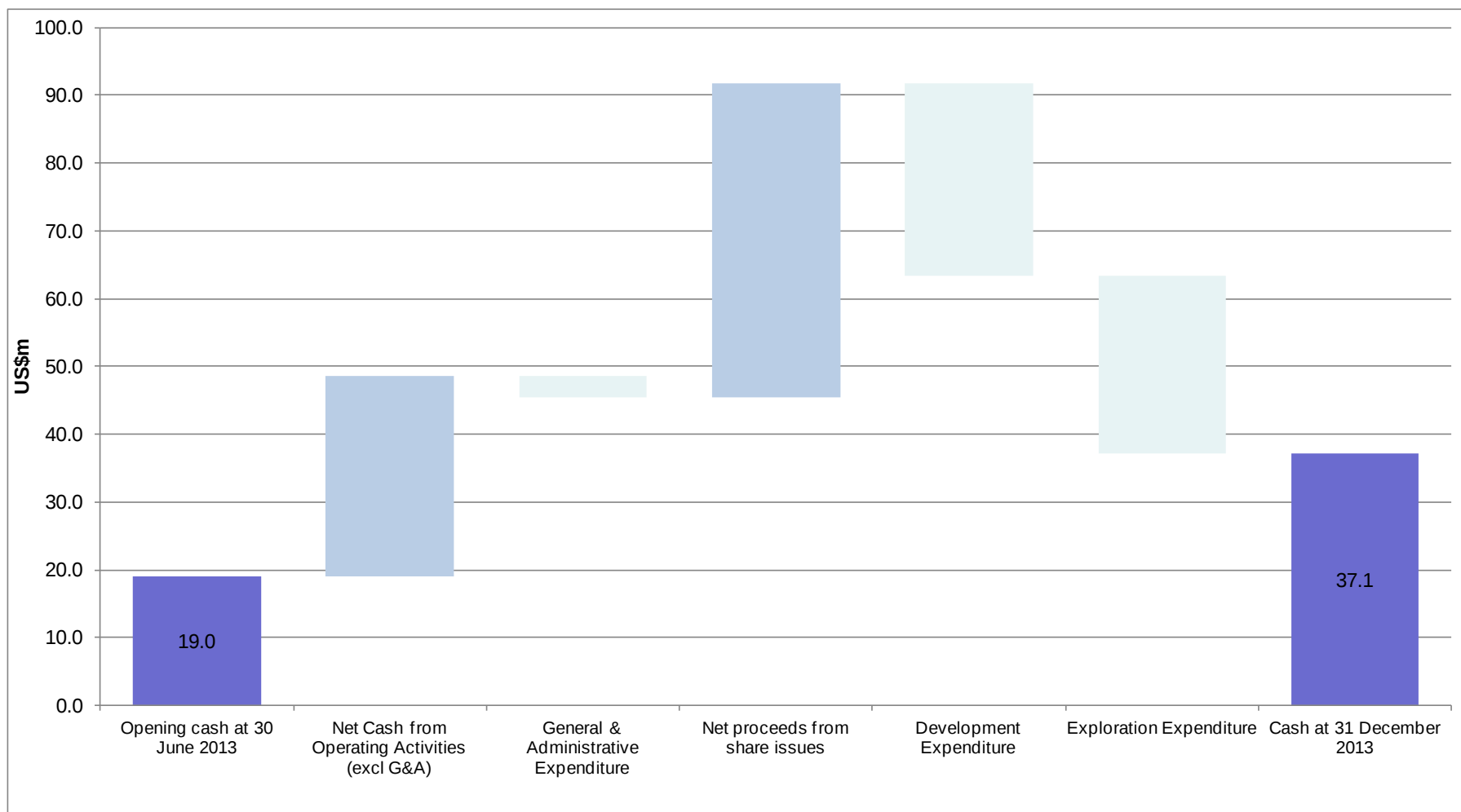
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Cash Flow

	6 Months to Dec 2013 (US\$ million)	6 Months to Dec 2012 (US\$ million)	Change (US\$ million)	Change (%)
Opening Cash	19.0	19.3	(0.3)	2
Net Cash from Operating Activities (excl G&A)	29.6	9.7	19.9	205
General & Administrative Expenditure	(3.1)	(4.5)	1.4	(31)
Net Proceeds from Reserves Based Debt Facility	-	88.1	(88.1)	(100)
Repayment of Finance Lease on FPSO <i>Raroa</i>	-	(3.1)	(3.1)	(100)
Other	-	(0.1)	(0.1)	(100)
Proceeds from issue of shares	46.3	-	46.3	100
Investment Activities				
Development Expenditure	(28.4)	(42.8)	14.4	(34)
Exploration Expenditure	(26.3)	(18.0)	(8.3)	46
Other	-	(0.2)	(0.2)	(100)
Closing Cash	37.1	48.4	(11.3)	(23)

- Significant increase in net cash from operating activities driven by Beibu Gulf production growth
- Proceeds from the rights issue used to fund the successful exploration and development program

Cash Flow Analysis



Outlook for 2014

Corporate

- Completion of sale of 40% of PNG assets to Osaka Gas Co Ltd
- Significant increase in production and revenue growth driven by the Group's China operations and Maari development program

Maari/Manaia and PEP 51313, offshore New Zealand

- Commencement of Maari Growth Projects drilling campaign utilising the *Ensco107* jack-up rig to access undeveloped reserves and increase Maari production
- Drilling of Whio exploration well in PEP 51313, utilising the *Kan Tan IV* semi-submersible rig, with Horizon Oil's share of costs fully carried by the farminee
- Pro-active well workovers to replace pumps; enhance water injection at Maari field to increase production

Block 22/12, offshore China

- Optimisation of oil production at Beibu Gulf fields
- Progress on Beibu Gulf fields Phase II development plan for the WZ 12-8E field

PRL 4 (Stanley), PRL 21 (Elevala/Tingu/Ketu) and onshore Papua New Guinea

- Obtain Stanley PDL and initiate field development in PRL 4
- Progress arrangements for sales of Stanley gas to regional PNG industrial consumers
- Complete FEED study for Elevala/Ketu condensate recovery project in PRL 21; target development licence application submission for PRL 21 in March 2014

Next 12 Month's Calendar Year Activity

		Q1 2014	Q2 2014	Q3 2014	Q4 2014
Exploration activities					
Development activities					
Maari	Manaia-2 process and analyse results	Maari growth projects			
PEP 51313		Whio-1 exploration drilling	Process and analyse results of drilling		
Block 22/12	WZ 12-8E Development planning		WZ 12-8E Target commencement of development		
	Well results analysis and production optimisation				
Block 09/05	Processing of seismic data in Bohai Bay and analyse results		Proposed drilling of two exploration wells and analyse results		
PRL 21	FEED for condensate recovery project		Target PDL application	Target FID followed by the commencement of early development works	
	Progress on Stanley PDL award	Target commencement of development			
PRL 4	Stanley development, and progress on Stanley gas sales to regional PNG consumers and larger scale gas commercialisation/export plans				
Other				Target for PPL 259 exploration well	
	Proposed acquisition of seismic data in PPL 372, PPL 373 and PPL 430				

Financial Year Results Presentation Information



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The reserve and resource information contained in this presentation is based on information compiled by Alan Fernie (Manager – Exploration and Development), a full-time employee of the Company. Mr Fernie (B.Sc), who is a member of the American Association of Petroleum Geologists, has more than 35 years relevant experience within the industry and consents to the inclusion of the information in the form and context in which it appears..