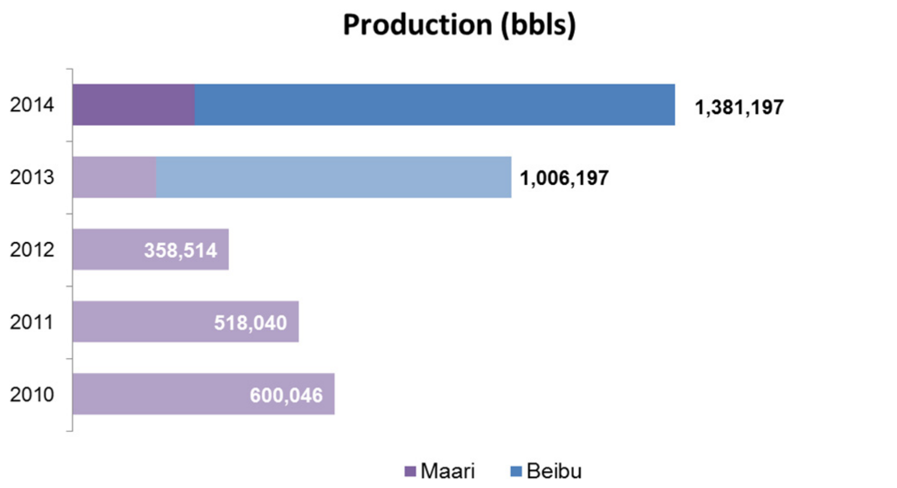
Half Year FY2015 Financial Results

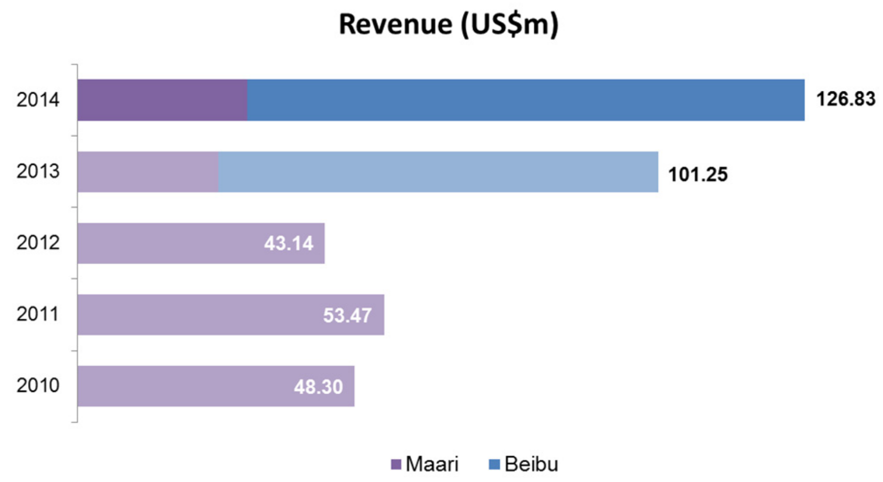
23 February 2015

ABN 51 009 799 455

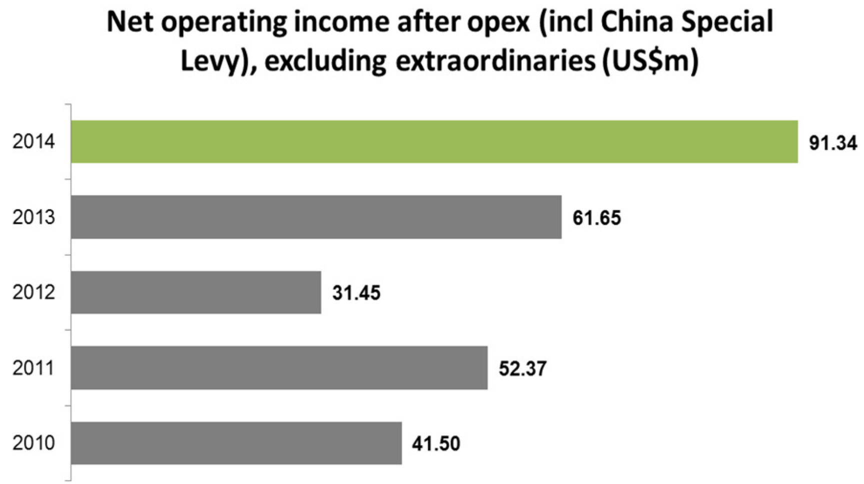
Five year calendar performance



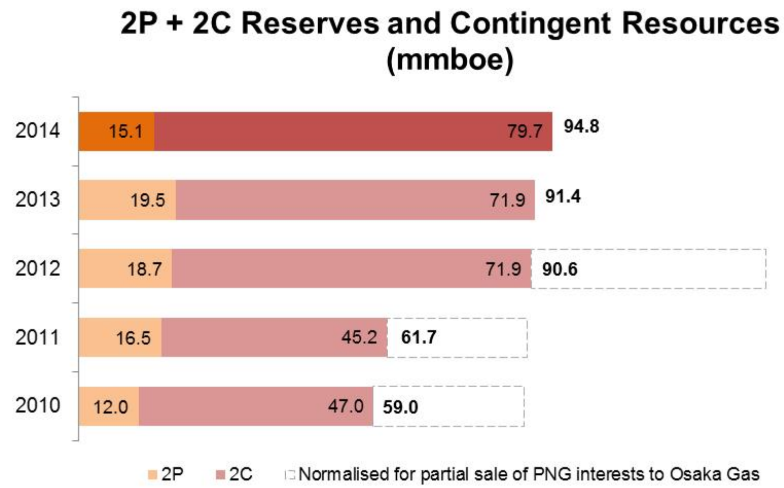
Completion of Maari Growth Projects expected to increase production in 2015. Beibu Gulf cumulative milestone of 7 mmbbls production achieved, with recent discoveries having potential in the order of 10 mmbo



The outlook for 2015 in the current oil price environment remains positive due to the benefit of oil price hedging



Cash cost in H2 2014 of US$22.97/barrel. Costs expected to reduce in the current low oil price environment



Reserves for each year end are adjusted to account for the prior years production. Figures shown as at 30 June 14

Half Year Highlights

Performance	618,665 barrels produced, sales of 565,397 barrels at an average realised price (net of hedging) of US$94.0 per barrel, generating revenue of US$53.1 million, and with operating expenditure of US$30.8 million. 45,621 barrels of inventory were held for sale at period end, with 45,522 bbls lifted on 5 Jan 2015
Cash	US$43.5 million cash on hand at 31 December 2014. Receipts from sales of US$53.9 million were offset by development and exploration drilling, growth projects to exploit further reserves and reduction of debt
Production	Combined production rate of Maari and Beibu Gulf fields ~3,400 bopd net to Horizon during the period
	Cumulative gross oil production since commencement, as at 31 December 2014: Maari field 25.2 million barrels; Beibu Gulf fields 7.1 million barrels
Profit & Loss	EBITDAX of US$43.7 million, up 33.2% from comparable period despite a decline in oil prices, as a result of strong hedging program in place
	Profit before tax of US$7.9 million, an increase of 341% to the comparable period
Capex	US$58.7 million capital expenditure was incurred on two successful development wells in PDL 10, two successful exploration wells in China, and the Maari Growth Projects including development wells and workovers of existing facilities
Debt	US$150 million reserves based debt facility drawn to US$110.0 million at 31 December 2014, a reduction of US$9.2 million from 30 June 2014 due to repayments made

Operational Results

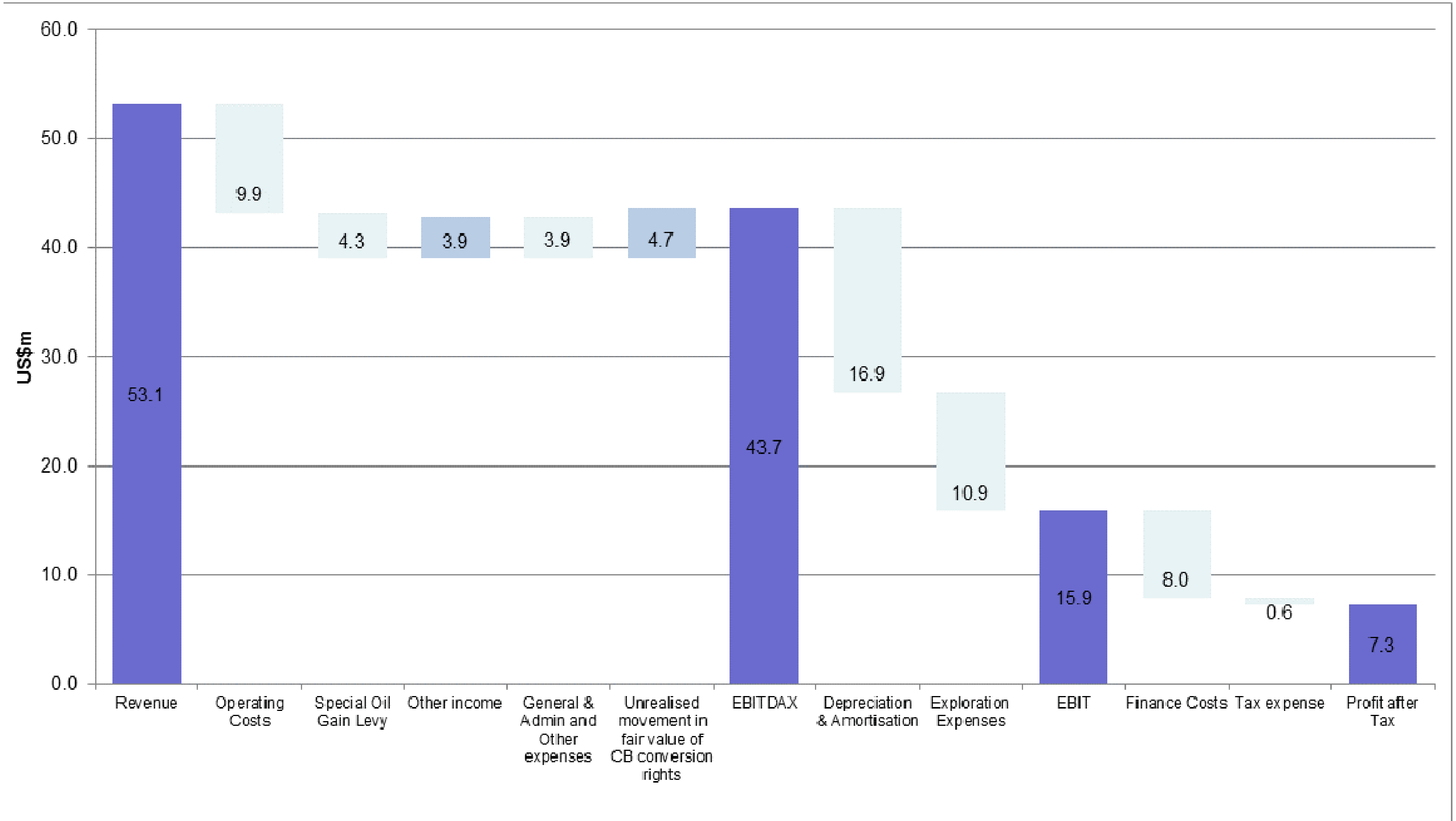
HSSE	LTIFR of 0.8 (Lost Time Injury Frequency Rate), TRIFR of 3.3 (Total reportable injury frequency rate) at 31 Dec 14 over a 12 month rolling 1.2 million manhours
	No significant loss of containment incidents (<1 barrel of oil equivalent)
China	Continued strong production from combined WZ 6-12 and WZ 12-8W fields producing ~10,000 bopd gross during the period (HZN share 2,700 bopd) with 4.08 million bbls gross produced during calendar 2014 (1.1 million bbls net to HZN)
	Two successful exploration wells drilled; WZ 12-10-1 adjacent to the WZ 12-8E field, and WZ 12-10-2 1.6km northeast of the existing WZ 12-8W facilities. Initial estimations are ~10mmbls, and work is being undertaken to determine the optimal integration into the existing facilities and the proposed 12-8E development
New Zealand	Production during the period of ~7,200 bopd (720 bopd net to HZN), with 2.8 million bbls gross produced during calendar 2014 (280,000 bbls net to HZN)
	Maari Growth Projects program proceeding, with MR8A development well completed and brought on to production, and development continuing with drilling of MR7A
	Expected insurance recoveries of ~US$7.4m in relation to FPSO *Raroa* swivel and mooring repairs in 2013, and additional expected recoveries from loss of production during field shut-in
Papua New Guinea	Completion of the partial sale of PNG interests to Osaka Gas occurred on 12 June 2014 following customary consents, regulatory approvals and grant of the development licence for the Stanley field
	Successful drilling of two development wells Stanley-3 and -5 commencing the development, with a value engineering process initiated by the joint venture underway to ensure optimisation of process and costs in light of market conditions for oil prices
	Additional studies and FEED continues in PRL 21, and an additional 102 kms of 2D seismic being processed
	Nama-1 well drilled and completed, with reservoir properties at this location not considered to be commercially productive. Interpretation of well data, including sidewall cores, continues

Profit and Loss

	6 Months to Dec 2014 (US$ million)	6 Months to Dec 2013 (US$ million)	Change (US$ million)	Change (%)
Production	618,665 bbls	672,144 bbls	(53,479 bbls)	(8.0)
Sales	565,397 bbls	642,606 bbls	(77,209 bbls)	(12.0)
Realised Oil Price	US$94.00/bbl	US$100.79/bbl	-	-
Sales Revenue	53.1	64.8	(11.7)	(18.1)
Gross Profit on Oil Sales	22.3	15.1	7.2	47.7
Unrealised gain/(loss) on revaluation of conversion option on bonds	4.7	2.8	1.9	67.9
EBITDAX*	**43.7**	**32.9**	10.8	32.8
EBIT*	15.9	10.4	5.5	52.9
Profit before Tax	7.9	1.8	6.1	341.6
Net Profit/(Loss) after Tax	**7.3**	**(0.05)**	7.4	-

*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 2014, which have been subject to review by the Group's auditors.

Profit and Loss Analysis



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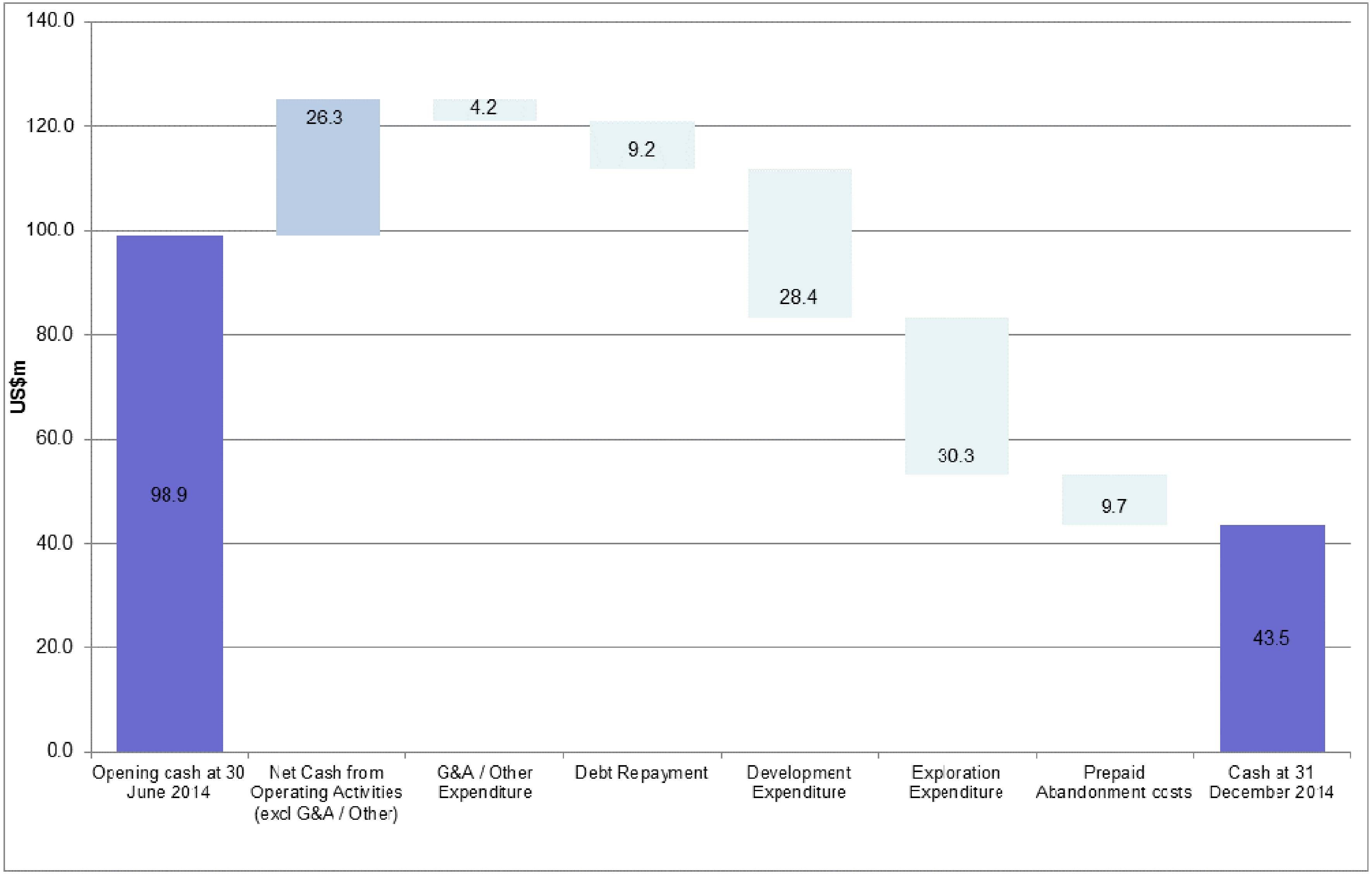
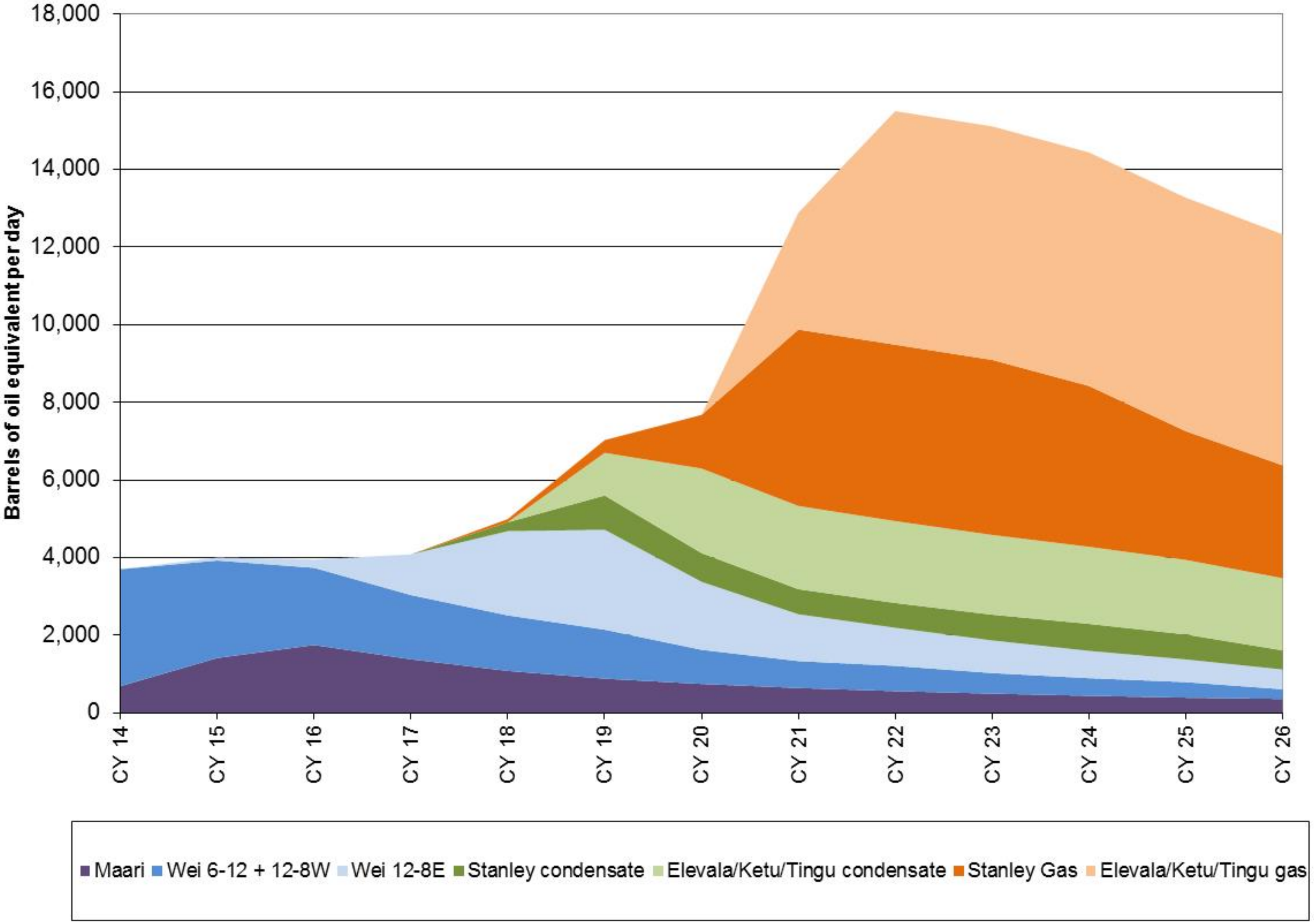
Cash Flow

	6 Months to Dec 2014 (US$ million)	6 Months to Dec 2013 (US$ million)	Change (US$ million)	Change (%)
Opening Cash	98.9	19.0	79.9	420.5
Net Cash from Operating Activities (excl G&A)	26.3	29.9	(3.2)	(10.8)
General & Administrative Expenditure	(4.2)	(3.1)	(1.1)	35.5
Debt repayment	(9.2)	-	(9.2)	-
Proceeds from issue of shares	-	46.3	(46.3)	-
Investment Activities				
Development Expenditure	(28.4)	(28.4)	-	-
Exploration Expenditure	(30.3)	(26.6)	(4.0)	15.2
Abandonment costs	(9.7)	-	(9.7)	-
Closing Cash	**43.5**	**37.1**	6.4	17.3

Cash Flow Analysis



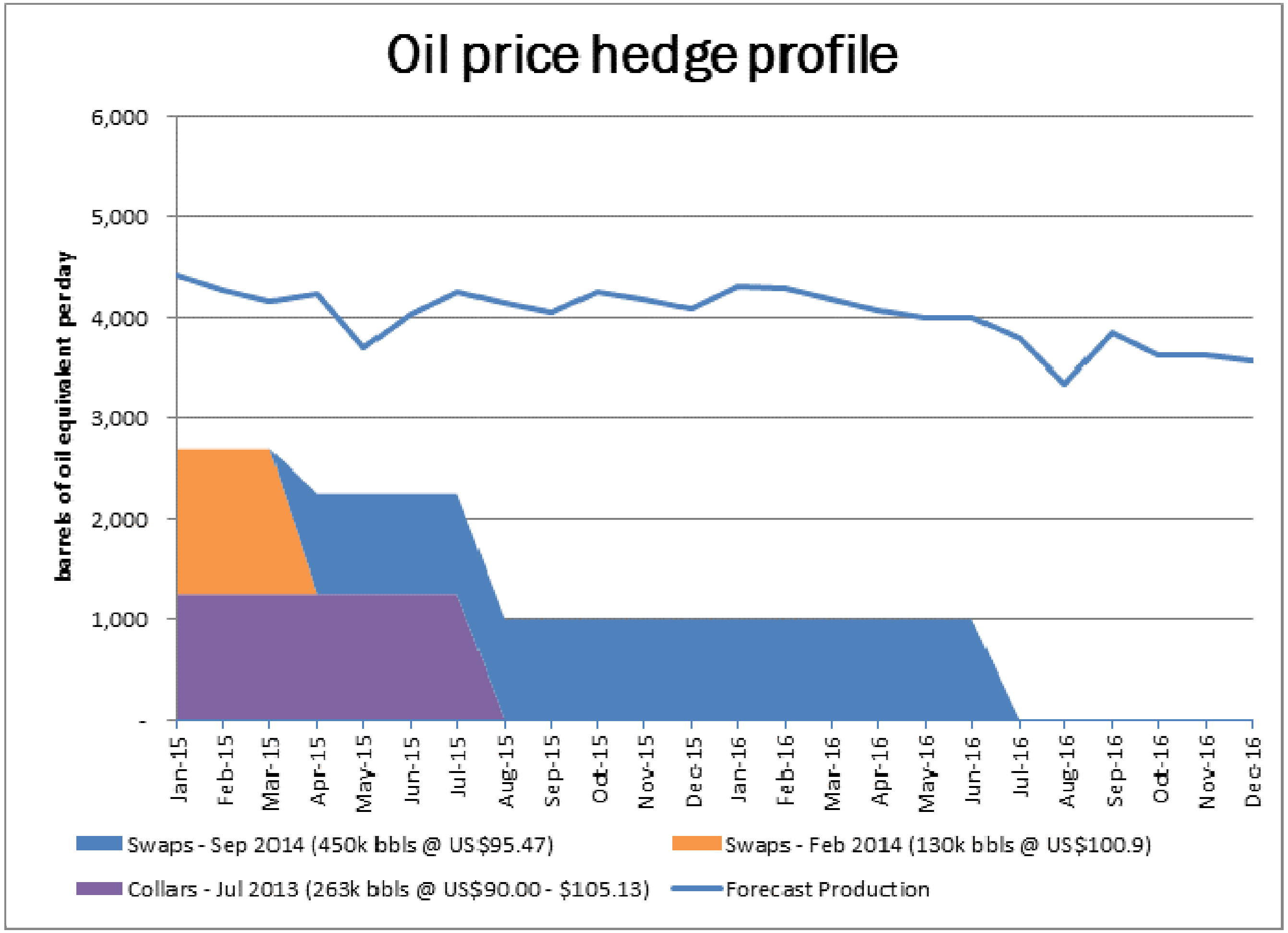
Forecast net production at 31 December 2014



Note: Wei 12-8E includes management's estimates of recoverable resources from the recent discoveries following the drilling of 12-10-1 & 2 exploration wells

Horizon Oil

2015 calendar year hedging position and risk management



- 842,500 bbls hedged through 2015 to mid 2016 at average of US$95/barrel
- Oil price hedging program protects revenue by mitigating the effect of low oil prices
- Oil production from multiple fields (currently 1 in New Zealand and 2 in China) reduces production risk
- Loss of Production Insurance policies in place for Maari and Beibu Gulf fields
- Longer term, gas sales will reduce reliance on oil price

Outlook for 2015

Corporate Outlook

- Operating cashflows expected to be substantially maintained notwithstanding lower oil prices, following completion of the Maari Growth Projects, continued China production and a strong hedge position, barring unforeseen events
- Forecast 50% YoY reduction in capex and G&A for 2015 with target capex/G&A of less than US$50 m

Maari/Manaia and PEP 51313, offshore New Zealand

- Complete Maari Growth Projects drilling campaign utilising the Ensco107 jack-up rig to access undeveloped reserves and modify existing facilities to increase Maari production from current levels

Block 22/12, offshore China

- Optimise oil production at Beibu Gulf fields, including undeveloped reserves in the WZ 12-10-1 & WZ 12-10-2 prospects (preliminary estimate of ~10 mmbbl recoverable)
- Progress Beibu Gulf fields Phase II development plan for the WZ 12-8E field

PDL 10 (Stanley), PRL 21 (Elevala/Tingu/Ketu) and onshore Papua New Guinea

- Process results following successful development drilling program at Stanley and progress Value Engineering review process to ensure optimisation of project design, execution and timing of proposed development
- Progress arrangements for sales of Stanley gas to regional PNG industrial consumers
- Progress towards Final Investment Decision in PRL 21, with internal value engineering review underway
- Conduct feasibility study for a Western Province-based greenfield mid-scale LNG project in partnership with Osaka Gas, while monitoring brownfield LNG development opportunities in the region