Horizon Oil Limited ABN 51 009 799 455
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25 February 2016

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

Dear Sir,

HORIZON OIL (HZN) ADVISES HALF-YEAR RESULTS

In accordance with Listing Rule 4.2A.3, Horizon Oil Limited lodges its half-year report for the period to 31 December 2015. The financial results for the period are set out in the attached Appendix 4D and half-year report.

A financial summary and key financial and operational results are set out below:
(All figures are presented in **United States dollars**, unless otherwise stated)

- **Financial summary**

	31-Dec-15 US$'000	31-Dec-14 US$'000	Change %
Sales revenue	**41,247**	53,148	(22%)
EBITDAX[1]	**31,935**	43,731	(27%)
Profit before tax and impairment	**3,262**	7,932	(59%)
Impairment of non-current assets	**(37,971)**	-	-
(Loss)/profit after tax	**(41,992)**	7,343	(672%)
Cash on hand	**51,066**	43,506	17%
Cashflow from operating activities	**28,607**	21,962	30%
Reserves-Based Debt Facility[2]	**120,000**	110,000	9%
Convertible Bond[3]	**58,800**	80,000	(27%)
Oil and gas production (barrels)	**681,900**	618,665	10%

Commenting on the result, Horizon Oil's Chief Executive Officer, Brent Emmett, stated:
"In light of the prevailing oil price environment which has seen oil prices drop by over 50% compared to the prior period, this is a solid underlying result with the maintenance of strong revenue and cashflow. Horizon Oil's low cost operating structure, the ability of management to respond quickly to the changing environment and the effectiveness of its oil price hedging approach has enabled the Company to increase cashflow and reduce debt."

Note 1: - EBITDAX is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards adjusted for interest expense, taxation expense, depreciation, amortisation, and exploration expenditure (including non-cash impairments). The Directors consider EBITDAX to be a useful measure of performance as it is widely used by the oil and gas industry. EBITDAX information has not been subject to any specific audit procedures by the Group's auditor but has been extracted from the half-year financial report for the half-year ended 31 December 2015, which have been subject to review by the Group's auditors.

Note 2: Represents principal amounts drawn down as at 31 December 2015

Note 3: Represents principal amounts repayable unless converted prior to 17 June 2016.

Note 4: All references to $ are to US$ unless otherwise specified.

- **Financial results**

  - The Group recorded a strong performance from its producing assets, with the net working interest share of oil production of 681,900 barrels (2015: 618,665 barrels), an increase of 10% compared to the prior half year, resulting from a doubling of Maari production following completion of the Maari Growth Project which was partially offset by natural reservoir decline from the Beibu Gulf fields.

  - Oil and gas sales revenue of US$41.2 million (2015: US$53.1 million) was generated from sales volumes of 694,245 barrels (2015: 565,396 barrels), with an average realised oil price of US$45.21 per barrel (2015: US$86.05 per barrel) before hedging. The average realised price inclusive of hedging was US$59.41 per barrel (2015: US$94.00 per barrel), as 31% of oil sales were hedged at a weighted average price of US$94.86 per barrel. This led to the maintenance of strong revenues and cashflow despite the significant fall in oil prices which occurred during the period.

  - The Group reported a loss of US$42.0 million for the current half-year compared with a profit of US$7.3 million in the 2015 half-year. The half-year result includes a gross profit of US$9.9 milllion (2015: US$22.3 million) from Block 22/12 and Maari operations coupled with other income including insurance claim proceeds of US$3.6 million offset by corporate general and administrative expenditure of US$4.1 million, exploration and development expenses of US$0.7 million, non-cash impairment expenses of US$38.0 million, financing costs of US$8.3 million, income and royalty tax expense of US$7.3 million, a gain on the buy back of convertible bonds of US$1.2 million and a favourable movement in the mark-to-market valuation of the convertible bonds of US$1.7 million.

  - Cash on hand at 31 December 2015 of US$51.1 million (30 June 2015 – US$61.3 million).

  - Included in the result was US$38.0 million of non-cash impairment expenses associated predominately with the Group's exploration and development assets. The impairment assessment conducted during the period considered, amongst other things, the current low oil price environment.

- **Operational results**

  China

  - During the half year, Horizon Oil's working interest share of production from the Beibu Gulf fields was 418,218 barrels of oil. Crude oil sales were 390,511 barrels at an average price of US$40.23/bbl exclusive of executed hedging. Cumulative gross oil production from the fields through 31 December 2015 was 10.5 million barrels. Production for calendar year 2015 was 3.43 mmbo, about 10% ahead of the budget.

  - Average production over the half year was approximately 8,500 bopd, of which Horizon Oil's share was in excess of 2,250 bopd.

  - Horizon Oil's entitlement to cost recovery oil at 31 December 2015 was US$110.5 million. Based on forecast field production rates and current oil prices, Horizon Oil's Block 22/12 production entitlement is forecast to increase from 26.95% to over 35% of production in 2016, while the cost recovery entitlement is preferentially recovered.

  - The WZ 12-10-2 field, located in the Weizhou 12-8 Fields Area of Block 22/12, commenced production during December 2015 following appraisal drilling. The appraisal/development well will deliver near term incremental production to the existing WZ 12-8W / WZ 6-12 production facility, and after an initial clean up period, produced at over 1,400 bopd with a GOR of 40 scf/bbl.

- Preparation of the Overall Development Plan for the WZ 12-8E field continues, with completion scheduled in late 2016/early 2017. The audited gross 2C resources for the field (including WZ 12-10-1 and WZ 12-3-1) are 11.1 mmbo.

New Zealand

- During the half year Horizon Oil's working interest share of production from Maari and Manaia fields was 263,682 barrels of oil. Crude oil sales were 303,734 barrels at an average effective price of US$51.60/bbl exclusive of executed hedging. Cumulative gross oil production from the fields through 31 December 2015 was 29.7 million barrels.

- Average production over the half year was approximately 14,330 bopd, of which Horizon Oil's share was in excess of 1,430 bopd.

- The Maari Growth Program, incorporating 4 new wells which were designed to enhance production rates and oil recovery from the Maari and Manaia fields was completed with all wells brought on production in the half year. Following completion of the Maari Growth Projects drilling program, gross production increased to in excess of 16,000 bopd.

Papua New Guinea

- 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.

- Horizon Oil anticipates the revised Stanley project configuration will entail a phasing of the ultimate development and associated capital costs, enabling a reduced initial capital investment and matching the gas demand for power generation with the requirements of regional mining, industrial and domestic consumers.

- Further progress was made during the half year on pre-development planning and regulatory aspects of the PRL 21 project, including landowner, environmental and technical matters.

- Recent material developments in PNG have the potential to increase the likelihood of promising alternative commercialisation pathways emerging for Horizon Oil's substantial gas resources in the Western Province forelands.

Yours faithfully,

Michael Sheridan
Chief Financial Officer and Company Secretary
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Or visit www.horizonoil.com.au

Appendix 4D

Half-year report
31 December 2015

Horizon Oil Limited
ABN 51 009 799 455

This half-year report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3. This information should be read in conjunction with the Half-year report for the period to 31 December 2015.

1. Reporting Period

Current reporting period:	Half year ended 31 December 2015
Previous corresponding period:	Half year ended 31 December 2014

2. Results for Announcement to the Market
For the half year ended 31 December 2015

NB: All references to $ herein refer to US$ unless otherwise specified.

			Percentage Change %		Amount $'000
2.1	Revenue from ordinary activities	Down	22.4%	to	41,247
2.2	Loss from ordinary activities after tax attributable to members	Up	672%	to	41,992
2.3	Net loss for the period attributable to members	Up	672%	to	41,992

2.4 Dividends/distributions

No dividends were paid during the half-year and none are proposed to be paid.

2.5	Record date for determining entitlements to dividends	N/A

2.6 Brief explanation of figures in 2.1 to 2.4 to enable the figures to be understood.

Revenue
During the half-year to 31 December 2015, revenue mainly consisted of sales of crude oil from the Block 22/12 field offshore China, and the Maari/Manaia fields offshore New Zealand. The Group recorded a strong performance from its producing assets, with the net working interest share of oil production of 681,900 barrels (2015: 618,665 barrels), an increase of 10% compared to the prior half year, resulting from a doubling of Maari production following completion of the Maari Growth Project which was partially offset by natural reservoir decline from the Beibu Gulf fields.

Oil and gas sales revenue of US$41.2 million (2015: US$53.1 million) was generated from sales volumes of 694,245 barrels (2015: 565,396 barrels), with an average realised oil price of US$45.21 per barrel (2015: US$86.05 per barrel) before hedging. The average realised price inclusive of hedging was US$59.41 per barrel (2015: US$94.00 per barrel), as 31% of oil sales were hedged at a weighted average price of US$94.86 per barrel. This led to the maintenance of strong revenues and cashflow despite the significant fall in oil prices which occurred during the period.

Loss from ordinary activities after tax
The net loss after tax and net loss attributable to members for the half-year to 31 December 2015 was largely generated by non-cash impairment expenses of $37,971,000 and non-cash deferred income and royalty tax expenses of $6,591,000 which were predominately the result of the lower oil price environment which has seen oil prices drop by over 50% compared to the prior comparative period.

3. Net Tangible Assets

	31 December 2015	31 December 2014
Net tangible assets per ordinary share	0.353	0.400

4. Controlled entities acquired or disposed of during period

		Acquisitions	Disposals
4.1	Name of Entity	N/A	N/A
4.2	The date of gain/loss of control	N/A	N/A
4.3	Contribution to profit from ordinary activities during the half year ended 31 December 2015	N/A	N/A
	Profit/(loss) during the half year ended 31 December 2015	N/A	N/A

5. Dividends/distributions

No dividends were paid during the half-year and none are proposed to be paid.

6. Dividend Reinvestment Plans

N/A – the company does not operate a dividend reinvestment plan.

Associates and Joint Venture Entities

Nil

7. Accounting standards for foreign entities

N/A – Australian entity prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

8. Independent auditor's review report to the members of Horizon Oil Limited

Refer to the Half-year report for the period to 31 December 2015 for a copy of the unqualified independent auditor's review report to the members of Horizon Oil Limited.

Horizon Oil Limited
ABN 51 009 799 455

Half-year report – 31 December 2015

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Horizon Oil Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as 'the Group') consisting of Horizon Oil Limited and the subsidiaries it controlled at the end of, or during the half-year ended 31 December 2015.

Directors

The following persons were directors of Horizon Oil Limited during the whole of the half-year and up to the date of this report:

J S Humphrey
B D Emmett
G de Nys
A Stock

S Birkensleigh was appointed as a non-executive director on 2 February 2016 and continues in office at the date of this report.

E F Ainsworth was a director and chairman of the Group from the beginning of the half year until his retirement and resignation from the board at the Group's 2015 AGM on 20 November 2015. J S Humphrey was appointed as chairman at the cessation of the AGM on 20 November 2015.

Review and Results of Operations

During the course of the half-year ended 31 December 2015, the Group's principal activities continued to be directed towards petroleum exploration, development and production.

The Group recorded a strong performance from its producing assets, with the net working interest share of oil production of 681,900 barrels (2015: 618,665 barrels), an increase of 10% compared to the prior half year, resulting from the doubling of production from completion of the Maari Growth Project, partially offset by natural reservoir decline from the Beibu Gulf fields.

Oil and gas sales revenue of US$41,247,000 (2015: US$53,148,000) was generated from sales volumes of 694,245 barrels (2015: 565,396 barrels), with an average realised oil price of US$45.21 per barrel (2015: US$86.05 per barrel) before hedging. The average realised price inclusive of hedging was US$59.41 per barrel (2015: US$94.00 per barrel), as 31% of oil sales were hedged at a weighted average price of US$94.86 per barrel. This led to the maintenance of strong revenues and cashflow despite the significant fall in oil prices which occurred during the period.

The Group reported a loss of US$41,992,000 for the current half-year compared with a profit of US$7,343,000 in the 2015 half-year. The half-year result includes a gross profit of US$9,907,000 (2015: US$22,349,000) from Block 22/12 and Maari operations, coupled with other income including insurance claim proceeds of US$3,628,000 offset by corporate general and administrative expenditure of US$4,086,000, exploration and development expenses of US$729,000, non-cash impairment expenses of US$37,971,000, financing costs of US$8,303,000, income and royalty tax expense of US$7,283,000, a gain on the buy back of convertible bonds of US$1,193,000 and a favourable movement in the mark-to-market valuation of the convertible bonds of US$1,652,000.

Non-cash items impacting on the half-year result include US$19,294,000 (2015: US$16,586,000) in amortisation of production phase assets, a deferred income and royalty tax expense of US$6,591,000 (2015: US$1,036,000), amortisation of the liability portion of the convertible bond of US$3,206,000 (2015: US$3,383,000), a net gain of US$1,652,000 (2015: US$4,714,000 net gain) arising from the unrealised movement in the value of convertible bond conversion rights, a gain of US$1,193,000 (2015: US$NIL) recognised on the buyback of convertible bonds, impairment losses of US$37,971,000 (2015: US$NIL) and US$490,000 (2015: US$524,000) related to the value of share options and share appreciation rights granted to Horizon Oil employees.

Included in the result was US$37,971,000 of non-cash impairment expenses of the Group's exploration and development assets. The impairment assessment conducted during the period considered, amongst other things, the current low oil price environment.

Cash on hand at the end of the half-year was US$51,066,000. Cash flow during the period was driven by operating cashflows from the Beibu and Maari fields which were used to repay debt and fund the remaining committed exploration and development expenditure program. Notwithstanding lower revenues resulting from the lower oil price environment, cash from operating activities was higher than the comparative period due to reduced operating and general and administrative costs, cash received from insurance claims of US$5,313,000, and reduced tax and royalty payments.

Segmental information is included in note 2 of the financial statements.

CORPORATE

Funding the 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. Accordingly, as at 31 December 2015, US$58.8 million of the convertible bonds remain on issue and are due for redemption on 17 June 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 since April 2014.

The Company's cash balance at 31 December 2015 increased approximately 17% over the prior half year balance to US$51.1 million.

The Company's cashflow from its low cost production is enhanced by the Group's commodity hedging program which includes 180,000 barrels of oil hedged in the six months from January 2016 to June 2016 at a weighted average hedge price of US$95/barrel (~A$135/bbl). The Company's forecast net operating cashflow and other income to 30 June 2016 is estimated to be approximately US$22.0 million.

The continued deep falls in oil prices and the consequential reductions of lender price decks impact the debt capacity of all reserve based lending facilities such as Horizon Oil's US$120 million revolving cash advance facility with ANZ and Westpac. These reductions of lender price decks will lead to amortisation of the debt balance under the facility and will restrict the extent of potential additional debt capacity under the accordion tranche of the facility.

In consideration of the scheduled redemption of the residual convertible bonds and the factors noted above, the Company is progressing various opportunities to ensure satisfaction of the terms of the convertible bonds, or any modifications thereto.

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 including associated lost production were confirmed during the period as US$10.2 million net to Horizon Oil. Horizon Oil received US$7.4 million through calendar year 2015, with the remaining US$2.8 million anticipated to be received during the first quarter of calendar year 2016.

The foregoing insurance recoveries were claimed under the Maari FPSO hull and machinery operational policy and under the Group's loss of production insurance policy.

PRODUCTION

China - *Block 22/12,* Beibu Gulf (Horizon Oil: 26.95% production / 55% exploration)

During the half year, Horizon Oil's working interest share of production from the Beibu Gulf fields was 418,218 barrels of oil. Crude oil sales were 390,511 barrels at an average price of US$40.23/bbl exclusive of executed hedging. Cumulative gross oil production from the fields through 31 December 2015 was 10.5 million barrels. Production for calendar year 2015 was 3.43 mmbo, about 10% ahead of the budget.

Average production over the half year was approximately 8,500 bopd, of which Horizon Oil's share was in excess of 2,250 bopd.

Horizon Oil's entitlement to cost recovery oil at 31 December 2015 was US$110.5 million. Based on forecast field production rates and current oil prices, Horizon Oil's Block 22/12 production entitlement is forecast to increase from 26.95% to over 35% of production in 2016, while the cost recovery entitlement is preferentially recovered.

On 18 December 2015, the Company advised that the WZ 12-10-2 field, located in the Weizhou 12-8 Fields Area of Block 22/12, Beibu Gulf, People's Republic of China, had commenced production. The WZ 12-8W-A6P1 well was drilled during the half year to appraise the accumulation discovered by the WZ 12-10-2 well in 2014 and, following this appraisal, a horizontal production sidetrack (WZ 12-8W-A6H) was completed and brought on to production. The well was brought online and after an initial clean up period, produced at over 1,400 bopd with a GOR of 40 scf/bbl.

This well will deliver near term incremental production to the existing WZ 12-8W / WZ 6-12 production facility, and provide data to determine production and reservoir performance in the WZ 12-10-2 oil pool to assist in evaluation of a combined full-scale field development plan for an integrated development of the WZ 12-10-1, WZ 12-10-2, WZ 12-8E and WZ 12-3 oil accumulations during 2016.

Preparation of the Overall Development Plan for the WZ 12-8E field continues, with completion scheduled in late 2016/early 2017. The audited gross 2C resources for the field (including WZ 12-10-1 and WZ 12-3-1) are 11.1 mmbo.

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

During the half year Horizon Oil's working interest share of production from Maari and Manaia fields was 263,682 barrels of oil. Crude oil sales were 303,734 barrels at an average effective price of US$51.60/bbl exclusive of executed hedging. Cumulative gross oil production from the fields through 31 December 2015 was 29.7 million barrels.

Average production over the half year was approximately 14,330 bopd, of which Horizon Oil's share was in excess of 1,430 bopd.

The Maari Growth Program, incorporating 4 new wells which were designed to enhance production rate and oil recovery from the Maari and Manaia fields was completed with all wells brought on production in the half year. Following completion of the Maari Growth Projects drilling program, gross production increased to in excess of 16,000 bopd.

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.

As announced on 18 December 2015, the Maari joint venture will carry out an upgrade of the FPSO *Raroa*'s mooring system. The work, which will "future-proof" the mooring system for the next decade, is to be carried out in late Q1/early Q2 calendar year 2016 coinciding with the annual 10 day maintenance shutdown. The mooring system will remain fully certified and operational throughout the works. The estimated cost of the works is approximately US$4 million, net to Horizon Oil, before insurance recoveries.

DEVELOPMENT

Papua New Guinea *- PDL 10, Stanley Field* (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.

Horizon Oil anticipates the revised project configuration will entail a phasing of the ultimate development and associated capital costs, enabling a reduced initial capital investment and matching the gas demand for power generation with the requirements of regional mining, industrial and domestic consumers.

EXPLORATION/APPRAISAL

Papua New Guinea *- PRL 21, Elevala / Ketu discoveries* (Horizon Oil: 27%)

Further progress was made during the half year on pre-development planning and regulatory aspects of the project, including landowner, environmental and technical matters.

A key milestone was achieved with the formal approval by the PNG Conservation and Environment Protection Authority of the Elevala Development environmental impact statement.

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 mobilising a rig 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. 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.

Total, InterOil and Oil Search 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, 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.

New Zealand *- PEP 51313,* offshore Taranaki Basin (Horizon Oil: 21%)

Integration of the Whio-1 well result into the regional reservoir, structural, hydrocarbon migration and charge model continued during the reporting period.

Papua New Guinea *- PPL 259,* Western Province (Horizon Oil: 35%)

Activity during the half year was focused on interpretation and analysis of the Nama-1 well log and sidewall core data to evaluate the remaining potential of the broader prospect. In addition, a thorough reinterpretation of the regional seismic & pressure data was undertaken to refine the prospects and leads portfolio.

Papua New Guinea - *PPLs 430* (Horizon Oil interest: 50%), *372* and *373* (Horizon Oil interest: 90%)

Seismic data has been sourced, reprocessed and integrated into the interpretation over the acreage, with the intent of high-grading prospective areas ahead of acquiring new seismic data. The acreage will be explored with the objective of confirming sufficient gas reserves, when added to the existing PNG reserves base, to underwrite regional gas commercialisation options currently under consideration.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set on page 8.

Rounding

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission ('ASIC'), relating to the "rounding off" of amounts in the directors' report and interim financial report. Amounts in the directors' report and interim financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors.

J S Humphrey
Chairman

B D Emmett
Chief Executive Officer

Sydney

25 February 2016

Auditor's Independence Declaration

As lead auditor for the review of Horizon Oil Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Horizon Oil Limited and the entities it controlled during the period.

Peter Buchholz
Partner
PricewaterhouseCoopers

Sydney
25 February 2016

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HORIZON OIL LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2015

	Note	Half-year to 31 December 2015 US$'000	Half-year to 31 December 2014 US$'000
Revenue		**41,247**	53,148
Cost of sales		**(31,340)**	(30,799)
Gross profit		**9,907**	22,349
Other revenue/other income		**3,628**	3,943
General and administrative expenses		**(4,086)**	(4,205)
Exploration and development expenses	3	**(729)**	(10,896)
Impairment of non-current assets	3, 8	**(37,971)**	-
Finance costs		**(8,303)**	(7,973)
Unrealised movement in fair value of convertible bond conversion rights	3	**1,652**	4,714
Gain on buyback of convertible bonds	3	**1,193**	-
Profit before income tax expense		**(34,709)**	7,932
NZ royalty tax expense		**(2,331)**	(1,003)
Income tax benefit/(expense)		**(4,952)**	414
Profit /(loss) for the half-year		**(41,992)**	7,343
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss Changes in the fair value of cash flow hedges		**(1,102)**	25,966
Total comprehensive income/(loss) for the half-year		**(43,094)**	33,309
Profit/(loss) attributable to:			
Security holders of Horizon Oil Limited		**(41,980)**	7,371
Non-controlling interests		**(12)**	(28)
Profit/(loss) for the period		**(41,992)**	7,343
Total comprehensive income/(loss) attributable to:			
Security holders of Horizon Oil Limited		**(43,082)**	33,337
Non-controlling interests		**(12)**	(28)
Total comprehensive income/(loss) for the period		**(43,094)**	33,309
		US Cents	
Basic earnings/(loss) per share		**(3.22)**	0.56
Diluted earnings/(loss) per share		**(3.22)**	0.56

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

HORIZON OIL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	Note	31 December 2015 US$'000	30 June 2015 US$'000
Current Assets			
Cash and cash equivalents	5	**51,066**	61,343
Receivables		**11,436**	14,580
Inventories		**905**	4,907
Derivative financial instruments		**9,907**	11,399
Current tax receivable		**48**	2,091
Other Assets		**1,193**	1,435
Total Current Assets		**74,555**	95,755
Non-Current Assets			
Deferred tax assets		**5,670**	11,165
Plant and equipment		**3,762**	5,065
Exploration phase expenditure	6	**77,624**	96,959
Oil and gas assets	7	**297,919**	314,395
Total Non-Current Assets		**384,975**	427,584
Total Assets		**459,530**	523,339
Current Liabilities			
Payables		**20,219**	16,781
Deferred income		**-**	2,212
Current tax payable		**453**	271
Borrowings	9	**98,417**	97,104
Other financial liabilities		**4,200**	7,961
Provisions		**2,486**	3,181
Total Current Liabilities		**125,775**	127,510
Non-Current Liabilities			
Payables		**20**	15
Deferred tax liability		**30,122**	29,408
Borrowings	9	**78,494**	97,286
Provisions		**11,406**	12,803
Total Non-Current Liabilities		**120,042**	139,512
Total Liabilities		**245,817**	267,022
Net Assets		**213,713**	256,317
Equity			
Contributed equity	10	**174,801**	174,801
Reserves		**18,676**	19,288
Retained profits		**20,274**	62,254
Total Equity Attributable to equity holders of the Company		**213,751**	256,343
Non controlling interest		**(38)**	(26)
Total Equity		**213,713**	256,317

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

HORIZON OIL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2015

	Attributable to members of the Company					
	Contributed equity	**Reserves**	**Retained Profits**	**Total**	**Non-controlling interest**	**Total Equity**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balance at 1 July 2014	**174,801**	**3,844**	**43,921**	**222,566**	**-**	**222,566**
Profit for the half-year	-	-	7,371	7,371	(28)	7,343
Other comprehensive income	-	25,966	-	25,966	-	25,966
Total comprehensive income for the half-year	**-**	**25,966**	**7,371**	**33,337**	**(28)**	**33,309**
Transactions with owners in their capacity as equity holders:						
Contributions of equity, net of transaction costs	-	-	-	-	-	-
Employee share options	-	524	-	524	-	524
	-	**524**	**-**	**524**	**-**	**524**
Balance at 31 December 2014	**174,801**	**30,334**	**51,292**	**256,427**	**(28)**	**256,399**
Balance at 1 July 2015	**174,801**	**19,288**	**62,254**	**256,343**	**(26)**	**256,317**
Profit for the half-year	-	-	(41,980)	(41,980)	(12)	(41,992)
Other comprehensive income	-	(1,102)	-	(1,102)	-	(1,102)
Total comprehensive income for the half-year	**-**	**(1,102)**	**(41,980)**	**(43,082)**	**(12)**	**(43,094)**
Transactions with owners in their capacity as equity holders:						
Contributions of equity, net of transaction costs	-	-	-	-	-	-
Employee share options	-	490	-	490	-	490
	-	**490**	**-**	**490**	**-**	**490**
Balance at 31 December 2015	**174,801**	**18,676**	**20,274**	**213,751**	**(38)**	**213,713**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

HORIZON OIL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2015

	Half-year to	
	31 December 2015 US$'000	**31 December 2014 US$'000**
Cash flows from operating activities		
Receipts from customers	**40,574**	53,938
Payments to suppliers and employees	**(9,996)**	(23,509)
	30,578	30,429
Interest received	**15**	61
Interest paid	**(3,795)**	(4,021)
Income and royalty taxes paid	**1,809**	(4,507)
Net cash inflows from operating activities	**28,607**	21,962
Cash flows from investing activities		
Payments for exploration phase expenditure	**(2,284)**	(30,251)
Payments for oil and gas assets	**(10,909)**	(28,288)
Payments for abandonment costs	**(2,183)**	(9,678)
Payments for plant and equipment	**(220)**	(139)
Net cash (outflows) from investing activities	**(15,596)**	(68,356)
Cash flows from financing activities		
Proceeds from issue of shares	**-**	-
Payments for issue of shares	**-**	-
Repayment of borrowings	**(22,270)**	(9,165)
Net cash (outflows) from financing activities	**(22,270)**	(9,165)
Net (decrease) in cash and cash equivalents	**(9,259)**	(55,559)
Cash and cash equivalents at the beginning of the half-year	**61,343**	98,911
Effects of exchange rate changes on cash and cash equivalents	**(1,018)**	154
Cash and cash equivalents at the end of the half-year	**51,066**	43,506

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1. Basis of preparation of half year report

The general purpose financial statements for the interim half year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Horizon Oil Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The general purpose financial statements for the interim half year reporting period ended 31 December 2015 have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the normal course of business as they become due. As at 31 December 2015, the Group had cash reserves of US$51,066,000 and a net current asset deficiency of US$51,220,000 resulting from the classification as current liabilities of borrowings associated with the remaining US$58,800,000, 5.5% convertible bonds which are due for redemption on 17 June 2016, combined with presently scheduled amortisation over the next 12 months of the Group's Revolving Cash Advance Facility (refer to Note 9). The Group has recorded a net loss after tax for the period of US$41,992,000 (including a non-cash impairment loss of US$37,971,000) and a cash inflow from operating activities of US$28,607,000.

Funding for redemption of the bonds, scheduled principal repayments under the Group's Revolving Cash Advance Facility and the Group's strategic growth plans, is to be obtained from a variety of sources. Surplus revenues from the Group's operations in China and New Zealand, combined with existing cash balances and debt drawn from the Group's US$120 million revolving cash advance facility provide core funding. In addition, the Group is well advanced in negotiations to source additional borrowings and, if required, issue equity and/or modify the existing repayment profile under the Group's Revolving Cash Advance Facility. As an alternative to additional borrowings, and to refocus the Group on its core strategic geographies, the Group has also commenced marketing certain Group assets for sale.

Taking into account:

- the Group's cash balance of US$51.1 million at 31 December 2015;
- forecast surplus revenue from the Group's operations in New Zealand and China;
- materially reduced budgeted/forecast capital expenditure profile over the coming 12 months;
- the potential for additional borrowings;
- potential proceeds from the sale of certain Group assets; and
- to the extent required, potential for an equity raising and/or the deferral of scheduled amortisation under the Revolving Cash Advance Facility;

The directors expect to have available the necessary cash reserves to meet redemption obligations under the Company's remaining US$58.8 million, 5.5% convertible bonds maturing in mid-2016, scheduled principal repayments under the Group's Revolving Cash Advance Facility and to pursue the current strategy, and accordingly have prepared the report on a going concern basis. Since the additional funding required for full redemption of the bonds is not yet secured there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and therefore it may be unable to realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. At the date of this report, the Directors are of the opinion that no asset is likely to be realized for amounts less than the amount at which it is recorded in the half year financial report as at 31 December 2015. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

New and amended standards adopted by the group

The Group has adopted all of the new and revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and effective for the half year ended 31 December 2015. None of the new and revised standards and interpretations were deemed to have a material impact on the results of the Group.

Early adoption of standards

The Group has elected to apply the following pronouncement to the financial year beginning 1 July 2015:

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. In December 2013, the AASB issued a revised version of AASB 9 incorporating three primary changes:

1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures;
2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and
3. The mandatory effective date moved to 1 January 2018.

Given that these changes are focused on simplifying some of the complexities surrounding hedge accounting, Horizon Oil Limited has elected to early adopt the amendments in order to ensure hedge accounting can continue to be applied and to avoid unnecessary volatility within the profit and loss.

Note 2. Segment information

(a) Description of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors.

The operating segments identified are broadly based on the Group's working interest in each individual oil and gas permit, arranged by developmental phase. Discrete pre-tax financial information (including pre-tax operating profit and capital expenditure on exploration and evaluation assets and oil and gas assets) for each oil and gas permit is prepared and provided to the chief operating decision maker on a regular basis. In certain circumstances, individual oil and gas permits are aggregated into a single operating segment where the economic characteristics and long term planning and operational considerations of the individual oil and gas permits are such they are considered interdependent. The Group has identified five operating segments:

- New Zealand development – the Group is currently producing crude oil from the Maari/Manaia fields, located offshore New Zealand;
- New Zealand exploration – the Group is currently involved in the exploration and evaluation of hydrocarbons in two offshore permit areas, PEP 51313; and PMP 38160 Maari/Manaia;
- China exploration and development – the Group is currently involved in developing and producing of crude oil from the Block 22/12 – WZ 6-12 and WZ 12-8W oil field development and in the exploration and evaluation of hydrocarbons within Block 22/12; and
- PNG exploration and development - the Group is currently involved in the Stanley condensate/gas development and the exploration and evaluation of hydrocarbons in five onshore permit areas PRL 21, PPL 259, PPL 372, PPL 373 and PPL 430.
- 'All other segments' include amounts of a corporate nature not specifically attributable to an operating segment.

(b) Segment information provided to the chief operating decision maker

	New Zealand Development	New Zealand Exploration	China Exploration and Development	Papua New Guinea Exploration and Development	All other segments	Total
Half-year 2015	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Segment revenue:						
Revenue from external customers	**24,287**	**-**	**16,960**	**-**	**-**	**41,247**
Profit / (loss) before tax	**6,509**	**(4,192)**	**(4,884)**	**(31,806)**	**(6,654)**	**(41,027)**
Depreciation and amortisation	**7,083**	**-**	**12,211**	**219**	**128**	**19,641**
Impairment expenses	**3,731**	**4,187**	**-**	**30,053**	**-**	**37,971**
Half-year 2014	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Segment revenue:						
Revenue from external customers	**14,151**	**-**	**38,997**	**-**	**-**	**53,148**
Profit / (loss) before tax	**5,919**	**(8)**	**11,427**	**(11,532)**	**(5,881)**	**(75)**
Depreciation and amortisation	**2,708**	-	**13,878**	**223**	**122**	**16,931**
Impairment expenses	**-**	-	**-**	**-**	**-**	**-**

	New Zealand Development US$'000	New Zealand Exploration US$'000	China Exploration and Development US$'000	Papua New Guinea Exploration and Development US$'000	All other segments US$'000	Total US$'000
Total segment assets at 31 December 2015	**133,288**	**1,124**	**158,523**	**143,676**	**22,919**	**459,530**
Additions to non-current assets other than financial assets and deferred tax during the half-year ended:						
Exploration and evaluation phase expenditure:	**-**	**111**	**2,248**	**5,523**	**-**	**7,882**
Development and production phase expenditure:	**2,888**	**-**	**9,589**	**1,095**	**-**	**13,572**
Plant and equipment:	**-**	**-**	**-**	**-**	**220**	**220**
Total segment liabilities at 31 December 2015	**79,598**	**(1,031)**	**98,087**	**2,091**	**67,072**	**245,817**

	New Zealand Development US$'000	New Zealand Exploration US$'000	China Exploration and Development US$'000	Papua New Guinea Exploration and Development US$'000	All other segments US$'000	Total US$'000
Total segment assets at 30 June 2015	**135,656**	**5,207**	**166,170**	**176,767**	**39,539**	**523,339**
Additions to non-current assets other than financial assets and deferred tax during the year ended:						
Exploration and evaluation phase expenditure:	-	92	8,179	26,116	-	34,387
Development and production phase expenditure:	21,295	-	1,116	21,025	-	43,436
Plant and equipment:	-	-	-	48	143	191
Total segment liabilities at 30 June 2015	**80,225**	**238**	**92,246**	**5,022**	**89,291**	**267,022**

Other segment information

(i) Segment revenue

Revenue from external customers is derived from the sale of crude oil.

Segment revenue reconciles to total consolidated revenue as follows:

	Half-year to 31 December 2015 US$'000	Half-year to 31 December 2014 US$'000
Total segment revenue	**41,247**	53,148
Rental income	**-**	-
Other income	**-**	82
Interest income	**15**	61
Insurance claim	**3,613**	3,800
Total revenue	**44,875**	57,091

(ii) Segment profit before tax

The chief operating decision maker assesses the performance of operating segments based on a measure of profit before tax.

Segment profit before tax reconciles to consolidated profit before tax as follows:

	Half-year to 31 December 2015 US$'000	Half-year to 31 December 2014 US$'000
Total segment loss before tax	**(41,027)**	(75)
Rental income	**-**	-
Interest income	**15**	61
Insurance claim	**3,613**	3,800
Foreign exchange loss (net)	**(155)**	(568)
Unrealised movement in fair value of convertible bond conversion rights	**1,652**	4,714
Gain on buyback of convertible bonds	**1,193**	-
Profit before tax	**(34,709)**	7,932

(iii) Segment assets and liabilities

The amounts provided to the chief operating decision maker with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

Reportable segment assets and liabilities are equal to consolidated total assets and liabilities.

Note 3. Profit/ (loss) for the half year - Significant items

Profit/(loss) for the half-year includes the following items that are unusual because of their nature, size or incidence:	Half-year to 31 December 2015 US$'000	Half-year to 31 December 2014 US$'000
Income		
Insurance claim (refer to note (a) below)	**3,613**	3,800
Unrealised movement in fair value of convertible bond conversion rights (refer to note (b) below)	**1,652**	4,714
Gain on buyback of convertible bonds during the period	**1,193**	-
Expenses		
Exploration expenditure (refer to note (c) below)	**(729)**	(10,896)
Impairment of non-current assets (refer to note 8)	**(37,971)**	-

(a) On 29 August 2013, the operator of the Maari oilfield, OMV New Zealand Limited ("OMV"), advised that production at the field would be shut in while major facility repairs and equipment upgrades were undertaken. This involved the FPSO *Raroa* being disconnected from its mooring and towed to nearby Port Nelson to refurbish and upgrade its process equipment and install a new swivel. At the same time the opportunity was taken to repair several of the buoy mooring lines at the field.

The upgrade, maintenance and repair works were carried out safely, within budget and the field returned to production on schedule. The Group's share of the repair costs was US$8.0 million. The Group lodged insurance claims for the repairs and associated lost production under the Maari FPSO hull and machinery operational policy and under the Group's loss of production insurance policy. During the current period the aggregate insurance proceeds for the 2013 repair of the Maari FPSO swivel and mooring lines including associated lost production were confirmed as US$10.2 million net to Horizon Oil. Horizon Oil received US$7.4 million through calendar year 2015, with the remaining US$2.8 million anticipated to be received during the first quarter of calendar year 2016.

(b) The amount shown is the movement during the period of the fair value of the conversion rights relating to the 5.5% convertible bonds issued on 17 June 2011. The conversion rights can be settled in cash or ordinary shares of the parent entity, at the option of the issuer, and the number of shares to be issued at conversion is subject to the conversion price which may reset under certain circumstances. Accordingly, the conversion rights are a derivative financial liability and are marked to market through the profit and loss. Fair value of conversion rights at issuance on 17 June 2011 was US$20,043,000. Refer to Note 9 for further details of the convertible bonds issued.

(c) Exploration expenditure of US$729,000 was incurred during the period which was primarily related to exploration activities carried out in New Zealand and PNG. During the comparative period to 31 December 2014, exploration costs were incurred of US$10,896,000, of which US$10,861,000 was associated with the unsuccessful Nama-1 exploration well in PPL 259, PNG.

Note 4. Fair value measurement of financial instruments

(a) Fair value measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Derivative financial instruments
- Financial liabilities at fair value through profit or loss (FVTPL)

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2015 and 30 June 2015:

At 31 December 2015	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Derivatives used for hedging	-	9,907	-	9,907
Total Assets	**-**	**9,907**	**-**	**9,907**
Liabilities				
Derivatives used for hedging	-	-	-	-
Financial liabilities at fair value through profit or loss				
Conversion rights on convertible bonds	-	-	4,200	4,200
Total liabilities	**-**	**-**	**4,200**	**4,200**
At 30 June 2015				
Assets				
Derivatives used for hedging	-	11,399	-	11,399
Total Assets	**-**	**11,399**	**-**	**11,399**
Liabilities				
Derivatives used for hedging	-	-	-	-
Financial liabilities at fair value through profit or loss				
Conversion rights on convertible bonds	-	-	7,961	7,961
Total liabilities	**-**	**-**	**7,961**	**7,961**

There were no transfers between levels 1, 2 or 3 for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2015.

(b) Valuation techniques used to derive fair values

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) was based on quoted market prices at the end of each reporting period. The quoted market price used for financial assets held by the Group was the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimate. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The fair value of oil price swaps and collars are calculated as the present value of the estimated future cash flows based on forward prices at balance sheet date;

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis and Monte Carlo simulations, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 except for the financial liabilities explained in (c) below.

For the financial liabilities, the best evidence of fair value is current prices in an active market for similar financial liabilities. Where such information is not available the directors consider information from a variety of sources including:

- discounted cash flow projections based on reliable estimates of future cash flows; and
- Monte Carlo simulations.

All resulting fair value estimates for properties are included in level 3.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the half year ended 31 December 2015 for recurring fair value measurements:

	Conversion Rights on Convertible Bonds US$'000
Opening balance at 30 June 2015	7,961
Convertible bond buybacks	(2,109)
(Gains)/losses recognised in other income[1]	(1,652)
(Gains)/losses recognised in other comprehensive income	-
Closing balance at 31 December 2015	4,200

[1] Unrealised (gains) or losses recognised in profit or loss attributable to liabilities held at the end of the reporting period (included in (gains)/losses recognised in other income above)

(i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	**Fair value at 31 Dec 2015 $'000**	**Unobservable inputs**	**Range of inputs (probability-weighted average)**	**Relationship of unobservable inputs to fair value**
Conversion Rights on Convertible Bonds	4,200	Share price volatility	43.6% - 64.9% (52.7%)	All other inputs being equal, an increase in share volatility results in an increase in the fair value of the conversion rights
		Credit spread	7.0%	All other inputs being equal, the lower the credit spread, the higher the fair value of the conversion rights

(ii) Valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of the conversion rights on convertible bonds for financial reporting purposes on a half yearly basis. The fair value of conversion rights on convertible bonds is determined based on a simulation-based pricing methodology using a Monte Carlo simulation. A simulation-based pricing methodology was applied in order to model the dynamics of the underlying variables and to account for the individual specifications of the convertible bonds such as the inherent path dependency. Monte Carlo simulation uses random numbers as inputs to iteratively evaluate a deterministic model.

The method involves simulating the various sources of uncertainty that affect the value of the relevant instrument and then calculating a representative value by substituting a range of values - in this case a lognormal probability distribution - for any factor that has inherent uncertainty. The results are calculated repeatedly, each time using a different set of random values from the probability functions. Depending upon the number of uncertainties and the ranges specified for them, a Monte Carlo simulation may typically involve thousands or tens of thousands (for Horizon Oil convertible bonds - 500,000) of recalculations before it is complete. The result is a probability distribution of possible outcomes providing a more comprehensive view of both what could happen and its likelihood. Market interest rates were applied in the model with a credit spread of 7.0%, together with a calculated share price volatility of 52.7% when quoted in US dollar terms. All other parameters were based on the specific terms of the convertible bonds issued.

Note 5. Cash and cash equivalents

	31 December 2015 US$'000	**30 June 2015 US$'000**
Cash at bank and on deposit	**30,903**	41,279
Restricted cash (refer note (a) below)	**20,163**	20,064
Petty cash	**-**	-
	51,066	61,343

(a) Under the terms of a finance facility, certain cash balances are available to the Group after certain conditions of the relevant facility agreement are satisfied.

Note 6. Exploration phase expenditure

	31 December 2015 US$'000	**30 June 2015 US$'000**
Opening balance	**96,959**	74,658
Expenditure	**7,882**	34,387
Transfers to oil and gas assets	**(3,486)**	-
Disposals	**-**	-
Expensed	**-**	(12,086)
Impairment losses	**(23,731)**	-
Closing balance	**77,624**	96,959

Note 7. Oil and gas assets

	31 December 2015 US$'000	30 June 2015 US$'000
Opening balance	**314,395**	311,038
Expenditure	**13,572**	43,436
Transfers from exploration phase expenditure	**3,486**	-
Reassessment of rehabilitation asset	**-**	640
Amortisation incurred	**(19,294)**	(37,096)
Disposals	**-**	-
Expensed	**-**	(3,623)
Impairment losses	**(14,240)**	-
Closing balance	**297,919**	314,395

Note 8. Impairment of Non-current assets

At 31 December 2015, the Group reassessed the carrying amounts of its non-current assets for indicators of impairment in accordance with the Group's accounting policy.

Estimates of recoverable amount are based on an asset's value-in-use or fair value less costs to sell (level 3 value hierarchy), using a discounted cash flow method, and are most sensitive to the following key assumptions:

For oil and gas assets, the estimated future cash flows are based on estimates, the most significant of which are 2P hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Under a fair value less costs to sell calculation, future cash flows are based on estimates of 2P hydrocarbon reserves in addition to other relevant factors such as value attributable to additional resource and exploration opportunities beyond 2P reserves based on production plans.

Estimates of future commodity prices are based on the Group's best estimate of future market prices with reference to external market analysts' forecasts, current spot prices and forward curves. Future commodity prices are reviewed at least annually.

Forecasts of the foreign exchange rate for foreign currencies, where relevant, are estimated with reference to observable external market data and forward values, including analysis of broker and consensus estimates.

The discount rates applied to the future forecast cash flows are based on the Group's post-tax weighted average cost of capital, adjusted for risks where appropriate, including the risk profile of the countries in which the asset operates.

For capitalised exploration phase expenditure, in conjunction with consideration of the key assumptions detailed above, a further assessment is performed at each balance date, to determine whether any of the following indicators of impairment exists:

(i) tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed; or
(ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is not budgeted or planned; or

(iii) exploration for and evaluation of resources in the specific area have not led to the discovery of commercially viable quantities of resources, and the Group has decided to discontinue activities in the specific area; or
(iv) sufficient data exist to indicate that although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

Recoverable amounts and resulting impairment write-downs recognised in the period ended 31 December 2015 are presented in the table below.

Area of Interest/CGU **Exploration Phase Expenditure**	**Segment**	**Impairment write-down 2015 US$'000**	**Recoverable amount* 2015 US$'000**
PEP 51313 (Matariki)	New Zealand Exploration	(4,187)	1,065
PPL 259	Papua New Guinea Exploration and Development	(19,544)	1,281
Impairment of exploration phase expenditure		**(23,731)**	
Oil and Gas Assets			
PMP 38160 (Maari/Manaia)	New Zealand Development	(3,731)	97,146
PDL 10 (Stanley)	Papua New Guinea Exploration and Development	(10,509)	63,155
Impairment of oil and gas assets		**(14,240)**	
Total impairment of non-current assets		**(37,971)**	

*Recoverable amounts represent the carrying value of assets before deducting the carrying value of restoration liabilities ($7,700,000) and deferred royalty tax balances ($9,700,000).

The post-tax discount rates that have been applied to the above non-current assets range between 9% and 12%. The impairment charges noted above primarily result from the lower oil price environment and, in some cases, a consequential reduction or deferral of future capital expenditure that diminishes or defers the path to commercialisation.

Note 9. Borrowings

	31 December 2015 US$'000	30 June 2015 US$'000
Current		
Bank loans (a)	**37,289**	17,829
Convertible bonds (b)	**61,128**	79,275
	98,417	97,104
Non-Current		
Bank loans (a)	**78,494**	97,286
Convertible bonds (b)	**-**	-
	78,494	97,286
Total Borrowings	**176,911**	194,390

a) Bank loans – Reserves based debt facility

On 14 May 2015, the Group finalised and executed a US$120 million Revolving Cash Advance Facility with Australia and New Zealand Banking Group (ANZ) as mandated lead arranger and Westpac Banking Corporation (Westpac). The facility retained key elements of the previous Reserves Based Debt Facility, with key changes including the removal of the forced repayment schedule, additional tenor to May 2019 and potential access to a new accordion tranche of up to US$50 million (subject to debt capacity criteria and lender approvals). Under the facility, the facility limit and thus future repayments are determined by applying a minimum loan life coverage ratio to the net present value of estimated future cash flows from all projects included in the facility. Estimated future cash flows are dependent on, amongst other things, the lenders views on forecast oil prices, reserve estimates, operating and capital cost estimates and forecast interest and exchange rates.

At 31 December 2015, total debt drawn under the facility was US$120 million and floating interest in respect of the facility was at LIBOR plus a weighted average margin of 2.90%.

The facility was secured by a floating charge over the shares and assets of the borrowers (Horizon Oil International Limited, Horizon Oil (Papua) Limited, Horizon Oil (Beibu) Limited and Horizon Oil (Nanhai) LLC which are wholly owned subsidiaries of Horizon Oil Limited) and other Horizon Oil Limited subsidiaries, in favour of ANZ Fiduciary Services Pty Limited as security trustee. Horizon Oil Limited and other Horizon Oil Limited subsidiaries have guaranteed the performance of Horizon Oil International Limited, Horizon Oil (Papua) Limited, Horizon Oil (Beibu) Limited, Horizon Oil (Nanhai) LLC (which have also given guarantees) in relation to the loan facility from ANZ and Westpac. In addition, the shares of the following Horizon Oil Limited subsidiaries have been mortgaged to ANZ Fiduciary Services Pty Limited: Horizon Oil International Limited, Horizon Oil (Papua) Limited, Horizon Oil (Beibu) Limited, Horizon Oil (Nanhai) LLC, Horizon Oil International Holdings Limited, Ketu Petroleum Limited, Horizon Oil (PNG Holdings) Limited and Horizon Oil (China Holdings) Limited. The net book value of the entities in which shares have been mortgaged is US$88 million. The Group is subject to covenants which are common for a facility of this nature.

b) Convertible bonds

The parent entity issued 400 convertible bonds for US$80 million on 17 June 2011. The bonds carry a coupon of 5.5% per annum, payable semi-annually in arrears, and carry a 7% yield to maturity on 17 June 2016 when they may be redeemed for 108.80% of their principal amount. The bonds conversion price has been reset to US$0.409. During the half year the parent entity purchased in the open market, by private contract, US$21.2 million of the US$80 million 5.5% Convertible Bonds due for redemption on 17 June 2016 and has surrendered the purchased Bonds for cancellation in accordance with the Bond trust deed. Accordingly, US$58.8 million of the bonds remain outstanding at 31 December 2015.

No bonds had been converted at 31 December 2015. On conversion the holder may elect to settle the bonds in cash or ordinary shares in the parent entity. Based on the adjusted conversion price and following the cancellation of US$21.2 million in bonds during the period, the maximum number of shares that could be issued on conversion is 143,765,281 ordinary shares in the parent entity. The bonds carry a coupon of 5.5% per annum, payable semi-annually in arrears, and carry a 7% yield to maturity on 17 June 2016 when they will be redeemed at 108.80% of their principal amount. The bonds are listed on the Singapore Securities Exchange.

Note 10. Contributed equity

a) Share capital

		31 December 2015 Number'000	30 June 2015 Number'000	31 December 2015 US$'000	30 June 2015 US$'000
Ordinary shares					
Fully paid	(b) (i)	**1,301,981**	1,301,981	**174,342**	174,342
Partly paid	(b) (ii)	**1,500**	1,500	**459**	459
		1,303,481	1,303,481	**174,801**	174,801

b) Movements in share capital

(i) Ordinary shares (fully paid)

Date	Details	Number	Issue price	US$'000
30/06/2015	Balance at 30 June 2015	1,301,981,265		174,342
31/12/2015	**Balance at 31 December 2015**	**1,301,981,265**		**174,342**

(ii) Ordinary shares (partly paid)

Date	Details	Number	Issue price	US$'000
30/06/2015	Balance at 30 June 2015	1,500,000		459
31/12/2015	**Balance at 31 December 2015**	**1,500,000**		**459**

Note 11. Contingent assets and liabilities

a) Contingent assets

On 23 May 2013, the Group advised ASX that it had entered into an Agreement to sell 40% of its Papua New Guinea assets to Osaka Gas Niugini Pty Ltd ('Osaka Gas') a subsidiary of Osaka Gas Co. Ltd. of Japan. In addition to the cash on completion that was received, a further US$130 million in cash is due upon a project development decision which gives rise to Osaka Gas achieving equity LNG from its acquired gas volumes, plus potential production payments where threshold condensate production is exceeded. Due to the conditions required for the deferred consideration of US$130 million, and the potential production payments, all remaining consideration under the Agreement is recorded as a contingent asset as at 31 December 2015.

b) Contingent liabilities

The Group had the following contingent liabilities as at 31 December 2015 that may become payable:

In accordance with normal oil and gas industry practice, the Group has entered into joint venture operations and farm out agreements with other parties for the purpose of exploring and developing its permit interests. If a participant to a joint venture defaults and fails to contribute its share of joint venture obligations, the remaining joint venture participants are jointly and severally liable to meet the obligations of the defaulting participant. In this event the interest in the permit or licence held by the defaulting participant may be redistributed to the remaining participants. In the event of a default, a contingent liability exists in respect of expenditure commitments due to be met by the Group in respect of defaulting joint venture participants.

No material losses are anticipated in respect of the above contingent liabilities.

Note 12. Exploration, development and production expenditure commitments

The Group has entered into joint venture operations for the purpose of exploring, developing and producing from certain petroleum permits or licences. To maintain existing interests or rights to earn interests in those ventures the Group will be expected to make contributions to ongoing exploration and development programs. Since such programs are subject to continual review by operating committees, upon which the Group is represented, the extent of future contributions in accordance with these arrangements is subject to continual renegotiation.

Subject to the above mentioned limitations, the directors have prepared the following disclosure of exploration and development expenditure commitments not recognised in the financial statements. These are payable as follows, based on current status and knowledge of estimated quantum and timing of such commitments by segment.

31 December 2015	NZ Development US$'000	New Zealand Exploration US$'000	China Exploration & Development US$'000	Papua New Guinea Exploration & Development US$'000	Total US$'000
Within one year	**4,511**	**132**	**5,334**	**8,567**	**18,544**
Later than one year but not later than 5 years	**-**	**-**	**-**	**-**	**-**
Total	**4,511**	**132**	**5,334**	**8,567**	**18,544**

30 June 2015	NZ Development US$'000	New Zealand Exploration US$'000	China Exploration & Development US$'000	Papua New Guinea Exploration & Development US$'000	Total US$'000
Within one year	**6,525**	**280**	**12,195**	**10,550**	**29,550**
Later than one year but not later than 5 years	**-**	**-**	**-**	**-**	**-**
Total	**6,525**	**280**	**12,195**	**10,550**	**29,550**

The above commitments may be deferred or modified with the agreement of the host government, by variations to the terms of individual permits or licences, or extensions to the terms thereof. Another factor likely to delay timing of these commitments is the potential lack of availability of suitable drilling rigs in the area of interest.

The commitments may also be reduced by the Group entering into farm-out agreements or working interest trades, both of which are typical of the normal operating activities of the Group.

In addition to the above commitments, the Group has invested funds in other exploration permits or licences, but is not exposed to a contingent liability in respect of these, as it may choose to exit such permits or licences at any time at no cost penalty other than the loss of the permits or licences.

Note 13. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties, unless otherwise stated.

There were no related party transactions with Directors and other key management personnel during the half year.

Note 14. Events occurring after balance sheet date

On 18 December 2015, the operator of the Maari oilfield, OMV New Zealand Limited ("OMV"), advised that the Maari joint venture is preparing to undertake a full upgrade on the mooring system of the field's floating production station, the Raroa. Horizon Oil's total investment in the system upgrade, including engineering, equipment and construction is estimated to be approximately US$4 million. The work, expected to be carried out between March and May 2016, will future-proof the mooring system for the next decade. The Group expects to recover a proportion of these amounts through insurance.

HORIZON OIL LIMITED

Directors' Declaration

In the directors' opinion:

(a) the attached interim financial statements and notes are in accordance with the *Corporations Act 2001*, including:

   (i) complying with relevant Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance, as represented by the results of its operations and its cashflows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Horizon Oil Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

J S Humphrey
Chairman

B D Emmett
Chief Executive Officer

Sydney

25 February 2016

Independent auditor's review report to the members of Horizon Oil Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Horizon Oil Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Horizon Oil Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Horizon Oil Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Horizon Oil Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our review report, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss after tax of US $41,992,000 during the half year ended 31 December 2015 has a net current asset deficiency of US $51,220,000 at that date and comments on the consolidated entity's plans to address the net current asset deficiency. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

PricewaterhouseCoopers

Peter Buchholz
Partner

Sydney
25 February 2016