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29 April 2016

REPORT ON THIRD QUARTER ACTIVITIES – 31 MARCH 2016

HIGHLIGHTS

- **Revenue (including hedging gains) of US$16.1 million for March quarter 2016; year to date revenue (including hedging gains)of US$57.3 million**
- **Production for quarter 353,718 bbls; year to date production of 1.0 million bbls**
- **Current net daily oil production rate of approximately 4,000 bbls**
- **Sales for quarter 346,404 bbls, year to date sales 1.0 million bbls**
- **Average realised price, including hedging gains, of US$46.45 bbl for oil sold in March quarter**
- **Average operating cost US$13.28/bbl[1] for March quarter production volumes**
- **Further gross debt reductions of US$31 million in quarter, with aggregate gross debt reduction of US$52 million since 1 July 2015**
- **Cash at 31 March 2016: US$17.0 million**
- **Maintenance of robust operating income levels, despite falling oil prices, resulting from continued low operating expenditure and hedging gains**
- **Insurance proceeds from 2013 Maari mooring and swivel repair claim: aggregate net recoveries of US$10.2 million with remaining US$2.8 million received in the March quarter 2016 under loss of production claim**
- **Block 22/12, China: Horizon Oil's cost recovery oil entitlement - US$120 million at 31 March 2016; increasing the Company's production entitlement from the field in 2016 from 26.95% to over 35% when the cost recovery entitlement is preferentially recovered**

[1] normalised for inventory adjustments and mooring repair costs; US$12.45/bbl net of period freight and demurrage costs

CORPORATE

Impact of oil price

For most of the March quarter, the Brent oil price traded below US$40/bbl, with a low point on 20 January 2016 of US$27.88/bbl. Since that low point in January, the oil price has risen by more than 70%, closing at US$48.14/bbl on 28 April 2016.

Horizon Oil and its joint venture partners continued to drive greater capital efficiency, deferral of investment and implementation of deeper cost control measures in respect of the Company's operations.

By way of example, CNOOC, the operator of Block 22/12, China, continues to aggressively reduce operating costs with the average operating cost for the March quarter reduced to approximately US$9/bbl.

Capital expenditure continues to be reduced and limited to that which is necessary in the current period to ensure asset integrity and satisfy licence and other contractual commitments. Horizon Oil's capital expenditure for the remainder of the 2016 financial year is expected to be approximately US$4.0 million, plus the remaining costs of the Maari FPSO mooring repairs of approximately US$4.0 million, net to Horizon Oil, before anticipated insurance recoveries.

Summary of results for quarter

The Company's crude oil production in the quarter was 353,718 bbls, with aggregate year to date production of 1.0 million bbls.

Revenue for the quarter was US$16.1 million from sales of 346,404 bbls of oil. The average realised price of oil sold over the quarter, including hedging gains, was US$46.45/bbl.

The average cash operating costs for oil produced in the quarter, adjusted for inventory balances and long lead items incurred on the Maari mooring lines repair, were US$13.28/bbl[2].

Quarterly net operating income was US$9.5 million[3].

The Company's cashflow from its low cost production is enhanced by the Group's commodity hedging program which includes 90,000 barrels of oil hedged in the three months from April 2016 to June 2016 at a weighted average hedge price of US$94/barrel (~A$123/bbl).

Insurance proceeds for the 2013 repair of the Maari FPSO swivel and mooring lines

The Company has previously advised of the receipt of insurance proceeds claimed under the Maari FPSO hull and machinery operational policy for the 2013 repair of the Maari FPSO swivel and mooring lines: US$7.4 million net to Horizon Oil. As foreshadowed in the December quarterly report, the Company received an additional US$2.8 million in the quarter under its loss of production insurance policy.

Continued reduction of debt levels

The Company's gross debt levels were further reduced in the quarter as a result of the substantial decrease of debt drawn under the Company's senior debt facility. The Company's gross debt has reduced by US$52 million since July 2015 (US$90 million from April 2014) in a low oil price environment.

As previously advised, the deep falls in oil prices and the consequential reductions of lender price decks affect 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. The reduction of lender price decks has led to amortisation of the debt balance and will restrict the extent of potential additional debt capacity under the facility.

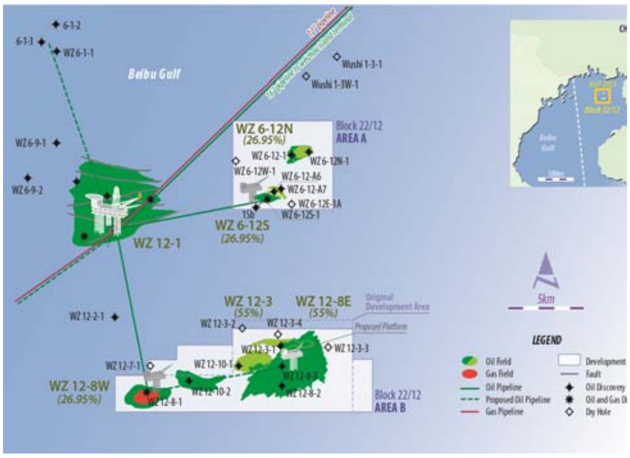
In consideration of the scheduled redemption of the residual convertible bonds and the factors noted above, the Company has been progressing various opportunities to ensure satisfaction of the terms of the convertible bonds, or any modifications thereto.

The Company advises that it has now settled on a satisfactory solution and is currently in advanced discussions with relevant parties to implement this. Shareholders will be advised of details of these arrangements upon completion of binding documentation.

[2] US$12.45/bbl net of period freight and demurrage costs
[3] Includes mooring line repairs of US$1.9 million; excludes amortisation and inventory adjustments

PRODUCTION

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

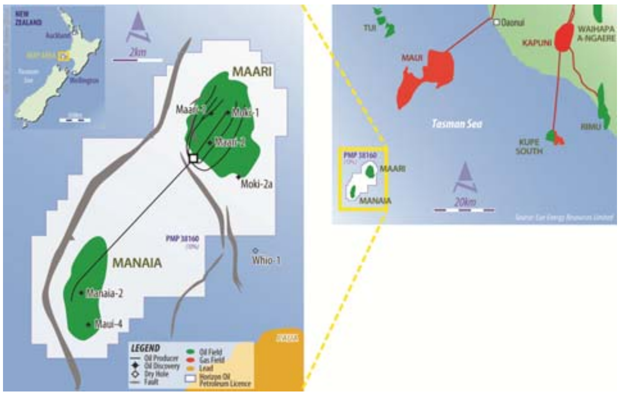


Gross oil production for the quarter averaged 10,100 bopd (HZN: 2,720) bopd). All of the 16 production wells are now being produced with artificial lift by electrical submersible pumps. Current production is approximately 10,300 bopd (HZN: 2,781 bopd).

Horizon Oil's entitlement to cost recovery oil at 31 March 2016 was US$120 million. Based on forecast field production rates and current oil prices, Horizon Oil's Block 22/12 production entitlement will shortly increase from 26.95% to over 35% of production in 2016, while the cost recovery entitlement is preferentially recovered.

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

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



Gross oil production for the quarter averaged 12,000 bopd (HZN: 1,200 bopd).

As announced on 18 December 2015, the Maari joint venture is carrying out an upgrade of the FPSO *Raroa's* mooring system. The work, designed to "future-proof" the mooring system for the next decade, commenced on 18 March 2016 and, as at the date of the report, 7 of the 8 mooring lines have been repaired with work on the final mooring line underway. Production has not been interrupted during the mooring repair operations. The second element of the repair work, replacing the water injection line, will coincide with the annual 10 day planned maintenance shutdown, commencing in early May.

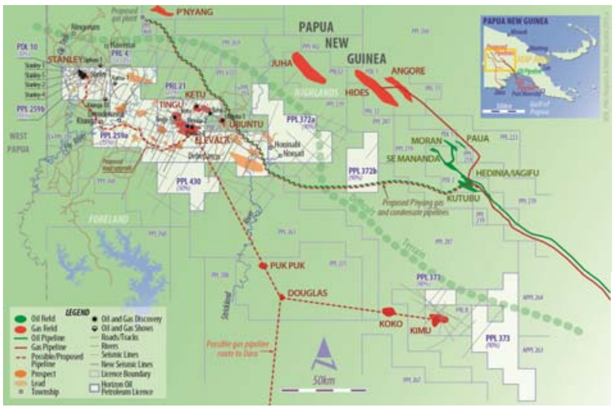
The estimated remaining cost of the works is approximately US$4.0 million, net to Horizon Oil, before insurance recoveries. The Company anticipates that a significant portion of these works will be recovered from insurance.

DEVELOPMENT

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

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

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

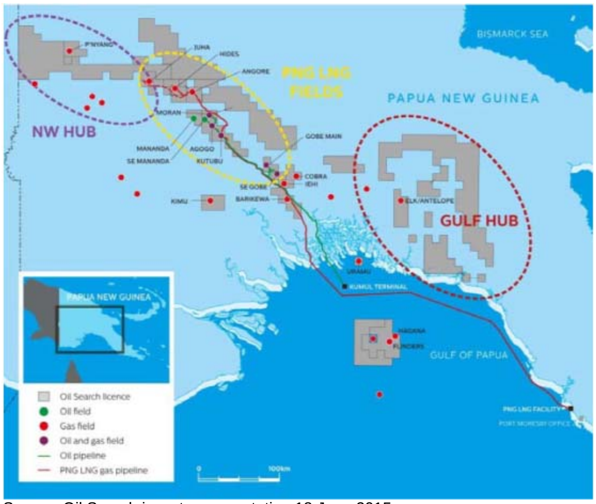


PRL 21, Elevala/Tingu and Ketu gas-condensate fields, Western Province, PNG (Horizon Oil: 27% and operator)

Further good progress was made in the quarter on pre-development planning and regulatory aspects of the project, including landowner, environmental and technical matters.

Exploration and appraisal activity has increased in the areas immediately to the north of Horizon Oil's Western Province gas fields, with the PPL 269 participants, including Repsol, Santos and Oil Search, shortly to commence drilling the Strickland-1 exploration well and the P'nyang participants to commence drilling up to two appraisal wells in Q4 2016, with total drilling costs likely to be in the order of US$400-500 million.

The outcome of the P'nyang appraisal drilling by the Exxon led joint venture, anticipated in late 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 gross 2C resources) to satisfy a threshold volume for the PNG LNG Train 3 expansion. The Company understands that such brownfield aggregation and expansion proposals have considerable PNG governmental support.



Source: Oil Search investor presentation 18 June 2015

The PRL 21 joint venture is also progressing planning for a greenfield LNG project at Daru Island as its base case and the Company will continue its feasibility analysis for gas sales to West Papuan agribusiness and industrial users. However, the opportunity to participate in a brownfield LNG development by way of aggregation of Horizon Oil's gas fields with those of other operators represents a potentially attractive proposition with less engineering and financial risk.

FINANCIAL SUMMARY

Horizon Oil Limited Group
ASX Quarterly Announcement Financial Summary
31/03/2016

	Q3 2016 bbls	Q2 2016 bbls	Change %	YTD bbls
Production				
PMP 38160 (Maari and Manaia), offshore New Zealand				
Crude oil production	106,174	128,232	(17.2%)	369,856
Crude oil inventory on hand	5,486	14,570	(62.3%)	5,486
Crude oil sales	115,260	186,140	(38.1%)	418,994
Block 22/12 (Beibu Gulf), offshore China				
Crude oil production	247,544	199,605	24.0%	665,762
Crude oil sales	231,144	186,381	24.0%	621,655
Total Production				
Crude oil production	**353,718**	**327,837**	**7.9%**	**1,035,619**
Crude oil sales	**346,404**	**372,521**	**(7.0%)**	**1,040,650**
	US$'000	**US$'000**	**%**	**US$'000**
Producing Oil and Gas Properties				
PMP 38160 (Maari and Manaia), offshore New Zealand				
Production revenue[1]	4,092	8,949	(54.3%)	19,764
Operating expenditure[2]	2,448	2,370	3.3%	6,853
Inventory adjustment[3]	331	2,386	86.1%	1,974
Repairs and refurbishment expenditure	1,885	720	162.0%	2,605
Amortisation	3,832	3,223	18.9%	10,915
Block 22/12 (Beibu Gulf), offshore China				
Production revenue[1]	6,619	6,897	(4.0%)	22,332
Operating expenditure	2,251	2,842	(20.8%)	7,529
Special Oil Gain Levy	0	0	0	0
Amortisation	5,461	5,991	(8.8%)	17,672
Total Producing Oil and Gas Properties				
Production revenue	**10,711**	**15,846**	**(32.4%)**	**42,096**
Oil hedging gains/(losses)	**5,380**	**4,584**	**17.4%**	**15,242**
Total revenue (incl hedging gains/(losses))	**16,091**	**20,430**	**(21.2%)**	**57,338**
Direct production operating expenditure[2]	**4,699**	**5,212**	**(9.8%)**	**14,382**
Inventory adjustments and repairs and refurbishment expenditure[3]	**2,216**	**3,105**	**(28.6%)**	**4,579**
Amortisation	**9,293**	**9,214**	**0.9%**	**28,587**
Exploration and Development				
PEP 51313, offshore New Zealand	17	6		71
PDL 10 (formerly PRL 4), Papua New Guinea	888	696		2,381
PRL 21, Papua New Guinea	558	591		1,149
PPL 259, Papua New Guinea	0	608		608
PPL 430, Papua New Guinea	29	25		54
PMP 38160 (Maari and Manaia), offshore New Zealand	138	383		6,335
Block 22/12 (Beibu Gulf), offshore China	4,675	4,400		10,472
	6,305	**6,709**	**(6.0%)**	**21,070**
Cash on hand at 31 March 2016[4]	**17,034**	**51,066**		**17,034**
Reserves-Based Debt Facility[5]	**89,141**	**120,000**		**89,141**
Convertible Bond[6]	**58,800**	**58,800**		**58,800**

[1] Represents gross revenue excluding hedge gains and losses
[2] Represents direct production costs (during Q3 2016 included some demurrage and freight of $0.3 million on CIF sales)
[3] Includes accounting adjustment for cost of crude oil inventory sold or produced during the period (includes amortisation of $0.2 million in the quarter)
[4] Includes cash in transit
[5] Represents principal amounts drawn down as at 31 March 2016
[6] Represents principal amount repayable unless converted prior to 17 June 2016

In accordance with ASX Listing Rules, the reserve and resource information in this report has been reviewed and approved by Mr Alan Fernie, Manager – Exploration and Development, Horizon Oil Limited. Mr Fernie (B.Sc), who is a member of AAPG, has more than 35 years relevant experience within the industry and consents to the information in the form and context in which it appears.