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QUARTERLY REPORT

PERIOD ENDING 31 MARCH 2017 (ASX:HZN)

HIGHLIGHTS

FINANCIAL

- **Revenue of US$17.9 million for March quarter 2017**, inclusive of hedge settlements, **an increase of 28.5%** over prior quarter resulting from oil sales of 349,602 bbls at an average realised oil price of US$52.40/bbl. **Horizon Oil's free cashflow break-even price is US$33/bbl.**
- Cash at 31 March 2017: US$20.6 million.
- **Net debt further reduced** to US$117.4 million, equivalent to 2.2x FY2016 EBITDAX of US$54.0 million. **Stable financial position, with steadily decreasing debt position.**
- Continued **rigorous management of exploration and development costs**, with costs of US$2.9 million in quarter incurred to progress the Western LNG project in PNG and WZ 12-8E development in China.

PRODUCTION AND DEVELOPMENT

- Strong, long-lived production profile in China and NZ, buoyed by a strategic stake in large oil and gas development in PNG.
- Production for quarter 273,713 bbls, a 13.5% increase on prior quarter.
- Net production rate is approximately 4,300 bopd, including additional priority cost recovery oil entitlement in Block 22/12.
- Horizon Oil's **average operating costs for the quarter were** US$11.48/bbl (production) and US$8.99/bbl (sales), **ahead of guidance** of US$12-13/bbl.
- Production from **Beibu Gulf fields**, offshore China, reached production milestone of 13.9 mmbo in January 2017, causing reduction of the pipeline tariff from US$4.75/bbl to US$0.50/bbl. This led to a greater than **40% reduction in field operating costs** with Beibu Gulf average quarterly field operating costs of US$7.42 (production) and US$5.10 (HZN sales), taking into account Horizon Oil's cost recovery oil entitlement.
- The Overall Development Plan for the WZ 12-8E field in Beibu Gulf is well advanced, with final investment decision scheduled in Q4 2017.
- **Successful completion of water injection repairs at Maari/Manaia** field and concurrent repair of isolated fatigue crack on wellhead platform. Field production recommenced on 12 January 2017 and the water reinjection system was restarted on 29 January 2017. This led to increased production of ~36% compared with the prior quarter.
- Key focus on commercialisation of gas resources in Western Province, PNG with formation of a joint working team between PRL 21 and PDL 10 joint ventures to progress the Western LNG project, a mid-scale LNG development concept aggregating 2.0 to 2.5 tcf of discovered and appraised gas resources in the region. Horizon Oil holds interests of 30% in PDL 10 and 27% in PRL 21, which will provide the cornerstone gas volumes for the Western LNG project.
- Completion of acquisition of a 50% working interest and operatorship of the Ubuntu gas

condensate field, adjacent to PRL 21, further consolidating ownership of the material gas and condensate resources in Western Province, PNG.

CHIEF EXECUTIVE OFFICER'S COMMENTS

The March 2017 quarter saw a **13.5% increase in oil production** from Horizon Oil's assets in Block 22/12 (China) and Maari/Manaia field (New Zealand). While very positive in itself, the benefit of that production increase was **enhanced substantially by the Company's cost recovery oil entitlement** in Block 22/12, contributing to a greater than 20% increase in oil sales and, with the increased oil price, **a 28.5% increase in quarterly revenue** to US$17.9 million, net of hedge settlements.

The Company's **strong revenue generation capacity and sustained low production costs** resulted in net operating cash flow of US$14.5 million for the quarter, indicating that **our guidance for calendar 2017 of US$50-60 million should be achieved.**

With a free cashflow break-even price of US$33/bbl (which includes capital expenditure), and material long-term production from our proven, developed and producing conventional oil fields, **the Company continues to progressively reduce net debt**. As previously noted, **net debt is now at an undemanding multiple** of 2.2x FY2016 net operating cashflow and will continue to fall.

This robust operating performance and associated material free cashflow enable the Company to confidently progress planning for the WZ 12-8E development in Block 22/12 in China with our partner CNOOC Limited. The WZ 12-8E development will address gross recoverable resources of 11 million barrels of oil and is targeted to come on stream in early 2019. As the development is incremental to existing facilities and the wellhead platform will be leased, **the China field development costs will be comfortably funded from internally generated cash flow.**

Importantly, the continuing consolidation of the ownership of gas condensate resources in Western Province, Papua New Guinea, together with the collaboration between the operators (Horizon Oil and Repsol) of the foundation resources of the Elevala/Ketu and Stanley gas fields, as well as the supporting Ubuntu and Puk Puk/Douglas gas fields, is facilitating the progression of the Western LNG gas aggregation project. The coordinated gas aggregation project aims to monetise 2.0 - 2.5 tcf of gas and 60 - 70 million barrels of associated condensate, in which Horizon Oil holds an approximate 25% interest. The joint venturers are receiving strong support for the project from the PNG Government.

Brent Emmett
Chief Executive Officer

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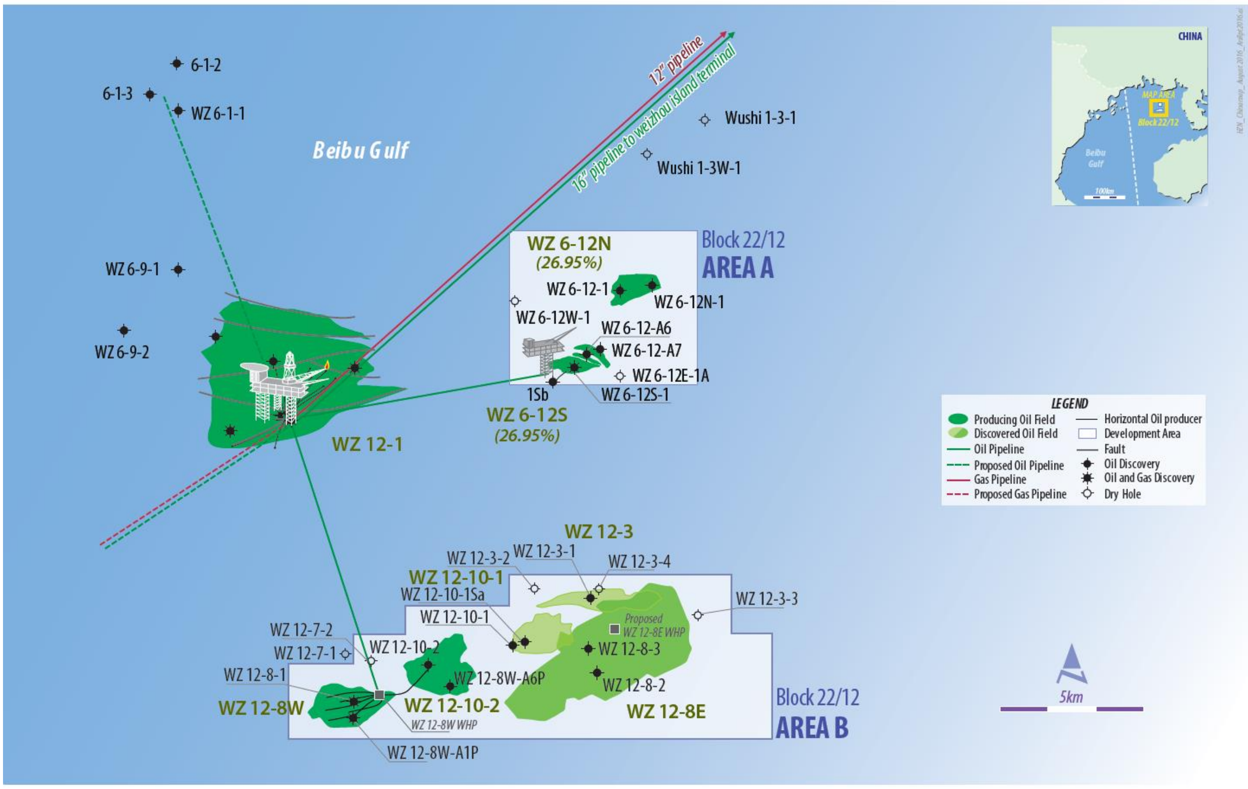
FINANCIAL SUMMARY

	Q3 FY2017 bbls	Q2 FY2017 bbls	Change %	Financial Year 2017 bbls
Production				
Block 22/12 (Beibu Gulf), offshore China				
Crude oil production	201,937	188,238	7.3%	601,738
Crude oil sales[1]	294,137	245,669	19.7%	818,097
PMP 38160 (Maari and Manaia), offshore New Zealand				
Crude oil production	71,776	52,884	35.7%	221,174
Crude oil inventory on hand	28,167	11,924	136.2%	28,167
Crude oil sales	55,465	45,349	22.3%	225,590
Total Production				
Crude oil production	**273,713**	**241,122**	**13.5%**	**822,912**
Crude oil sales[1]	**349,602**	**291,018**	**20.1%**	**1,043,686**
	US$'000	US$'000	%	US$'000
Producing Oil and Gas Properties				
Block 22/12 (Beibu Gulf), offshore China				
Production revenue[2]	15,166	11,624	30.5%	38,264
Operating expenditure	1,499	2,582	42.0%	6,415
Amortisation	4,279	3,988	(7.3%)	12,750
PMP 38160 (Maari and Manaia), offshore New Zealand				
Production revenue[2]	3,152	2,318	36.0%	11,246
Operating expenditure	1,644	1,747	5.9%	4,667
Inventory adjustment[3]	(685)	(302)	126.6%	186
Repairs and refurbishment expenditure	289	1,372	78.9%	1,661
Amortisation	2,010	1,481	(35.7%)	6,194
Total Producing Oil and Gas Properties				
Production revenue[2]	**18,318**	**13,942**	**31.4%**	**49,510**
Oil hedging gains/(losses)	**(379)**	**14**		**33**
Total revenue (incl hedging gains/(losses))	**17,940**	**13,956**	**28.5%**	**49,543**
Direct production operating expenditure	**3,143**	**4,329**	**27.4%**	**11,082**
Net operating cash flow[4]	**14,507**	**8,255**	**75.7%**	**36,800**
Inventory adjustments and repairs and refurbishment expenditure[3]	**(395)**	**1,070**	**136.9%**	**1,848**
Amortisation	**6,289**	**5,469**	**(15.0%)**	**18,944**
Exploration and Development				
PEP 51313, offshore New Zealand	0	0		36
PDL 10, Papua New Guinea	1,039	487		3,000
PRL 21, Papua New Guinea	300	355		899
PPL 259/574, Papua New Guinea	0	0		0
PPL 430, Papua New Guinea	100	0		154
PMP 38160 (Maari and Manaia), offshore New Zealand	473	817		1,348
Block 22/12 (Beibu Gulf), offshore China	955	0		955
	2,867	**1,659**	**(72.8%)**	**6,392**
Cash on hand[5]	**20,586**	**18,346**		**20,586**
Reserves-Base Debt Facility[6]	**87,998**	**89,141**		**87,998**
Subordinated Debt[6]	**50,000**	**50,000**		**50,000**
Net Debt[6]	**117,412**	**120,795**		**117,412**

1 Excess of sales volume over production volume due largely to preferential cost recovery in China
2 Represents gross revenue excluding hedge gains and losses
3 Includes accounting adjustment for cost of crude oil inventory sold or produced during the period (includes amortisation of $0.3 million in the quarter)
4 Represents net operating cash flow net of repairs and refurbishment expenditure
5 Includes cash in transit
6 Represents principal amounts drawn down as at 31 March 2017

PRODUCTION

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



Gross oil production for the quarter averaged 8,326 bopd, with current field production of approximately 8,500 bopd. Horizon Oil's sales entitlement for the quarter averaged 3,268 bopd taking into account the cost recovery oil entitlement received in the quarter.

As at 31 March 2017, Horizon Oil's remaining cost recovery oil entitlement was US$98.6 million.

On 12 January 2017, the Company advised that cumulative oil production from the Beibu Gulf fields, which came on stream in March 2013, reached the milestone of 13.9 million barrels.

Having reached the milestone, the oil pipeline transportation tariff paid to China National Offshore Oil Corporation, previously US$4.75 per barrel, is now reduced to US$0.50 per barrel, significantly reducing operating costs and increasing production revenue through additional cost recovery under the Petroleum Contract. Average operating costs in the quarter were US$7.42 (produced); US$5.10/bbl (Horizon Oil sales).

The Overall Development Plan for the WZ 12-8E field is well advanced, with final investment decision scheduled for Q4 2017. The development has been planned as a phased development, with an initial three wells being drilled from a leased platform, which is tied back to the existing Block 22/12 infrastructure.

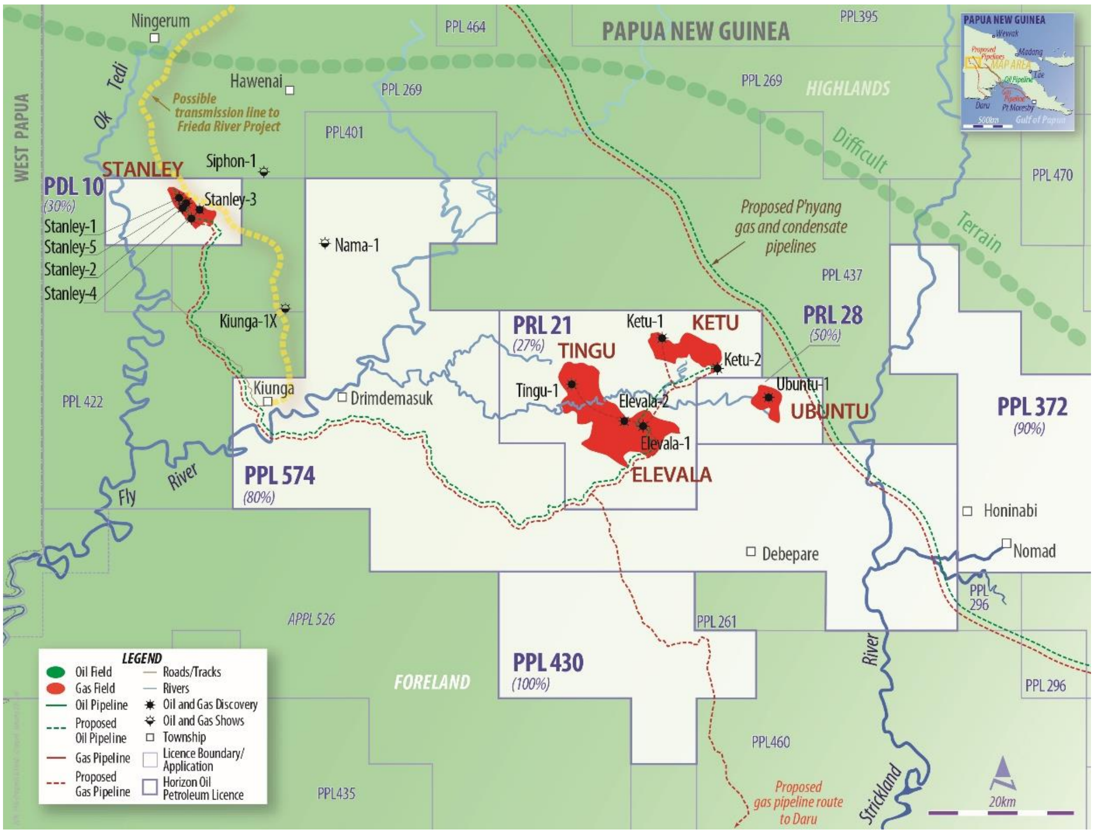
PMP 38160, Maari/Manaia fields, Taranaki Basin, offshore New Zealand (Horizon Oil: 10%)

Gross oil production for the quarter averaged 7,975 bopd (HZN: 798 bopd).

Production for the period was affected by the previously advised field maintenance and repair shutdown period which was completed on 12 January 2017, at which time production recommenced.

Horizon Oil's net cost of the recent repairs is approximately US$1.5 million, the majority of which is anticipated to be recovered through insurance.

DEVELOPMENT



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

The key focus was on commercialisation of Elevala/Ketu fields, aggregated with other fields in Western Province.

The joint venture, together with the PDL 10 Joint venture, has formed a joint working team (JWT) to progress commercialisation work for the Western LNG project, a planned 1.5 mtpa mid-scale LNG development concept, piping gas to a floating LNG facility located near Daru Island

Horizon Oil, as operator of PRL 21, is also in discussions with the PNG National Oil Company, Kumul Petroleum Holdings, to investigate an alternative option, which is an open access pipeline to Port Moresby that will aggregate, and facilitate commercialisation of, several undeveloped gas resources in Western Province.

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

The joint venture, through its participation in the JWT, progressed commercialisation work for Western LNG. PDL 10 (Stanley), together with PRL 21 (Elevala/Ketu) will provide the cornerstone gas volumes for the Western LNG project.

Acquisition of additional licence interests in Papua New Guinea

During the quarter Horizon Oil completed its acquisition of Eaglewood Energy (BVI) Limited which relevantly holds a 40% interest in Ubuntu, a gas condensate field adjacent to PRL 21. Through its ownership of Eaglewood Energy (BVI) Limited, Horizon Oil will operate the Ubuntu field.

Horizon Oil has also completed the acquisition of a further 10% in Ubuntu as a result of Mitsubishi's withdrawal from PRL 28, subject to customary Ministerial approval.

This acquisition aligns with Horizon Oil's consolidation strategy in Western Province, giving it interests in key gas resources, which can be aggregated to provide the necessary gas volumes for Western LNG.

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.