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QUARTERLY REPORT

PERIOD ENDING 30 September 2018 (ASX:HZN)

HIGHLIGHTS

FINANCIAL

- 2018 calendar year to date revenue of US$92.5 million, an increase of 74% over the 2017 comparative period; revenue of US$28.8 million for September 2018 quarter (inclusive of hedge settlements).
- Net operating cash flow[1] for 2018 calendar year to date of US$69.1 million, an increase of 73% over the 2017 comparative period; net operating cash flow for the quarter of US$20.7 million.
- Cash at 30 September 2018: US$41.6 million.
- Net debt of US$74.6 million at 30 September 2018, a reduction of US$14 million from the previous quarter.
- Prepayment of a further US$20 million of subordinated debt in October 2018, with remaining subordinated debt balance reduced to US$20 million at date of report.

PRODUCTION AND DEVELOPMENT

- Oil sales for 2018 calendar year to date of 1.43 million bbls, a 38% increase over the 2017 comparative period; average realised oil price of US$64.47/bbl inclusive of hedge settlements.
- Sales for quarter of 446,431 bbls at an average realised oil price of US$73.90/bbl, and production of 380,161 bbls. Sales and production now reflects a normalised contribution of additional 16% interest acquired in the Maari/Manaia fields, with the prior quarter having included 6 months production and sales following completion of the transaction on 31 May 2018.
- Average cash operating costs for the quarter of US$13.56/bbl (sales) and US$15.92/bbl (production).
- Successful completion of two infill wells on the WZ 12-8W and WZ 12-8M fields in Block 22/12, which were brought onto production during August 2018. Initial flow rates from the infill wells have been maintained at approximately 3,500 bopd (gross) with aggregate production from the field of approximately 11,800 bopd (gross).

[1] Net operating income after operating expenditure, excluding extraordinary items

CHIEF EXECUTIVE OFFICER'S COMMENTS

Horizon Oil's strong financial performance and cash generation continued in the September quarter, resulting from solid underlying production from our conventional oil fields and strengthened oil prices.

Production levels were enhanced with completion of two infill wells in our Beibu Gulf fields, with initial and sustained production rates materially better than forecast. This was offset in part by scheduled maintenance, workovers and production enhancing well intervention activities at Maari/Manaia, which resulted in temporary production deferral during the period.

With September quarter net revenues and net operating cashflow of US$28.8 million and US$20.7 million respectively, our projects have generated net revenue of US$92.5 million and net operating cashflow of US$69.1 million for the calendar year to date, resulting in a 74% and 73% increase over the comparable 2017 period. Assuming oil prices are sustained at current levels and maintenance of forecast production levels, we anticipate exceeding full calendar year revenue guidance of US$95 - 105 million by potentially US$10 - 15 million, with corresponding outperformance for net operating cashflow.

As a consequence of the strong operational cash flow during the quarter, cash reserves increased to US$41.6 million and net debt was reduced by US$14 million to US$74.6 million. During October, a further US$20 million of the Company's subordinated debt was prepaid, reducing the outstanding balance under the facility to US$20 million.

The sound result for the quarter and the further reduction of the Company's residual debt balances provides a robust platform for continued strong financial performance in FY 2019 as the Company progresses its development and commercialisation opportunities in China and PNG.

Michael Sheridan
Chief Executive Officer

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FINANCIAL SUMMARY

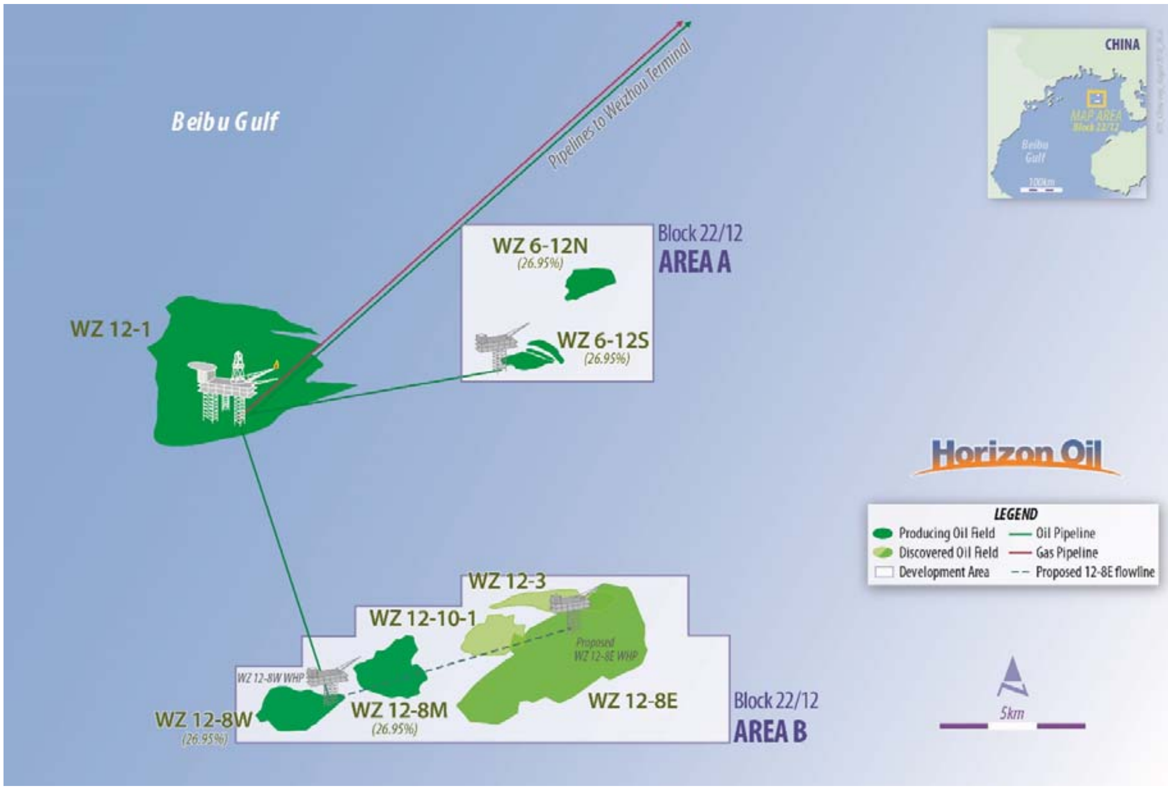
	Q1 FY2019 bbls	Q4 FY2018 bbls	Change %	Calendar YTD 2018 bbls
Production				
Block 22/12 (Beibu Gulf), offshore China				
Crude oil production	242,571	226,911	6.9%	689,480
Crude oil sales[1]	312,313	320,331	(2.5%)	952,520
PMP 38160 (Maari and Manaia), offshore New Zealand				
Crude oil production[7]	137,590	252,382	(45.5%)	452,420
Crude oil inventory on hand	44,920	41,095	9.3%	44,920
Crude oil sales[7]	134,118	279,039	(51.9%)	481,426
Total Production				
Crude oil production	**380,161**	479,293	**(20.7%)**	**1,141,900**
Crude oil sales[1]	**446,431**	599,370	**(25.5%)**	**1,433,946**
	US$'000	US$'000		US$'000
Producing Oil and Gas Properties				
Block 22/12 (Beibu Gulf), offshore China				
Production revenue[2]	22,587	23,080	(2.1%)	66,397
Operating expenditure	2,099	3,086	(32.0%)	7,233
Special oil gain levy	576	595	(3.2%)	1,243
Amortisation	5,187	4,686	10.7%	14,743
PMP 38160 (Maari and Manaia), offshore New Zealand				
Production revenue[2,7]	10,405	20,214	(48.5%)	35,389
Operating expenditure[7]	5,494	7,531	(27.0%)	14,925
Inventory adjustment[3]	(406)	1,672	(124.3%)	1,506
Amortisation[7]	3,714	4,336	(14.3%)	9,921
Total Producing Oil and Gas Properties				
Production revenue[2]	**32,992**	**43,294**	**(23.8%)**	**101,786**
Oil hedging settlements	**(4,155)**	**(3,701)**	**12.3%**	**(9,333)**
Total revenue (incl. hedging gains/(losses))	**28,837**	**39,593**	**(27.2%)**	**92,453**
Direct production operating expenditure	7,593	10,617	(28.5%)	22,158
Net operating cash flow[4]	**20,668**	**28,381**	**(27.2%)**	**69,052**
Amortisation	8,901	9,022	(1.3%)	24,664
Exploration and Development				
Papua New Guinea exploration & pre-development	841	945		2,824
PMP 38160 (Maari and Manaia), New Zealand	706	2,473		3,948
Block 22/12 (Beibu Gulf), offshore China	3,449	221		3,804
Total capital expenditure	**4,996**	**3,639**		**10,576**
Cash on hand[5]	**41,592**	**27,625**		**41,592**
Senior debt facility[6]	**76,233**	**76,233**		**76,233**
Subordinated debt facility[6]	**40,000**	**40,000**		**40,000**
Net Debt[6]	**74,641**	**88,608**		**74,641**

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 $0.1 million in the quarter)
4 Represents net operating cash flow inclusive of the cost of workovers, and repairs and refurbishment expenditure
5 Includes cash in transit
6 Represents principal amounts drawn down as at 30 June 2018
7 The prior quarter includes production, sales, operating expenditure, amortisation and exploration and development expenditure from Q1 and Q2 2018 for the additional 16% interest acquired in the Maari field, which had an effective date of 31 December 2017, and completed on the 31 May 2018. Refer to page 5 for detailed information.

Note: Financial results contained in this quarterly are unaudited

PRODUCTION

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



Gross oil production for the quarter averaged 9,783 bopd. Horizon Oil's sales for the quarter averaged 3,395 bopd, taking into account the cost recovery oil entitlement received in the quarter.

Production has been enhanced by the completion of two infill wells which resulted in a 6.9% increase from the previous quarter, despite approximately 6 days of production loss due to precautionary shut downs for typhoon activity.

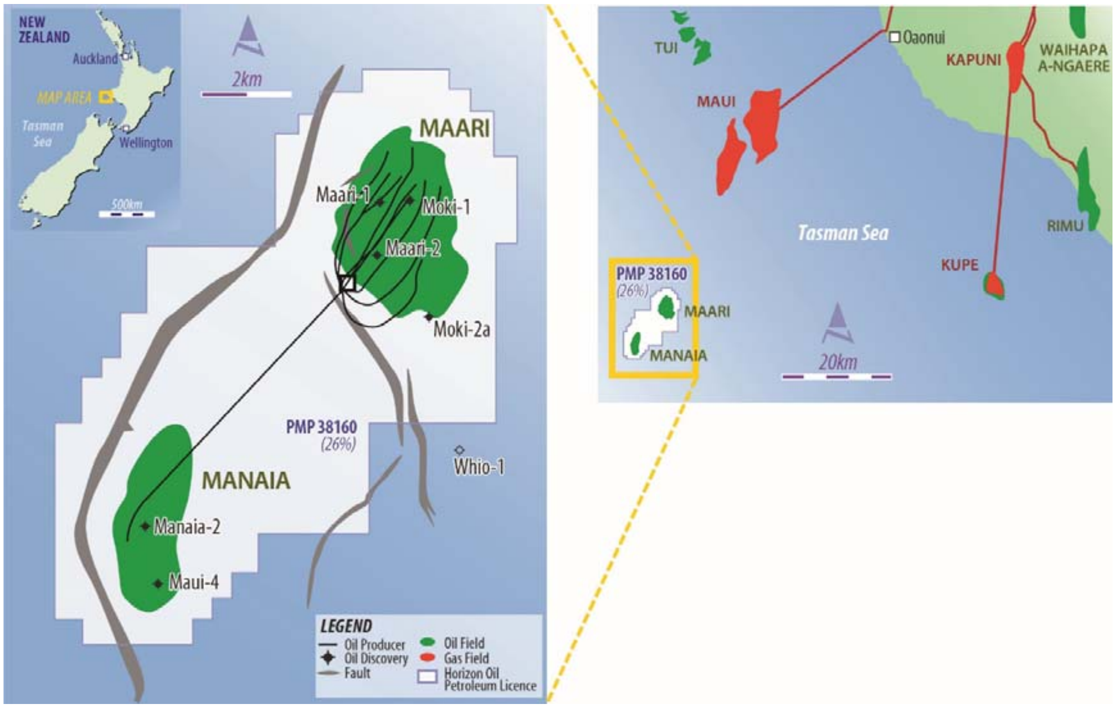
Following the successful completion of two infill wells drilled on the WZ 12- 8W and WZ 12-8M fields, brought into production during August 2018, gross production from the fields increased substantially, with current production of approximately 11,800 bopd. The infill wells provided initial flow rates of 3,500 bopd and have subsequently been sustained at these levels, exceeding the initial forecast of 2,000 bopd.

Average cash operating costs in the quarter were US$6.69/bbl (Horizon Oil sales); US$8.62/bbl (produced).

As at 30 September 2018, Horizon Oil's remaining cost recovery oil entitlement under the Petroleum Contract was US$37.5 million.

The joint venture is progressing to a final investment decision on the 12-8E field, which the operator, CNOOC Limited, has scheduled later this year. The development has been planned as a phased development, with an initial three wells being drilled from the leased platform to be tied back to the existing Block 22/12 infrastructure with a flexible flow line. Further production wells are planned be added later, with well design and location to be determined by the performance of the initial wells.

PMP 38160, Maari/Manaia fields, Taranaki Basin, offshore New Zealand (Horizon Oil: 26%)



Gross oil production for the quarter averaged 5,752 bopd (Horizon Oil net 26%: 1,496 bopd). Sales volumes for the quarter of 134,118 bbls.

Production enhancing well intervention activities were conducted during the quarter, including the conversion of the MR5 production well to a water injection well as part of the ongoing production improvement program. The conversion was undertaken to provide further pressure support within the reservoir to optimise production rates.

The production enhancing well intervention activities, workovers and scheduled field maintenance deferred production during the quarter, resulting in a 10% reduction on a normalised basis. (Normalised to take into account approximately 100,000 bbls produced in relation to the additional 16% interest in Q3, which were required to be reflected in the Q4 results following completion of the acquisition on 31 May 2018.)

Average cash operating costs in the quarter were US$28.73/bbl (produced); US$29.48/bbl (Horizon Oil sales). Production and operating costs during the quarter were also impacted by the scheduled field maintenance and well intervention activities.

DEVELOPMENT

WESTERN LNG PROJECT, Western Province, Papua New Guinea

PRL 21, Elevala/Ketu gas-condensate fields
(Horizon Oil: 30.15% and operator)
PDL 10, Stanley gas-condensate field
(Horizon Oil: 30.0%)

PRL 28, Ubuntu gas-condensate field
(Horizon Oil: 30.0%[1] and operator)
PRL 40, Puk-Puk/Douglas gas fields
(Horizon Oil: 20%)[1]

In Papua New Guinea, Horizon Oil progressed planning for the commercialisation of the gross appraised resource of 2,200 PJ of sales gas and 64 million barrels of associated condensate in the four petroleum licences in the foreland basin of Western province that are intended to supply gas to the Western LNG project. The Company holds approximately 30% of the resource and is operator of two licences constituting the majority of the resource.

The condensate rich gas resources in the Stanley, Elevala, Ketu and Ubuntu fields lie to the south of ExxonMobil and Oil Search's P'nyang gas field which will provide the threshold volumes for expansion train 3 of the PNG LNG scheme.

The planned pipeline route from P'nyang to the PNG LNG facilities passes within 20 kilometres of the Ketu field. Recent announcements by the Government of Papua New Guinea indicate that its proposed Gas Policy would require third party access on reasonable commercial terms to pipelines and a recent media report suggests that such arrangements may be the subject of negotiation for the PNG LNG project agreement.

While such a potential commercialisation pathway may provide a beneficial opportunity, it remains appropriate for Horizon Oil and its fellow joint venturers to progress their independent development plans for their resources by way of the Western LNG project and the re-emerging opportunity for the Stanley condensate recovery project to provide nearer term condensate and domestic gas revenue, while planning for, and construction of, the longer-dated Western LNG project take place.

With respect to the notices of intent to cancel PDL 10 and PL 10 and the notice to terminate the Stanley Gas Agreement received by the PDL 10 joint venture from the PNG Petroleum Minister. Repsol, the operator of PDL 10, remains of the view that the notices are without merit and are procedurally invalid. Based on external legal advice, Horizon Oil supports this view. Horizon Oil and the PDL 10 joint venture continue to work with the PNG Petroleum Minister and the Department of Petroleum and Energy to resolve any misunderstanding or disagreement with respect to the good standing of PDL 10, PL 10 and the Stanley Gas Agreement.

[1] Calculated after the acquisition of a 20% interest in PRL 40 and divestment of 20% interest in PRL 28, subject to customary PNG Government approval. See Horizon Oil's market announcement of the transaction dated 18 July 2017.

The petroleum reserves and petroleum resources estimates in this report were first reported in Horizon Oil's Reserves and resources statement 2018, released to the ASX on 23 August 2018. The estimates are prepared under the supervision of Andrew McArdle, Chief Operating Officer of Horizon Oil Limited. Mr McArdle is a full-time employee of Horizon Oil Limited and is a member of the Society of Petroleum Engineers. Mr McArdle's qualifications include a Master of Engineering from The University of Western Australia, Australia and more than 15 years of relevant experience. Mr McArdle consents to the use of the petroleum reserves and petroleum resources estimates in the form and context in which they appear in this report.