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QUARTERLY REPORT

PERIOD ENDING 30 JUNE 2017 (ASX:HZN)

HIGHLIGHTS

FINANCIAL

- **Revenue lifts 5.9% to US$19.0 million for June quarter 2017** (inclusive of hedge settlements), compared to the prior quarter. This results from oil sales of 378,254 bbls at an average realised oil price of US$50.21/bbl.
- **FY 2017 revenue of US$68.5 million** and **net annual operating cash flow**[1] **of US$51.7 million**[2].
- **Horizon Oil's free cash flow break-even price, inclusive of all capital expenditure, is US$33/bbl**.
- **Cash at 30 June 2017: US$24.5 million**.
- **Voluntary prepayment of US$5 million of subordinated debt** and available senior debt facility capacity increased after scheduled facility redetermination.
- **Net debt further reduced** to US$108.5 million. **Stable financial position, with steadily decreasing debt and increased liquidity availability**.
- Continued **rigorous management of exploration and development costs**, with capital costs of US$1.1 million in quarter incurred to progress the Western LNG project in Papua New Guinea and Maari/Manaia production enhancements.

PRODUCTION AND DEVELOPMENT

- **Strong, long-lived production profile** in China and New Zealand buoyed by a strategic stake in large oil and gas development in PNG.
- **Sales for quarter of 378,254 bbls**[3] (including cost recovery oil entitlement), **an 8.2% increase** on prior quarter. FY 2017 sales of 1.4 mmbo.
- **Production for quarter of 283,442 bbls, a 3.6% increase** on prior quarter. Annual production of 1.1 mmbo.
- Net production rate for the quarter in excess of 4,000 bopd, including additional priority cost recovery oil entitlement in Block 22/12.
- **Average cash operating costs** for the quarter of **US$9.54/bbl (sales)** and **US$12.12/bbl (production)**, compared with guidance of US$12-13/bbl.
- **Overall Development Plan for the WZ 12-8E field in Beibu Gulf is well advanced, with final investment decision scheduled in Q4 2017**.
- **Strategic enhancement of asset base.** Further expansion and balancing of Horizon Oil's Western Province, PNG gas/condensate resources base with acquisitions of an additional 3.15% interest in PRL 21 (Elevala/Tingu and Ketu fields) and a 20% interest in PRL 40 (Puk Puk and Douglas fields), the latter exchanged for a 20% interest in PRL 28 (Ubuntu).

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[1] Net operating income after operating expenditure, excluding extraordinary items
[2] Unaudited
[3] Including Block 22/12 cost recovery oil entitlement

CHIEF EXECUTIVE OFFICER'S COMMENTS

The strong operational performance of Horizon Oil's assets in Block 22/12 (China) and Maari/Manaia field (New Zealand) has led to **an 8% increase in sales** to 378,254 bbls of oil, resulting in quarterly revenue of US$19.0 million, an increase of 5.9% from the prior quarter. The Company's revenue for the 2017 financial year was US$68.5 million.

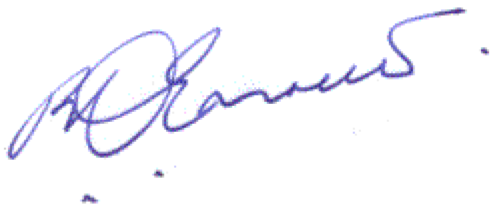
With cash operating costs of approximately US$10/bbl sold, Horizon Oil's high gross margin and long life conventional oil fields continue to generate material free cash flow as demonstrated by **improved net operating cash flow**[4] of US$14.9 million for the quarter and approximately US$51.7 million[5] for the 2017 financial year.

This robust cash flow, particularly in the context of a free cash flow break-even price of US$33/bbl6, enables the Company to comfortably maintain its debt reduction trajectory while progressing planning for the WZ 12-8E development in Block 22/12 in China with our partner CNOOC Limited. Because the development is incremental to existing production facilities and the mobile production platform will be leased, **China field development costs will be comfortably funded from internally-generated cash flow.**

In the last six months**,** Horizon Oil has successfully concluded a series of transactions which ensure that the Company is strategically positioned in each of the appraised gas fields composing the proposed Western LNG gas aggregation project in Western Province, Papua New Guinea. As a result, the Company has a material 28% interest in the aggregate gas/condensate resource and operates the core Elevala/Tingu and Ketu gas-condensate fields. Recent consolidation of ownership of gas condensate resources has also seen the entry of Kumul Petroleum Holdings Limited, PNG's National Oil Company, indicating **strong support for the commercialisation of Western province gas fields from the PNG Government.**

Horizon Oil's project team made very good progress during the quarter on planning for the three key elements of Western LNG – the upstream processing facilities, the gas and condensate export pipelines to Daru Island and the modular liquefaction facility to be located near Daru.

Brent Emmett
Chief Executive Officer



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[4] Net operating income after operating expenditure, excluding extraordinary items
[5] Unaudited
[6] Includes all capital expenditure

FINANCIAL SUMMARY

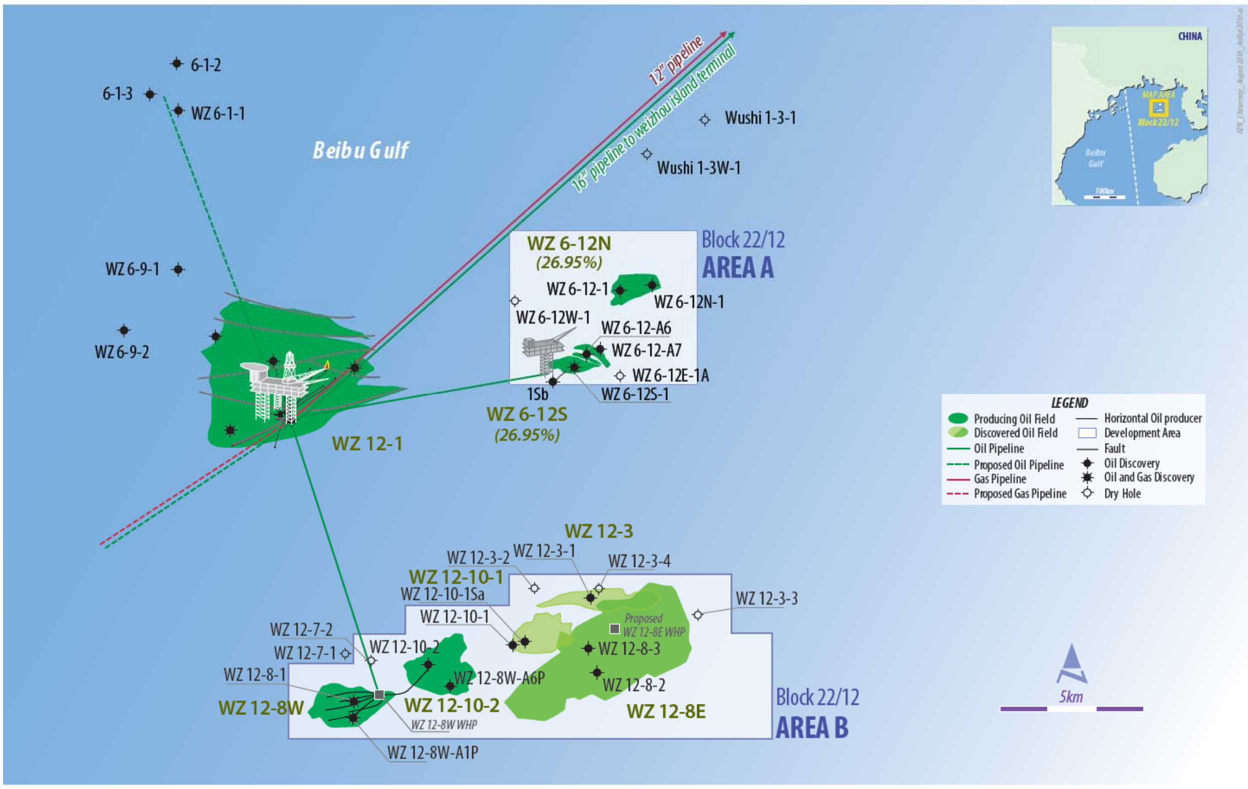
	Q4 FY2017 bbls	Q3 FY2017 bbls	Change %	Financial Year 2017 bbls
Production				
Block 22/12 (Beibu Gulf), offshore China				
Crude oil production	200,312	201,937	(0.8%)	802,050
Crude oil sales[1]	284,696	294,137	(3.2%)	1,102,793
PMP 38160 (Maari and Manaia), offshore New Zealand				
Crude oil production	83,130	71,776	15.8%	304,304
Crude oil inventory on hand	17,871	28,167	(36.6%)	17,871
Crude oil sales	93,557	55,465	68.7%	319,147
Total Production				
Crude oil production	**283,442**	**273,713**	**3.6%**	**1,106,354**
Crude oil sales[1]	**378,254**	**349,602**	**8.2%**	**1,421,940**
	US$'000	US$'000	%	US$'000
Producing Oil and Gas Properties				
Block 22/12 (Beibu Gulf), offshore China				
Production revenue[2]	13,564	15,166	(10.6%)	51,829
Operating expenditure	1,898	1,499	(26.6%)	8,313
Amortisation	4,280	4,280	0.0%	17,031
PMP 38160 (Maari and Manaia), offshore New Zealand				
Production revenue[2]	4,913	3,152	55.9%	16,159
Operating expenditure	1,712	1,644	(4.1%)	6,378
Inventory adjustment[3]	426	(685)	(162.2%)	612
Repairs and refurbishment expenditure	503	289	(73.7%)	2,164
Amortisation	3,076	2,010	(53.0%)	9,270
Total Producing Oil and Gas Properties				
Production revenue[2]	**18,478**	**18,318**	**0.9%**	**67,988**
Oil hedging gains/(losses)	**513**	**(379)**	**235.6%**	**546**
Total revenue (incl. hedging gains/(losses))	**18,991**	**17,940**	**5.9%**	**68,534**
Direct production operating expenditure	3,610	3,143	(14.8%)	14,691
Net operating cash flow[4]	**14,879**	**14,507**	**2.6%**	**51,679**
Amortisation	7,356	6,290	(17.0%)	26,301
Exploration and Development				
PEP 51313, offshore New Zealand	-	-		36
PDL 10, Papua New Guinea	146	1,039		3,145
PRL 21, Papua New Guinea	428	300		1,327
PPL 259/574, Papua New Guinea	112	-		112
PPL 430, Papua New Guinea	-	100		154
PMP 38160 (Maari and Manaia), offshore New Zealand	439	473		1,787
Block 22/12 (Beibu Gulf), offshore China	-	955		955
	1,125	**2,867**	**(72.8%)**	**7,517**
Cash on hand[5]	**24,529**	**20,586**		**24,529**
Reserves-Base Debt Facility[6]	**87,998**	**87,998**		**87,998**
Subordinated Debt[6]	**45,000**	**50,000**		**45,000**
Net Debt[6]	**108,469**	**117,412**		**108,469**

[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 $0.2 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 30 June 2017

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 8,170 bopd. Horizon Oil's sales entitlement for the quarter averaged 3,128 bopd, taking into account the cost recovery oil entitlement received in the quarter.

Average cash operating costs in the quarter were US$9.47 (produced); US$6.67/bbl (Horizon Oil sales).

As at 30 June 2017, Horizon Oil's remaining cost recovery oil entitlement was US$89.6 million.

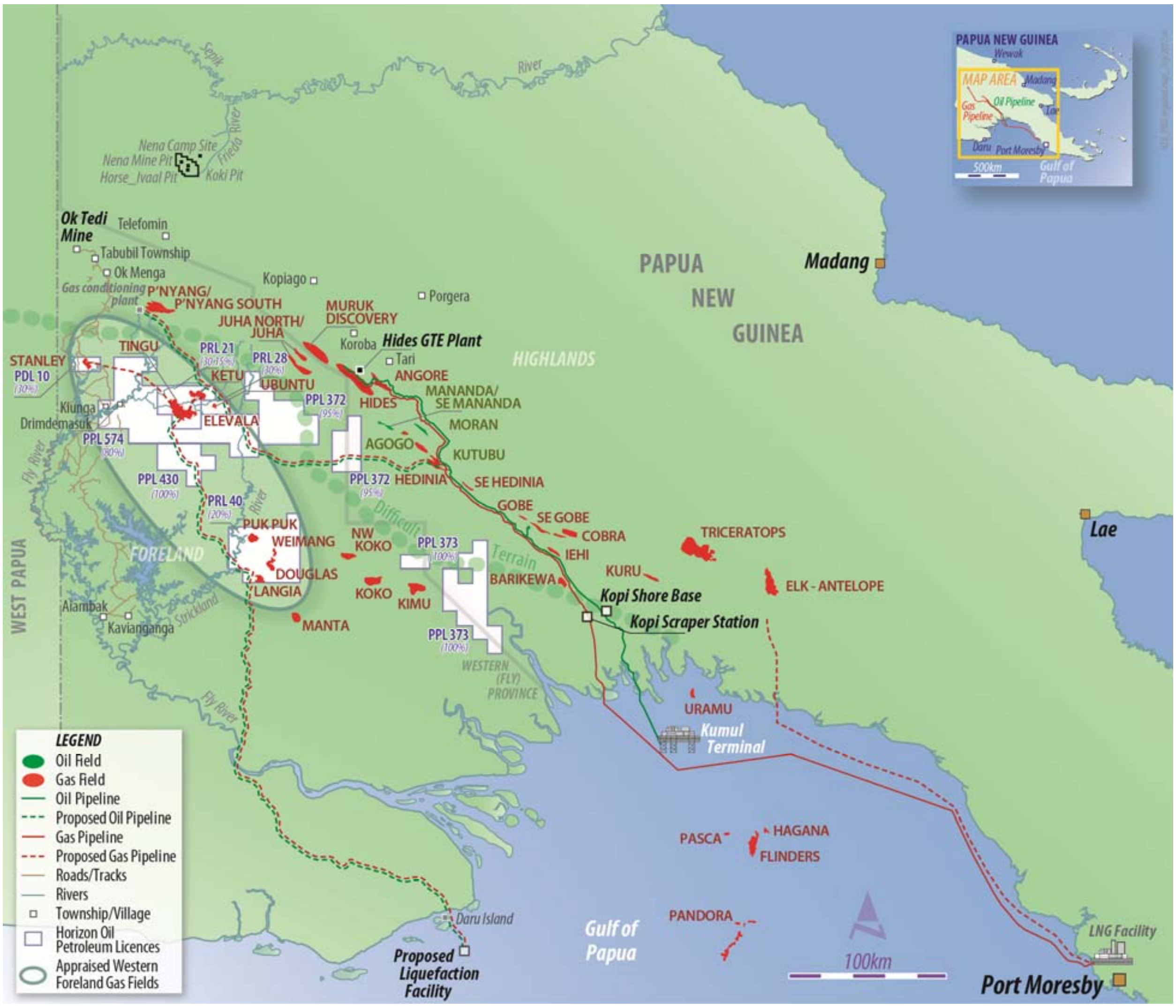
The Overall Development Plan for the WZ 12-8E field is well advanced, with final investment decision scheduled for Q4 2017. The development has been planned as a phased development, with an initial three wells being drilled from a leased platform to be tied back to the existing Block 22/12 infrastructure.

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

Gross oil production for the quarter averaged 9,135 bopd (HZN: 914 bopd). Average cash operating costs in the quarter were US$20.59 (produced); US$18.30/bbl (Horizon Oil sales).

Preparatory work for the installation of multi-phase pumps on the wellhead platform in Q4 2017 was undertaken in the quarter. The multi-phase pumps will be installed as part of a flowing bottom hole pressure reduction program which is designed to optimise and accelerate production from the Maari and Manaia fields.

DEVELOPMENT



PRL 21, Elevala/Tingu and Ketu gas-condensate fields, Western Province, PNG (Horizon Oil: 30.15% and operator)

PRL 28, Ubuntu gas-condensate field (Horizon Oil: 30.0% and operator)

The key work focus remains on development planning for commercialisation of Elevala/Ketu fields, aggregated with other appraised fields in Western Province, including Ubuntu field.

The joint working team (JWT), composed of participants from the PRL 21 and PDL 10 joint ventures, made good progress during the quarter on project engineering for Western LNG, a planned 1.5 mtpa mid-scale LNG development scheme involving the piping of gas from the fields to a modular LNG facility located near Daru Island.

Horizon Oil, as operator of PRL 21, continues 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 accumulations in Western Province.

PDL 10, Stanley gas-condensate field, Western Province, PNG (Horizon Oil: 30.0%)

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

The Company advised in January 2017 that it had acquired a 50% interest in, and operatorship of, PRL 28 (Ubuntu field) adjacent to PRL 21 (see map below). Further to that transaction, the Company has:

- acquired an additional 3.15% interest in PRL 21 (Elevala/Tingu and Ketu fields) as a result of Mitsubishi Corporation divesting its upstream assets in PNG; and
- exchanged a 20% interest in PRL 28 (Ubuntu gas/condensate field) for a 20% interest in PRL 40 (Puk Puk and Douglas gas fields) in a trade with Kumul Petroleum Holdings. Completion of the exchange transactions will occur after customary PNG regulatory approvals.

The foregoing transactions have been undertaken as part of Horizon Oil's consolidation strategy in Western Province, resulting in the expansion and greater balancing of the Company's material ownership of the appraised Western Forelands gas-condensate fields in PNG, as the Company advances its plans for the proposed 1.5 mtpa Western LNG gas aggregation project.

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.