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QUARTERLY REPORT

PERIOD ENDING 31 December 2018 (ASX:HZN)

HIGHLIGHTS

FINANCIAL

- Calendar year gross revenue of US$139.1 million (up 88% on previous year) with US$37.3 million recorded for December 2018 quarter (exclusive of hedge settlements).
- Net operating cash flow[1] for the 2018 calendar year of US$95.6 million, an increase of 70% on previous year; net operating cash flow for the quarter of US$26.5 million.
- Financial close achieved in respect of a new US$95 million senior debt facility with ANZ, Westpac and ICBC, resulting in the repayment of both the existing senior and subordinated debt facilities with substantially reduced interest costs at 2.75% plus LIBOR.
- Net debt reduced in the quarter by a further US$10.4 million to US$64.2 million, with US$20.4 million cash on hand.
- Progressive hedging implemented during the quarter (covering the period to 30 June 2019), with remaining hedge volume at 31 December 2018 of 300,000 barrels (at weighted average price of approximately US$71 per barrel, net of credit charges).

PRODUCTION AND DEVELOPMENT

- Oil sales for 2018 calendar year of over 2 million barrels, a 45% increase over the 2017 comparative period; average realised oil price of US$63.33/bbl for the calendar year inclusive of hedge settlements.
- Sales for quarter of 574,787 bbls (up 28.8% on previous quarter) at an average realised oil price of US$60.49/bbl inclusive of hedge settlements.
- Production for 2018 calendar year of over 1.5 million barrels, a 40% increase over the 2017 comparative period.
- Production for quarter of 421,742 bbls (up 10.9% on previous quarter).
- Continued low average operating costs at US$13.46/bbl (sales) and US$18.35/bbl (production) for the quarter.
- WZ 12-8 East development project - key milestone achieved on completion of CNOOC Limited special experts' review; overall development plan progressing to FID later this year with first production targeted by CNOOC in early 2021.

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

CHIEF EXECUTIVE OFFICER'S COMMENTS

The December quarter completed a very strong calendar 2018 for Horizon Oil. Annual oil sales exceeded two million barrels, resulting in sales revenue of US$139.1 million before hedge settlements. Net operating cashflow for the calendar year was approximately US$96 million, an increase of 70% on the 2017 calendar year.

The strong free cashflow enabled the accelerated reduction of the Company's debt and achievement of materially improved terms under our new debt facility. On financial close of the new facility in November, our previous senior and subordinated debt facilities were repaid, ending the quarter with net debt of US$64.2 million. We plan to continue to materially reduce debt in 2019 which, coupled with an interest rate under the new facility of 2.75% plus LIBOR, will result in significantly lower finance costs.

In Block 22/12, China, a significant milestone was achieved this month with completion of CNOOC Limited's special experts' review of the WZ 12-8 East development project and resulting progression of the project. The overall development plan will be finalised shortly with a final investment decision scheduled later this year and first oil targeted by CNOOC in early 2021.

In PNG, recent government statements have reinforced the requirement under its new natural gas policy for third party access to pipeline infrastructure on reasonable commercial terms. Consistent with such policy requirements, ExxonMobil has recently confirmed the inclusion of third party access points on its planned gas and condensate pipelines from P'nyang to Kutubu. The PNG government's new policy increases the prospects for an alternate commercialisation opportunity for the Horizon Oil operated condensate rich gas resources which are adjacent to the planned route of the pipelines and in comparatively benign settings.

Horizon Oil is well positioned for 2019 with continued strong performance from its conventional producing oil fields in China and New Zealand, together with new commercialisation opportunities emerging for our material gas and condensate resources in Papua New Guinea.

Michael Sheridan
Chief Executive Officer

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FINANCIAL SUMMARY

	Q2 FY2019 bbls	Q1 FY2019 bbls	Change %	Calendar YTD 2018 bbls
Production				
Block 22/12 (Beibu Gulf), offshore China				
Crude oil production	280,570	242,571	15.7%	970,049
Crude oil sales[1]	404,418	312,313	29.5%	1,356,938
PMP 38160 (Maari and Manaia), offshore New Zealand				
Crude oil production	141,173	137,590	2.6%	593,593
Crude oil inventory on hand	15,393	44,920	(65.7%)	15,393
Crude oil sales	170,369	134,118	27.0%	651,795
Total Production				
Crude oil production	**421,743**	380,161	**10.9%**	**1,563,642**
Crude oil sales[1]	**574,787**	446,431	**28.8%**	**2,008,733**
	US$'000	US$'000		US$'000
Producing Oil and Gas Properties				
Block 22/12 (Beibu Gulf), offshore China				
Production revenue[2]	26,498	22,587	17.3%	92,895
Operating expenditure	3,022	2,099	44.0%	10,255
Special oil gain levy	519	576	(10.0%)	1,762
Amortisation	6,000	5,187	15.7%	20,743
PMP 38160 (Maari and Manaia), offshore New Zealand				
Production revenue[2]	10,843	10,405	4.2%	46,232
Operating expenditure	4,717	5,494	(14.1%)	19,641
Inventory adjustment[3]	1,534	(406)	(477.7%)	3,039
Amortisation	4,641	3,714	25.0%	14,562
Total Producing Oil and Gas Properties				
Production revenue[2]	**37,341**	**32,992**	**13.2%**	**139,127**
Oil hedging settlements	**(2,571)**	**(4,155)**	**(38.1%)**	**(11,904)**
Total revenue (incl. hedging gains/(losses))	**34,770**	**28,837**	**20.6%**	**127,223**
Direct production operating expenditure	7,739	7,593	1.9%	29,896
Net operating cash flow[4]	**26,512**	**20,668**	**28.2%**	**95,565**
Amortisation	10,641	8,901	19.5%	35,305
Exploration and Development				
Papua New Guinea exploration & pre-development	689	841		3,513
PMP 38160 (Maari and Manaia), New Zealand	634	706		4,582
Block 22/12 (Beibu Gulf), offshore China	768	3,449		4,572
Total capital expenditure	**2,091**	**4,996**		**12,667**
Cash on hand[5]	**20,355**	**41,592**		**20,355**
Senior debt facility[6]	**84,588**	**76,233**		**84,588**
Subordinated debt facility[7]	**-**	**40,000**		**-**
Net Debt[6]	**64,233**	**74,641**		**64,233**

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

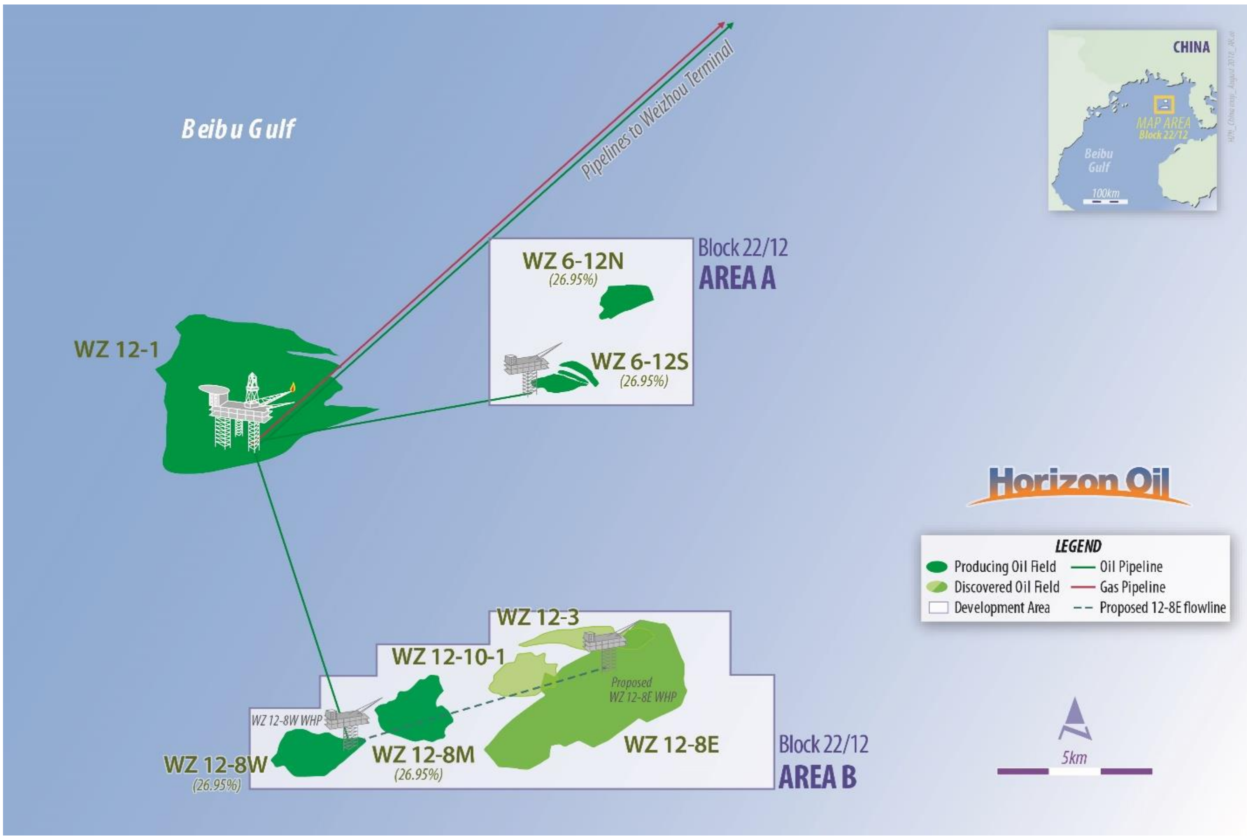
6 Represents principal amounts drawn down as at 31 December 2018

7 The Group refinanced its debt facility during the quarter, achieving financial close on 15 November 2018, part of the proceeds of which have been applied to repay the residual balances of the Company's subordinated debt facility

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 11,316 bopd. Horizon Oil's sales for the quarter averaged 4,396 bopd, including the cost recovery oil entitlement received.

Following the successful completion of two infill wells drilled on the WZ 12- 8 West and WZ 12-8 Mid fields, brought into production during August 2018, gross production from the fields increased by 15.7% over the prior quarter.

Average cash operating costs in the quarter were US$7.43/bbl (Horizon Oil sales); US$10.71/bbl (produced).

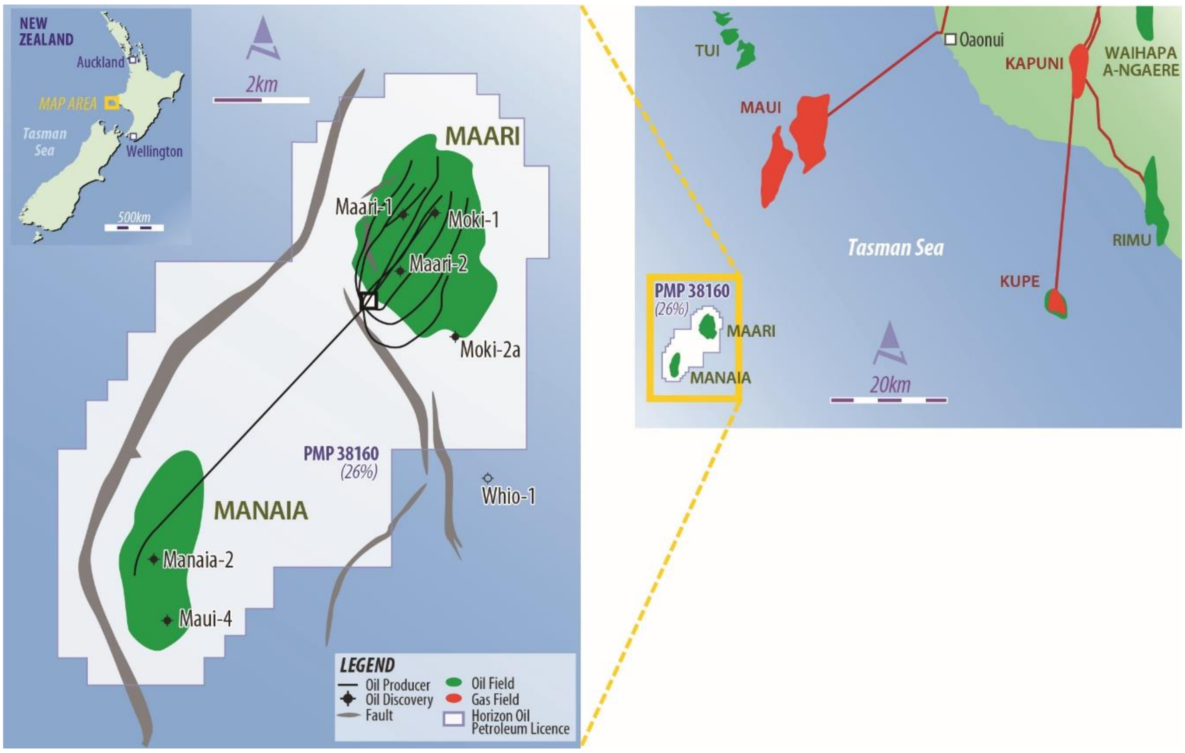
As at 31 December 2018, Horizon Oil's remaining cost recovery oil entitlement under the Petroleum Contract was US$19.5 million which, owing to continued strong production and improved oil prices through calendar year 2018, is expected to be fully recovered during FY 2019, following which Horizon Oil's share of production will revert to its net working interest.

In January, a significant milestone was achieved in respect of the approval process for WZ 12-8 East development project with CNOOC Limited's special experts' review endorsing the project's engineering scheme and confirming the economic evaluation satisfied CNOOC's requirements. The project overall development plan will be finalised by CNOOC in January, incorporating experts' comments.

The final investment decision is scheduled during 2019 with CNOOC targeting first oil in early 2021.

The development concept involves a mobile offshore production platform (MOPU) which will be leased by the joint venture, reducing upfront capital costs. The WZ 12-8 East development decision will result in an approximate 20% increase to our Block 22/12 2P reserves with the opportunity for substantial future increases as the extent of the recoverable resource from the material WZ 12-8 East oil accumulation is better defined.

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



Gross oil production for the quarter averaged 5,902 bopd (Horizon Oil net 26%: 1,534 bopd). Production in the quarter has increased by 2.7% following completion of production enhancing well intervention activities conducted during the prior quarter.

Sales volume for the quarter of 170,369 bbls. Sales volume has increased 27% from the prior quarter following the increased production and sale of crude oil inventory on hand.

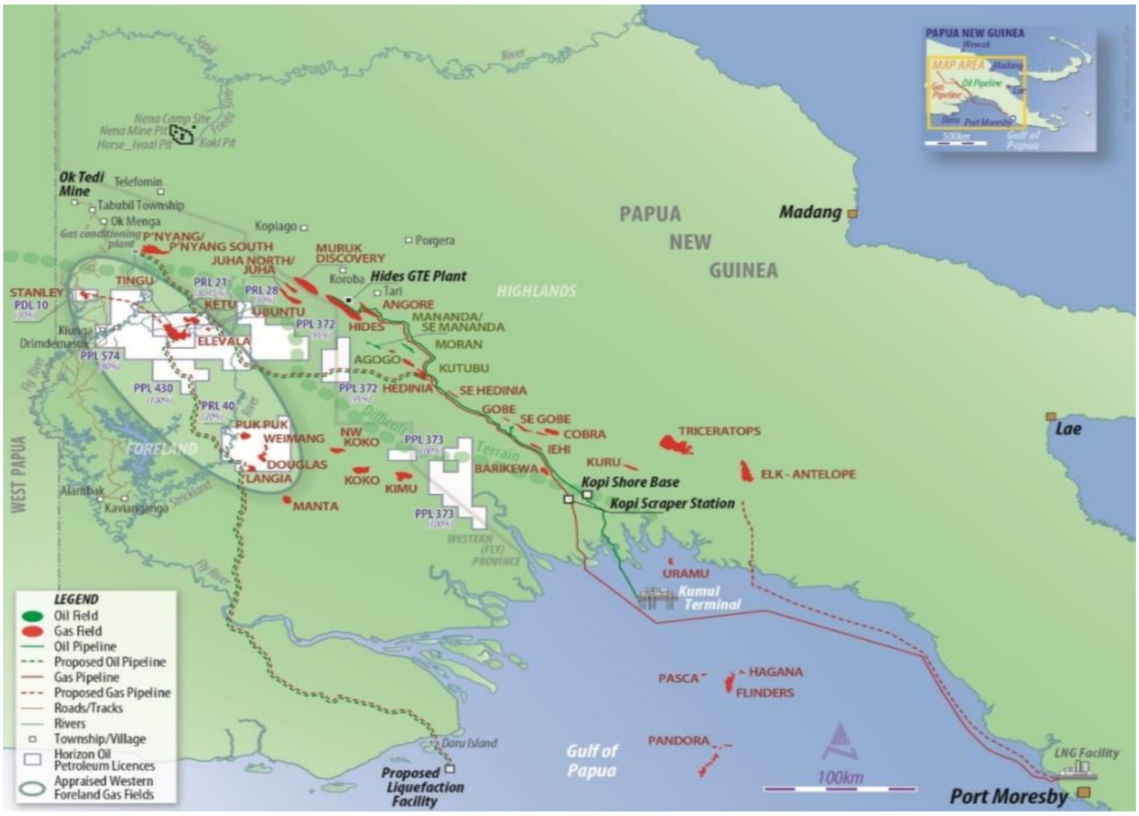
Average cash operating costs in the quarter were US$30.02/bbl (produced); US$24.88/bbl (Horizon Oil sales). The average operating cost per barrel produced remains largely consistent with the prior quarter.

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.

In December 2018, PNG's Minister for Petroleum stated that the Papua New Guinea's new Natural Gas Policy will require third party access to such pipelines, further noting such arrangements will be required for the PNG LNG expansion project.

Consistent with such policy requirements, in December 2018, ExxonMobil announced its planned gas and condensate pipelines from P'nyang to Kutubu for the PNG LNG expansion would have valve stations approximately 50 km apart for third party access opportunities.

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 reactivation of 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.

[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.

With respect to the notices received from the PNG Petroleum Minister of intent to cancel PDL 10, PL 10 and the Stanley Gas Agreement, Repsol (PDL 10 operator) and Horizon Oil continue to be of the view that the notices are without merit and are procedurally invalid. The Stanley gas field constitutes approximately 20% of Horizon Oil's petroleum resources in PNG.

Meetings were held during the quarter with the Minister to resolve the matter and discussions were constructive. Owing to procedural timelines arising from the Minister's notices and the Stanley gas agreement, Repsol, on behalf of the joint venture, initiated the formal dispute resolution process required under the gas agreement, referring the matter to arbitration in November 2018. Initiation of the formal process serves to ensure parties' positions are safeguarded.

Notwithstanding the commencement of the formal dispute resolution process, Horizon Oil and the PDL 10 joint venture will seek to continue to engage in constructive discussion with the Minister to resolve the matter of the good standing of PDL 10, PL 10 and the Stanley Gas Agreement.

WESTERN LNG

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.