Financial Year 2016 Financial Results
30 August 2016

ABN 51 009 799 455

Financial year highlights

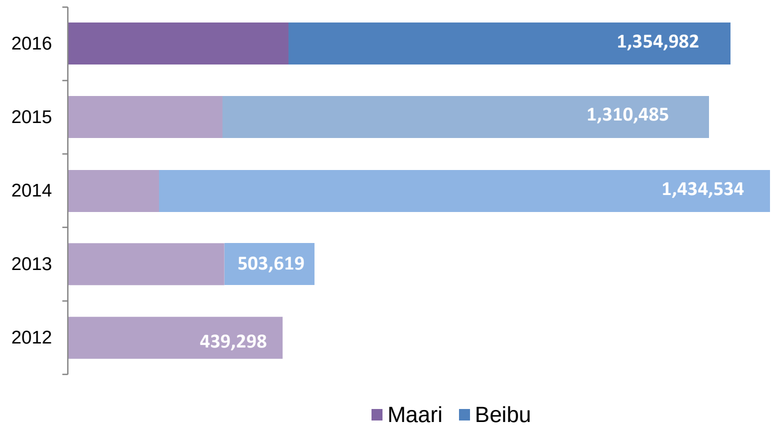
Performance	3% increase in production from prior year to 1,354,982 barrels, 13% increase in sales to 1,376,069 barrels at an average realised price (inclusive of hedging) of US$55.19 per barrel, generating revenue of US$76.0 million.
Cash	US$16.1 million cash on hand at 30 June 2016. Net cash from operating activities of US$44.2 million was offset by debt reduction, development and exploration drilling, and growth projects.
Production	Combined production rate of Maari and Beibu Gulf fields ~3,900 bopd net to Horizon Oil at year end.
	Cumulative gross oil production since commencement, as at 30 June 2016: Maari field 31.6 million barrels; Beibu Gulf fields 12.3 million barrels.
Profit & Loss	An underlying profit of US$3.0 million, excluding the impact of US$147.5 million non-cash impairment write-downs.
	EBITDAX of US$54.0 million.
Capex	Capex spending was reduced by ~68% from prior year to US$24.5 million, US$17.5 million of the spending was related to finalisation of development work in New Zealand and an appraisal/development well in China.
Debt	Horizon Oil and its major shareholder, IMC Investments Limited, executed a subordinated secured non-amortising debt facility of US$50 million to refinance the remaining US$58.8 million convertible bonds, subject to shareholder approval.
	Early redemption of US$21.2 million of 5.5% convertible bonds in the year, realising a US$1.2 million gain.

Operational results

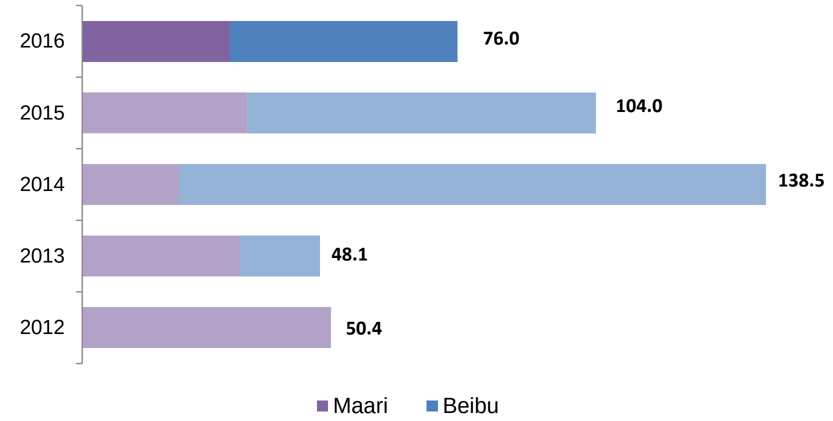
HSSE	Lost Time Injury Frequency Rate (LTIFR) of 0.0, Total Reportable Injury Frequency Rate (TRIFR) of 0.0 at 30 June 2016 over a 12 month rolling period (~60,000 manhours).
	No significant loss of containment incidents (<1 barrel of oil equivalent)
China	Continued strong production from combined WZ 6-12 and WZ 12-8W fields in the Beibu Gulf producing >9,300 bopd gross at year end (HZN share >2,500 bopd) with 3.4 mmbo gross produced during the year (0.90 mmbo net to HZN).
	Aggregate Block 22/12 production for the last 6 months is approximately 27% ahead of budget.
	WZ 12-8W-A6H appraisal and development well completed in December 2015 and producing from WZ 12-10-2 field at year end. Production from the well exceeded 1,400 bopd after initial clean up period.
New Zealand	Production during the year of ~12,300 bopd (~1,230 bopd net to HZN), with 4.5 mmbo gross produced during the year (0.45mmbo net to HZN).
	Successful completion of the Maari Growth Project, with production in excess of 16,000 bopd following completion in July 2015.
	Aggregate insurance proceeds for the 2013 repair of the Maari FPSO swivel and mooring lines including associated loss of production were confirmed during the year as US$10.2 million net to Horizon Oil, with US$8.1 million received during the year.
Papua New Guinea	Commercial and technical discussion progressed with Ok Tedi Mining Limited and regional mining operators with respect to gas sales from PDL 10 for power generation.
	Progressed feasibility study for a Western Province-based greenfield mid-scale LNG project, while monitoring other gas commercialisation opportunities in the region.

Five year financial year performance

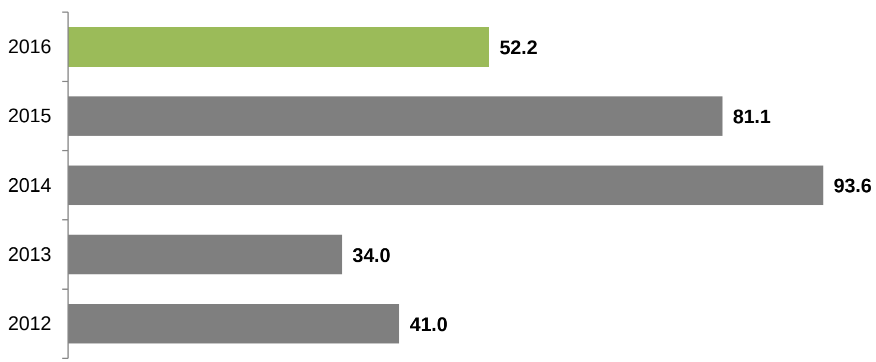
Production (bbls)



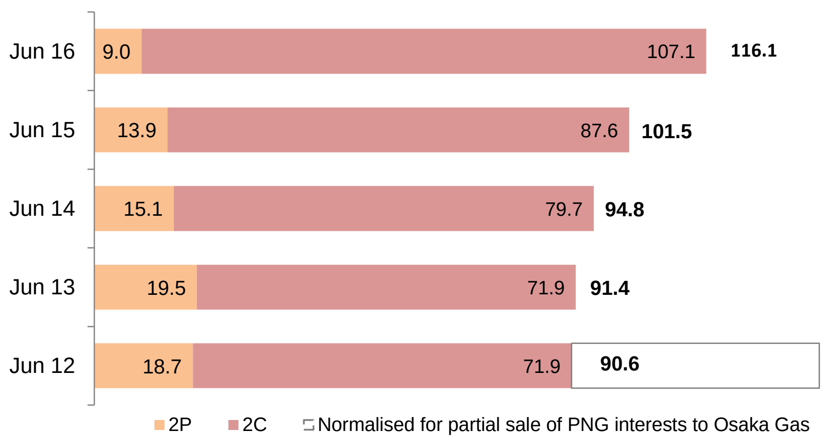
Revenue (US$m)



Net operating income after opex (incl China Special Levy), excluding extraordinaries (US$m)



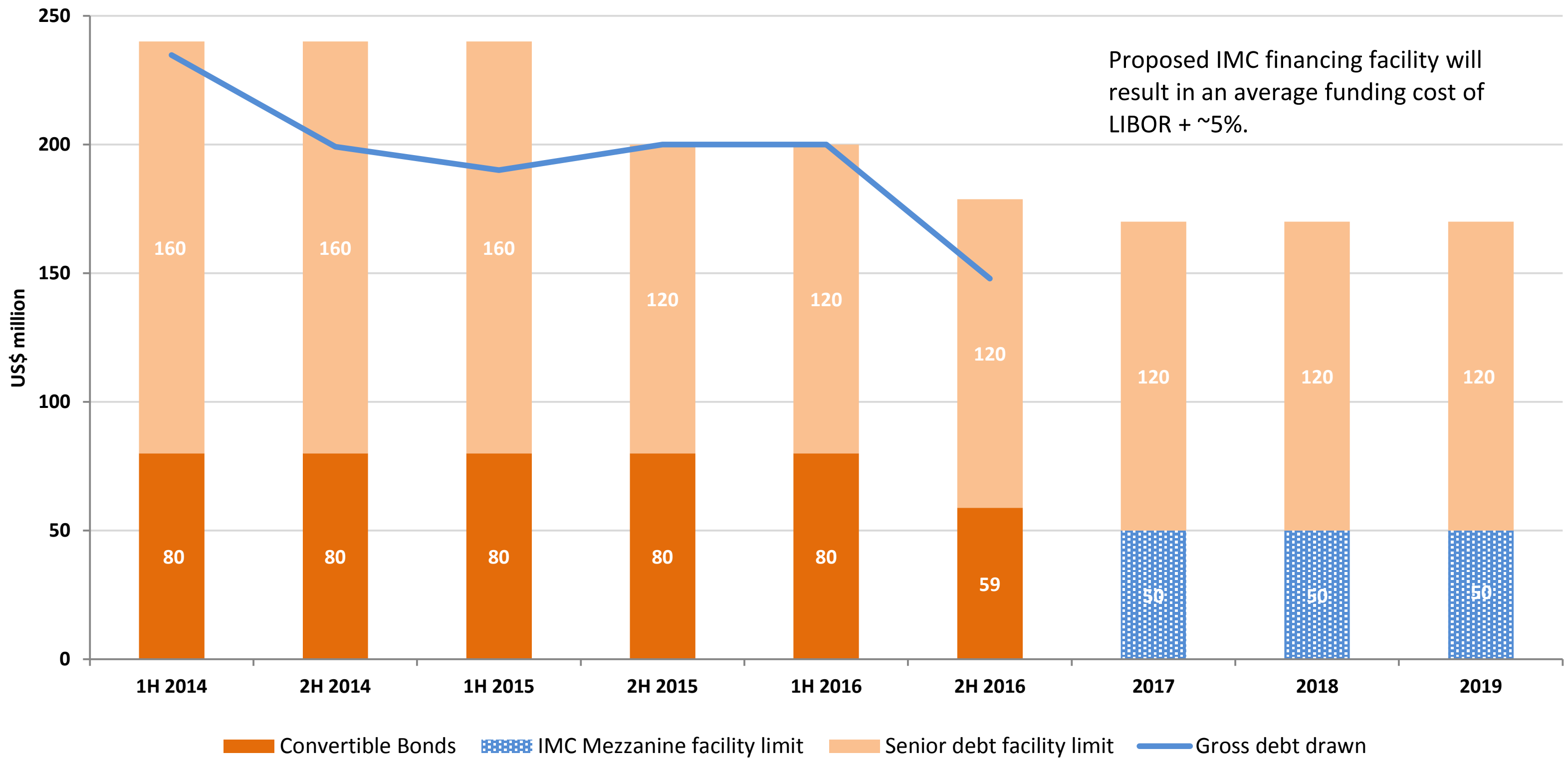
2P + 2C Reserves and Contingent Resources (mmboe)



Average cash cost of US$12.90/bbl for the year was achieved and expected to remain broadly in line in FY17.

Reserves for each year end are adjusted to account for the prior year's production.

Continued debt reduction despite low oil price environment and a new funding proposal to alleviate funding concerns



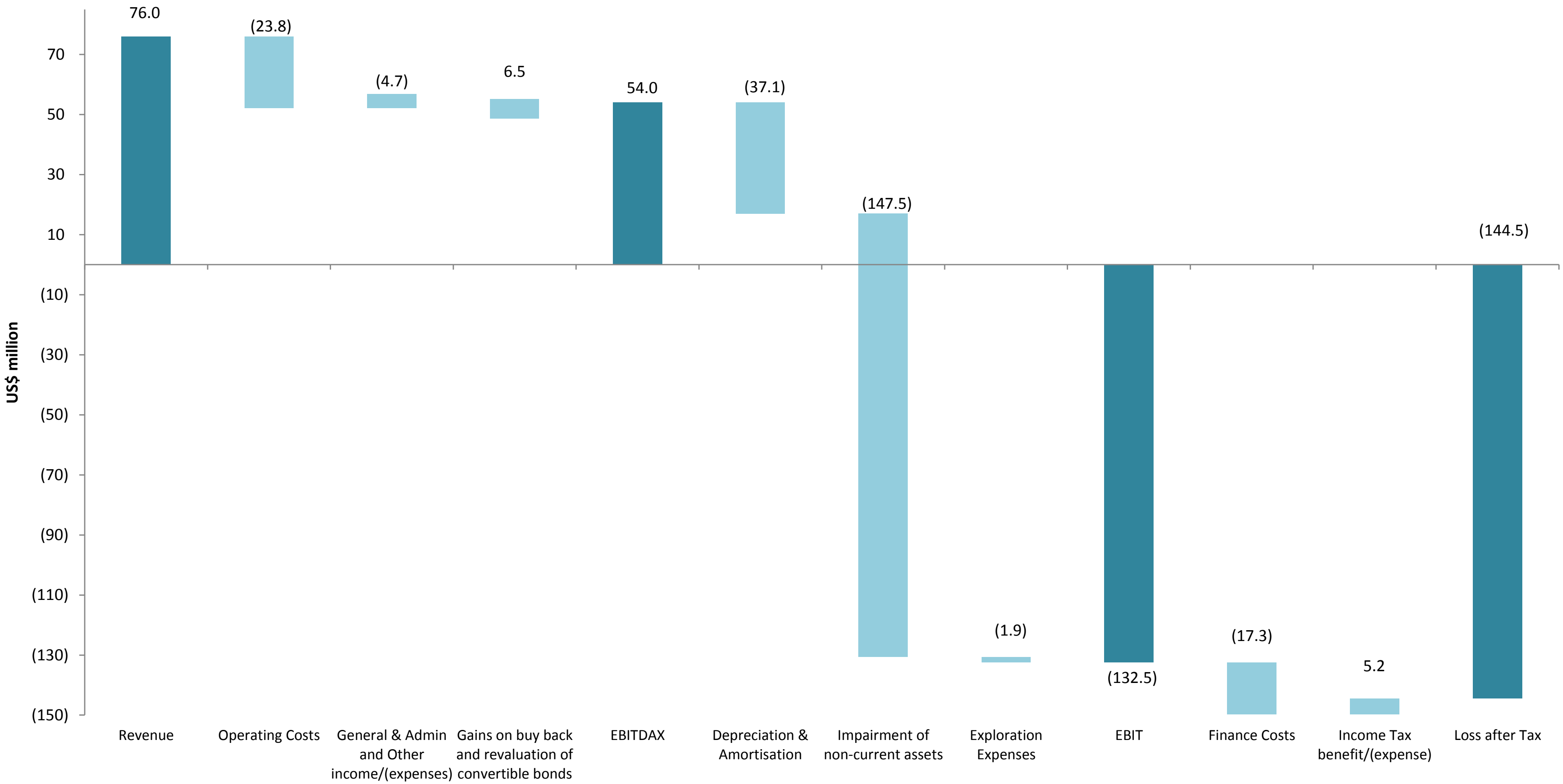
- HZN and its major shareholder, IMC Investments Limited, executed a subordinated secured non-amortising debt facility of US$50 million, subject to shareholder approval. The proceeds of the loan, together with HZN's available cash, will be applied to redeem the remaining US$58.8 million of convertible bonds, due to mature on 19 Sept 2016. Refinancing of the convertible bonds will lead to an extension of the Group's debt maturity.
- Refinancing arrangements will continue the progressive reduction of HZN's gross debt in 2014 (after completion of the Block 22/12 development) of approximately US$240 million to a forecast net debt position of approximately US$120 million by calendar year end.

Profit and loss

	12 Months to June 2016 (US$ million)	12 Months to June 2015 (US$ million)	Change (US$ million)	Change (%)
Production	1.35 mmbo	1.31 mmbo	0.04 mmbo	3%
Sales	1.38 mmbo	1.21mmbo	0.17 mmbo	13%
Realised oil price	US$55.19/bbl	US$85.59/bbl	(US$30.40/bbl)	(36%)
Sales revenue	76.0	104.0	(28.0)	(27%)
Gross profit on oil sales	15.8	44.0	(28.2)	(64%)
Unrealised gain/(loss) on revaluation of conversion options on bonds	5.3	9.1	(3.8)	(42%)
Gain on buyback of convertible bonds	1.2	-	1.2	n.m.
Exploration and development expenses	(1.9)	(16.2)	14.3	88%
EBITDAX*	**54.0**	**89.1**	**(35.1)**	**(39%)**
Profit after tax before impairment	3.0	18.3	(15.3)	(84%)
Impairment of non-current assets	(147.5)	-	(147.5)	n.m.
Income tax benefit	5.2	0.6	4.6	767%
Net (loss)/profit after tax	**(144.5)**	**18.3**	**(162.8)**	**(889%)**

*Note - EBITDAX and EBIT are financial measures which are not prescribed by Australian Accounting Standards and represent the profit under Australian Accounting Standards adjusted for interest expense, taxation expense, depreciation, amortisation, and exploration expenditure (including non-cash impairments). The Directors consider EBITDAX and EBIT to be useful measures of performance as they are widely used by the oil and gas industry. EBITDAX and EBIT information have not been subject to any specific audit procedures by the Group's auditor but have been extracted from the audited financial reports for the years ended 30 June 2016 and 30 June 2015.

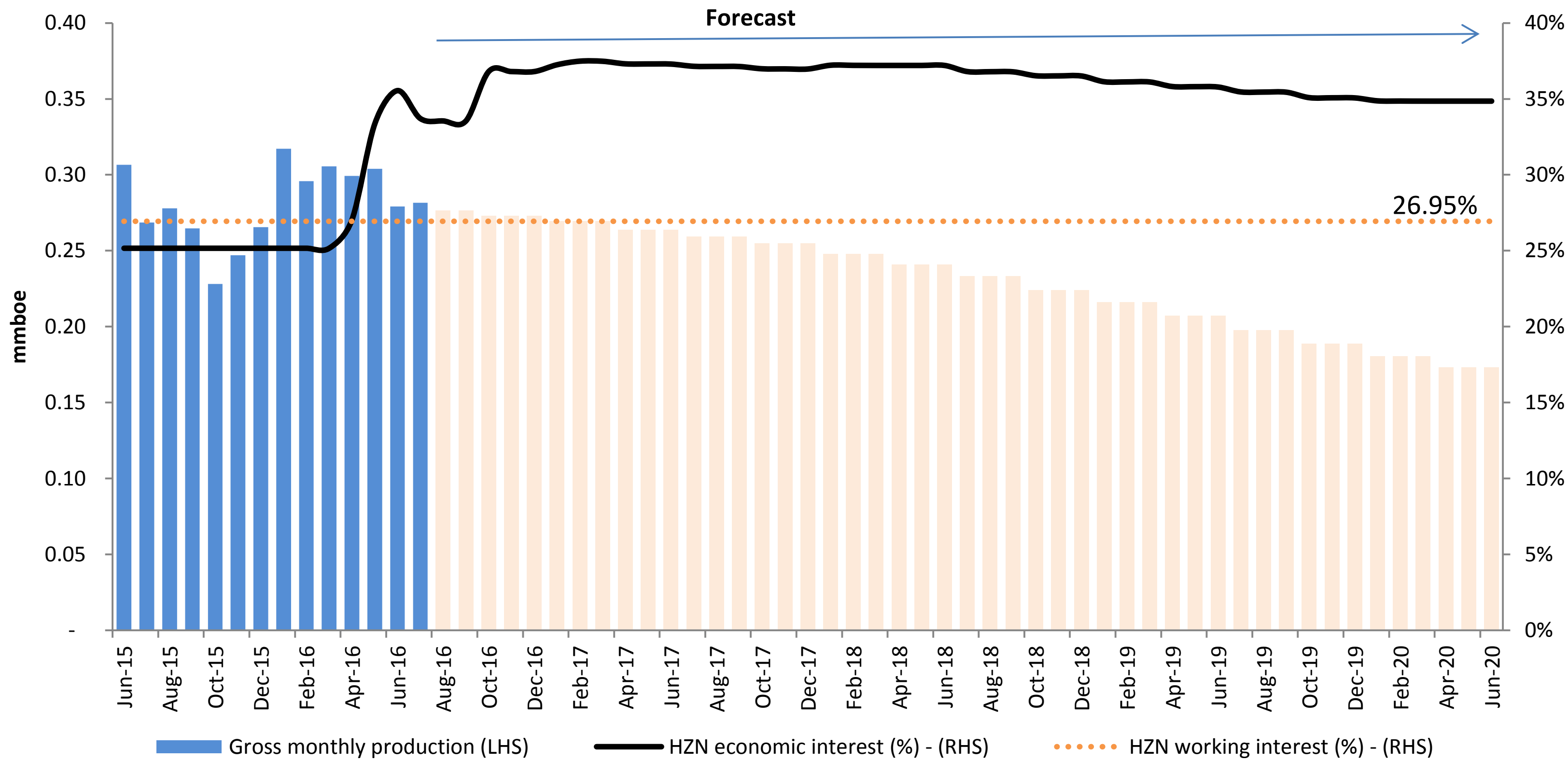
Profit and loss analysis



Note - EBITDAX and EBIT are financial measures which are not prescribed by Australian Accounting Standards and represent the profit under Australian Accounting Standards adjusted for interest expense, taxation expense, depreciation, amortisation, and exploration expenditure (including non-cash impairments). The Directors consider EBITDAX and EBIT to be useful measures of performance as they are widely used by the oil and gas industry. EBITDAX and EBIT information have not been subject to any specific audit procedures by the Group's auditor but have been extracted from the audited financial reports for the years ended 30 June 2016 and 30 June 2015.

Note – Numbers don't add-up due to rounding off

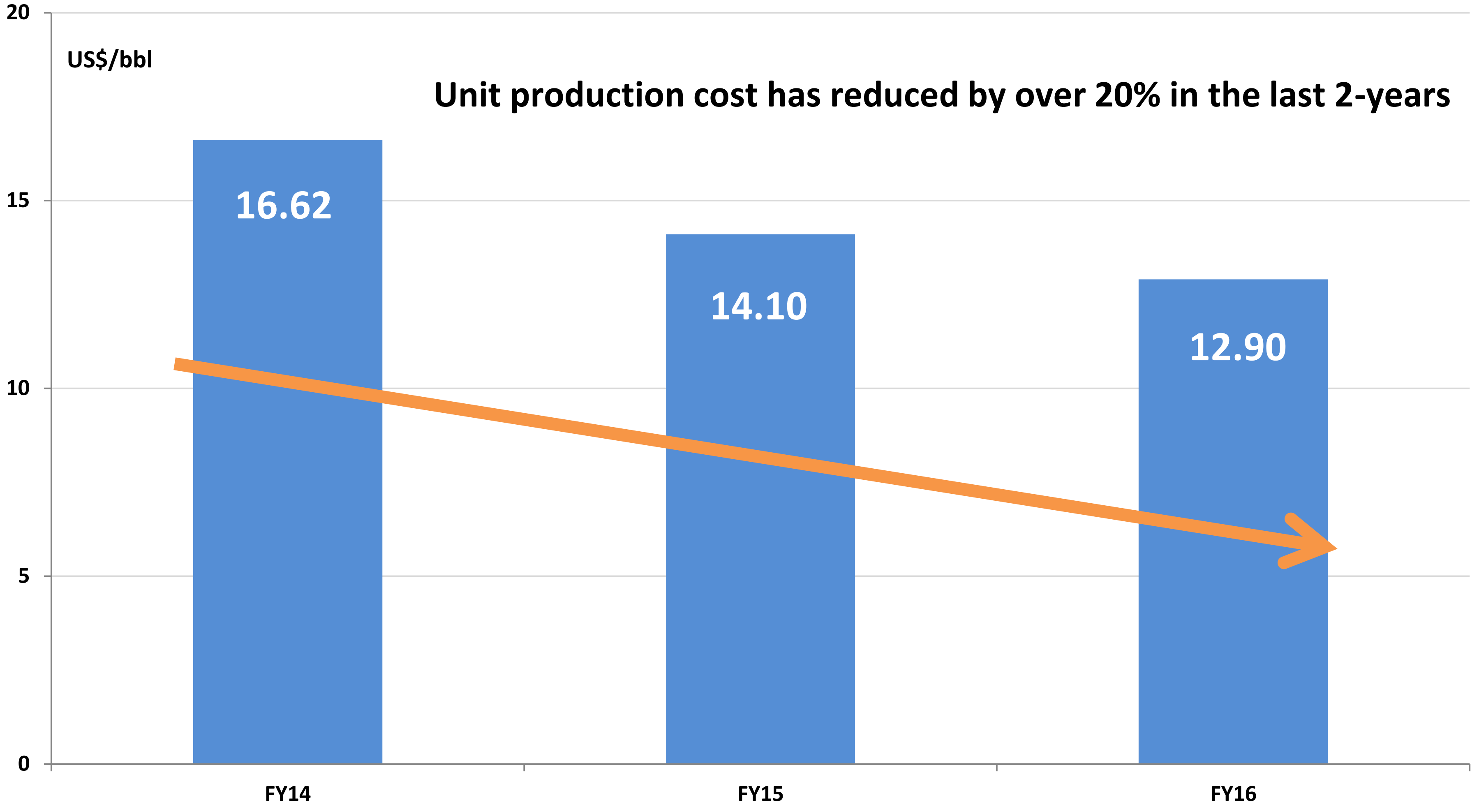
HZN's share of Block 22/12 production to remain above net working interest



- HZN's Block 22/12 production entitlement increased from 26.95% to over 35% of production, following the commencement of its entitlement to preferential cost recovery.
- Horizon Oil's entitlement to cost recovery oil at 30 June 2016 was US$114 million. The unrecovered entitlement is escalated at 9% per annum.

Note: Forecast cost recovery based on Brent forward curve as at 1-Aug and production forecasts included in Independent Technical Specialists Report (RISC) dated 29 July 2016.

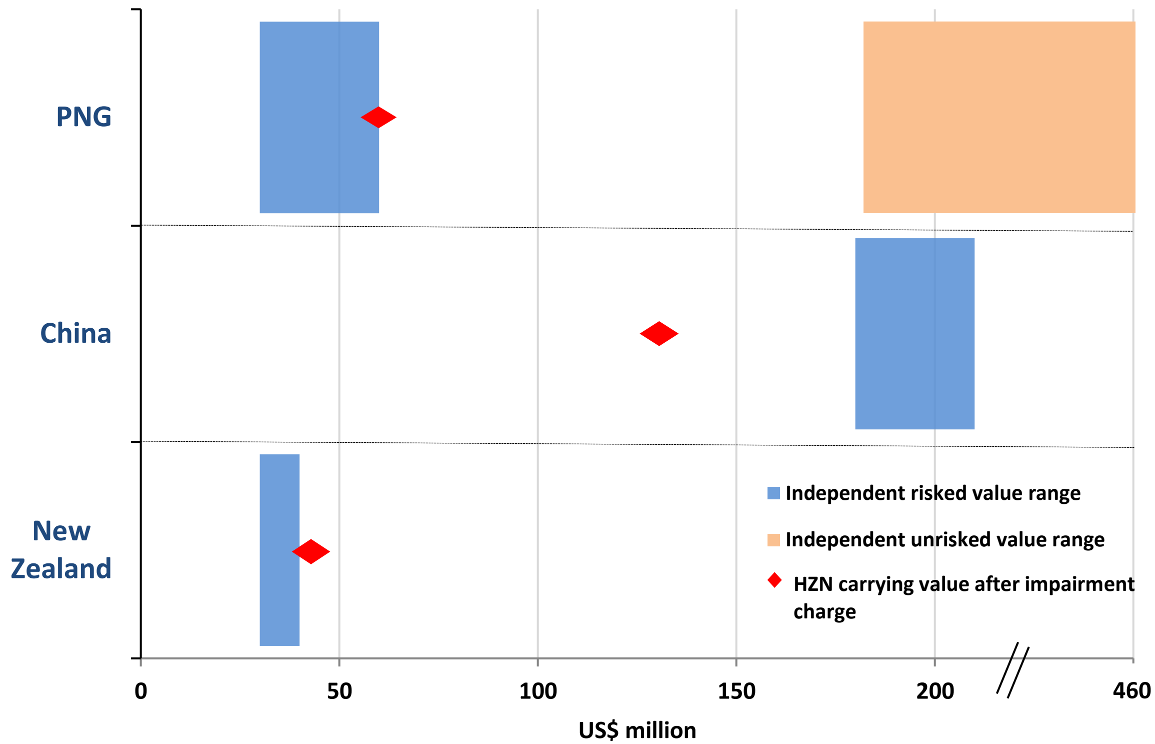
Operating costs (per bbl) continue to decline



Note: Normalised for inventory adjustment, freight, demurrage and repair costs

Independent valuation points to PNG upside

Impairment charge of US$147.5m brings carrying values inline with the independent valuation ranges



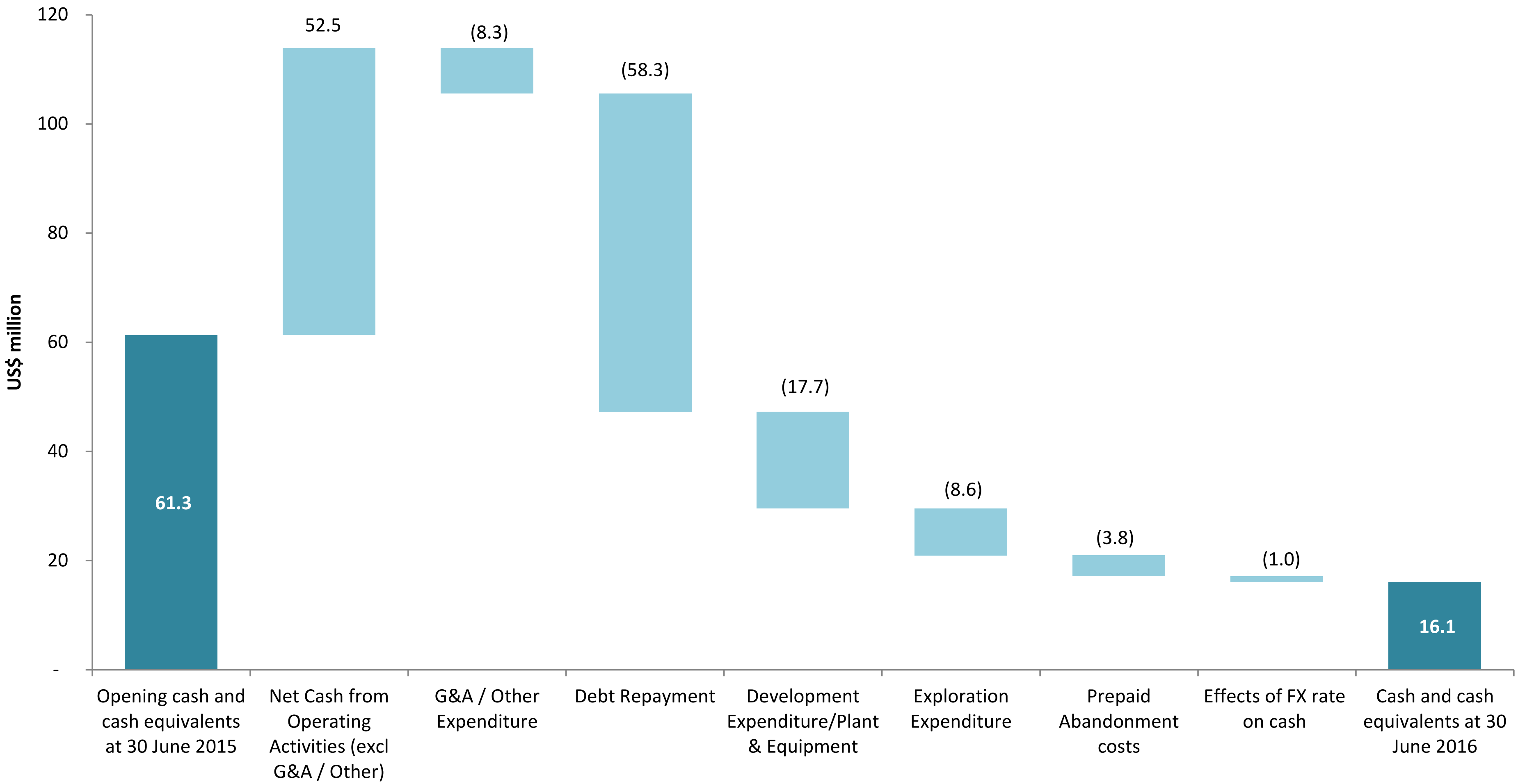
- The independent unrisked valuation range of US$180m – US$460m for PNG highlights significant valuation upside. PNG base case valuations are discounted by ~85% to arrive at risked valuations.
- Grant Samuel highlight in their independent valuation report that *“the value of Horizon’s PNG assets could change materially and in short order.”*

Cash flow

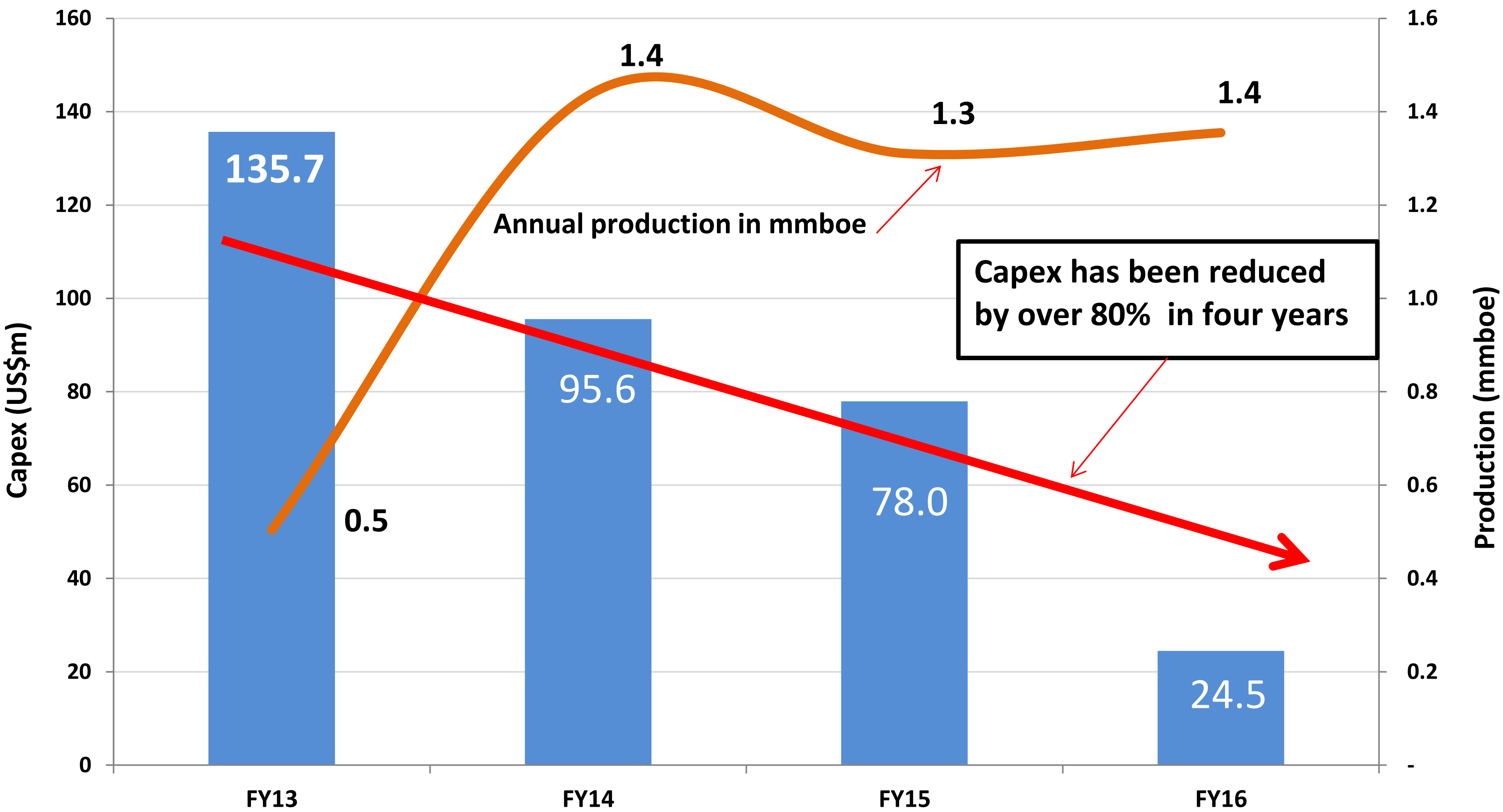
	12 months to June 2016 (US$ million)	12 months to June 2015 (US$ million)	Change (US$ million)	Change (%)
Opening cash	**61.3**	**98.9**	**(37.6)**	**(38)**
Net cash from operating activities (excl G&A/other)	52.5	66.8	(14.3)	(21)
General & Administrative/Other (excluding depreciation)	(8.3)*	(8.0)	(0.3)	(4)
Net proceeds/(repayments) relating to debt	(58.3)	(1.1)	(57.2)	n.m.
Development expenditure/plant & equipment	(17.7)	(46.0)	28.3	62
Exploration expenditure	(8.6)	(36.9)	28.3	77
Prepaid abandonment costs	(3.8)	(12.3)	8.5	69
Effects of FX rate on cash	(1.0)	0.0	(1.0)	n.m.
Closing cash	**16.1**	**61.3**	**(45.2)**	**(74)**

* General & Administrative expenses includes redundancy costs

Cash flow analysis



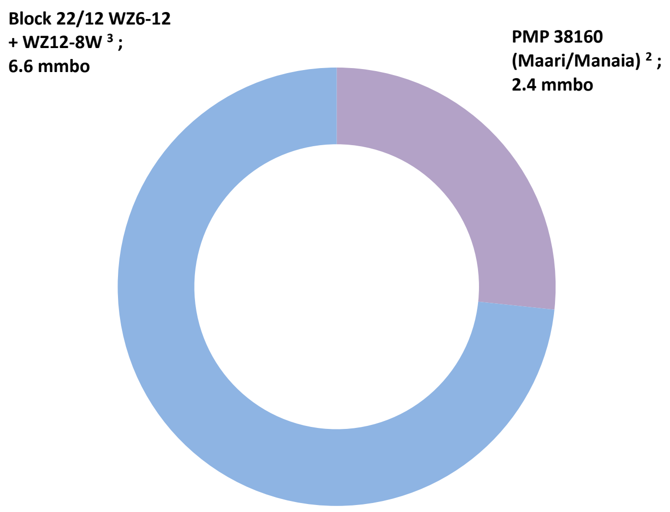
Production levels unaffected despite capex reduction



Horizon Oil's producing assets do not require sustaining capex.

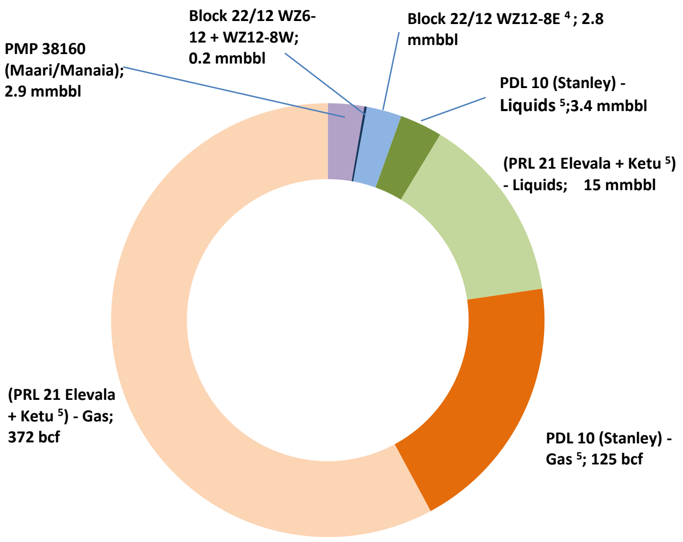
Net Reserves[1] and Contingent Resources[1] as at 30 June 2016

RESERVES
Proven + Probable



Total 9.0 mmbo

CONTINGENT RESOURCES
Proven + Probable



Total : 24.3 mmbo + 497 bcf

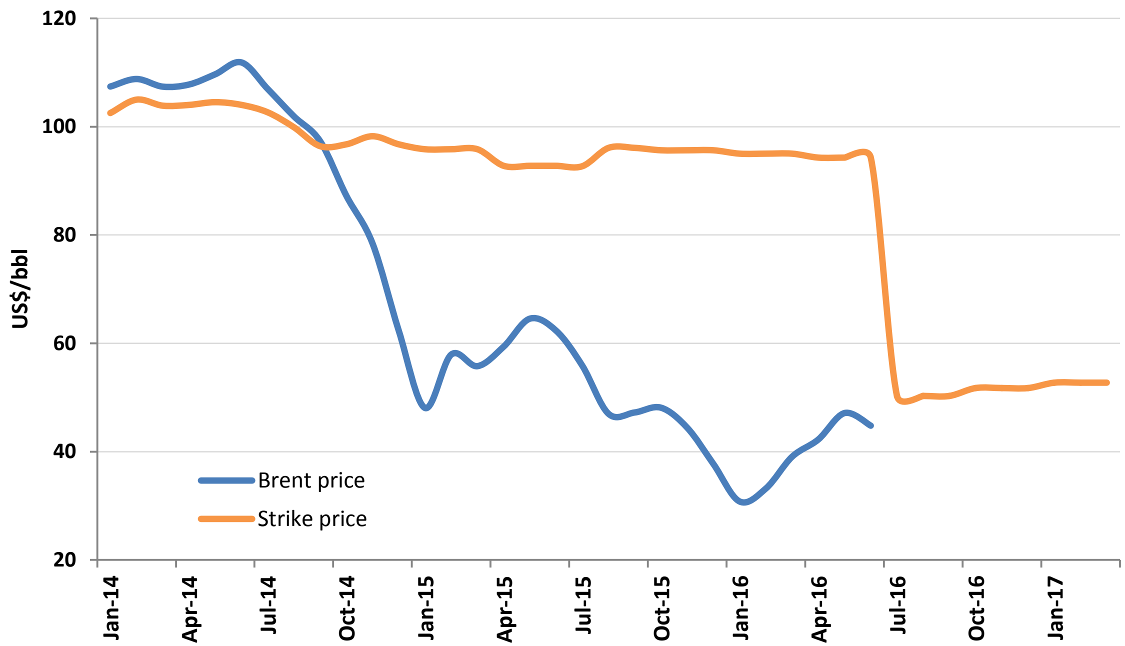
- Long life of reserves and contingent resources – 116.1 mmboe (liquids 29% / gas 71%), estimated production for ~30 years.
- Reserves and Contingent Resources position 14.6 mmboe higher than comparable period last year, inclusive of production during the year due to resource addition in PNG.

1 Estimated in accordance with SPE-PRMS standard; 6 bcf gas equals 1 boe; 1 bbl condensate equals 1 boe
2 Net of production of 31.5 mmboe gross through 30 June 2016
3 Net of production of 12.3 mmboe gross through 30 June 2016
4 Reduced to allow for CNOOC participation at 51%
5 Subject to reduction to allow for PNG State Nominee participation at 22.5%
6 Gas volumes include fuel, flare and shrinkage

The reserve and resource information contained in this announcement is based on information compiled by Alan Fernie (Manager – Exploration and development). Mr Fernie (B.Sc.), who is a member of AAPG, has more than 38 years relevant experience within the industry and consents to the information in the form and context in which it appears.

Hedging acts as a buffer in low price environment

Effectiveness of Group's oil price hedging



- 29% of FY2016 oil sales were hedged at a weighted average price of US$95.48 per barrel generating hedge revenues of US$19.5 million.
- Additional 270,300 bbls hedged through remainder 2016 to March 2017 at average of over US$51/barrel.
- Oil production from multiple fields (currently 1 in New Zealand and 2 in China) reduces production risk.
- Loss of Production Insurance policies in place for Maari and Beibu Gulf fields.

Outlook for the next 12 months

Corporate Outlook

- Barring unforeseen events, operating cashflows expected to increase as a result of additional revenues earned from China production entitlement through cost recovery, combined with effect of hedge position
- Continued focus on reduction of overall gearing levels, following redemption of remaining US$58.8 million Convertible Bonds in September 2016 using proceeds of IMC subordinated secured non-amortising debt facility of US$50 million
- Maintenance of low capex profile and G&A over the course of FY17

Maari/Manaia, offshore New Zealand

- Further optimisation of oil production through workover program following the successful completion of the Maari Growth Projects
- Finalise insurance recoveries in relation to facility repairs and equipment upgrades associated with the FPSO *Raroa's* mooring system

Block 22/12, offshore China

- Horizon Oil's entitlement to cost recovery oil at 30 June 2016 was US$114.0 million, and our production entitlement has increased from 26.95% to over 35% of production as historical exploration and development costs are preferentially recovered
- Progress Beibu Gulf fields Phase II development plan for the WZ 12-8E with integration of WZ 12-10-1 and WZ 12-3-1 discoveries (11.1 mmbo gross, 3.0 mmbo net), with aim for submission of Overall Development Plan late CY16 / early 2017

PDL 10 (Stanley), PRL 21 (Elevala/Tingu/Ketu) and onshore Papua New Guinea

- Progress arrangements for sales of Stanley gas to regional PNG industrial consumers, while refining project costs
- Progress feasibility study for a Western Province-based greenfield mid-scale LNG project, while monitoring other gas commercialisation opportunities in the region