Horizon Oil Limited ABN 51 009 799 455
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25 February 2013

The Manager, Company Announcements
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir,

HORIZON OIL (HZN) ADVISES HALF-YEAR RESULTS

In accordance with Listing Rule 4.2A.3, Horizon Oil Limited lodges its half-year report for the period to 31 December 2012. The financial results for the period are set out in the attached Appendix 4D and half-year report.

A financial summary and key financial and operational results are set out below:-

- **Financial summary**

	Note	Half-year to 31-Dec-12 US$'000	Half-year to 31-Dec-11 US$'000	Change %
Sales revenue		18,260	28,032	(35%)
EBITDAX from operating activities	1	**4,538**	**21,614**	**(79%)**
Exploration expensed		(267)	(48)	(456%)
Depreciation and amortisation		(2,116)	(4,543)	53%
Finance costs		(2,790)	(5,329)	48%
Unrealised movement in value of convertible bond conversion rights	2	(4,734)	1,893	(350%)
Profit before tax		**(635)**	**11,694**	**(105%)**
NZ Royalty expense		(2,971)	(3,666)	19%
Income tax benefit/(expense)		(3,171)	466	(780%)
Profit/(loss) after tax		**(6,777)**	**8,494**	**(180%)**
Earnings per share (diluted) (US cents)		(0.60)	0.75	

Note 1: EBITDAX from operating activities is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards adjusted for depreciation, amortisation, interest expense, taxation expense and exploration expenditure. The Directors consider EBITDAX to be a useful measure of performance as it is widely used by the oil and gas industry. EBITDAX information has not been subject to any specific review procedures by the Group's auditor but has been extracted from the half-year financial report for the half-year ended 31 December 2012, which have been subject to review by the Group's auditors.
Note 2: Movement in mark-to-market valuation of Convertible Bonds issued in June 2011

- **Financial results**

  - The Group's overall loss for the half-year was US$6.8 million, resulting from gross profit from operations of US$11.6 million offset by depreciation and amortisation of $2.1 million, income and royalty tax of $6.1 million, financing costs of US$2.8 million and an unfavourable movement in the mark-to-market valuation of the convertible bonds of US$4.7 million substantially caused by an increase in the Company's share price.

- Cash on hand at 31 December 2012 of US$48.4 million (30 June 2012 – US$19.3 million).

- **Operational results**

  New Zealand

  - During the half year, Horizon Oil's working interest share of production from Maari field was 163,413 barrels of oil. Cumulative oil production from the field through 31 December 2012 was 20.5 million barrels. Production for the half year continued to be below expectation due to the unreliable performance of the Schlumberger downhole pumps (ESPs) and, to a lesser extent, scale build-up in some well completions. These issues are being addressed, and progress was made during the period on extending pump runtimes and in carrying out preventative maintenance on the wells, reconfiguring the downhole completions where necessary to do so.

  - Remaining reserves at Maari/Manaia fields, were significantly upgraded during the period following independent certification. Horizon Oil's share of remaining proven and probable reserves in the currently producing zones at Maari and Manaia was increased from 5.2 mmbo to 8.8 mmbo.

  - The field operator has contracted the *Ensco 107* jack-up rig to carry out the planned multi-well Maari growth projects campaign during 2013 and 2014. The joint venture has also secured a semi-submersible rig, the *Kan Tan IV*, to drill the Manaia appraisal well and the Whio well in PEP 51313.

  - In November 2012, Horizon Oil and its joint venture partners farmed out a 30% interest in PEP 51313 to OMV for full carry through the Whio exploration well.

  China

  - During the period a three well exploration/appraisal program was completed with the *Haiyang 931* jack-up rig with good results. Five exploration/appraisal targets were evaluated, of which four were found to be productive. As a result, a meaningful increase in reserves and field production potential is anticipated. These reserves will be produced through two of the exploration wells, A6 and A7, which were cased for production and three additional development wells to be drilled on the WZ 6-12N structure.

  - Development of WZ 6-12 and WZ 12-8W fields, Beibu Gulf, offshore China, is nearing completion with facilities over 95% built at the end of the period and with development drilling at an advanced stage. Forecast cost to completion remains within the original US$300 million (gross) development budget, prior to accounting for the cost of additional development wells designed to produce the newly discovered zones identified during the exploration drilling program. First oil production from the Beibu Gulf project is targeted during the first quarter of calendar year 2013, with the ramp-up to plateau production anticipated in mid calendar year 2013.

  Papua New Guinea

  - The Petroleum Development Licence (PDL) application was lodged for the Stanley field in PRL 4 during the period. Early development works were initiated in advance of PDL award including tanker build, fabrication of the construction camp and site grading.

  - Evaluation of Elevala-2 and Ketu-2 appraisal wells in PRL 21 was finalised during the period with a doubling of contingent resources. This provided the incentive for detailed development planning. As operator of both the PRL 4 and PRL 21 joint ventures, Horizon Oil will be using the experience gained in the design of the Stanley field development in PRL 4 to fast track development plans and early production of the liquids in PRL 21 by way of condensate stripping. Pre-FEED (front end engineering and design) development planning has commenced for the Elevala/Ketu condensate recovery project.

- The Company advised on 22 November 2012 that it had initiated a sale process of a partial interest in Horizon Oil's PNG assets with the intent of introducing a new participant to add strategic value to existing strong joint ventures. The process, conducted on behalf of the Company by Lazard and RISC is proceeding and, subject to potential arrangements reflecting the board's firm view of the material future value of the PNG interests, is anticipated to conclude in March 2013.

Yours faithfully,

Richard Beament

Richard Beament
Manager - Finance & Commercial / Assistant Company Secretary

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Appendix 4D

Half-year report
31 December 2012

Horizon Oil Limited
ABN 51 009 799 455

This half-year report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3. This information should be read in conjunction with the Half-year report for the period to 31 December 2012.

1. Reporting Period

Current reporting period:	Half year ended 31 December 2012
Previous corresponding period:	Half year ended 31 December 2011

2. Results for Announcement to the Market
For the half year ended 31 December 2012

NB: All references to $ herein refer to US$ unless otherwise specified.

			Percentage Change %		Amount $'000
2.1	Revenue from ordinary activities	Down	35%	to	18,260
2.2	Loss from ordinary activities after tax attributable to members	From profit to loss	N/A	to	(6,778)
2.3	Net loss for the period attributable to members	From profit to loss	N/A	to	(6,778)

2.4 Dividends/distributions

No dividends were paid during the half-year and none are proposed to be paid.

2.5	Record date for determining entitlements to dividends	N/A

2.6 Brief explanation of figures in 2.1 to 2.4 to enable the figures to be understood.

Revenue
During the half-year to 31 December 2012, revenue mainly consisted of sales of crude oil from the Maari field offshore New Zealand. The revenue is lower than the half-year ended 31 December 2011 owing to reduced production due to the unreliable performance of downhole pumps combined with lower realised oil prices.

Loss from ordinary activities after tax
The decrease in net profit after tax and net profit attributable to members for the half-year to 31 December 2012 was a combination of a decrease in the gross profit from the Maari operations in New Zealand of $7.2 million, an increase in the mark-to-market revaluation of the convertible bond conversion rights of $6.6 million arising as a result of a material increase in the Company's share price, and an increase in tax expense of $2.9 million.

3. Net Tangible Assets

	31 December 2012	31 December 2011
Net tangible assets per ordinary share	0.40	0.27

4. Controlled entities acquired or disposed of during period

		Acquisitions	Disposals
4.1	Name of Entity	N/A	N/A
4.2	The date of gain/loss of control	N/A	N/A
4.3	Contribution to profit from ordinary activities during the half year ended 31 December 2012	N/A	N/A
	Profit/(loss) during the half year ended 31 December 2012	N/A	N/A

5. Dividends/ distributions

No dividends were paid during the half-year and none are proposed to be paid.

6. Dividend Reinvestment Plans

N/A – the company does not operate a dividend reinvestment plan.

7. Associates and Joint Venture Entities

Nil

8. Accounting standards for foreign entities

N/A – Australian entity prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

9. Independent auditor's review report to the members of Horizon Oil Limited

Refer to the Half-year report for the period to 31 December 2012 for a copy of the unqualified independent auditor's review report to the members of Horizon Oil Limited.

Horizon Oil Limited
ABN 51 009 799 455

Half-year report – 31 December 2012

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Horizon Oil Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as 'the Group') consisting of Horizon Oil Limited and the subsidiaries it controlled at the end of, or during the half-year ended 31 December 2012.

Directors

The following persons were directors of Horizon Oil Limited during the whole of the half-year and up to the date of this report:

E F Ainsworth
B D Emmett
J S Humphrey
G de Nys
A Stock

Review and Results of Operations

During the course of the half-year ended 31 December 2012, the Group's principal activities continued to be directed towards petroleum exploration, development and production.

The Group reported a loss of US$6,777,000 for the current half-year compared with a profit of US$8,494,000 in the 2011 half-year. The half-year result includes a gross profit of US$11,595,000 (2011: US$18,845,000) from Maari operations.

Non-cash items impacting on the half-year result include US$1,887,000 (2011: US$4,236,000) in amortisation of production phase assets, a deferred income and royalty tax expense of US$2,971,000 (2011: US$3,666,000 credit), amortisation of the fair value of the liability portion of the convertible bond of US$2,525,000 (2011: US$2,181,000), a net loss of US$4,734,000 (2011: US$1,893,000 net gain) arising from the unrealised movement in the value of convertible bond conversion rights substantially caused by an increase in the Company's share price, and US$626,000 (2011: US$434,000) related to the value of share options and share appreciation rights granted to Horizon Oil employees.

Cash on hand at the end of the half-year was US$48,422,000. Cash flow during the period was driven by drawdowns against the reserves based debt facility and operating cashflows from the Maari field being used to fund the exploration and development expenditure program. Cash from operating activities was higher than the comparative period despite reduced revenues from Maari due predominately to the timing of oil lifting receipts and payments to suppliers.

Segmental information is included in note 2 of the financial statements.

New Zealand

Maari and Manaia fields, offshore Taranaki Basin

During the half year, Horizon Oil's working interest share of production from Maari field was 163,413 barrels of oil. Cumulative oil production from the field through 31 December 2012 was 20.5 million barrels.

The average effective price per barrel takes into account the hedged price of a proportion of crude sales. The hedging arrangement was put in place in 2012 to mitigate oil price risk, in view of the anticipated drawdown of the Company's reserves-based debt facility to meet development expenditure commitments. The proportion of Maari crude that has been hedged tapers off in 2013, and the Company's forecast China production presently is not hedged.

Production for the half year continued to be below expectation due to the unreliable performance of the downhole pumps (ESPs) and, to a lesser extent, scale build-up in some well completions. Current field production is about 10,000 barrels of oil per day. Despite these interruptions, Horizon Oil believes that the field operator is continuing to increase its understanding of the mechanical and reservoir factors that affect production reliability. This has led to progress on extending pump runtimes and in carrying out preventative maintenance on the wells, reconfiguring the downhole completions where necessary to do so.

During the period, RISC, a leading independent petroleum advisory firm, was commissioned by Horizon Oil to update its previous review of developed and undeveloped reserves contained within the existing producing zones, being the Maari Moki, Maari M2A and Maari Mangahewa reservoirs. The audit confirmed Horizon Oil's share of remaining proven and probable reserves in the currently producing zones at Maari and Manaia of 8.8 mmbo. Given that around 20 mmbo has been produced to date, the reserves audit supports Horizon Oilõs long-held opinion that these zones will ultimately produce in excess of 100 mmbo.

Additional development drilling, including an additional oil producer in the lower cycle of the Moki reservoir at Maari and also enhancement of the water injection system will be required to extract these reserves. The joint venture is aligned on the need for this and a Maari growth project program to implement this work in 2013 and 2014 has been designed.

In addition to the existing producing zones, further potential resides in deeper zones at Maari, shallower and deeper zones at Manaia and in the undrilled Maari South structure. At least part of this additional potential, which Horizon Oil estimates to be 35 mmbo gross unrisked, will be evaluated in the drilling program planned for 2013/2014. Planning for an appraisal well to evaluate the Moki and F-sands reservoirs as well as the Mangahewa oil accumulation at Manaia is progressing well.

The field operator has contracted the *Ensco 107* jack-up rig to carry out the planned multi-well Maari growth projects campaign. The rig, which successfully carried out the original Maari development drilling program, is expected to arrive in the fourth quarter of calendar year 2013 and the program is anticipated to last nine months.

The joint venture has also secured a semi-submersible rig, the *Kan Tan IV*, to drill the Manaia appraisal well and the Whio well in PEP 51313. This rig, which has been extensively refurbished since it was last in New Zealand waters, is due to arrive in August 2013, with the Manaia-2 well scheduled as the second well on the program, following the drilling of an exploration well by another joint venture.

An important element of the Maari growth projects drilling program and the drilling on Manaia and Whio will be interpretation of the new 288 sq km 3D seismic survey acquired over Maari, Manaia and adjacent prospects. Processing of this data continued throughout the period, with completion scheduled in April.

In November 2012, the Maari joint venture announced its decision to exercise its option to purchase the FPSO *Raroa*. The vessel has been operating at the offshore Maari oil field since 2009 and is currently leased from Tablelands Development Ltd to the Maari joint venture. The lease includes an option to purchase the *Raroa* after the fourth contract year at a pre-agreed buy-out price, of which Horizon Oil's share is US$3.3 million. Besides leading to an approximate halving of field operating expense, purchase of the *Raroa* is seen as an integral part of the investment strategy for Maari field and will facilitate the tie-in of new reservoirs through drilling of additional wells. Ownership of the *Raroa* will provide both flexibility and control, which is particularly important in terms of upgrades and refurbishment that may be required to meet anticipated field life and production. The transfer of ownership will be effective as of March 8, 2013.

MODEC Management Services Pte Ltd has been awarded a contract to provide operations and maintenance services for Maari field. The initial contract period is until the end of 2017 with options to extend in two year increments. MODEC currently operates 15 FPSO vessels worldwide, including three offshore Western Australia. It is considered one of the world's leading providers of operations and maintenance services for floating production units. The award was based on an extensive pre-qualification and tendering process carried out by OMV, on behalf of the Maari joint venture, over the past year.

PEP 51313, offshore Taranaki Basin

In November 2012, Horizon Oil and its joint venture partners farmed out a 30% interest in PEP 51313 to OMV New Zealand Limited. Given that the first target to be drilled in the permit is the Whio prospect, which is located approximately 7 km from the Maari installation (about the same distance as Manaia from Maari) and which in the event of a discovery could be developed through the Maari facilities, it made sense to harmonise the participants in PEP 51313 and PMP 38160, the Maari production permit. The joint venture interests before and after the farmout are:

	Before farmout	After farmout
Horizon Oil (New Zealand) Ltd	30%	21%
Todd Exploration	50%	35%
Cue Taranaki Pty Ltd	20%	14%
OMV New Zealand Limited	-	30%

The farm-in is subject to regulatory approval. OMV will assume operatorship post completion of a 450 sq km 3D seismic program to be acquired over the Pukeko and Te Whatu prospects in the first quarter of calendar year 2013. The original PEP 51313 participants will fund this program.

The key earning provision of the farm-out agreement is that OMV will fund 100% of the cost (without limitation) of an exploration well in the licence targeting the Whio prospect. The well will be drilled in conjunction with appraisal drilling at Manaia with the semi-submersible rig *Kan Tan IV*, which is expected to arrive in New Zealand waters in the third quarter of calendar year 2013.

Processing of the newly acquired 288 sq km 3D seismic survey across the Maari/Manaia fields and Whio prospect is scheduled for completion in April and this will be utilised to select a location for the Whio-1 exploration well.

Under the farm-in agreement, in the event of a commercial discovery at the Whio prospect, OMV's share in the Whio prospect area alone will increase to 69%. The equity interests over the Whio area in this instance will match those of the Maari licence (PMP 38160) and this will facilitate the development of Whio through the Maari facilities:-

Horizon Oil (New Zealand) Ltd	10%
OMV New Zealand Limited	69%
Todd Exploration Ltd	16%
Cue Taranaki Pty Ltd	5%

China

Block 22/12, Beibu Gulf

The operator of the WZ 6-12 and WZ 12-8W development, China National Offshore Oil Corporation (CNOOC), continued to make good progress during the period with facilities construction, installation and commissioning nearing completion. Development activity during the period included the completion of all onshore platform jacket and topsides fabrication in Tanggu. Following sea transport by barge from Tanggu 3,300 km to the development area in Beibu Gulf waters of the South China Sea, the three jacket structures and the well head platform topsides were successfully lifted into place by COOECôs heavy lift vessels *Nantianlong* and *Lanjiang* and the jackets piled to the seabed without incident. Offshore commissioning of both the WZ 12-8W and WZ 6-12 platforms was completed. All utility platform (PUQB) topside modules were successfully lifted into place by the end of November. Hook-up and commissioning work commenced in early December and work on the facilities is now substantially complete. Forecast cost to completion remains within the original US$300 million (gross) development budget, prior to accounting for the cost of additional development wells to produce the newly discovered zones identified during the exploration drilling program.

Final Government approval of the project was granted by the National Development and Reform Commission (NDRC) during the period.

During the period a three well exploration/appraisal program was completed with the *Haiyang 931* jack-up rig with good results. Five exploration/appraisal targets were evaluated, of which four were found to be productive. As a result, a meaningful increase in reserves and field production potential is anticipated. These reserves will be produced through two of the exploration wells, A6 and A7, which were cased for production and three additional development wells to be drilled on the WZ 6-12N structure. The facilities have been designed to provide capacity for increased oil volume from these new discoveries.

Drilling of the originally planned 5 development wells in the WZ 6-12 area is progressing ahead of schedule. All wells have been batch-drilled to the 9-5/8" casing point and four of the five, the A1, A2, A3 and A4 wells, have been drilled and cased through the reservoir section. In summary, drilling is complete on six development wells and drilling of the reservoir section on the remaining one well is in progress. The three additional development wells on WZ 6-12N are currently in the process of being batch drilled in advance of the development drilling on the WZ 12-8W field.

First oil production from the Beibu Gulf project is targeted during the first quarter of calendar year 2013, with the ramp-up to plateau production anticipated in mid calendar year 2013. Horizon Oil's share of plateau production is expected to be higher than the previously advised 3,500 - 4,000 bopd in view of the additional development wells.

Papua New Guinea

The Company advised on 22 November 2012 that it had initiated a sale process of a partial interest in Horizon Oilôs PNG assets with the intent of introducing a new participant to add strategic value to existing strong joint ventures.

The process, conducted on behalf of the Company by Lazard and RISC is proceeding and, subject to potential arrangements reflecting the boardôs firm view of the material future value of the PNG interests, is anticipated to conclude in March 2013.

PRL 4, Stanley Field

Horizon Oil, as operator of the PRL 4 joint venture, lodged applications for a petroleum development licence (PDL) and associated pipeline licence (PL) with the PNG Department of Petroleum and Energy on 28 August 2012. The substantive remaining matters to be resolved are negotiation of the Gas Agreement (fiscal terms) and the holding of the Development Forum with the landowners in the vicinity of the Stanley gas field which is likely to occur in March 2013.

Early works in advance of PDL grant were initiated during the period. These included execution of a charter contract with P&O Maritime Services for the condensate tanker on 18 September 2012, ordering of the construction camp and preparation for commencement of site grading at the gas plant location. Significant progress was made on the civil site construction engineering and tender process. The 3D piping model has progressed and various technical reports required for the project completed. Fabrication of the construction and permanent camp has been completed in China ahead of schedule. Design work on the loadout facility to be located on the Fly River is continuing and pipeline construction bid documents are nearly complete.

Building of the river tanker at a yard in Jiangsu, China under the supervision of P&O Maritime is on schedule to achieve a yard delivery date of January 2014.

Negotiations for sale of the produced condensate and discussions with potential gas consumers continued throughout the period.

The participants in PPL 259 adjacent to PRL 4 initiated negotiations regarding the formation of a unit to include the small portion of Stanley field that possibly encroaches into PPL 259. The effect on Horizon Oil's interest in Stanley field will be minimal, because the Company is a participant in both licences.

PRL 21, Elevala / Ketu discoveries

Evaluation of the results of the successful Elevala-2 and Ketu-2 appraisal wells was finalised during the period and RISC was commissioned to carry out an independent audit of the revised resource estimates for the Elevala and Ketu fields and Tingu prospect.

The audit confirmed a substantial resource in PRL 21 of gross proven and probable contingent resources of 795 bcf gas, 40 million barrels of condensate and the equivalent of 26 million barrels of LPG contained in the gas. In addition, significant upside has been identified in the Tingu prospect which may be joined to Elevala field.

This outcome, which constitutes a doubling of the certified resource size estimate before the drilling of the Elevala-2 and Ketu-2 appraisal wells, provided the incentive for detailed development planning. As operator of both the PRL 4 and PRL 21 joint ventures, Horizon Oil will be using the experience gained in the design of the Stanley field development in PRL 4 to fast track development plans and early production of the liquids in PRL 21 by way of condensate stripping. Importantly, the increased gas volume - around 1.2 tcf in PRLs 4 and 21 combined - is approaching the scale required for a mid-scale LNG project and the Company is advancing its pre-development studies of this opportunity.

Pre-FEED (front end engineering and design) development planning has commenced for the Elevala/Ketu condensate recovery project. A LiDAR (topography) survey is proposed for the first quarter of calendar year 2013 to cover the greater Elevala area including potential pipeline routes and road access. Information from the survey will underpin investigation of the preferred development concept, especially the civil engineering aspects. Equinox Engineering, the firm undertaking the design of the Stanley plant, is actively engaged in reviewing facility and pipeline options. The pre-FEED phase is scheduled for completion in May 2013.

The PRL 21 joint venture intends to drill the Tingu prospect, adjacent to and northwest of Elevala field in the middle of the 2013 calendar year and site work on the drilling program is underway with the target for completion in June.

PPL 259

A 52 km 2D seismic program has commenced over three of the most prospective leads in the western part of the licence, with a view to maturing at least one of the leads for drilling in the third quarter of calendar year 2013. Seismic acquisition is due to be completed in early March 2013 with processing results to be delivered in April 2013.

Auditor's Independence Declaration

A copy of the auditorφs independence declaration as required under section 307C of the Corporations Act 2001 is set on page 8.

Rounding

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission (óASICô), relating to the ñrounding offò of amounts in the directorsô report and interim financial report. Amounts in the directorsô report and interim financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors.

E F Ainsworth AM
Chairman

B D Emmett
Chief Executive Officer

Sydney

25 February 2013

Auditor's Independence Declaration

As lead auditor for the review of Horizon Oil Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Horizon Oil Limited and the entities it controlled during the period.

Peter Buchholz
Partner
PricewaterhouseCoopers

25 February 2013

HORIZON OIL LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2012

	Note	Half-year to 31 December 2012 US$'000	Half-year to 31 December 2011 US$'000
Revenue		**18,260**	28,032
Cost of sales		**(6,665)**	(9,187)
Gross profit		**11,595**	18,845
Other revenue/other income		**11**	60
General and administrative expenses		**(4,450)**	(3,727)
Exploration and development expenses		**(267)**	(48)
Finance costs		**(2,790)**	(5,329)
Unrealised movement in fair value of convertible bond conversion rights	3	**(4,734)**	1,893
(Loss)/profit before income tax expense		**(635)**	11,694
NZ royalty tax expense		**(2,971)**	(3,666)
Income tax (expense)/benefit		**(3,171)**	466
(Loss)/profit for the half-year		**(6,777)**	8,494
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		**(2,314)**	-
Items that will not be reclassified to profit or loss		-	-
Total comprehensive income for the half-year		**(9,091)**	8,494
(Loss)/profit attributable to members of Horizon Oil Limited		**(6,777)**	8,494
Total comprehensive income attributable to members of Horizon Oil Limited		**(9,091)**	8,494
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company		**US Cents**	
Basic earnings per share		**(0.60)**	0.75
Diluted earnings per share		**(0.60)**	0.75

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

HORIZON OIL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Note	31 December 2012 US$'000	30 June 2012 US$'000
Current Assets			
Cash and cash equivalents	4	**48,422**	19,287
Receivables		**14,074**	14,966
Inventories		**6,676**	7,827
Derivative financial instruments		**-**	394
Other		**1,719**	4,515
Total Current Assets		**70,891**	46,989
Non-Current Assets			
Deferred tax assets		**11,065**	11,552
Plant and equipment		**4,589**	4,700
Exploration phase expenditure	5	**86,320**	77,658
Oil and gas assets	6	**280,073**	209,950
Total Non-Current Assets		**382,047**	303,860
Total Assets		**452,938**	350,849
Current Liabilities			
Payables		**59,245**	42,683
Derivative financial instruments		**2,977**	-
Current tax payable		**3,594**	4,093
Borrowings	7	**4,496**	7,632
Total Current Liabilities		**70,312**	54,408
Non-Current Liabilities			
Payables		**2,112**	974
Derivative financial instruments		**291**	294
Deferred tax liability		**16,649**	16,109
Borrowings	7	**179,898**	93,091
Other financial liabilities		**23,163**	18,428
Provisions		**5,886**	5,821
Total Non-Current Liabilities		**227,999**	134,717
Total Liabilities		**298,311**	189,125
Net Assets		**154,627**	161,724
Equity			
Contributed equity	8	**128,054**	126,686
Reserves		**5,733**	7,421
Retained profits		**20,840**	27,617
Total Equity		**154,627**	161,724

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

HORIZON OIL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2012

	Attributable to members of Horizon Oil Limited			
	Contributed equity	**Reserves**	**Retained Profits (Accumulated losses)**	**Total equity**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Balance at 1 July 2011	**125,976**	**6,605**	**19,970**	**152,551**
Profit for the half-year	-	-	8,494	8,494
Other comprehensive income	-	-	-	-
Total comprehensive income for the half-year	**-**	**-**	**8,494**	**8,494**
Transactions with owners in their capacity as equity holders:				
Contributions of equity, net of transaction costs	-	-	-	-
Employee share options	-	434	-	434
	-	**434**	**-**	**434**
Balance at 31 December 2011	**125,976**	**7,039**	**28,464**	**161,479**
Balance at 1 July 2012	**126,686**	**7,421**	**27,617**	**161,724**
Loss for the half-year	-	-	(6,777)	(6,777)
Other comprehensive income	-	(2,314)	-	(2,314)
Total comprehensive income for the half-year	**-**	**(2,314)**	**(6,777)**	**(9,091)**
Transactions with owners in their capacity as equity holders:				
Contributions of equity, net of transaction costs	1,368	-	-	1,368
Employee share options	-	626	-	626
	1,368	**626**	**-**	**1,994**
Balance at 31 December 2012	**128,054**	**5,733**	**20,840**	**154,627**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

HORIZON OIL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2012

	Half-year to	
	31 December 2012 US$'000	**31 December 2011 US$'000**
Cash flows from operating activities		
Receipts from customers	**19,890**	22,503
Payments to suppliers and employees	**(5,689)**	(9,548)
	14,201	12,955
Interest received	**9**	55
Interest paid	**(3,401)**	(3,053)
Income and royalty taxes paid	**(5,531)**	(6,060)
Net cash inflows from operating activities	**5,278**	3,897
Cash flows from investing activities		
Payments for exploration phase expenditure	**(17,974)**	(24,254)
Payments for oil and gas assets	**(42,804)**	(5,773)
Payments for plant and equipment	**(238)**	(150)
Net cash (outflows) from investing activities	**(61,016)**	(30,177)
Cash flows from financing activities		
Proceeds from issue of shares	**3**	-
Payments for issue of convertible bonds	**-**	(473)
Proceeds from borrowings (net of transaction costs)	**88,104**	-
Repayment of borrowings	**(3,136)**	(2,890)
Net cash inflows/(outflows) from financing activities	**84,971**	(3,363)
Net (decrease) / increase in cash and cash equivalents	**29,233**	(29,643)
Cash and cash equivalents at the beginning of the half-year	**19,287**	64,572
Effects of exchange rate changes on cash and cash equivalents	**(98)**	(99)
Cash and cash equivalents at the end of the half-year	**48,422**	34,830

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1. Basis of preparation of half year report

The general purpose financial statements for the interim half year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Horizon Oil Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The general purpose financial statements for the interim half year reporting period ended 31 December 2012 has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the normal course of business as they become due. The carrying values of non-current assets disclosed in these half year financial statements are predicated on the Group's pursuit of its strategy in respect of these assets. Following the decision to develop the Group's interests in Block 22/12, China, and PRL 4 – Stanley, PNG, and to further the Group's other interests, it is expected that, in addition to forecast internally generated cash flow, additional capital will be required. The Group has access to a reserves based debt facility of up to US$160 million which was drawn to US$120 million at 31 December 2012. Subsequent to the period end, the Group obtained access to and drew down a further US$16.25 million via an over-advance of the reserves based debt facility. The Group also advised on 22 November 2012 that it had initiated a sale process of a partial interest in Horizon Oil's PNG assets. Potential proceeds from the sale process, together with existing cash balances, debt facilities, and surplus revenue from the Group's operations in New Zealand and China are expected to be sufficient to pursue the current strategy. Should the full amount of the forecast internally generated cash flow and capital required to pursue the strategy not be raised, the Group will adopt a modified strategy. The Directors expect that the Group will be able to secure the necessary financing through one, or a combination of, additional borrowings, equity raising or asset sales to achieve a modified strategy. Accordingly, the consolidated interim financial statements have been prepared on a going concern basis in the belief that the Company will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated.

Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2012 half year reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it will not have a material effect on the Group's financial statements. The group has not yet decided when to adopt AASB 9. In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128

Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation ï Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Groupõs investments in joint venture operations will be classified as joint operations under the new rules. As the group already applies the proportionate consolidation of joint venture operations in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the groupõs investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a ñpartial disposalò concept. As all joint venture operations are proportionately consolidated, the group does not anticipate any changes resulting from these amendments.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013).

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Note 2. Segment information

(a) Description of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors.

The operating segments identified are broadly based on the Groupôs working interest in each individual oil and gas permit, arranged by developmental phase. Discrete pre-tax financial information (including pre-tax operating profit and capital expenditure on exploration and evaluation assets and oil and gas assets) for each oil and gas permit is prepared and provided to the chief operating decision maker on a regular basis. In certain circumstances, individual oil and gas permits are aggregated into a single operating segment where the economic characteristics and long term planning and operational considerations of the individual oil and gas permits are such they are considered interdependent. The Group has identified five operating segments:

- New Zealand development ï the Group is currently producing crude oil from the Maari/Manaia fields (PMP 38160), located offshore New Zealand;
- New Zealand exploration ï the Group is currently involved in the exploration and evaluation of hydrocarbons in two offshore permit areas, PEP 51313; and PMP38160 Maari/Manaia;
- China exploration and development ï the Group is currently involved in the Block 22/12 ï WZ6-12 and WZ12-8W oil field development and in the exploration and evaluation of hydrocarbons within Block 22/12; and
- PNG exploration and development - the Group is currently involved in the Stanley condensate/gas development (project FID during 2012), and the exploration and evaluation of hydrocarbons in two onshore permit areas, PRL 4 and PRL 21.

óAll other segmentsô include amounts of a corporate nature not specifically attributable to an operating segment.

(b) Segment information provided to the chief operating decision maker

Half-year 2012	New Zealand Development US$'000	New Zealand Exploration US$'000	China Exploration and Development US$'000	Papua New Guinea Exploration and Development US$'000	All other segments US$'000	Total US$'000
Segment revenue:						
Revenue from external customers	**18,260**	**-**	**-**	**-**	**-**	**18,260**
Profit / (loss) before tax	**10,702**	**(5)**	**(67)**	**(803)**	**(3,000)**	**6,827**
Depreciation and amortisation	**1,887**	-	-	**219**	**10**	**2,116**

Half-year 2011						
Segment revenue:	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Revenue from external customers	28,032	-	-	-	-	28,032
Profit / (loss) before tax	15,588	-	-	589	(1,856)	14,321
Depreciation and amortisation	4,324	-	-	180	39	4,543

	New Zealand Development US$'000	New Zealand Exploration US$'000	China Exploration and Development US$'000	Papua New Guinea Exploration US$'000	All other segments US$'000	Total US$'000
Total segment assets at 31 December 2012	**86,189**	**5,659**	**207,254**	**141,166**	**12,670**	**452,938**
Additions to non-current assets other than financial assets and deferred tax during the half-year ended:						
Exploration and evaluation phase expenditure:	-	369	7,760	533	-	8,662
Oil and gas assets:	1,620	-	53,682	16,708	-	72,010
Plant and equipment:	-	-	-	-	276	276
Total segment liabilities at 31 December 2012	**88,731**	**1,275**	**103,190**	**16,030**	**89,085**	**298,311**
Total segment assets at 30 June 2012	**88,230**	**6,257**	**111,320**	**129,932**	**15,110**	**350,849**
Additions to non-current assets other than financial assets and deferred tax during the year ended:						
Exploration and evaluation phase expenditure:	-	1,330	1,238	49,250	-	51,818
Oil and gas assets:	816	-	31,839	(807)	-	31,848
Plant and equipment:	-	-	-	3,636	265	3,901
Total segment liabilities at 30 June 2012	**69,815**	**1,764**	**11,255**	**20,484**	**85,807**	**189,125**

(c) Other segment information

(i) Segment revenue

Revenue from external customers is derived from the sale of crude oil.

Segment revenue reconciles to total consolidated revenue as follows:

	Half-year to 31 December 2012 US$'000	31 December 2011 US$'000
Total segment revenue	**18,260**	28,032
Rental income	**2**	5
Interest income	**9**	55
Fees charged to operated joint ventures	**-**	-
Other income	**-**	-
Total revenue	**18,271**	28,092

(ii) Segment profit before tax

The chief operating decision maker assesses the performance of operating segments based on a measure of profit before tax.

Segment profit before tax reconciles to consolidated profit before tax as follows:

	Half-year to 31 December 2012 US$'000	31 December 2011 US$'000
Total segment profit before tax	**6,827**	14,321
Rental income	**2**	5
Interest income	**9**	55
Fees charged to operated joint ventures	**-**	-
Other income	**-**	-
Foreign exchange loss (net)	**(144)**	(199)
Interest and finance expense	**(2,595)**	(4,381)
Unrealised movement in fair value of convertible bond conversion rights	**(4,734)**	1,893
(Loss)/profit before tax	**(635)**	11,694

(iii) Segment assets and liabilities

The amounts provided to the chief operating decision maker with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

Reportable segment assets and liabilities are equal to consolidated total assets and liabilities.

Note 3. Profit/(loss) for the half year - Significant items

Profit/(loss) for the half-year includes the following items that are unusual because of their nature, size or incidence:	31 December 2012 US$'000	31 December 2011 US$'000
Conversion rights on convertible bonds		
Income		
Unrealised movement in fair value of convertible bond conversion rights	**-**	(1,893)
Expenses		
Unrealised movement in fair value of convertible bond conversion rights	**4,734**	-

The amount shown is the movement during the period of the fair value of the conversion rights relating to the 5.5% convertible bonds issued on 17 June 2011. The conversion rights can be settled in cash or ordinary shares of the parent entity, at the option of the issuer, and the number of shares to be issued at conversion is subject to the conversion price which may reset under certain circumstances. Accordingly, the conversion rights are a derivative financial liability and are marked to market through the profit and loss. Fair value of conversion rights at issuance on 17 June 2011 was US$20,043,000. Refer to Note 7 for further details of the convertible bonds issued.

Note 4. Cash and cash equivalents

	31 December 2012 US$'000	30 June 2012 US$'000
Cash at bank and on deposit	**48,421**	14,074
Petty cash	**1**	1
	48,422	19,287

Note 5. Exploration phase expenditure

	31 December 2012 US$'000	30 June 2012[2] US$'000
Opening balance	**77,658**	63,488
Expenditure	**8,662**	51,818
Transfers to oil and gas assets[1]	**-**	(40,189)
Acquisitions	**-**	2,541
Closing balance	**86,320**	77,658

[1] In January 2012, Horizon Oil advised that it had approved the final investment decision for the Stanley field gas condensate development and accordingly all associated exploration expenditure was transferred to oil and gas assets.
[2] Comparative numbers presented represent a 12-month movement to 30 June 2012.

Note 6. Oil and gas assets

	31 December 2012 US$'000	30 June 2012[2] US$'000
Opening balance	**209,950**	145,504
Expenditure	**72,010**	31,848
Transfers from exploration phase expenditure[1]	**-**	40,189
Amortisation incurred	**(1,887)**	(7,591)
Closing balance[2]	**280,073**	209,950

[1] In January 2012, Horizon Oil advised that it had approved the final investment decision for the Stanley field gas condensate development and accordingly all associated exploration expenditure was transferred to oil and gas assets.
[2] Comparative numbers presented represent a 12-month movement to 30 June 2012.

Note 7. Borrowings

	31 December 2012 US$'000	30 June 2012 US$'000
Current		
Lease liability (a)	**4,496**	7,632
	4,496	7,632
Non-Current		
Bank loans (b)	**116,188**	31,888
Convertible bonds (c)	**63,710**	61,203
	179,898	93,091
Total Borrowings	**184,394**	100,723

(a) Lease liability

The lease liability is secured by a floating charge over the leased asset.

(b) Bank loans – Reserves based debt facility

On 23 March 2012, the Group finalised and executed the facility documentation for the provision of a reserves based debt facility of up to US$160 million with a term of six years. The Joint Mandated Lead Arranging banks are Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, BNP Paribas and Standard Chartered Bank. The Group achieved financial close on 10 April 2012 with total drawdowns of US$120 million as at 31 December 2012.

Floating interest in respect of the facility was at LIBOR plus a weighted average margin of 3.95%. The facility is an amortising facility which matures in March 2018.

The facility was secured by a floating charge over the shares and assets of the borrowers (Horizon Oil International Limited, Horizon Oil (Papua) Limited, Horizon Oil (Beibu) Limited and Horizon Oil (Nanhai) LLC which are wholly owned subsidiaries of Horizon Oil Limited) and other Horizon subsidiaries, in favour of ANZ Fiduciary Services Pty Limited as security trustee. Horizon Oil Limited and other Horizon subsidiaries have guaranteed the performance of Horizon Oil International Limited, Horizon Oil (Papua) Limited, Horizon Oil (Beibu) Limited, Horizon Oil (Nanhai) LLC (which have also given guarantees) in relation to the loan facility from Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, BNP Paribas and Standard Chartered Bank. In addition, the shares of the following Horizon subsidiaries have been mortgaged to ANZ Fiduciary Services Pty Limited : Horizon Oil International Limited, Horizon Oil (Papua) Limited, Horizon Oil (Beibu) Limited, Horizon Oil (Nanhai) LLC, Horizon Oil International Holdings Limited, Ketu Petroleum Limited, Horizon Oil (G2) Limited and Horizon Oil (China Holdings) Limited. As at 31 December 2012, the net book value of the entities in which shares have been mortgaged is US$63.1 million. The Group was subject to covenants which are common for a facility of this nature.

(c) Convertible bonds

The parent entity issued 400 5.5% convertible bonds for US$80 million on 17 June 2011. The bonds were issued with an initial conversion price of US$0.52, equivalent to A$0.49 based on exchange rates at the time of pricing, and representing a conversion premium of 29% to Horizon Oil's last closing price of A$0.38 on 2 June 2011. The initial conversion price is subject to adjustment in certain circumstances. No bonds were eligible for conversion at 30 June 2011 as the conversion period commenced 41 days following settlement which occurred on 17 June 2011. On conversion by the holder, and subject to any conversion price resets, the issuer may elect to settle the bonds in cash or ordinary shares in the parent entity. Based on the initial conversion price, the maximum number of shares that could be issued on conversion is 153,846,154 ordinary shares in the parent entity. The bonds carry a coupon of 5.5% per annum, payable semi-annually in arrears, and carry a 7% yield to maturity on 17 June 2016 when they will be redeemed at 108.80% of their principal amount. The bonds were listed on the Singapore Securities Exchange on 20 June 2011.

Note 8. Contributed equity

a) Share capital

		31 December 2012 Number	30 June 2012 Number	31 December 2012 US$'000	30 June 2012 US$'000
Ordinary shares					
Fully paid	(b) (i)	**1,130,811,515**	1,130,811,515	**125,578**	125,578
Partly paid	(b) (ii)	**7,455,000**	3,450,000	**2,476**	1,108
		1,138,266,515	1,134,261,515	**128,054**	126,686

b) Movements in share capital

(i) Ordinary shares (fully paid)

Date	Details	Number	Issue price	US$'000
30/06/2012	Balance at 30 June 2012	1,130,811,515		125,578
31/12/2012	Balance at 31 December 2012	1,130,811,515		125,578

(ii) Ordinary shares (partly paid)

Date	Details	Number	Issue price	US$'000
30/06/2012	Balance at 30 June 2012	3,450,000		1,108
10/10/2012	Exercise of employee options*	2,505,000	A$0.35	917
10/10/2012	Exercise of employee options*	1,000,000	A$0.30	310
10/10/2012	Exercise of employee options*	500,000	A$0.27	141
31/12/2012	Balance at 31 December 2012	7,455,000		**2,476**

* Relates to issue of partly paid ordinary shares on exercise of employee options.

Note 9. Contingent assets and liabilities

a) Contingent assets

There were no contingent assets as at 31 December 2012.

b) Contingent liabilities

The Group had the following contingent liabilities as at 31 December 2012 that may become payable:

In accordance with normal oil and gas industry practice, the Group has entered into joint venture operations and farm out agreements with other parties for the purpose of exploring and developing its permit interests. If a participant to a joint venture defaults and fails to contribute its share of joint venture obligations, the remaining joint venture participants are jointly and severally liable to meet the obligations of the defaulting participant. In this event the interest in the permit held by the defaulting participant may be redistributed to the remaining participants. In the event of a default, a contingent liability exists in respect of expenditure commitments due to be met by the Group in respect of defaulting joint venture participants.

No material losses are anticipated in respect of the above contingent liabilities.

Note 10. Exploration, development and production expenditure commitments

The Group has entered into joint venture operations for the purpose of exploring, developing and producing from certain petroleum permits or licences. To maintain existing interests or rights to earn interests in those ventures the Group will be expected to make contributions to ongoing exploration and development programs. Since such programs are subject to continual review by operating committees, upon which the Group is represented, the extent of future contributions in accordance with these arrangements is subject to continual renegotiation.

Subject to the above mentioned limitations, the directors have prepared the following disclosure of exploration and development expenditure commitments not recognised in the financial statements. These are payable as follows, based on current status and knowledge of estimated quantum and timing of such commitments by segment.

	NZ Development	New Zealand Exploration	China Exploration & Development	Papua New Guinea Exploration & Development	Total
31 December 2012	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Within one year	**4,169**	**1,654**	**23,515**	**83,456**	**112,794**
Over one year	**-**	**-**	**-**	**50,497**	**50,497**
Total	**4,169**	**1,654**	**23,515**	**133,953**	**163,291**

	NZ Development	New Zealand Exploration	China Exploration & Development	Papua New Guinea Exploration & Development	Total
30 June 2012	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Within one year	1,944	1,521	67,681	114,662	185,808
Over one year	-	-	-	28,955	28,955
Total	1,944	1,521	67,681	143,617	214,763

The above commitments may be deferred or modified with the agreement of the host government, by variations to the terms of individual permits or licences, or extensions to the terms thereof. Another factor likely to delay timing of these commitments is the potential lack of availability of suitable drilling rigs in the area of interest.

The commitments may also be reduced by the Group entering into farm-out agreements or working interest trades, both of which are typical of the normal operating activities of the Group.

In addition to the above commitments, the Group has invested funds in other exploration permits or licences, but is not exposed to a contingent liability in respect of these, as it may choose to exit such permits or licences at any time at no cost penalty other than the loss of the permits or licences.

Note 11. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties, unless otherwise stated.

Mr J Humphrey, a director of Horizon Oil Limited was also a member of the law firm King & Wood Mallesons during the period. During the half year to 31 December 2012, King & Wood Mallesons provided legal services to the Group. J Humphrey was not the engagement partner connected with these legal services. Total fees paid during the half year amounted to US$122,033.

Note 12. Events occurring after balance sheet date

On 10th January 2013, the Group finalised and executed an over-advance facility to the Groupôs existing reserves based debt facility of up to US$20 million with a 1 year term and an interest rate of LIBOR + 5%. The terms of the facility and lender group are otherwise aligned with the existing reserves based debt facility. The facility is to be used to further the Groupôs exploration and development activities.

Other than the matters disclosed above and in the remainder of this interim financial report, there has not been any other matter or circumstance which has arisen since 31 December 2012 that has significantly affected, or may significantly affect.

- the Groupôs operations in future financial years: or
- the results of those operations in future financial years: or
- the Groupôs state of affairs in future financial years.

HORIZON OIL LIMITED

Directors' Declaration

In the directorsô opinion:

(a) the attached interim financial statements and notes are in accordance with the *Corporations Act 2001*, including:

 (i) complying with relevant Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

 (ii) giving a true and fair view of the Groupôs financial position as at 31 December 2012 and of its performance, as represented by the results of its operations and its cashflows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Horizon Oil Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

E F Ainsworth AM
Chairman

B D Emmett
Chief Executive Officer

Sydney

25 February 2013

Independent auditor's review report to the members of Horizon Oil Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Horizon Oil Limited, which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Horizon Oil Limited Group (the consolidated entity). The consolidated entity comprises both Horizon Oil Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Horizon Oil Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Horizon Oil Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Peter Buchholz
Partner

25 February 2013