Horizon Oil Limited ABN 51 009 799 455
Level 7, 134 William Street, Woolloomooloo NSW Australia 2011
Tel +61 2 9332 5000, Fax +61 2 9332 5050 www.horizonoil.com.au

30 April 2013

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

REPORT ON THIRD QUARTER ACTIVITIES – 31 MARCH 2013
AUSTRALIAN STOCK EXCHANGE LISTING RULE 5.1

KEY ACTIVITIES

- **Production of 77,409 barrels of oil from Maari/Manaia fields and oil sales of 84,210 barrels, generating revenue of US$8.9 million.**
- **Maari joint venture completed purchase of FPSO *Raroa* for a gross cost of US$32.9 million and field operations successfully transferred to MODEC.**
- **450 sq km 3D seismic program acquired over the Te Whatu-Pukeko prospects in PEP 51313.**
- **Beibu Gulf project construction, installation and commissioning phase completed with first production achieved on 21 March 2013. Development drilling progressing well with five development wells completed and online at the end of April, producing at a combined rate of 6,000 bopd.**
- **Beibu Gulf reserves upgrade announced with a 24% increase in proved reserves and an 18% increase in proved plus probable reserves.**
- **Pre-FEED for Elevala/Ketu development in PRL 21 continued with site preparation for an appraisal/exploration well on the Tingu prospect advanced.**
- **67 sq km 2D seismic program acquired over leads and prospects in PPL 259.**
- **Doubled acreage position in PNG to 7,900 sq km with award of 50% interest in new licence PPL 430 and acquisition of 90% interests in PPLs 372 and 373.**
- **Cash on hand US$34.7 million at end of quarter, with US$140 million drawn down on bank facility.**

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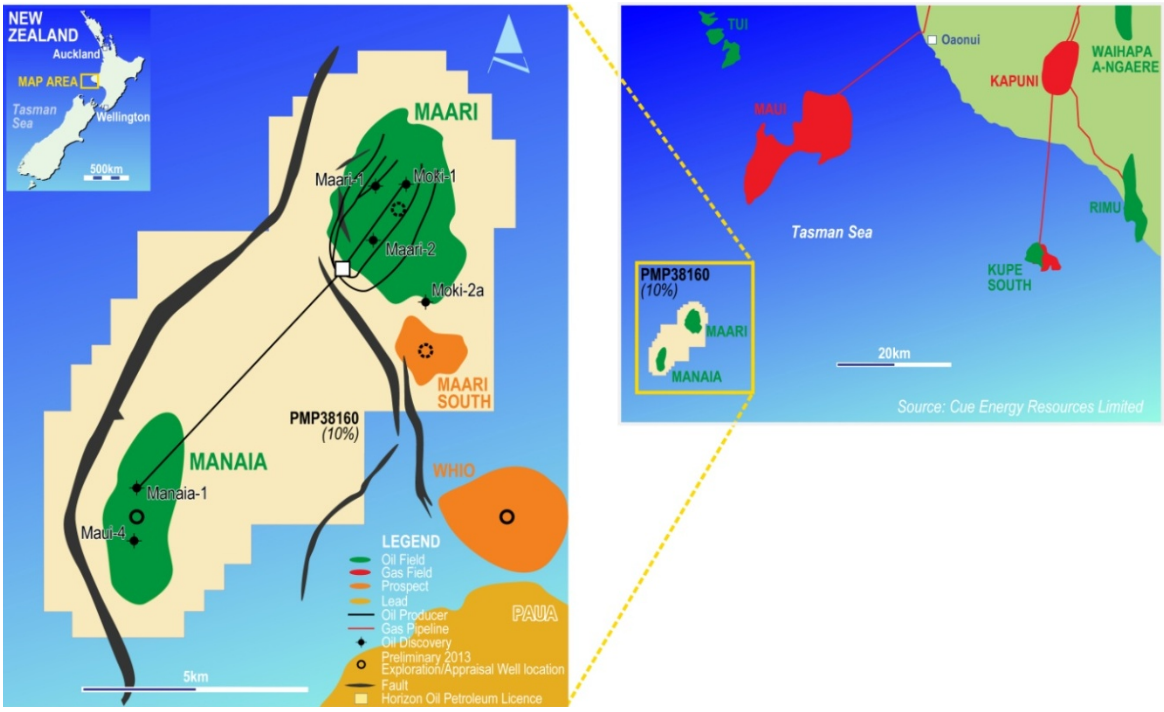
EXPLORATION AND DEVELOPMENT ACTIVITY

NEW ZEALAND

PMP 38160, Offshore Taranaki Basin, Maari and Manaia Fields (Horizon Oil interest: 10%)



During the quarter Horizon Oil's working interest share of production from Maari and Manaia fields was 77,409 barrels of oil. Crude oil sales were 84,210 barrels at an average effective price of US$105.87. Cumulative oil production from the fields through 29 April 2013 was 21.5 million barrels. The fields produced satisfactorily during the quarter, as the operator continued a series of proactive downhole pump replacements designed to reduce the incidence of early pump failures.

In November 2012 the Maari joint venture exercised its option to purchase the FPSO *Raroa* from Tablelands Development Ltd at a gross cost of US$32.9m. The transaction was completed on 8 March 2013 and the transfer of operations to MODEC Management Services Pte Ltd was accomplished smoothly and without incident.

An important activity during the quarter was planning for the second phase of development of Maari and Manaia. The *Ensco 107* jack-up drilling rig has been contracted to undertake a program to optimise reservoir performance and enhance production. This includes the drilling of additional production offtake wells at Maari and Manaia and reconfiguration of the water injection scheme at Maari to enhance pressure support. This drilling will complement activity currently underway on the Maari platform using the permanently installed workover unit to reconfigure and recomplete two of the existing water injection wells. The program will take about 12 months to complete and is anticipated to increase production rate in the medium term and increase oil recovery from the fields in the longer term. The rig is expected to arrive in New Zealand waters in Q4 2013.

In addition to the above growth projects, two exploration/appraisal wells will be drilled with the semi-submersible *Kan Tan IV* rig, which has been contracted and is due to arrive in New Zealand in Q3 2013. The campaign will begin with the Manaia-2 appraisal well which will evaluate several additional prospective reservoir intervals at a crestal location on the field. The rig will then be released to drill wells for other joint ventures, before returning to drill the Whio prospect located immediately south of Maari field in PEP 51313, in which Horizon Oil has a 21% interest. If successful, Whio prospect will be tied into the Maari facility.

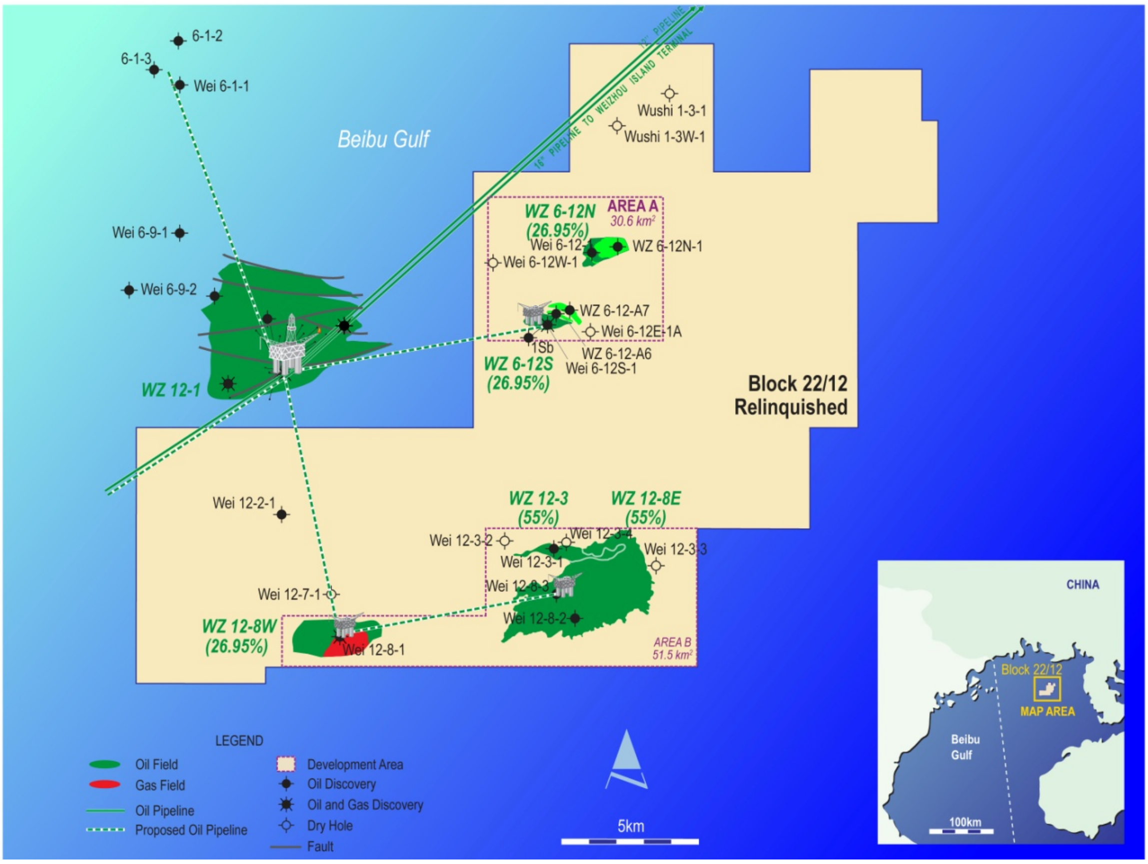
PEP 51313, Offshore Taranaki Basin, (Horizon Oil interest: 21%; 10% in Whio prospect area if a discovery is made)

OMV New Zealand Limited is preparing to drill the Whio prospect in Q1 2014 to earn an interest in the permit. The well will be drilled in conjunction with appraisal drilling at Manaia with the semi-submersible rig *Kan Tan IV*. The Whio-1 location will be selected utilising the newly acquired 288 sq km 3D seismic survey across the Maari/Manaia fields and Whio prospect.

During the quarter a 450 sq km 3D seismic program was acquired over the Te Whatu-Pukeko prospects (see map above) by Seabird Exploration using the *MV Voyager Explorer*.

CHINA

Block 22/12, Beibu Gulf (Horizon Oil interest: 55%/26.95 %)



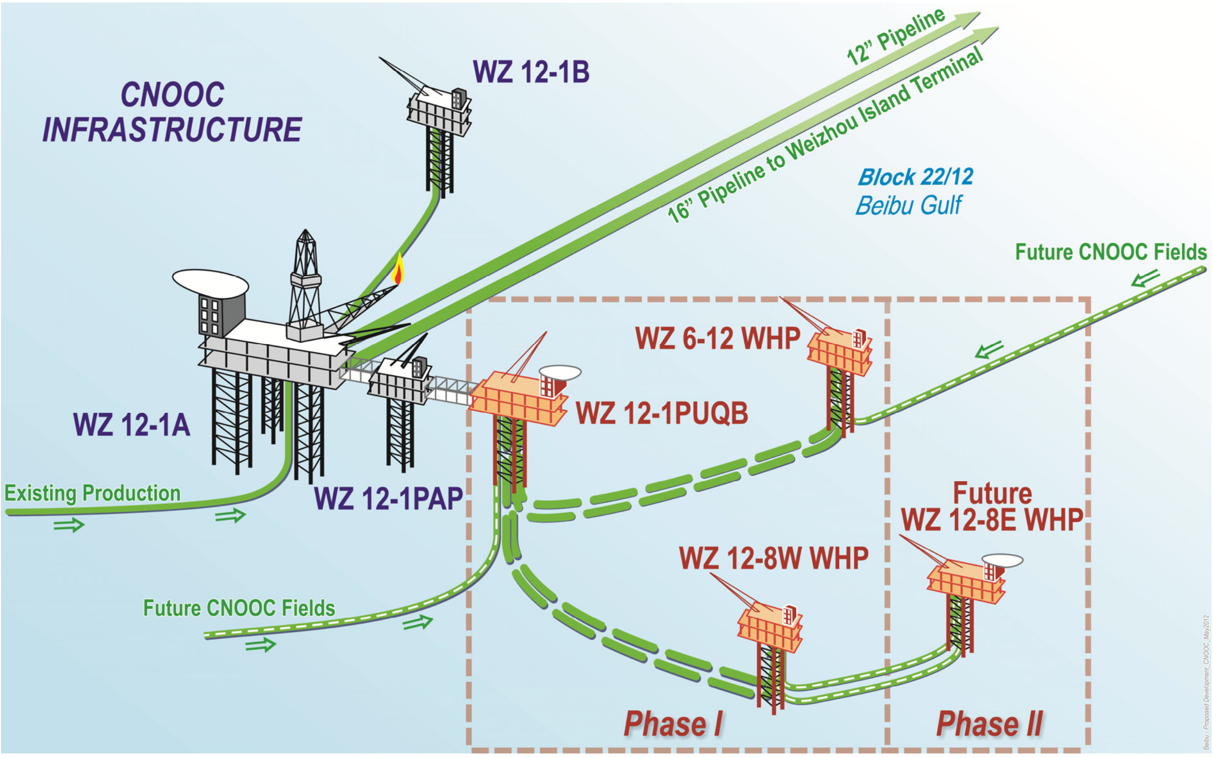
Following successful installation, hook-up and commissioning of offshore facilities, first production was achieved from two development wells, A5H and A2, on the WZ 6-12 wellhead platform on 21 March 2013. At the end of April five development wells were completed and online, producing at a combined rate of 6,000 bopd.

A further five development wells are in various stages of completion and awaiting installation of production equipment and hook-up. These include the successful A6 and A7 exploration wells drilled in 2012 and three additional development wells (A8, A9 and A10H), which are designed to maximise returns from the successful exploration program. The Phase 1 development will now comprise a total of ten production wells from the WZ 6-12 platform by mid June, following which the *HYSY 931* jack-up drilling rig will move to the WZ 12-8W platform to drill another five development wells.

Production from the Beibu Gulf fields will progressively ramp up with plateau production expected during Q3 2013. Horizon Oil anticipates its share of peak production to exceed 4,000 bopd.

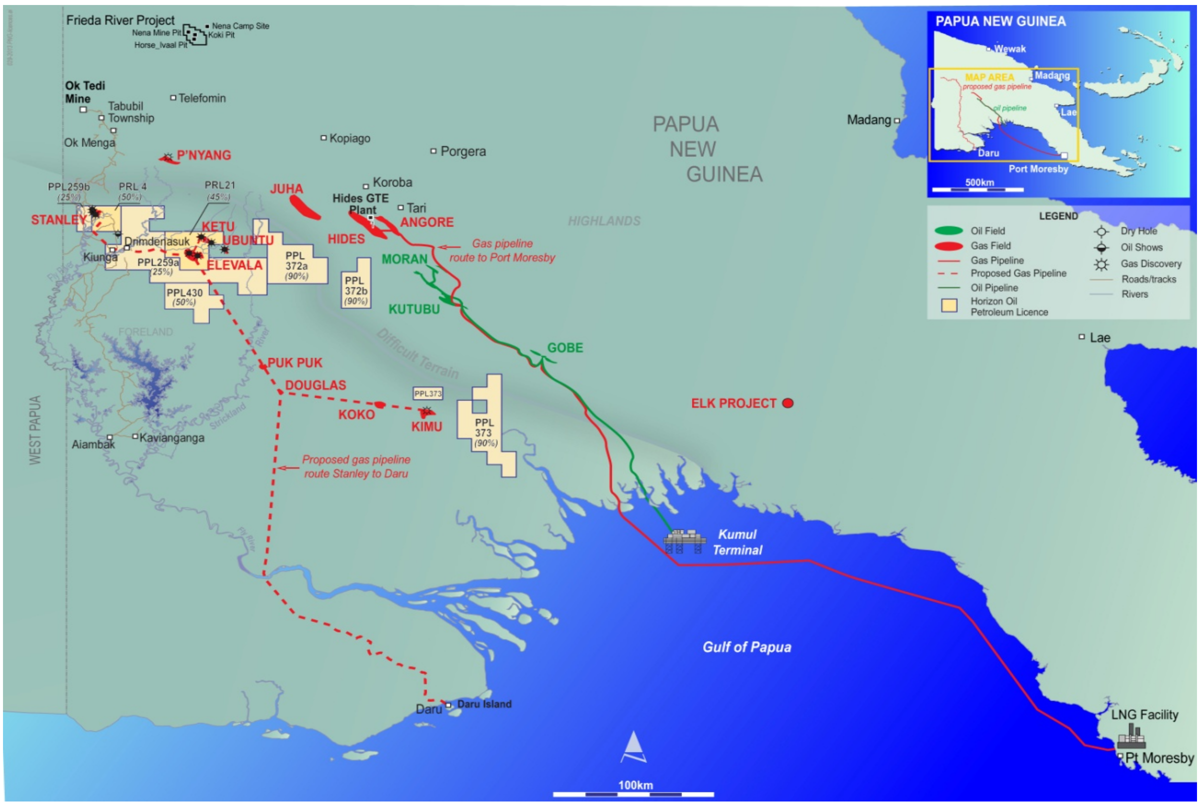
During the quarter, the Company advised the results of an independent review and audit of reserves following the exploration drilling program, which indicated a 24% increase in proved reserves and an 18% increase in proved plus probable reserves to 28.3 mmbo gross.

The project team is currently working on a Phase II development plan for the WZ 12-8E oil accumulation (see field schematic below), which will be finalised in August 2013.



PAPUA NEW GUINEA

The Company advised at its Annual General Meeting 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. Whilst the Company had previously anticipated that this sale process would have been concluded by now, good progress is being made and the Company remains positive about the prospects of concluding a transaction in the near future on terms reflecting the board's firm view of the value of these assets.



PRL 4, Stanley Field, (Horizon Oil interest: 50%)

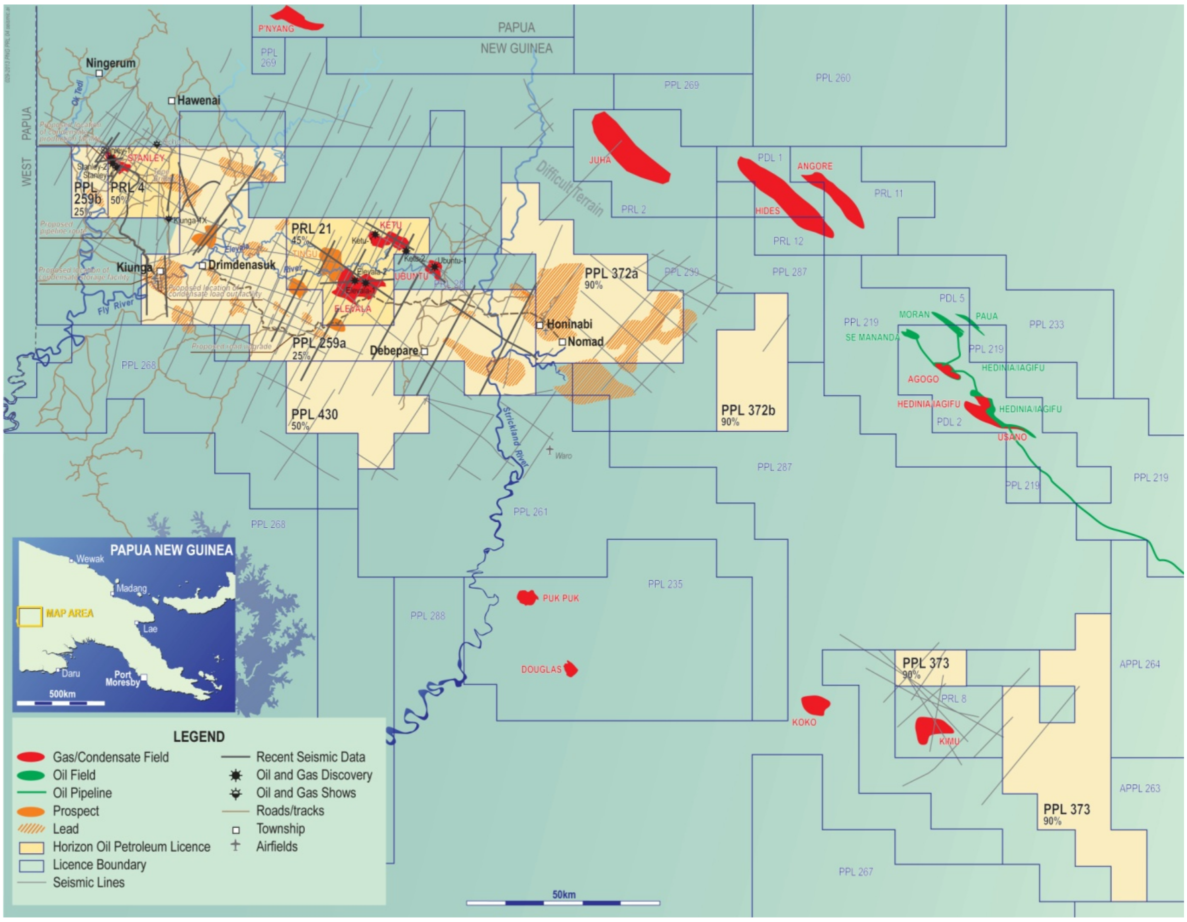
Government negotiations relating to the petroleum development licence (PDL) application continued throughout the quarter, with slow progress. Horizon Oil, as operator, believes there are no remaining significant barriers to the grant of the PDL.

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

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

Schematic of Kiunga base and storage facility

Schematic of Stanley gas plant



PRL 21, Elevala/Ketu discoveries (Horizon Oil interest: 45%)

Pre-FEED (front end engineering and design) development planning for the Elevala/Ketu condensate recovery project is nearing completion and will provide a basis for selection of the optimal development concept. The work includes investigation of a potential condensate pipeline route to Kiunga and road access to the field. Equinox Engineering, the firm undertaking the design of the Stanley plant in PRL 4, is actively engaged in reviewing facility and pipeline options. Work is also continuing on the depositional models for input to the reservoir modelling to progress the subsurface development planning process. Early planning to assess and identify the field environmental and social studies required to support regulatory approval is underway.

This will be followed by a FEED study, with the objective of submitting a licence development application to the PNG Government in Q1 2014.

A key element of the PRL 21 development planning will be the results of an appraisal/exploration well on Tingu prospect (see map above) which, if successful would increase the scale of the potential project. A surface location for Tingu-1 has been selected and site preparation is advanced. It is anticipated that Parker *Rig 226* will begin moving on location to drill the well in June.

PPL 259 (Horizon Oil interest: 25%)

A 67 km 2D seismic program has been acquired over leads and prospects in the western part of the licence and is now being interpreted. The new seismic has confirmed several prospects for drilling.

PPLs 430 (Horizon Oil interest: 50%), 372 and 373 (Horizon Oil interest: 90%)

Horizon Oil advised after the quarter that it had materially expanded its acreage holdings in Papua New Guinea, with notice of award of a 50% interest in a new licence PPL 430 and the acquisition of 90% interests in PPLs 373 and 373 (see maps above). These additions, which are part of the Company's strategy of selectively building up its exploration acreage portfolio in and around discovered hydrocarbon accumulations, increase Horizon Oil's gross acreage position in PNG from 3,900 sq km to approximately 7,900 sq km. Horizon Oil is the designated operator of the three new licences as well as existing licences PRLs 4 and 21.

Data on the new acreage is currently being collated, with the intent of reprocessing existing seismic ahead of acquiring new seismic data. The acreage will be explored with the objective of confirming sufficient gas reserves, when added to the existing reserves base, to underwrite a mid-scale LNG plant on the coast.

EXPENDITURE SUMMARY

The following table summarises the expenditure incurred in the quarter in respect of the activities set out in this report-:

Exploration and Development	**US$'000**
PEP 51313, offshore New Zealand	660
PRL 4, Papua New Guinea	5,706
PRL 21, Papua New Guinea	2,952
PPL 259, Papua New Guinea	1,169
Producing Oil and Gas Properties	
PMP 38160 (Maari and Manaia), offshore New Zealand	
Capital expenditure	979
Production revenue[1]	8,915
Operating expenditure	3,281
Amortisation	886
Block 22/12 (Beibu Gulf), offshore China	
Capital expenditure	1,624
Production revenue	0
Operating expenditure	99
Amortisation	143
Production Data (barrels)	
PMP 38160 (Maari and Manaia), offshore New Zealand	
Crude oil production	77,409
Crude oil sales	84,210
Block 22/12 (Beibu Gulf), offshore China	
Crude oil production	6,152
Crude oil sales	0
Cash on hand at 31 March 2013	**34,696**
Reserves-Based Debt Facility[2]	**140,000**
Convertible Bond[3]	**80,000**

[1] Includes US$1,029,000 of hedge losses settled during the quarter which related to third quarter sales
[2] Represents principal amounts drawn down as at 31 March 2013
[3] Represents principal amount repayable unless converted prior to 17 June 2016

Yours faithfully

Michael Sheridan
Chief Financial Officer and Company Secretary

For further information please contact:

Michael Sheridan
Telephone: (+612) 9332 5000
Facsimile: (+612) 9332 5050
Email: exploration@horizonoil.com.au
Or visit www.horizonoil.com.au