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 July 2013

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

REPORT ON THIRD QUARTER ACTIVITIES – 30 JUNE 2013
AUSTRALIAN STOCK EXCHANGE LISTING RULE 5.1

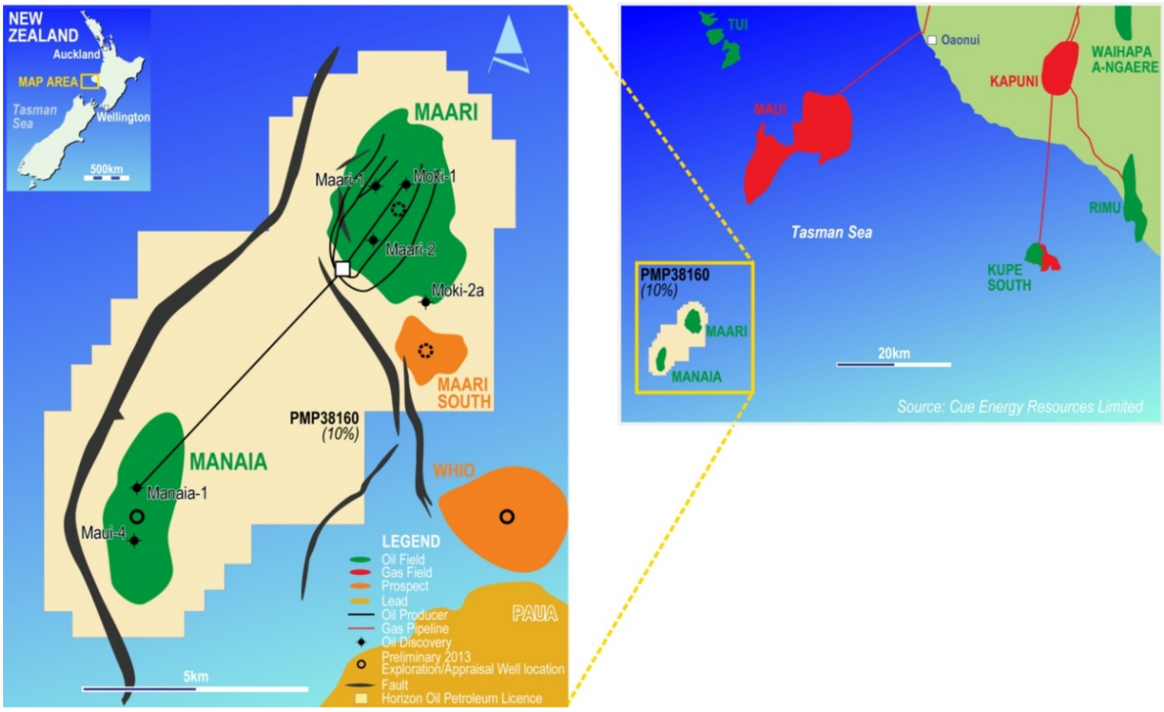
KEY ACTIVITIES

- **Net production of 79,369 barrels of oil from Maari/Manaia fields during quarter and cumulative field production of 22.2 million barrels of oil to date.**
- **Refurbishment of Maari field water injection scheme underway and *Ensco 107* jack-up rig due on location in Q1 2014 for drilling of additional production wells.**
- ***Kan Tan IV* semi-submersible drilling rig arrived in New Zealand waters and will drill Manaia-2 exploration/appraisal well in Q3 2013 and Whio -1 exploration well in Q1 2014.**
- **Beibu Gulf fields development progressing within budget, ahead of schedule and with good production performance; all 10 wells on WZ 6-12 fields completed and on stream at 10,000 bopd (Horizon Oil share 2,700 bopd); first two wells on WZ 12-8W on stream with remaining three wells to be completed in Q3 2013.**
- **Net production of 177,276 barrels from Beibu Gulf fields during quarter and cumulative production to date of 929,303 barrels of oil; production revenue of US$16.2 million received during quarter.**
- **40% interest in PNG assets sold to Osaka Gas of Japan for milestone based payment of US$204 million, plus potential production payments.**
- **Environmental approval and technical sign-off achieved for Stanley field development licence application in PRL 4.**
- **Pre-FEED for Elevala/Ketu development in PRL 21 completed and FEED underway with March 2014 completion target.**
- **Cash on hand of US$19.0 million at end of quarter, with US$134.3 million drawn on bank facility.**

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 79,369 barrels of oil. Crude oil sales were 46,350 barrels at an average effective price of US$100.91. Cumulative oil production from the fields through 21 July 2013 was 22.2 million barrels.

A workover of the previously shut-in MR1 production well has commenced to convert the well to a water injector. This is part of a broader program to reconfigure the field water injection scheme to provide better pressure support to the producing reservoirs and enhance production.

The operator has advised that Maari production facilities were shut in on 21 July 2013 as a precaution in order to effect interim repair works on the mooring system. These works are expected to be completed by end of day tomorrow. Production restart procedures are expected to commence once the necessary regulatory approvals have been obtained.

In addition to reconfiguration of the water injection scheme, the second phase of development of Maari and Manaia will involve the drilling of additional production offtake wells and will continue in earnest when the *Ensco 107* jack-up drilling rig arrives at the Maari platform in Q1 2014. The drilling 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.

Further to the above growth projects, two exploration/appraisal wells will be drilled with the semi-submersible *Kan Tan IV* rig, which has arrived in New Zealand waters and will move on location 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.

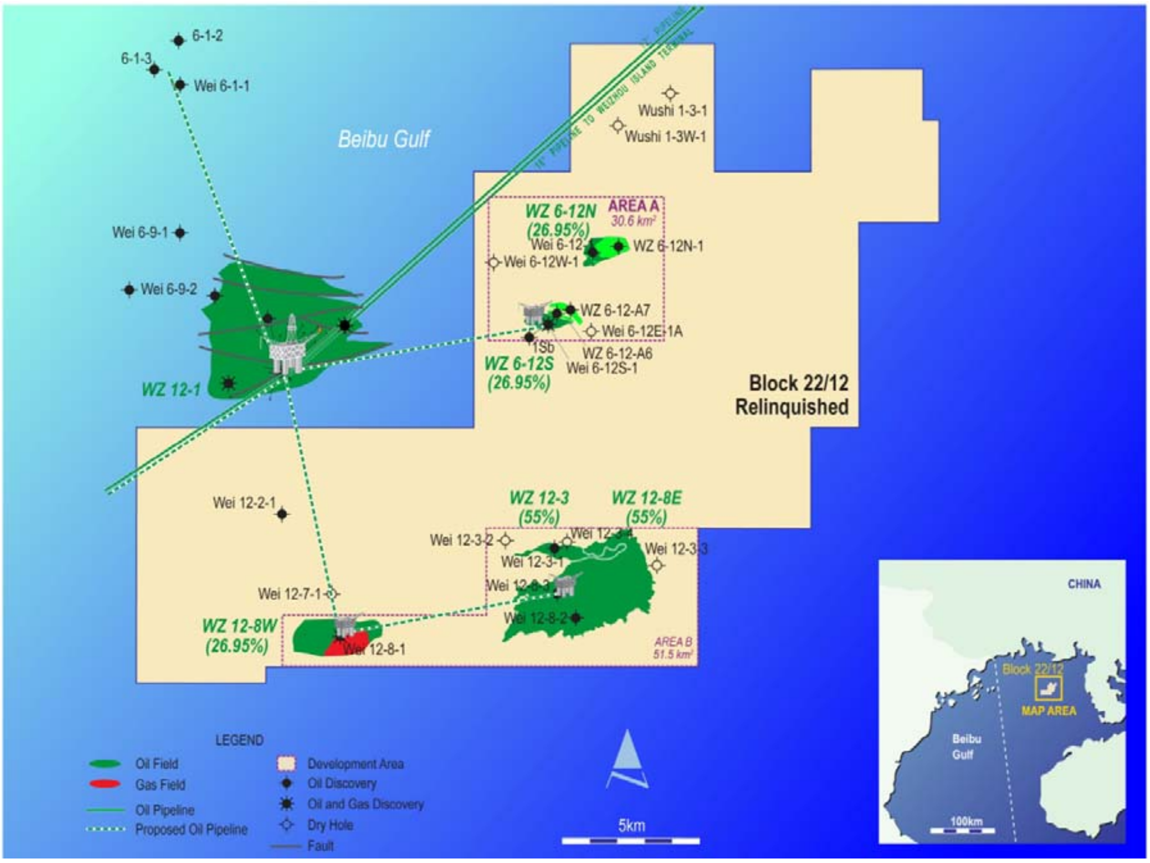
PEP 51313, Offshore Taranaki Basin, (Horizon Oil interest: 21%; 10% in Whio prospect area if a discovery is made)

Planning for drilling of the Whio-1 exploration well with the semi-submersible rig *Kan Tan IV*, expected to be drilled in Q1 2014, progressed throughout the quarter. OMV New Zealand Limited will operate the well and carry Horizon Oil through its share of the cost to earn an interest in the permit. 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.

Processing of the 450 km 3D seismic program in the Te Whatu-Pukeko area is about 70% complete, with results due to be delivered in August.

CHINA

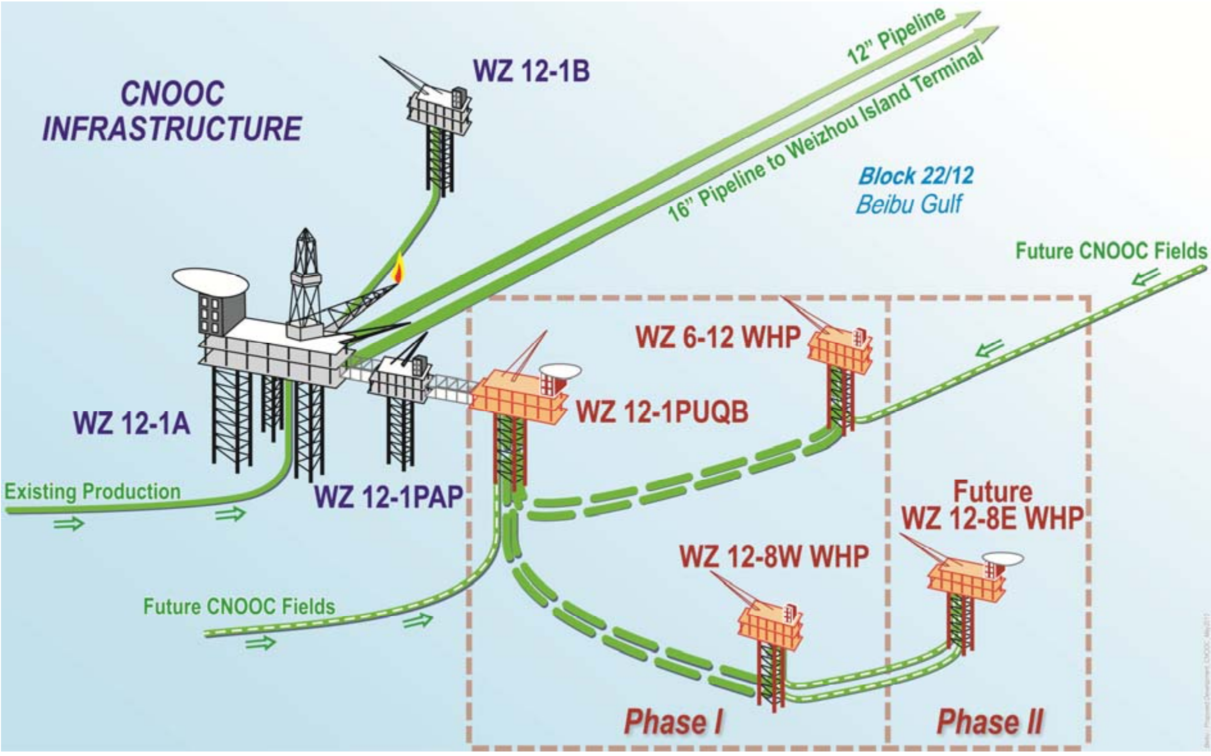
Block 22/12, Beibu Gulf (Horizon Oil interest: 55%/26.95 %)



Following the successful hook-up and commissioning of the Beibu Gulf project offshore facilities, the ten well development drilling program from the WZ 6-12 wellhead platform has been completed safely and within budget. Production from the WZ 6-12 fields is currently at a rate of 10,000 bopd gross, of which Horizon Oil's share is 2,700 bopd. Oil sales commenced during the quarter and cumulative production through 26 July was 929,303 barrels of oil.

The *HYSY 931* jack-up drilling unit moved off the WZ 6-12 platform on 15 June 2013 and onto the WZ 12-8W platform for the five well development drilling program. All five wells (A1H to A5H) have been drilled in batch mode and 9-5/8" casing run to the top of the reservoir section in each well. Drilling of the horizontal reservoir sections commenced in July, with the A1H and A2H wells now successfully completed for production and first hydrocarbons reaching the PUQB utilities platform on 22 July. Development drilling of the field is expected to be completed ahead of schedule in Q3 2013, by which time plateau production from the overall project is anticipated at rates of 16,000 – 18,000 bopd, of which Horizon Oil's share will be approximately 4,500 bopd.

The project team is currently working on the 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

On 23 May 2013 the Company advised that it had entered into an agreement to sell 40% of its Papua New Guinea assets to Osaka Gas Co. Ltd. of Japan. Key aspects of the transaction are:

- Sale price of US$204 million, including US$74 million in cash on completion, a further US$130 million in cash upon FID for an LNG project, plus potential production payments where threshold condensate production is exceeded.

- Horizon Oil and Osaka Gas to form a strategic alliance to commercialise Horizon Oil's net certified reserves and contingent resources of 125 mmboe and develop acreage covering 7,900 sq km in Western Province.

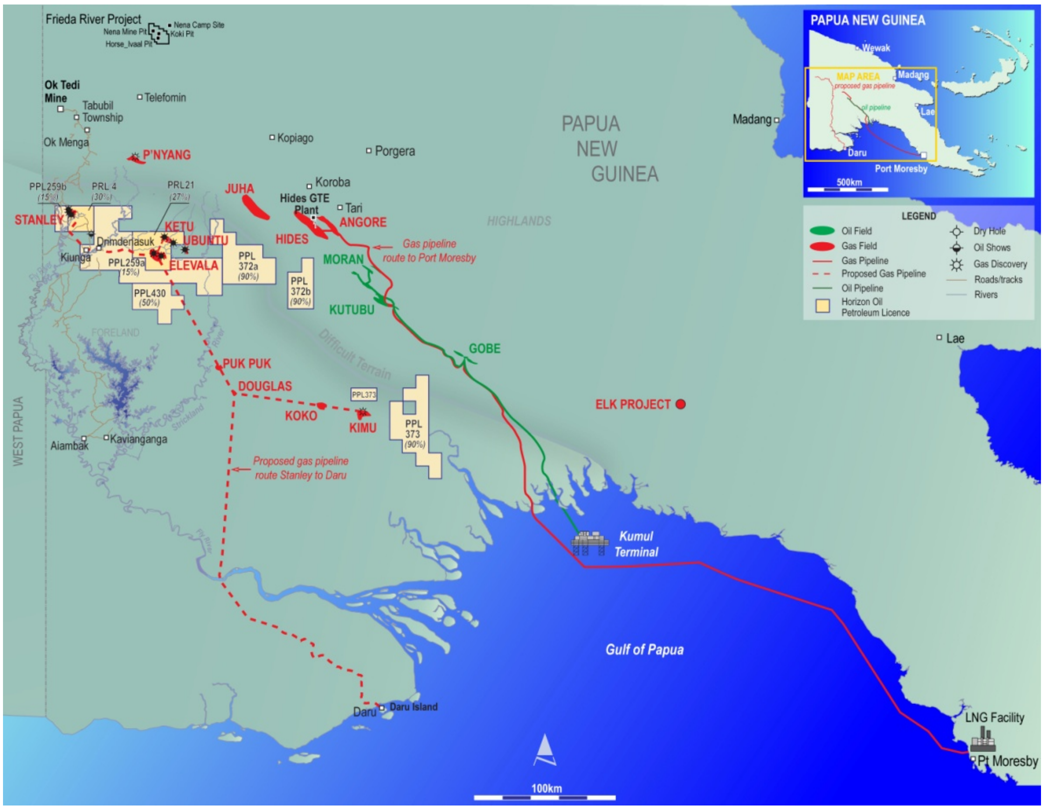
- Horizon Oil to transfer 40% of its interests in PRL 4 (Stanley field), PRL 21 (Elevala and Ketu fields) and PPL 259 and grant Osaka Gas the option to acquire 40% of Horizon Oil's interests in recently-acquired PPLs 372, 373 and 430 by paying a proportionate share of costs incurred.

- Potential profit of approximately US$153 million, made up of US$23 million on completion and a further amount of approximately US$130 million upon achieving the LNG FID milestone.

The sale marks the beginning of a 60/40 strategic alliance between Horizon Oil and Osaka Gas, a leading global gas company and one of Japan's largest utility companies and LNG importers. The principle objective of the partnership is to grow and develop the PNG assets for the purposes of supporting a mid-scale LNG project located on the coast in Western Province. The companies intend to exploit the full potential of the assets via early condensate production, local gas sales and LPG sales and to market their respective shares of petroleum products, especially LNG, on a combined basis.

The consideration payable by Osaka Gas implies a valuation of Horizon Oil's PNG assets of about US$500 million, which meets the board's expectations of value. Osaka Gas' experience as a participant in LNG projects, its LNG engineering capability and its role as a large scale offtaker, transporter and distributor of LNG all add credibility to the venture and will enable Horizon Oil to play its part and participate in a substantive mid-scale LNG development, which has the potential to generate large, long-lived cash flows The milestone cash payments of the consideration are structured to provide Horizon Oil with funding at critical stages of the integrated project execution.

Although completion of the transaction is conditional upon customary consents, regulatory approvals and grant of the development licence for Stanley field, no barriers to the satisfaction of these conditions are currently envisaged and consequently the Horizon Oil working interests in PRLs 4 and 21 and in PPL 259 have been listed in this quarterly report to reflect the sale to Osaka Gas.



PRL 4, Stanley Field, (Horizon Oil interest: 30%)

Government negotiations relating to the Petroleum Development Licence (PDL) application continued throughout the quarter with some important milestones achieved. On 30 May 2013 the Minister for Environment and Conservation, John Pundari, granted Approval in Principal of the Environmental Impact Statement for Stanley field. In July a technical review meeting was held with officers of the Department of Petroleum and Energy (DPE) at which all outstanding technical matters relating to the Stanley field development were brought to a conclusion to the satisfaction of the DPE.

The remaining issues to be finalised are execution of the Gas Agreement (project) with the Government and convening of the Development Forum with landowners and affected parties at Stanley field. Horizon Oil, as operator, is working actively to conclude these issues.

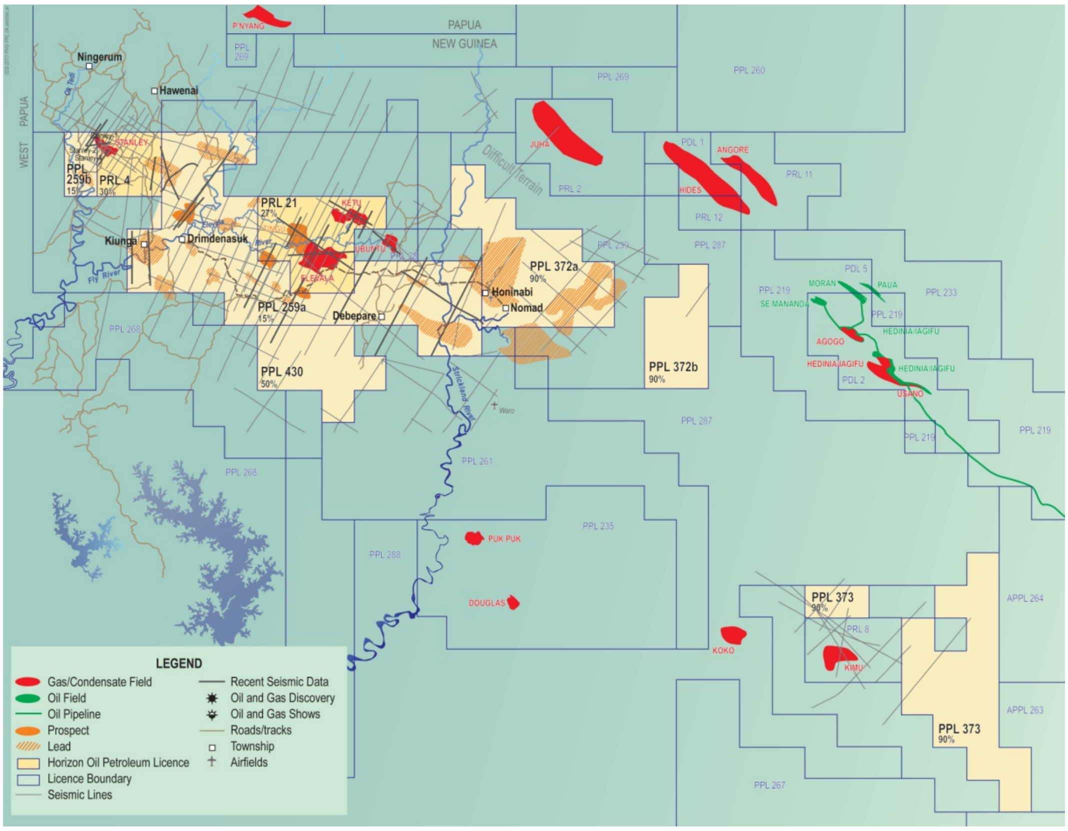
Negotiations with the participants in PPL 259 adjacent to PRL 4 regarding the formation of a unit to include the small portion of Stanley field that possibly encroaches into PPL 259 are progressing productively. The effect on Horizon Oil's interest in Stanley field will be minimal, because the Company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

Geotechnical modelling of the development sites was carried out during the quarter. Detailed engineering continued on the major gas processing modules. Work on the 90 m condensate 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 Q1 2014.

In July, Mining Minister Byron Chan advised that the Government was seeking to acquire GlencoreXstrata's 82% interest in the Frieda River copper-gold project (see map above). The development plan for Frieda River involves gas-fired power supply with gas sourced from Stanley field, which would potentially account for a large portion of the Stanley gas volume. There are clear synergies with supply of gas-fired power to the operator of the closer Ok Tedi mine (see map), with whom Horizon Oil is currently in discussion.

Existing Kiunga base and schematic of storage facility

Schematic of Stanley gas plant



PRL 21, Elevala/Ketu discoveries (Horizon Oil interest: 27%)

Work continued on the Elevala/Ketu condensate recovery project development planning. The pre-FEED (front end engineering and design) stage has been completed (see schematic below) and FEED studies are now underway. The objective is to substantially finalise FEED and submit a development licence application to the Government in Q1 2014.

Progress has been made on:-

- reservoir modelling to progress subsurface development planning
- gas plant engineering
- survey of the selected central processing facility site and export pipeline route
- hydrographic survey of the Fly and Elevala rivers upstream of Kiunga
- environmental and social studies required to support regulatory approvals

The development planning makes provision for the integration of any discovery from the upcoming drilling of Tingu prospect, located northwest of the Elevala accumulation (see map above). Construction of the site for the Tingu-1 well has been completed (see photo below) and mobilisation of *Parker Rig 226* from Kiunga to the well location began on 10 July 2013. As of 29 July, rig and camp were 52% moved, the camp substantially built and the rig 15% rigged up. The well is anticipated to spud in the third week of August and take about 45 days to drill. If successful, Tingu has the potential to be about the same size as Elevala field (2C contingent resource of approximately 400 bcf gas and 22 mmbl condensate).

Schematic of Elevala/Ketu gas plant

Tingu-1 wellsite at 25 July 2013

PPL 259 (Horizon Oil interest: 15%)

Interpretation of a 67 km 2D seismic program acquired over leads and prospects in the western part of the licence earlier this year is continuing. Several large prospects have been delineated as potential drilling targets and additional seismic acquisition is being planned to finalise at least one location for drilling.

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

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-:

	Q4 2013	**Q3 2013**
	US$'000	**US$'000**
Exploration and Development		
PEP 51313, offshore New Zealand	1,969	660
PRL 4, Papua New Guinea	3,895	5,706
PRL 21, Papua New Guinea	6,564	2,952
PPL 259, Papua New Guinea	107	1,169
PMP 38160 (Maari and Manaia), offshore New Zealand	649	979
Block 22/12 (Beibu Gulf), offshore China	9,357	1,624
	22,541	**13,090**
Production Data (barrels)		
PMP 38160 (Maari and Manaia), offshore New Zealand		
Crude oil production	79,369	77,409
Crude oil sales	46,350	84,210
Block 22/12 (Beibu Gulf), offshore China		
Crude oil production	177,276	6,152
Crude oil sales	165,532	0
Total Production		
Crude oil production	**256,645**	**83,561**
Crude oil sales	**211,882**	**84,210**
Producing Oil and Gas Properties		
PMP 38160 (Maari and Manaia), offshore New Zealand		
Production revenue[1]	4,677	8,915
Operating expenditure	1,392	3,281
Amortisation	870	886
Block 22/12 (Beibu Gulf), offshore China		
Production revenue	16,219	0
Operating expenditure	2,429	99
Special Oil Gain Levy	2,434	0
Amortisation	4,793	143
Total Producing Oil and Gas Properties		
Production revenue	**20,896**	**8,915**
Operating expenditure[4]	**6,021**	**3,380**
Amortisation	**5,663**	**1,029**
Cash on hand at 30 June 2013	**19,028**	**34,696**
Reserves-Based Debt Facility[2]	**134,335**	**140,000**
Convertible Bond[3]	**80,000**	**80,000**

[1] Current quarter includes US$383,000 of hedge losses settled during the quarter which related to fourth quarter sales
[2] Represents principal amounts drawn down as at 30 June 2013
[3] Represents principal amount repayable unless converted prior to 17 June 2016
[4] Includes Special Oil Gain Levy payable in China

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