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The Manager, Company Announcements
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
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HORIZON OIL (HZN) ADVISES MAJOR UPGRADE AT MAARI FIELD UNDERWAY

The operator of the Maari oilfield, OMV New Zealand ("OMV"), has today advised that production at the field will be shut until December while a major facility and equipment upgrade is undertaken.

The FPSO *Raroa*, the floating tanker that processes and stores oil at the field, will be disconnected and towed to a suitable New Zealand port to refurbish and upgrade its process equipment. While off station, a new swivel, which allows the vessel to rotate around its mooring, will be installed. A bearing malfunction in the existing swivel was recently identified, requiring the Maari JV to bring forward plans for replacement of this equipment.

The *Raroa* is currently being prepared for disconnection from station, including removal of all remaining crude oil on board. This task is expected to take several weeks.

At the same time, the opportunity will be taken to replace several of the mooring lines at the field. It had been identified that three of the eight lines were slowly wearing out, one of which was recently repaired. A specialised vessel for this task has been contracted and is being mobilised.

Construction activities in preparation for tie-ins of new wells and the upgrade of the wellhead platform are currently being undertaken, further utilising the extended shut-in period.

OMV has advised that while there will be a greater than expected short-term deferral of production from doing all the upgrade work together, the decision makes good sense in the long run.

"A scheduled annual shut down for maintenance and construction work was planned in September, and the wider Maari Growth investment programme had already included the purchase, refurbishment and upgrade of the Raroa. Bringing all the work forward into one package now ensures the field facilities will be fully upgraded prior to the first new wells coming on stream early next year."

The jack-up rig *Ensco 107* is expected to start work at the Maari field in the first quarter of 2014.

The Maari joint venture also has the semi-submersible rig *Kan Tan IV* on site in a separate program. The first well, Manaia 2, is expected to be spudded today.

The approach taken by the Maari joint venture in bringing forward a major facility and equipment upgrade in advance of the commencement of the Maari Growth investment program is a strong indication of the longer term view taken in respect of the Maari/Manaia asset, particularly in the light of the very positive outlook for remaining reserves and prospective resources to be addressed by that program.

The assumption of ownership of the *Raroa* by the Maari joint venture earlier this year has provided both flexibility and control, which are particularly important in terms of upgrades and refurbishment required to meet anticipated field life and production and to ensure integrity of the asset for purposes of safety and longer term operating efficiency.

The estimated costs of the remedial works to the mooring system and the swivel assembly replacement are approximately US\$70 million (Horizon Oil share US\$7 million), a proportion of which should be recovered through insurance. Taking into account the previously budgeted production rates, scheduled maintenance and timing of crude oil liftings, Horizon Oil's share of deferred cashflow during the period in which the upgrade activities are undertaken is estimated to be approximately US\$5 million.

Neither the resultant net cost of the refurbishment program nor the deferral of cashflow during the program will affect the funding of Horizon Oil's 2013/14 capital expenditure program.

A copy of OMV's Media Release is attached.

Yours faithfully,



Michael Sheridan

Chief Financial Officer / Company Secretary



For further information please contact:

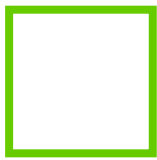
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Major upgrade at Maari field underway

- ▶ **Production to be shut in until December**
- ▶ **FPSO to be brought into port for swivel change**
- ▶ **Mooring line replacement**
- ▶ **WHP upgrade**

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Notes to editors

Maari oilfield facilities and Joint Venture

The Floating Processing, Storage and Offloading (FPSO) vessel Raroa is a converted oil tanker, approximately 250 metres long and 40 metres wide. It came to New Zealand in 2008 and has been moored on the Maari site since then. It sits about 1.5 kilometres from the wellhead platform (WHP) Tiro Tiro Moana. It is attached to the WHP by subsea flowlines that transport the oil from the wells to the FPSO.

The Raroa's main function is to separate production from the wells into oil, gas and water. It then stores oil for offloading to a conventional tanker. It has storage capacity for about 600,000 barrels and a daily production capacity of up to 40,000 barrels of oil per day (boe/d). Current production levels are approximately 10,000 boe/d.

The Maari Joint Venture purchased the Raroa from operator Tablelands Development Ltd in March 2013. It is operated on behalf of the Joint Venture by MODEC Management Services Pte Ltd.

OMV New Zealand Ltd holds 69% interest in the Maari permit and operates it on behalf of joint venture partners Todd Maari Ltd (16%), Horizon Oil International Ltd (10%) and Cue Taranaki Pty Ltd (5%).

OMV New Zealand

OMV New Zealand is the country's largest liquid hydrocarbon producer, the third largest gas producer, and a major explorer in offshore Taranaki and the Great South Basin off the coast of the South Island. It has been active here since 1999 when it acquired shares in the Maari oil discovery which it developed and now operates. Focusing strictly on exploration and production in New Zealand, OMV New Zealand currently holds shares in the Maui and Pohokura gas fields and the Maui pipeline. In addition, OMV New Zealand also has a number of offshore exploration permits in the Taranaki Basin. OMV New Zealand is a subsidiary of OMV Aktiengesellschaft, also known as the OMV Group.

OMV Aktiengesellschaft

With Group sales of EUR 42.65 bn and a workforce of around 29,000 employees in 2012, OMV Aktiengesellschaft is Austria's largest listed industrial company. In Exploration and Production, OMV is active in two core countries Romania and Austria and holds a balanced international portfolio. OMV had proven oil and gas reserves of approximately 1.12 bn boe as of year-end 2012 and a production of around 303,000 boe/d in 2012. In Gas and Power, OMV sold approximately 437 TWh of gas in 2012. In Austria, OMV operates a 2,000 km long gas pipeline network with a marketed capacity of around 103 bcm in 2012. With a trading volume of around 528 TWh, OMV's gas trading platform, the Central European Gas Hub, is amongst the most important hubs in Continental Europe. In Refining and Marketing, OMV has an annual refining capacity of 22 mn t and as of the end of 2012 approximately 4,400 filling stations in 13 countries including Turkey. OMV further strengthened its position through the ownership of a 97% stake in Petrol Ofisi, Turkey's leading company in the retail and commercial business.