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The Manager, Company Announcements
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HORIZON OIL (HZN) ADVISES PROVISIONAL, INTERIM RESERVES REVISION FOR PMP 38160 (MAARI/MANAIA FIELDS), OFFSHORE NEW ZEALAND

As shareholders are aware the Maari/Manaia field facilities were shut down for the period July - December 2013 to enable substantial remedial and upgrade works to be carried out. The work program, designed to enhance the value of the asset and enable extension of the field life, was successfully completed and the field returned to production in early December 2013. Field production performance has exceeded expectations in the period to date.

In late 2012, Horizon Oil advised an upgrade of field reserves based on reservoir simulation and geological modelling. The predicted benefits of various reservoir enhancement and well remediation programs that were undertaken in late 2012/early 2013 were incorporated into the assessment, which was endorsed by an independent expert. However, in the short time where relevant data could be collected prior to field shut down in July 2013, there were indications that field performance was not responding to the remedial works as predicted and a review of the modelling and forecasts was conducted. The conclusion of this review was that more detailed subsurface and production information was required to refine and update the existing model for forecasting of production and reserves.

The results of the upcoming Maari Development Growth Program, incorporated with continuing production data, will be key to providing the information required for a more reliable reserves update. Preparatory activities have been undertaken for this Growth Program, comprising four new production wells and two new water injection wells, which is on schedule to commence in Q2 2014. A reserves update with an acceptable degree of confidence is expected to be made upon completion of the Growth Program field activities and revision of the operator's and Horizon Oil's reservoir simulation models, expected in early 2015.

In the interim, under the terms of Horizon Oil's debt facilities, a revised reserves report in respect of the Maari/Manaia fields has been prepared by an independent expert for the Company's lenders. For the reasons set out above, the independent expert, on a provisional basis, has elected to adopt a more simplistic and conservative approach in its reserves estimation process for the Maari/Manaia fields. Consistent with past practice, the Company has adopted the revised methodology applied by an independent expert and, as a consequence, Horizon Oil has made a provisional, interim revision of its net developed and undeveloped Maari/Manaia 1P and 2P reserves¹, as at 31 December 2013, to 3.3 (from 4.1)

¹ Horizon Oil notes that each of the Maari/Manaia joint venture participants carry their own reserve estimates and that Horizon Oil's decision to effect an interim, provisional reserves revision does not impact the reserve estimates of the other participants.

mmbo and 6.0 (from 8.6) mmbo, respectively². For the sake of completion, the Company, notes that the inherently conservative nature of this approach is underlined by the fact that field production since the resumption of production activity in early December 2013 has consistently exceeded the forecast of the provisional, interim reserves revision by about 15%.

Yours faithfully,



Michael Sheridan

Chief Financial Officer / Company Secretary



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² The reserve and resource information contained in this announcement is based on information compiled by Alan Fernie (Manager – Exploration and Development) and full-time employee of the Company. Mr Fernie (B.Sc), who is a member of AAPG, has more than 35 years relevant experience within the industry and consents to the inclusion of the information above in the form and context in which it appears.