



Horizon Oil Limited ABN 51 009 799 455

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30 April 2014

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

**REPORT ON THIRD QUARTER ACTIVITIES – 31 MARCH 2014
AUSTRALIAN STOCK EXCHANGE LISTING RULE 5.1**

Please find attached the abovementioned quarterly report.

Yours faithfully

A handwritten signature in black ink, appearing to read "Michael Sheridan". The signature is fluid and cursive, with a large, stylized initial "M" and a long, sweeping underline.

Michael Sheridan

Chief Financial Officer and Company Secretary

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30 April 2014

REPORT ON THIRD QUARTER ACTIVITIES – 31 MARCH 2014

HIGHLIGHTS

- **Proposed merger with Roc Oil announced on 29 April 2014**
- **Stanley Gas Agreement signed, development licence offered and accepted, licence to be granted in mid-May 2014 which will result in completion of transaction with Osaka Gas and receipt of first milestone payment (~US\$77 million) of US\$204 million aggregate consideration**
- **Production for quarter 411,664 bbls – an increase of 6.7% over prior quarter**
- **Production revenue for quarter \$44.1 million (sales of 408,091 bbls) – an increase of 23% over prior quarter**
- **Maari growth projects program proceeding well**

Note: All references in this report to \$ are to US\$

CORPORATE

Proposed merger with Roc Oil

Horizon Oil and Roc Oil announced a proposed merger on 29 April 2014. For further details regarding the proposed merger, please refer to the Company's ASX announcements.

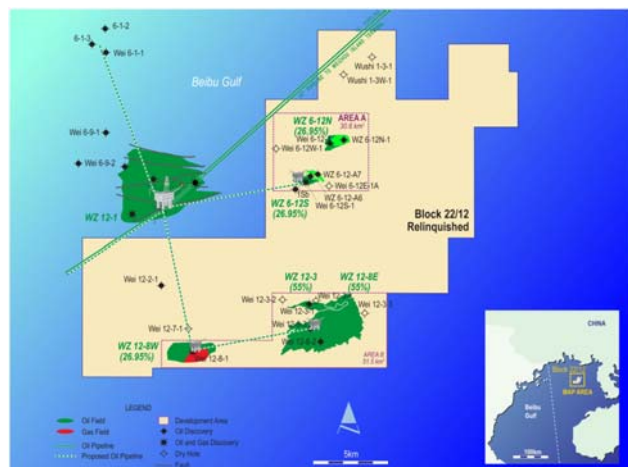
Sale of partial interest in PNG licences to Osaka Gas

In May 2013, the Company announced the sale of 40% of its PNG licence interests to Osaka Gas for a total consideration of \$204 million, composed of milestone payments.

The Company will receive approximately \$77 million (net of completion adjustments and initial deposit) shortly after the grant of the Stanley gas project development licence which, under the terms of the recently executed Stanley Gas Agreement, will occur in mid-May 2014.

PRODUCTION

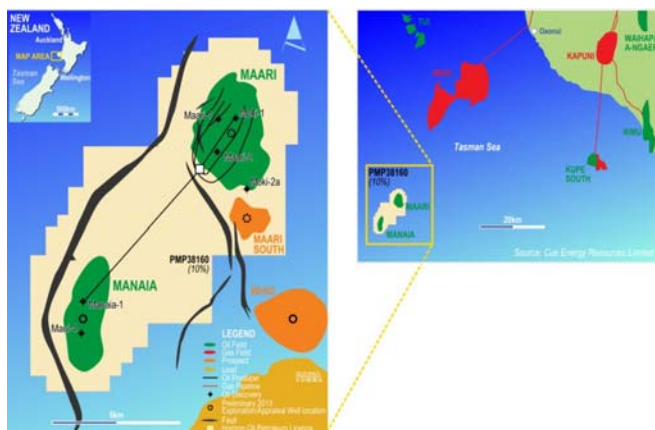
Block 22/12, Beibu Gulf, offshore China
(Horizon Oil: 26.95%)



Gross oil production averaged 13,335 bopd (HZN: 3,594 bopd) with all 15 wells on line for the full period. Five of the 15 wells continue to flow naturally whilst 10 of the wells are being produced with artificial lift by electric submersible pumps.

Cumulative gross production from the combined fields was 4.22 mmbo to 31 March 2014.

**PMP 38160, Maari/Manaia fields, Taranaki Basin,
offshore New Zealand (Horizon Oil: 10%)**



The Maari growth projects program, which is designed to enhance production rate and oil recovery from the Maari and Manaia fields, progressed in the quarter. The growth projects program commenced with the workover of the MR1 well utilising the wellhead platform workover unit to convert the well into a water injector.

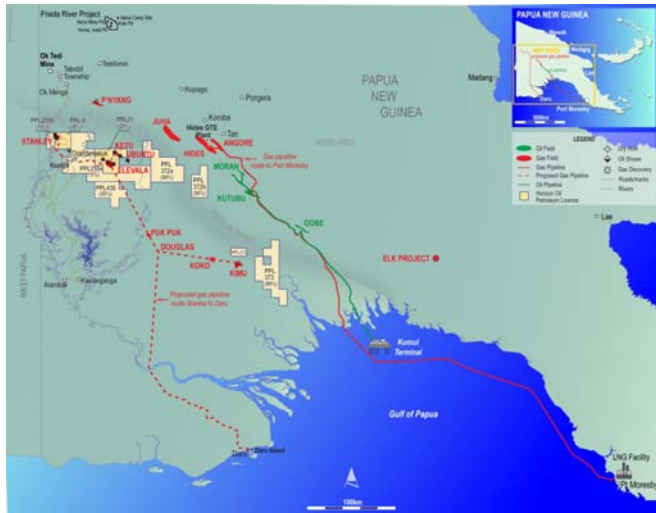
After the successful completion of the workover, the *Ensco 107* jack up drilling rig arrived and was located alongside and cantilevered over the Maari platform with minimal delays. This enabled the commencement in early April of the substantive phase of the growth projects program, incorporating 4 infill production wells, 1 new injection well and a workover of the existing MR2 dual lateral production

well (completed in the week commencing 28 April 2014).

Gross oil production averaged 9,091 bopd (HZN: 909 bopd).

DEVELOPMENT

PRL 4, Stanley gas-condensate field, Western Province, PNG (Horizon Oil: 30%)



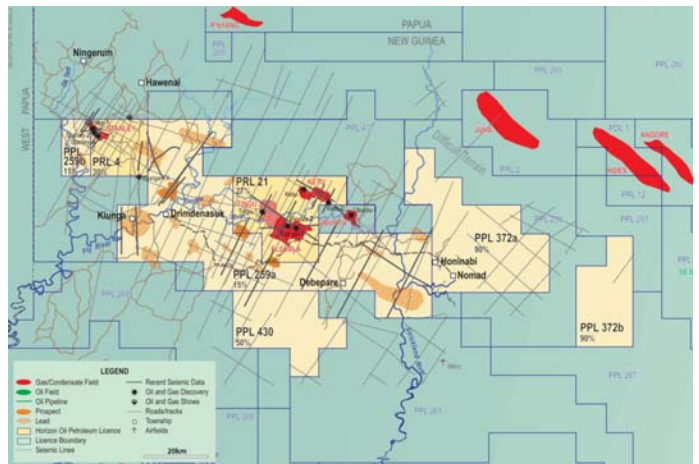
The PNG Cabinet approved the execution of the Stanley Gas Agreement which was signed on behalf of the State of PNG by Hon. Nixon Duban, Minister for Petroleum and Energy, Horizon Oil and its fellow licensees on 17 April 2014.

The licensees, having been offered and having accepted the Stanley development and pipeline licences, in accordance with the terms of the Stanley Gas Agreement, will be granted the licences by the Minister in mid-May 2014.

Preparatory activities for the landowner Development Forum, to be convened by the PNG Government, are complete. The Development Forum is expected to be convened in the week commencing 12 May 2014.

The Parker *Rig 226* is on location at the Stanley field and ready to commence development drilling operations of the Stanley -3 and -5 development wells shortly after the grant of the Stanley development licence.

During the period, Horizon Oil's fellow licensee, Talisman Energy (40%), advised of its intention to assume operatorship of the development phase of the Stanley field, such action being permitted in respect of PRL 4 under the contractual arrangements between the parties. Horizon Oil and Talisman Energy have commenced transfer of responsibilities with the objective to minimise any disruption to the imminent commencement of the development phase.



EXPLORATION/APPROVAL

PRL 21, Elevala/Tingu and Ketu gas fields, Western Province, PNG (Horizon Oil: 18%)

During the period, data from the Tingu-1 discovery well, located 9.2 km northwest of the Elevala-2 appraisal well, and Ketu-2 flow test were integrated into the field development planning of the Elevala/Tingu and Ketu fields.

Horizon Oil submitted its petroleum development and pipeline applications for the Elevala/Tingu and Ketu fields to the Department of Petroleum and Energy (DPE), as previously indicated by the Company and anticipated by the DPE.

PMP 38160, Manaia-2/2A exploration/appraisal well, Taranaki Basin, Offshore New Zealand (Horizon Oil: 10%)

As advised in the previous report, the Manaia-2/2A well reached total depth of 2,891 m MDRT on 4 November 2013. The well is located 1.25 km north of Maui-4 (which discovered the Manaia Field) and 6 km to the southwest of the Maari Field well head platform.

The evaluation of the Manaia-2 well continued in the period with the results assisting in the planning of the upcoming Manaia-3 infill development well, as part of the abovementioned Maari growth project program.

PEP 51313, offshore Taranaki basin, New Zealand (Horizon Oil: 21%; 10% in Whio prospect area if a discovery is made)

Planning for drilling of the Whio-1 well with the semi-submersible rig *Kan Tan IV* progresses towards an expected spud in Q2 2014, after completion of drilling of 2 wells for other joint ventures. The budget estimate remains at US\$56 million. The costs of the well are fully carried by OMV.

In the period, the joint venture made the decision not to commit to the drilling of the Te Whatu well and, as a consequence, relinquished the western area of the licence, retaining the core area containing the Whio, Matariki and Paua prospects.

PPL 259, Western Province, PNG (Horizon Oil: 35%)

Planning proceeded for the drilling of the Nama exploration well later this year. The Nama prospect is located near the Stanley field with a potential resource size similar to that of the Stanley field.

Block 09/05, Bohai Bay, offshore China (option to acquire 40% interest)

Seismic processing of the 3D data was completed in the period with interpretation progressing well and planning for the exploration drilling program in 2H 2014 underway.

FINANCIAL SUMMARY

	Q3 2014	Q2 2014	Change	FY2014 YTD
	bbls	bbls	%	bbls
Production Data				
PMP 38160 (Maari and Manaia), offshore New Zealand				
Crude oil production	88,340	18,524	376.9%	124,236
Crude oil sales	106,188	0	100.0%	154,697
Block 22/12 (Beibu Gulf), offshore China				
Crude oil production	323,324	367,384	(12.0%)	959,572
Crude oil sales	301,904	343,045	(12.0%)	896,001
Total Production				
Crude oil production	411,664	385,908	6.7%	1,083,808
Crude oil sales	408,091	343,045	19.0%	1,050,698
	US\$'000	US\$'000	%	US\$'000
Producing Oil and Gas Properties				
PMP 38160 (Maari and Manaia), offshore New Zealand				
Production revenue ¹	12,091	0	100.0%	12,091
Operating expenditure	2,892	2,018	(43.3%)	2,892
Repairs and refurbishment expenditure	257	8,189	96.9%	257
Amortisation	1,017	213	(377.5%)	1,017
Block 22/12 (Beibu Gulf), offshore China				
Production revenue ¹	31,962	35,851	(10.8%)	31,962
Operating expenditure	3,155	4,320	27.0%	3,155
Special Oil Gain Levy	5,197	6,272	17.1%	5,197
Amortisation	8,555	9,525	10.2%	8,555
Total Producing Oil and Gas Properties				
Production revenue ¹	44,053	35,851	22.9%	111,965
Oil hedging losses	1,256	1,669	24.7%	4,399
Operating expenditure ²	11,501	20,799	44.7%	43,290
Amortisation	9,572	9,738	1.7%	26,821
Exploration and Development				
PEP 51313, offshore New Zealand	64	156		333
PRL 4, Papua New Guinea ³	6,122	4,630		13,347
PRL 21, Papua New Guinea ³	3,245	14,176		22,664
PPL 259, Papua New Guinea ³	81	109		225
PMP 38160 (Maari and Manaia), offshore New Zealand	5,124	5,870		13,363
Block 22/12 (Beibu Gulf), offshore China	2,385	6,820		20,861
	17,021	31,761	(46.4%)	70,793
Cash on hand at 31 March 2014⁴	23,182	37,099		23,182
Reserves-Based Debt Facility⁵	119,165	134,335		119,165
Convertible Bond⁶	80,000	80,000		80,000

¹ Represents gross revenue excluding hedge gains and losses

² Includes Special Oil Gain Levy payable in China and Maari repairs and refurbishment expenditure

³ Subject to 40% recoupment of costs incurred on completion of Osaka Gas transaction.

⁴ Includes cash in transit

⁵ Represents principal amounts drawn down as at 31 March 2014

⁶ Represents principal amount repayable unless converted prior to 17 June 2016

In accordance with ASX Listing Rules, the reserve and resource information in this report has been reviewed and approved by Mr Alan Fernie, Manager – Exploration and Development, Horizon Oil Limited. Mr Fernie (B.Sc), who is a member of AAPG, has more than 35 years relevant experience within the industry and consents to the information in the form and context in which it appears.