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

HORIZON OIL (HZN) INCREASES INTEREST IN MAARI AND MANAIA FIELDS, OFFSHORE NEW ZEALAND

Horizon Oil is pleased to advise that it has entered into an agreement with Todd Maari Limited (Todd) to acquire its 16% interest in PMP 38160, which contains the producing Maari and Manaia fields.

The consideration to be paid for the interest is US$17.6 million, subject to customary working capital and purchase price adjustments, with an effective date of 31 December 2017. The transaction is subject to New Zealand Government Ministerial approval, approval of the Overseas Investment Office, joint venture consent and other customary conditions. The PMP 38160 Joint Operating Agreement does not provide for pre-emptive rights.

The acquisition will be funded partly from the company's cash reserves, which were US$28.4 million as at 30 September 2017 and partly from the company's reserves-based debt facility.

When the acquisition completes, the PMP 38160 joint venture will comprise:-

Horizon Oil International Limited	26%
OMV New Zealand Limited	69% (operator)
Cue Taranaki Pty Ltd	5%

Gross production from Maari and Manaia field on 2 November 2017 was 8,840 barrels of oil per day. The MR7A well was shut in for a pump change and perforation of a new reservoir zone.

CHIEF EXECUTIVE OFFICER'S COMMENTS

We are pleased to increase our interest in the Maari/Manaia joint venture – we know these assets well and where the potential lies. We would hope that the larger interest will give Horizon Oil a greater say in the ongoing management of the fields, including reservoir management to maximise oil recovery and cost control.

The additional interest will be automatically incorporated in Horizon Oil's reserves base debt facility, increasing the available debt capacity and enabling the majority of the purchase price to be funded by debt.

Upon completion, the acquisition will increase Horizon Oil's net daily production from about 4,100 bopd currently to 5,500 bopd (inclusive of cost recovery production entitlements in China). Net proven and probably (2P) reserves will increase 43% to 11.3 million barrels of oil and proven and probable (2C) contingent resources will increase 9% to 140.3 million barrels of oil equivalent, based on the Reserves and Resources Snapshot set out in the 2017 Annual Report.

Importantly, the acquisition will meaningfully increase net operating cash flow from China and New Zealand, which we expect to average US$60 – 70 million over the next five years. The additional cashflow is expected to enable reduction of the Company's net debt at a more rapid rate and to enhance future refinancing opportunities on improved overall terms. Finally, the acquisition will significantly enhance exposure to increases in the oil price in what is beginning to look like a good time in the commodity price cycle.

Yours faithfully

Brent Emmett
Chief Executive Officer
Horizon Oil Limited

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