

31 October 2014

REPORT ON FIRST QUARTER ACTIVITIES – 31 OCTOBER 2014

HIGHLIGHTS

- Block 22/12, offshore China: 6 million barrels cumulative oil production milestone achieved; 2 exploration discovery wells drilled - early integration into field development under evaluation
- Stanley-5 and -3 development wells drilled and completed for production; exceptional results from Stanley -5 and Stanley-3 flow tests; Stanley development drilling phase now complete
- Nama prospect, PPL 259, PNG - site preparation near complete in readiness for early December spud
- Maari growth projects program proceeding
- Production for quarter 312,316 bbls; calendar YTD production 1,074,744 mmbo
- Production revenue for quarter \$29.64 million (sales of 298,749 bbls); calendar YTD revenue US\$103.0 million

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. Horizon Oil's motive for the merger was to accelerate the Company's objective of creating a leading Asian mid-cap exploration and production company, combining the complementary production assets of the two companies, together with Horizon Oil's strategic PNG growth assets.

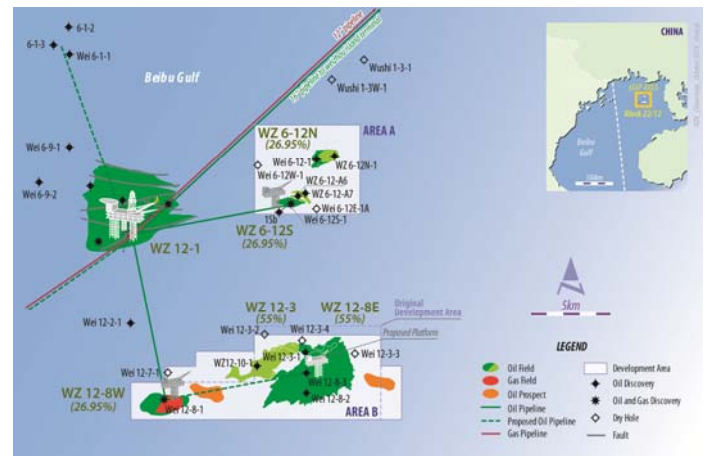
On 4 August 2014, Chinese conglomerate Fosun International Limited (Fosun) announced a takeover offer for Roc Oil at a price, applying then current exchange rates, consistent with Roc Oil's independent expert's mid-point valuation of that company of approximately US\$450 million. Based on Roc Oil's independent expert's report, approximately half of the enterprise value of Roc Oil was attributable to its 19.6% interest in Block 22/12 offshore China.

As a consequence of Roc Oil's board recommendation to shareholders in favour of the Fosun bid, Horizon Oil terminated the merger on 5 August 2014.

PRODUCTION

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

Gross oil production averaged 9,792 bopd (HZN: 2,639 bopd). Production in the period was impacted by typhoon activity, requiring a platform shut down for 5 days.

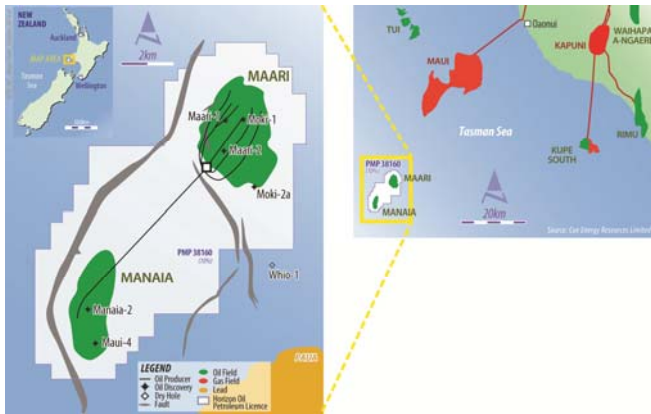


Two of the total 15 production wells continue to flow naturally, whilst 13 wells are being produced with artificial lift by electric submersible pumps. The onset of water production from the wells continues to be slower than predicted, which bodes well for the ultimate recovery of oil from the fields.

Cumulative gross production from the combined fields was 6.2 mmbo as at 30 September 2014. Production performance remains in line with expectations.

Work progressed on the WZ 12-8E feasibility study and development plan submission.

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



Gross oil production averaged 7,557 bopd (HZN: 756 bopd).

The Maari Growth Program, incorporating 4 new production wells, 1 new injection well and a workover of the existing MR2 dual lateral production well, designed to enhance production rate and oil recovery from the Maari and Manaia fields, progressed during the quarter.

The current phase of the program, the drilling of the MR8A development well, targeting the relatively undepleted Maari Moki Cycle 2 reservoirs, is currently drilling the horizontal production bore, having set casing in the section above the target reservoir.

The MR6A well, which involves the conversion of an existing water injection well to a new production well to address the oil reserves in the deeper Maari Mangahewa formation, has been drilled to top reservoir and temporarily suspended due to drilling conditions which required procurement of additional equipment to complete the well.

DEVELOPMENT

PDL 10, Stanley gas-condensate field, Western Province, PNG (Horizon Oil: 30%)



The Stanley-5 production well spudded on 16 June 2014 using Parker Rig 226 and was drilled to target total measured depth of 3,405 m in the period. The observed

quality and size of the objective Toro and Kimu reservoirs were better than had been predicted, with a combined gross reservoir column of about 110 m and net pay of about 96 m.

Horizon Oil carried out a production test over the Toro and Kimu zones. After a clean-up period of 24 hours, the Stanley-5 well flowed at approximately 68 million cubic feet of gas per day (mmcf), with associated condensate, on a 122/64" choke at a wellhead pressure of 3,233 psi. Log and test data from the well, together with wellhead condensate samples obtained, are consistent with and exceed pre-drill estimates and the Stanley -2 results.

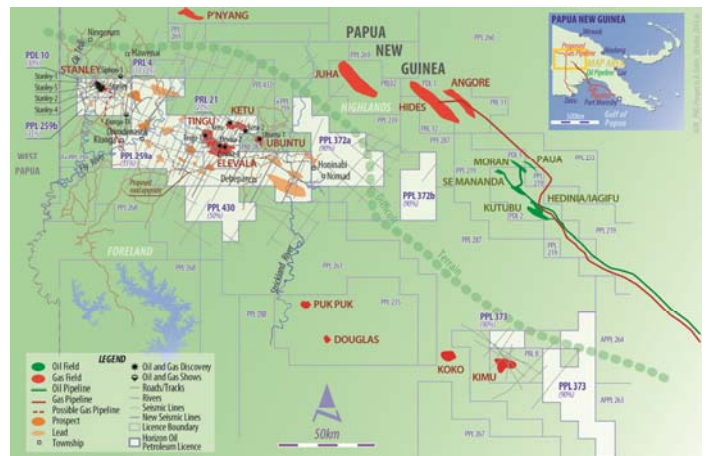
On completion of the Stanley-5 well, the Parker Rig 226 was skidded to commence drilling the Stanley-3 injection well, which spudded on 4 September 2014. The well was drilled to a measured total depth of 3,501 m and achieved its objectives of confirming a gas column in the Toro formation with a gas-water contact at the base of the reservoir. The well has been completed as a gas re-injection well, as planned.

Horizon Oil has managed the drilling of the Stanley-5 and -3 development wells on behalf of the joint venture.

The two production wells for the Stanley gas-condensate project (Stanley-2 and -5) are now completed, ready for production and, through testing, have demonstrated the capacity to produce well in excess of the design capacity of the Stanley gas plant (140 mmcf). With a condensate gas ratio 30 barrels / mmcf, the Stanley gas-condensate project is forecast to achieve initial production of approximately 4,000 barrels / day of condensate when the field commences production.

With completion of the Stanley-3 well, all development drilling activities will have been completed in respect of the Stanley project.

Stanley project development activities continue with current focus on finalisation and issue of equipment fabrication and construction tender packages, preparation for early works and engagement with the Stanley PNG State team (comprising representatives from key Government departments) and local landowners in respect of local content opportunities.



EXPLORATION/APPRAISAL

Block 22/12, Beibu Gulf, offshore China (Horizon Oil: 26.95% production / 55% exploration)

Two successful exploration wells were drilled during the period.

The first well, WZ 12-10-1, targeted the T42 and Weizhou formations, adjacent to the WZ 12-8 East field of the WZ 12-8 Development Area. The well discovered oil in the JiaoWei (T42) formation over an interval of 5.5 m, with a high porosity net oil pay of 4.2 m. A sidetrack (WZ 12-10-1Sa) with 340 m eastern stepout was then drilled to a total measured depth of 1,265 m (1,105 m TVDSS) to evaluate the updip T42 reservoir and confirmed oil in the T42 formation with a thicker net oil pay of 5.5 m. No oil pay was interpreted in the Weizhou formation.

A wireline evaluation logging program (imaging and pressure and formation fluid sampling) was run, confirming the oil pay in the T42 reservoir.

The second exploration well, the WZ 12-10-2 well, located 1.6 km east northeast of the existing WZ 12-8W facilities and in water depth of approximately 36 m, discovered oil in the T42 formation, with a high porosity net oil pay of approximately 11 m true vertical thickness. Wireline evaluation logging programs (imaging, pressure and formation fluid sampling and rotary sidewall coring) were run and confirmed the oil pay in the T42 reservoir with favourable reservoir porosities, in the region of 31%, and oil of approximately 29 deg API. The optimal integration of both discoveries into the Beibu Project is under evaluation.

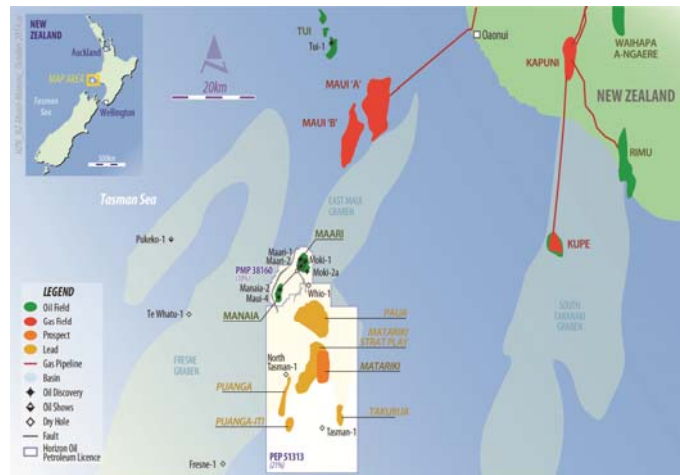
PRL 21, Elevala/Tingu and Ketu gas-condensate fields, Western Province, PNG (Horizon Oil: 27% and operator)

Work conducted in the period included additional studies and FEED activities to refine the project development plan and costs. The joint venture is acquiring a further 102 km of new 2D seismic data, primarily over the Elevala/Tingu area, with two additional lines over the Ketu area. The field work is due to complete in mid-November and processing and interpretation of the data will commence in the current period, together with reprocessing of the existing seismic data in the licence area.

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

Substantial progress was made in the period on constructing the rig site for the Nama-1 well, which is expected to spud in early December 2014. The Nama prospect is located near the Stanley gas-condensate field with a potential resource size similar to that of the Stanley field (certified at 399 bcf of gas and 13 mmbbl condensate). Horizon Oil will operate the drilling of the well on behalf of the joint venture.

PEP 51313, offshore Taranaki basin, New Zealand (Horizon Oil: 21%)



The Whio-1 well was spudded on 23 July 2014. The well failed to encounter hydrocarbons and was plugged and abandoned on 31 August 2014. The well results are being evaluated to determine whether the lack of hydrocarbons is a result of lack of structural closure or charge. The costs of the well were fully carried by OMV New Zealand.

FINANCIAL SUMMARY

	Q1 2015	Q4 2014	Change	YTD
	bbls	bbls	%	bbls
Production				
<i>PMP 38160 (Maari and Manaia), offshore New Zealand</i>				
Crude oil production	69,524	62,228	11.7%	69,524
Crude oil sales	72,042	35,956	100.4%	72,042
<i>Block 22/12 (Beibu Gulf), offshore China</i>				
Crude oil production	242,792	288,617	(15.9%)	242,792
Crude oil sales	226,707	269,497	(15.9%)	226,707
Total Production				
Crude oil production	312,316	350,845	(11.0%)	312,316
Crude oil sales	298,749	305,452	(2.2%)	298,749
	US\$'000	US\$'000	%	US\$'000
Producing Oil and Gas Properties				
<i>PMP 38160 (Maari and Manaia), offshore New Zealand</i>				
Production revenue ¹	7,712	4,069	89.5%	7,712
Operating expenditure	1,693	1,404	(20.6%)	1,693
Amortisation	1,391	2,214	37.2%	1,391
<i>Block 22/12 (Beibu Gulf), offshore China</i>				
Production revenue ¹	21,915	28,295	(22.5%)	21,915
Operating expenditure	2,860	3,579	20.1%	2,860
Special Oil Gain Levy	3,288	5,046	34.8%	3,288
Amortisation	6,854	9,360	26.8%	6,854
Total Producing Oil and Gas Properties				
Production revenue	29,627	32,364	(8.5%)	29,627
Oil hedging losses	282	1,479	(80.9%)	282
Operating expenditure²	7,841	10,029	21.8%	7,841
Amortisation	8,245	11,574	28.8%	8,245
Exploration and Development				
PEP 51313, offshore New Zealand	12	(7)		12
PDL 10 (formerly PRL 4), Papua New Guinea	8,849	5,825		8,849
PRL 21, Papua New Guinea	1,875	990		1,875
PPL 259, Papua New Guinea	4,473	4,065		4,473
PMP 38160 (Maari and Manaia), offshore New Zealand	6,118	2,307		6,118
Block 22/12 (Beibu Gulf), offshore China	4,418	0		4,418
	25,745	13,180	95.3%	25,745
Cash on hand at 30 September 2014³	76,105	98,911		76,105
Reserves-Based Debt Facility⁴	119,165	119,165		119,165
Convertible Bond⁵	80,000	80,000		80,000

¹ Represents gross revenue excluding hedge gains and losses

² Includes Special Oil Gain Levy payable in China

³ Includes cash in transit

⁴ Represents principal amounts drawn down as at 30 September 2014

⁵ 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.