



Horizon Oil Limited ABN 51 009 799 455

Level 7, 134 William Street, Woolloomooloo NSW Australia 2011

Tel +61 2 9332 5000, Fax +61 2 9332 5050 www.horizonoil.com.au

22 March 2013

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

HORIZON OIL (HZN) ADVISES RESERVES UPGRADE AND COMMENCEMENT OF FIELD OPERATIONS FROM BEIBU GULF PROJECT, OFFSHORE CHINA

Horizon Oil Limited is pleased to advise that, following the successful installation, hook-up and commissioning of offshore facilities for the Beibu Gulf Project, first production has been achieved from two development wells, A5H and A2, on the WZ 6-12 wellhead platform.

Both onshore and offshore construction and drilling activities have been undertaken safely to date together with exemplary environmental stewardship. The project has expended approximately 3.8 million man hours worked without a Lost Time Injury (LTI) or environmental incident.

The production trial period will continue while the next batch of three production wells, as envisaged within the original development plan scope, are completed and brought on production in the next few weeks. On completion of the current production drilling campaign, the *HYSY 931* jack-up drilling rig will finalise drilling of three additional development wells, A8, A9, and A10, which are designed to maximise returns from recent exploration success. The two successful exploration/appraisal wells that were drilled at the end of last year, the A6 and A7 wells will also be equipped for production. A number of completion activities relating to hook-up and commissioning are still in progress. The WZ 6-12 operations will be constrained by simultaneous activities for a number of weeks whilst both drilling and commissioning works are finalised. Upon completion a total of 10 wells drilled from the WZ 6-12 platform will be connected to the production system, compared with 5 in the original development plan.

The drilling rig is expected to move to WZ 12-8W wellhead platform for the final phase of development drilling, adding five wells, during the third quarter. Production from the Beibu fields will progressively ramp up through the year as batches of development wells are completed and brought on line.

Horizon Oil is also pleased to advise the results of an independent review and audit of the Beibu Gulf Project reserves carried out by RISC, a leading engineering advisory firm, incorporating the results of the three exploration/appraisal wells drilled on the WZ 6-12 North and South structures during 2012. The drilling resulted in both an increase in certainty of the reserves in some of the reservoirs as well as additions from the discovery of new pools in WZ 6-12 North and the Sliver prospect.

The 1P, 2P and 3P oil reserves in the Beibu Gulf Project at year end 2011 and 2012 are summarised in the following table:-

Gross oil reserves (mmbbl)	Proved	Proved + probable	Proved + probable + possible
Ultimate recovery as at 31/12/2011	18.5	24.0	29.4
Revisions and additions	4.4	4.3	7.4
Ultimate recovery as at 31/12/2012	22.9	28.3	36.8
Increase	24%	18%	25%

Participating interests in the Beibu Gulf Development Project are:

Horizon Oil (Beibu) Ltd and wholly-owned subsidiary ¹	26.95%
China National Offshore Oil Corporation (CNOOC)	51.0%
Roc Oil (China) Company	19.6%
Oil Australia Pty Ltd (Majuko Corp)	2.45%

Horizon Oil's Chief Executive Officer, Brent Emmett, commented-:

This is an important project milestone for Horizon Oil and its joint venture partners. Since the Company substantially increased its interest in the project to 26.95% in mid 2011, reserves have been upgraded materially through a successful exploration/appraisal drilling program and the field development has proceeded to first production within budget and generally on time, after allowing for the increased work scope resulting from exploration success.

We have previously advised Horizon Oil's expected share of peak production to be in the range 3,500 - 4,000 bopd and we now expect to exceed that level as production ramps up during the year. The project team is currently working on a development plan for the WZ 12-8E accumulation (see attached field schematic) which, if approved, will serve to further extend plateau production for the Beibu Gulf Project.

In achieving this outstanding result the project management team under CNOOC's and its subsidiaries' capable direction have demonstrated superior performance and we congratulate them."

Yours faithfully,



Michael Sheridan

Chief Financial Officer/Company Secretary



For further information please contact:

Mr Michael Sheridan

Telephone: (+612) 9332 5000

Facsimile: (+612) 9332 5050

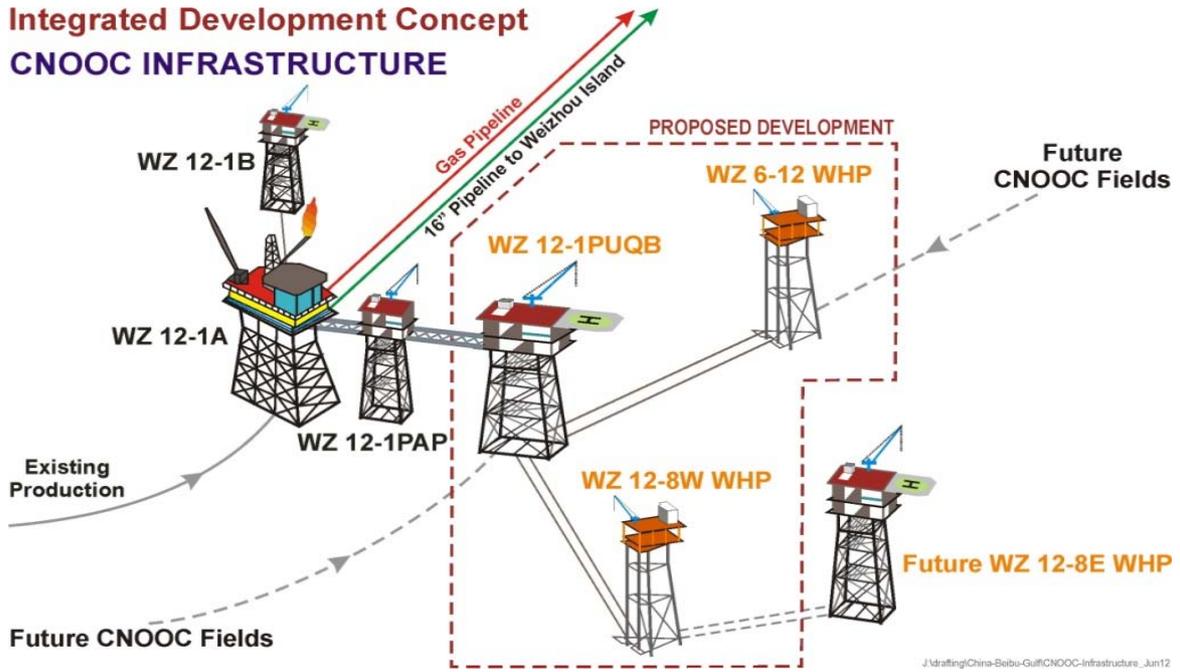
Email: exploration@horizonoil.com.au

Or visit www.horizonoil.com.au

Attachments: Field schematic and photographs

¹ Petsec Petroleum LLC holding a 12.25% interest

**Integrated Development Concept
CNOOC INFRASTRUCTURE**



Newly installed PUQB processing platform



HYSY 931 rig at WZ 6-12 wellhead platform for development drilling