

18 October 2012

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

HORIZON OIL (HZN) ISSUES RESERVES UPDATE FOR PMP 38160 (MAARI AND MANAIA FIELDS), OFFSHORE NEW ZEALAND

Horizon Oil advises the following revision, as a consequence of an independent reserves audit, of the reserves estimates for the Maari and Manaia fields located in PMP 38160, offshore New Zealand, in which the Company holds a 10% interest (see map below). The audit has been carried out by RISC, a leading independent petroleum advisory firm.



RISC has updated its earlier review of developed and undeveloped reserves, contained within the existing producing zones, being the Maari Moki, Maari M2A and Manaia Mangahewa reservoirs. The review has been carried out in accordance with the Society of Petroleum Engineers Petroleum Resource Management System (PRMS) and the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information. Other discovered and prospective reservoirs within the two fields were outside the review.

RISC estimates total P90 and P50 developed plus undeveloped gross oil reserves (as at 1 August 2012) of 40.8 million barrels (mmbo) and 88.4 mmbo respectively from the Maari Moki, Maari M2A and

Manaia Mangahewa reservoirs. Additional resources exist for the Maari Mangahewa, Manaia Moki and Manaia 'F sand' reservoirs but are not classified as reserves at this time since the Maari joint venture data to support these opportunities is not yet mature.

The Maari Moki reservoir is currently developed using five production wells (MR1 to MR5, of which four are horizontal wells and one is a dual lateral well) plus three deviated water injection wells (MR6 to MR8). Moki production since start-up in March 2009 to 31 July 2012 has totalled approximately 17 mmbo. RISC's estimate of P50 developed gross oil reserves of 48.0 mmbo is based upon the existing development wells plus reperforation of the MR8 water injection wells at the end of 2011 into the Cycle 1 sands to improve pressure support to the production wells. Note that the MR7 well, whilst reperforated, does not appear to be effectively injecting water into the Cycle 1 sand and may be worked over in 2013 or substituted with a new well or wells to improve injectivity.

The Maari M2A reservoir is currently developed by a single horizontal well (MR9) with P50 developed gross oil reserves of 2.7 mmbo. Undeveloped gross oil reserves (P90 0.2 mmbo, P50 0.9 mmbo) are attributed to plans to initiate water injection into the M2A reservoir via reperforation of the MR6 water injection well in the M2A sands together with the installation of a completion to balance injection into the two zones.

The Manaia Mangahewa reservoir is currently developed using a single extended-reach horizontal well (MN1) with P50 developed gross oil reserves of 3.6 mmbo. Undeveloped reserves (P90 0.3 mmbo, P50 1.2 mmbo) are attributed to plans to improve recovery from the Manaia Mangahewa reservoir by drilling an additional well, most likely an oil producer.

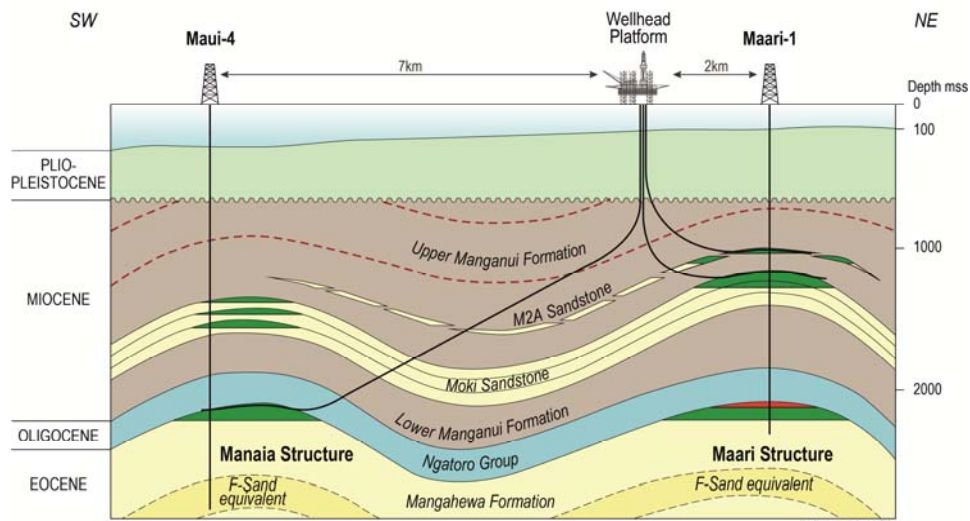
The Maari joint venture intends to improve production from Maari Moki oil below the intra-Moki shale by drilling a horizontal producer to complement the underperforming MR2 lower lateral. This will access significant undeveloped reserves (P90 18.2 mmbo, P50 32.0 mmbo). Based on information provided by Horizon Oil, RISC is satisfied that this well meets the requirements for undeveloped reserves in accordance with SPE-PRMS.

RISC's estimates of remaining developed and undeveloped reserves, arithmetically added, are summarised in Table 1 below.

Reserves Category	P90 mmbo	P50 mmbo	P10 mmbo
Production to 31 July 2012	19.2		
Developed Reserves	22.1	54.3	84.9
Undeveloped Reserves	18.7	34.1	47.7
Total Remaining Reserves (arithmetic addition)	40.8	88.4	132.7

Table 1 Gross Developed, Undeveloped Reserves as at 1 August 2012

MAARI / MANAIA SCHEMATIC CROSS-SECTION
PMP 38160, Offshore New Zealand



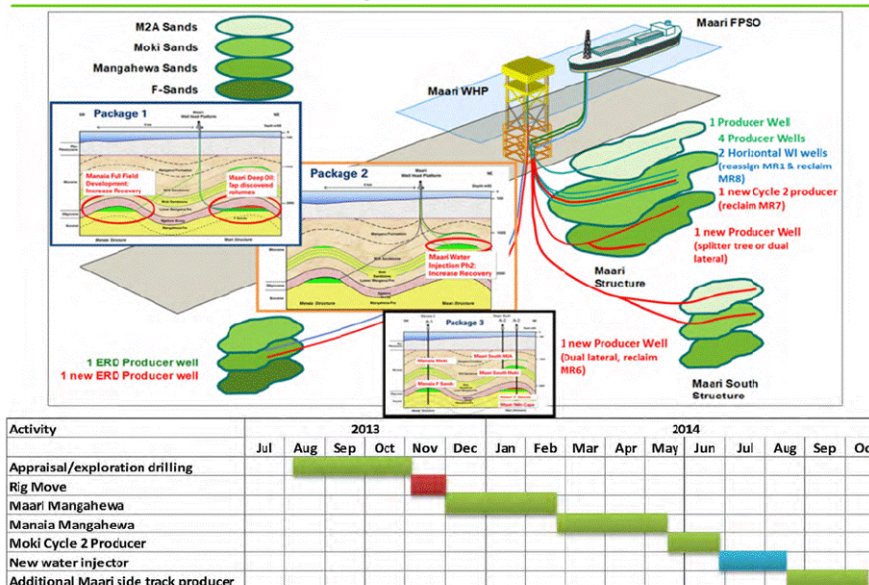
Horizon Oil’s Chief Executive Officer, Brent Emmett, commented-:

“We are pleased to have independent verification of Horizon Oil’s share of remaining proven and probable reserves in the currently producing zones at Maari and Manaia of 8.8 mmbo. Given that around 19 mmbo has been produced to date, the reserves audit supports our long-held opinion that these zones will ultimately produce in excess of 100 mmbo.

Additional development drilling and also enhancement of the water injection system will be required to extract these reserves. The joint venture is aligned on the need for this and a program to implement this work in 2013 and 2014 has been designed.

In addition to the existing producing zones (and with reference to the schematic cross-section above), further potential resides in deeper zones at Maari, shallower and deeper zones at Manaia and in the undrilled Maari South structure. At least part of this additional potential, which Horizon Oil estimates to be 35 mmbo gross unrisked, will be evaluated in the drilling program planned for 2013/2014, which is set out in the slide published in August 2012 by OMV, the field operator, and reproduced below.”

Maari – Growth Projects Time line



The participants in PMP 38160 (Maari and Manaia fields) are:

Horizon Oil International Limited (a wholly owned subsidiary of Horizon Oil Limited)	10%
OMV New Zealand Limited (Operator)	69%
Todd Maari Limited	16%
Cue Taranaki Pty Ltd (a wholly owned subsidiary of Cue Energy Resources Limited)	5%

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