31 October 2003

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

Dear Sir,

REPORT FOR QUARTER ENDED 30 SEPTEMBER 2003
AUSTRALIAN STOCK EXCHANGE REQUIREMENT 3(B)5

During the quarter development planning on Horizon Oil's New Zealand and China assets continued, while preparations for a 2 -- 5 drilling programme in China approached completion.

On 22 October 2003 the Company lodged a Prospectus with the Australian Securities & Investments Commission and the Australian Stock Exchange relating to a forthcoming renounceable rights issue.

The issue, which is fully underwritten by ABN AMRO Morgans Corporate Limited, is one new share for each four existing shares, to raise $6.33 million before expenses. The Company's cornerstone investor, Oasis Energy Investments Pty Limited, has committed to take up its 33% pro rata entitlement to the issue. Approximately 90,365,000 new shares will be issued at 7 cents, which is a price calculated as a 17% discount to the volume weighted average of the 5 trading days before 20 October 2003. Full details of the capital raising can be obtained from Horizon Oil's website www.horizonoil.com.au.

The Annual Report for the year ended 30 June 2003 together with the Notice of the Annual General Meeting on 25 November 2003 was mailed to shareholders on 24 October 2003. This is also posted on the Company's website.

On 6 November 2003, a copy of the Prospectus relating to the rights issue, together with an Entitlement and Acceptance form setting out entitlements under the offer, will be mailed to shareholders. The Prospectus contains detailed instructions on what shareholders are required to do to take up all or part of their rights or, should they so choose, to sell all or part of their rights on the Australian Stock Exchange. Rights trading commences on 27 October 2003 and ends on 20 November 2003. The final date for acceptance of the offer, and payment, is 27 November 2003.
The funds will enable continuation of a vigorous and balanced exploration and appraisal programme leading up to investment decisions, scheduled to be made in the first half of 2004, on two significant oil field developments. The potential developments comprise the Maari field offshore New Zealand and the 12-8 field in Block 22/12 offshore China. Based on the assumptions set out in the Prospectus, Maari and Block 22/12 have the potential to transform Horizon Oil from a focused but small explorer to a significant oil producer with substantial cash flows.

NEW ZEALAND

PEP 38413, Offshore Taranaki Basin, Maari Field (Horizon Oil interest 10.00%)

Subsurface and surface studies in preparation for the development of Maari field are progressing and a review of the development concept is at an advanced stage. Horizon Oil expects front end engineering and design (FEED) will commence in the last quarter of 2003.

The Company previously advised that an independent evaluation of Maari field carried out by RISC Pty Limited ("RISC") assessed P50 reserves net to Horizon Oil of 5.0 million barrels of oil ("mmbo") with a net present value at a discount rate of 11% ("NPV11") of $35 million.

CHINA

Block 22/12, Beibu Gulf (Horizon Oil interest: 30.00%)

Contracts for drilling services and a letter-of-intent for a jack-up drilling rig have been issued. The drilling program of 2 firm wells plus 3 contingent wells is scheduled to begin at the end of 2003. This program will, as a minimum, appraise the 12-8-2 discovery and evaluate the 12-7 prospect which lies to the north of the 12-8-2 and 12-8-1 discoveries. RISC has evaluated the P50 potential reserves of the 12-8-1, 12-8-2 and 12-3-1 discoveries as being 6.3 mmbo net to Horizon Oil, with an NPV11 of $35 million. The 12-7 prospect is assessed by RISC to have a mean unrisked potential of 43 mmbo (6.3 mmbo Horizon Oil share).

Review of the development concept and preliminary design of facilities, artificial lift and development wells for inclusion in a development plan is continuing for the 12-8 discoveries.

PAPUA NEW GUINEA

PPL 227, Foreland, Kapul prospect (Horizon Oil interest: 20.00%)

Planning for the drilling of the Kapul-1 well is underway. Oil Search Limited, as operator, has called for tenders for well site preparation and drilling services. Drilling will begin as soon as an appropriate rig is identified, currently scheduled to be in the first half of 2004.
The Kapul prospect is assessed by RISC and the joint venture operator to have a mean unrisked potential in the range 75 -- 130 mmb (15 -- 26 mmb Horizon Oil share).

**UNITED STATES**  
Bayou Choctaw Field, Iberville Parish, Louisiana. Horizon Oil interest: 42.50% (Victory Financial) -- 78.00%, (Wilberts) -- 100%, (Bayou Choctaw Northwest)

Horizon Oil derives oil production from Bayou Choctaw at approximately 20 barrels of oil per day. Efforts to farm out part of the Company's interest in the prospect are continuing.

Yours faithfully,

[Signature]

B D Emmett  
Chief Executive Officer

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