

30 April 2004

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

Dear Sir,

**REPORT FOR THIRD QUARTER ACTIVITIES - 31 MARCH 2004
AUSTRALIAN STOCK EXCHANGE REQUIREMENT 3(B)5**

During the quarter, development planning on Horizon Oil's Maari field (offshore New Zealand) and Block 22/12 (offshore China) continued. Further progress on the Block 22/12 development will depend on the results of appraisal drilling, which is currently underway.

Progress on new business opportunities to supplement Maari and Block 22/12 is also being made, although we are not yet able to announce a result. Our expectations remain positive. We continue to see a good deal flow in our southeast Asia focus area, including opportunities with near term production potential that are below the level of materiality for large companies but potentially meaningful for Horizon Oil. As always, the objective is to accumulate oil and gas reserves, to be developed and produced in an environment in which there is ever-growing evidence to support strong future oil prices.

EXPLORATION AND DEVELOPMENT ACTIVITY

NEW ZEALAND

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

Evaluation of the optimum development concept for Maari is ongoing with significant progress having been made on defining the subsurface development scheme and artificial lift techniques. Defining strategies for wax management during the production phase remains a key focus of the study effort.

During the quarter the joint venture has analysed in detail the remaining risks associated with the development and formulated action plans to address, overcome or mitigate those project risks to acceptable levels. This exercise has also highlighted several potential opportunities, on both the technical and commercial fronts, to improve the project and those opportunities are being pursued vigorously.

A geotechnical survey was completed over the field using a specialist vessel. Seabed samples and cores were collected over several days in a programme completed on time and under-budget. A preliminary evaluation of the data obtained confirms that there

appears to be no impediment, from a seabed soils perspective, to any of the development concepts currently under review.

CHINA

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

After several months of waiting for the Nanhai IV jack-up rig to become available, Horizon Oil and its joint venturers took delivery of the rig in early April for a two firm plus three contingent well drilling programme. The locations of the two firm wells – the Wei 12-7-1 exploration well and Wei 12-8-3 appraisal well – are indicated on the map below.

The Wei 12-7-1 well spudded on 13 April 2004. The primary objective of the well was the basal Weizhou formation and the secondary objective was the Liushagang formation, both of which are productive in the basin. Both targets displayed strong oil and gas shows during drilling, however interpretation of wireline logs and pressure data indicated that both zones were water bearing. The preliminary view is that the sandier than expected section encountered in the base of the well caused the stratigraphic trap interpreted from the seismic data to leak. The well was plugged and abandoned at a total depth of 1,795 m in basement rock and the rig towed to the Wei 12-8-3 location.

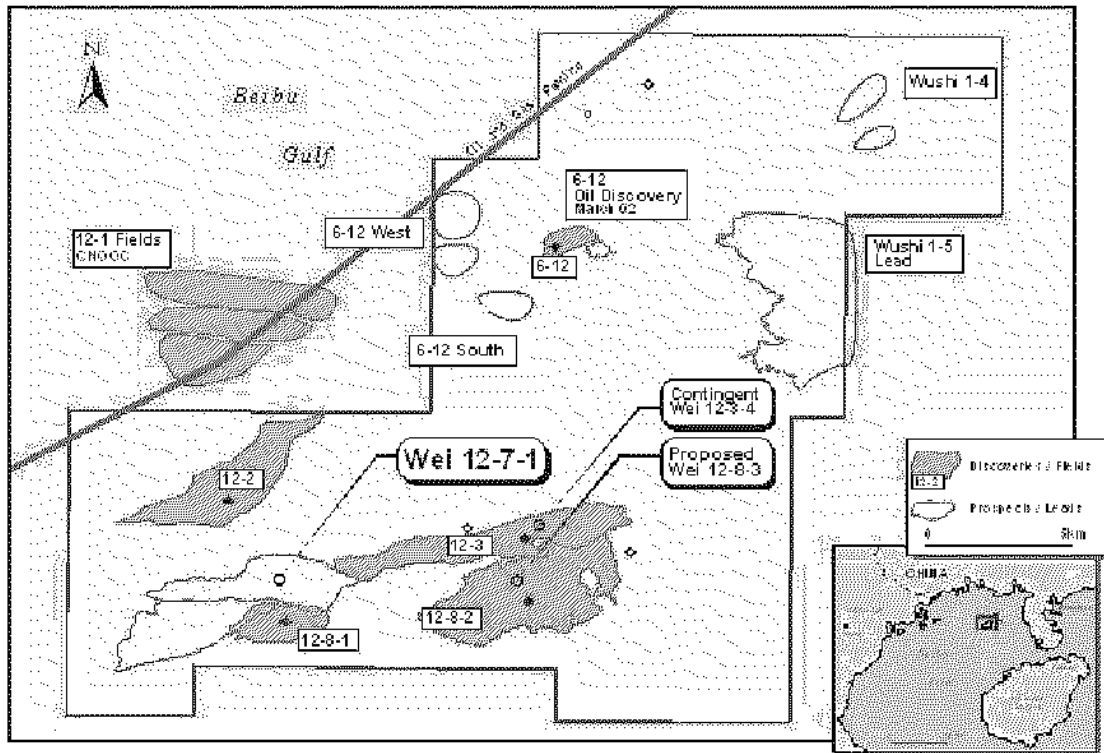
The 12-8 East (12-8-2) field was discovered by the China National Offshore Oil Corporation in 1994. The well encountered an 8 m oil column in the Miocene Jiaowei sands at a depth of 930 m. A production test flowed 2,355 bopd of 21 degree API oil. Reservoir quality is excellent, with permeability in excess of one Darcy. The structure is a simple four-way dip closure with reservoir draped over a basement high.

The primary objective of the Wei 12-8-3 well, which is located approximately 1 km north of the Wei 12-8-2 discovery well, is to confirm structural configuration of the reservoir and to accurately determine oil properties, particularly viscosity, in order to optimise well planning for a potential field development. On the basis of expected viscosity and other parameters, Horizon Oil's consultant, RISC Pty Ltd, estimates technically recoverable reserves for the 12-8 East field of 27 mmbbl.

A secondary objective is to test a deeper target near basement level, which displays a seismic amplitude anomaly.

The Wei 12-8-3 well is currently drilling ahead towards a planned total depth of 1,311 m. Results will be advised when the well reaches total depth and wireline logging and other tests have been completed.

If the results of the Wei 12-8-3 well are encouraging, consideration will be given to drilling a third well, Wei 12-3-4 (see map).



PAPUA NEW GUINEA

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

The operator, Oil Search Limited, has commenced refurbishment and upgrade of a workover rig, currently dedicated to the Gobe project, for drilling exploration wells, including Kapul-1. The rig will be lighter and easier to transport than the alternatives and will be configured to drill slimmer holes than the more conventional rigs, thereby saving considerable expenditure on transportation and consumables. Site preparation has commenced to take advantage of favourable weather and is currently 60% completed. It is estimated that the well will spud in September 2004.

The Kapul prospect has been assessed by RISC and the joint venture operator to have a mean unrisks potential in the range 75 – 130 mmbo (15 – 26 mmbo 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 continues to derive 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,



B D Emmett
Chief Executive Officer



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