



Horizon Oil Limited ABN 51 009 799 155

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

APPLICATION FOR EXTENTION OF PRL 5, PAPUA NEW GUINEA

The PRL 5 joint venture, composed of subsidiaries of Horizon Oil, Santos Limited and Talisman Energy Inc., has been advised by the Minister of Petroleum and Energy that he has refused to approve the application for an extension of the licence. The advice was provided by letter, received after the close of business on 5 November 2010.

The Company has previously advised shareholders in the most recent quarterly and annual reports that the Minister had advised his intent not to renew PRL 5 on the basis that the joint venture had failed to fulfil the licence conditions. The joint venture has made submissions to the Minister, demonstrating that the joint venture has, in fact, satisfied the licence conditions and that the permit is in good standing. Independent legal advice supports this view and indicates that the Minister's decision is contrary to law and practice.

Several options remain open to the joint venture to gain the requested extension of PRL 5, including taking action under the laws of Papua New Guinea and / or the Agreement between the Government of Australia and the Government of the Independent State of Papua New Guinea for the Promotion and Protection of Investments. The joint venture intends to meet shortly to determine the appropriate course of action.

Horizon Oil and Talisman, as the continuing partners in PRL 4 and PRL 5, had already re-scheduled the drilling program for Parker *Rig 226* to account for uncertainty of the timing of renewal of PRL 5. The drilling of the Stanley-2 well on PRL 4 (and any subsequent development of the field) will be unaffected by the delay in the renewal of PRL 5. The joint venture has been granted a one year extension of PRL 4 and the Stanley-2 well is on track to spud later this month. *Rig 226* has been assigned to other operators for the drilling of one or two wells after Stanley-2 is completed and before moving to Elevala-2 and Ketu-2 in PRL 5.

Yours faithfully,

Michael Sheridan

Chief Financial Officer / Company Secretary



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