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The Manager, Company Announcements
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20 Bridge Street
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HORIZON OIL REPORTS PRODUCTION TESTING RESULTS FOR STANLEY-2 APPRAISAL / DEVELOPMENT WELL IN PAPUA NEW GUINEA

In its last report on the Stanley-2 well, dated 3 February 2011, Horizon Oil advised that the well had confirmed 23 m of net gas / condensate pay in the primary Toro formation and intersected a new zone with 43 m of net gas / condensate pay in the Kimu sandstone of the Imburu formation, below the Toro. The well spudded on 5 December 2010 utilising Parker ***Rig 226*** and had been drilled to a total measured depth of 3,173 m in quartzite basement.

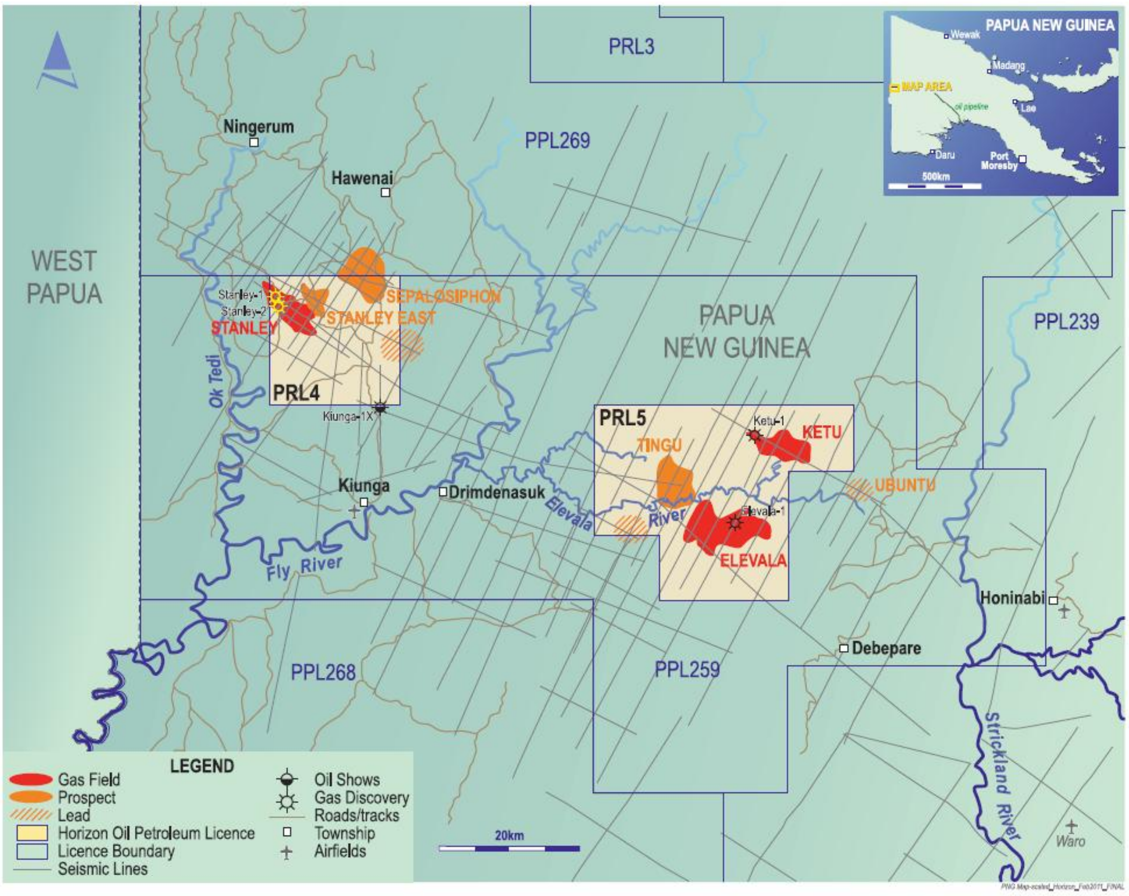
The Stanley-2 well, which is being operated by Horizon Oil, is located in PRL 4, approximately 100 km south of the Ok Tedi copper mine and 45 km north of the town of Kiunga in the Western Province of PNG (see map below). The well is located about 1.6 km southeast of the Stanley-1 discovery well, drilled in 1999, and Stanley-2 was designed to appraise the gas / condensate accumulation. The pre-drill estimate of most likely recoverable resources in the primary Toro formation reservoir was approximately 300 billion cubic feet of gas and 9 million barrels of condensate.

Since the last report, the initial pilot well was plugged back to above the Toro formation and a parallel sidetrack drilled about 8 m away from the original wellbore. Four cores were successfully cut, in addition to one core in the initial well, bringing the total to 5 cores in the Toro and Kimu sandstones and these are currently being analysed for reservoir development planning purposes. The well was then lined with 7" casing, the two pay zones perforated and the well equipped for production from either or both zones.

An extensive production test was carried out over the Kimu zone at sustained rates stepping up to 47 million cubic feet of gas per day (mmcfd) through test separator equipment. A condensate gas ratio of 25 barrels / mmcf was confirmed, as expected. (This is expected to increase to about 30 barrels / mmcf when the field goes on production with specialised separation equipment.)

The Kimu zone was then isolated and a clean-up flow of the Toro sandstone conducted. The maximum rate measured during this flow period was 30 mmcfd with the same condensate yield as the lower zone. No free formation water or significant hydrogen sulphide was recorded from either zone during the test process.

The well has been temporarily suspended and the rig is now being skidded to drill the Stanley-4 well from the current surface location to a bottomhole location approximately 1 km south east of the bottomhole location of Stanley-2. Stanley-4 is the planned second of two producer wells required to develop the field. On completion of Stanley-4, the Parker *Rig 226* will drill the Sepalosiphon prospect from a location within PPL 269. The prospect straddles the boundary between PPL 269 and PRL 4 (see map).



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

"This is a pleasing result, with production testing confirming the very good reservoir quality indicated by earlier logging and formation testing. Preliminary results indicate that the Toro and Kimu zones can individually produce in excess of the 70 mmcfd rate required by the development design by a considerable margin.

In summary, the Stanley-2 well has delivered an excellent result in terms of potential for a material increase in the resource volume and also in terms of well deliverability. Reservoir evaluation, plant design and export shipping plans are now continuing, towards a mid-year financial investment decision (FID) on development of the field."

The participants in PRL 4 are:-

Horizon Oil (Papua) Limited (operator) ***(a wholly owned subsidiary of Horizon Oil Limited (HZN))***	50%[1]
Talisman Niugini Pty Limited ***(a wholly owned subsidiary of Talisman Energy Inc (TLM:US))***	50%[1]

Yours faithfully

Michael Sheridan
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[1] Subject to grant of Ministerial approval in respect of the transfer of a 22.05% participating interest from Horizon Oil (Papua) Limited to Talisman Niugini Pty Limited