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The Manager, Company Announcements
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Exchange Centre
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HORIZON OIL REGAINS 35% INTEREST IN FORMER PRL 5 ACREAGE, PAPUA NEW GUINEA

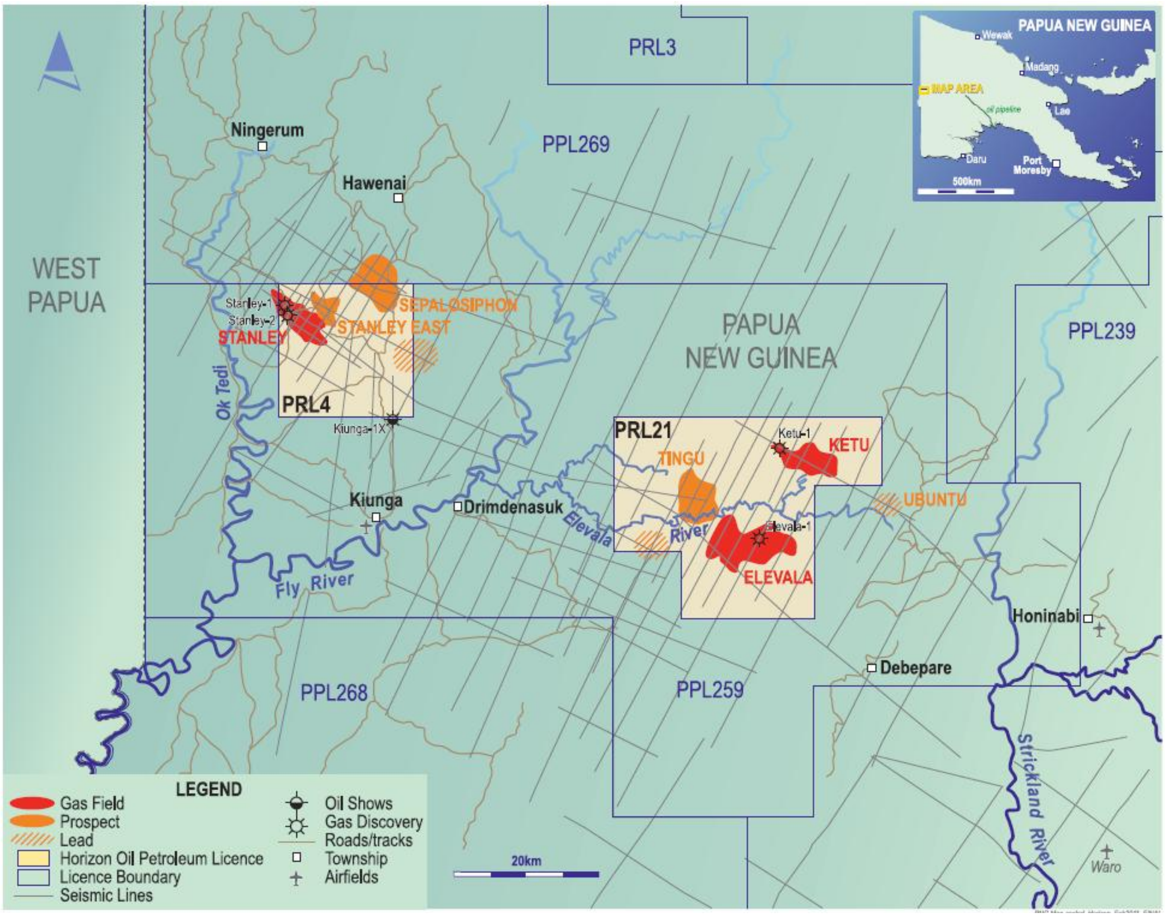
Horizon Oil previously advised shareholders that the application to extend Petroleum Retention Licence (PRL) 5, in which the company held approximately a 50% interest, had been refused by the Papua New Guinea government. Consequently, Horizon Oil (Papua) Limited commenced legal proceedings in the PNG courts late last year, seeking leave for a judicial review of the decision not to renew the licence. The company was successful in obtaining an injunction to restrain dealings in respect of the PRL 5 acreage, while the legal proceedings remained afoot.

Horizon Oil is pleased to advise that the legal proceedings have now been settled and a new 5 year licence over the PRL 5 acreage, designated as PRL 21, in which Horizon Oil (Papua) Limited has been awarded a 70% interest, has been received by the joint venture participants.

In accordance with the company's existing joint venture arrangements in PNG with Talisman Niugini Pty Ltd (Talisman), Horizon Oil intends to assign half its interest in PRL 21 to Talisman or its affiliate, and proceed to evaluate the licence with each company holding a 35% interest. The companies are jointly moving towards commercialisation of Stanley field within PRL 4, with each holding a 50% interest. Horizon Oil is the operator of the drilling and development program for both licences.

In accordance with the agreements between Horizon Oil and Talisman, Talisman will pay Horizon Oil US$22 million in cash upon receipt of certain administrative approvals from the PNG government, in finalisation of the original sale of a 50% interest in PRL 4 to Talisman for US$60 million in cash and work carry. The company has received US$38 million to date in proceeds from that sale.

Horizon Oil is currently drilling the production well Stanley-4 in PRL 4 with Parker ***Rig 226.*** After Stanley-4, the tentative program for the rig is a well on PPL 269 on the Sepalosiphon prospect (to be operated by Talisman), then Elevala-2 and Ketu-2 in PRL 21 (see map following). The joint venture will also shortly be embarking on a seismic program over the Elevala and Ketu structures to further define drilling locations.



Yours faithfully

Michael Sheridan
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