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The Manager, Company Announcements
Australian Securities Exchange Limited
Exchange Centre
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HORIZON OIL ADVISES 30% UPGRADE TO STANLEY FIELD RESOURCE IN PNG

Horizon Oil previously advised shareholders of the successful drilling results of the Stanley-2 and Stanley-4 appraisal/development wells on Stanley field in Western Province in Papua New Guinea, and indicated that a material upgrade in the size of the resources was anticipated. The field lies in Petroleum Retention Licence 4 (see map below) and participants 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]

Subsequent to the completion of drilling in May 2011, detailed geological and engineering evaluation of the data accumulated during drilling and testing has been finalised. Horizon Oil, on behalf of the PRL 4 joint venture participants and their respective financiers, commissioned RISC to carry out an independent resource audit of the Stanley gas/condensate field development. RISC is the leading oil and gas advisory firm in the region, providing independent commercial and technical advice to the oil and gas industry.

The assessment of reserves and resources was carried out in accordance with the Society of Petroleum Engineers Petroleum Resource Management System to update the independent evaluation carried out by RISC in 2008, prior to the drilling of the Stanley-2 and Stanley-4 wells. The report will be used to:

- Certify resources to enable Horizon Oil to obtain financing for development capital expenditure funding;

- Provide independent confirmation of gas resources in anticipation of the field owners entering into gas sales contracts; and

- Will constitute a key component of the FID (Final Investment Decision) package.

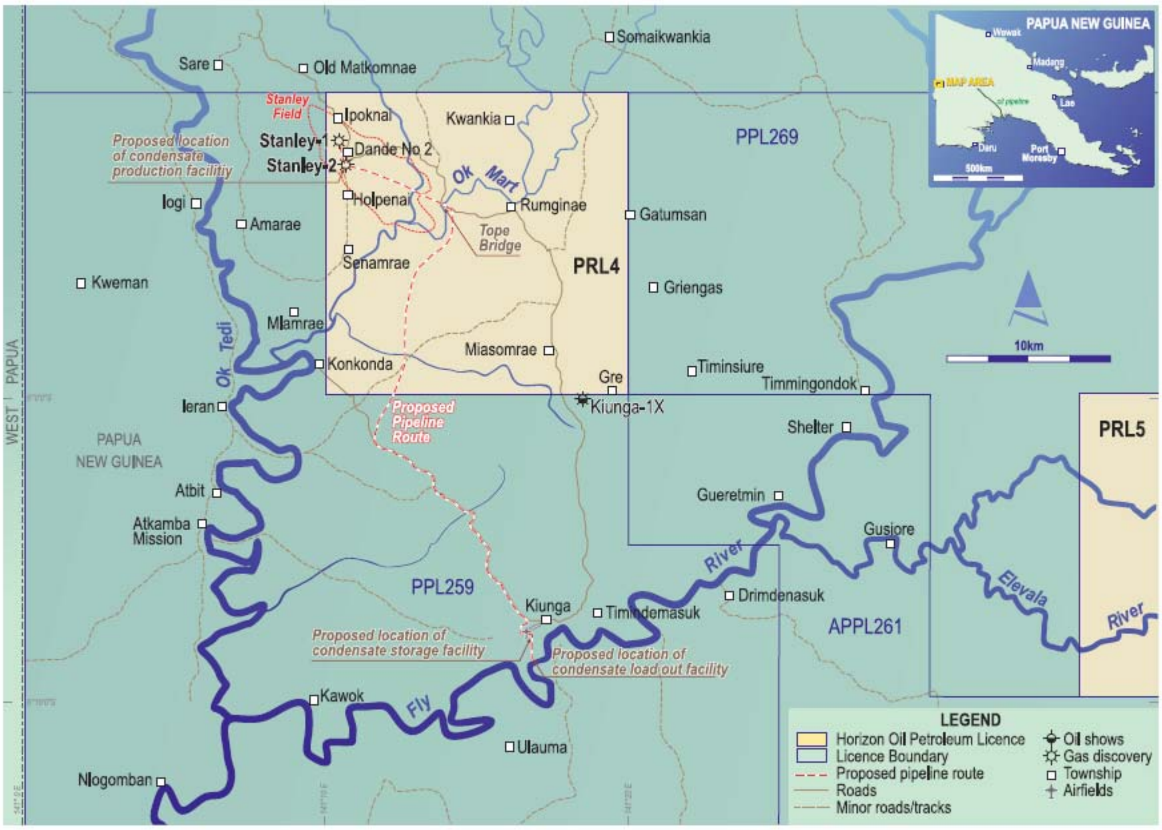
In-place and recoverable hydrocarbon volumes from the RISC report are summarised in the table below. (A glossary of terms is included at the end of this release). In summary, current audited volumes are approximately 30% higher than the pre-drill volumes. Pleasingly, a high level of the 2P (P50) resource is in the proven (P90) category.

[1] Subject to reduction to allow for PNG State Nominee participation at 22.5%

Hydrocarbon-in-Place (November 2011)				
	P90	P50	P10	Mean
Gas-in-place (bcf)	402	525	667	531
Condensate-in-place (mmbbl)	12.1	15.7	20	15.9
Recoverable Contingent Resources				
	P90	P50	P10	Mean
Recoverabe gas (bcf)	269	355	459	361
Recoverable condensate (mmbbl)	8.6	11.3	14.5	11.4
Comparison with Pre-Drill Estimates (December 2008)				
	Mean Contingent Resource Volumes			
	Pre-Drill	Post-Drill	Variance	
Gas-in-place (bcf)	390	531	↑36%	
Condensate-in-place (mmbbl)	12.1	15.9	↑31%	
Recoverable gas (bcf)	283	361	↑28%	
Recoverable condensate (mmbl)	8.9	11.4	↑28%	

RISC has continued to classify the resources as contingent resources, but notes that when FID is approved the condensate resources will move to the reserves category. As gas sales are confirmed, those associated gas resources will also be classified as reserves.

Stanley field will be developed as a condensate recovery project, with the condensate exported to market via pipeline and river tanker. Gas will be available for possible consumption locally in the near term, with the balance of the dry gas volume to be marketed in the future to regional industrial consumer(s) or into a possible large-scale gas aggregation project. As previously advised, front-end engineering and design (FEED) for the development is complete. With reference to the map below, key components of the development are:-



- The condensate production facility to be located at the surface location of the Stanley-2 and -4 wells (site and access largely complete, detailed design of plant underway and supplier selected);

- The condensate export pipeline to the port of Kiunga (route selected and survey contracted);

- A condensate storage facility in Kiunga (site largely prepared); and

- The condensate load out facility on the Fly River (location selected).

Horizon Oil is operator of the Stanley development and has targeted early 2014 for first production from the field.

Yours faithfully

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Glossary of terms	
Bcf	Billion cubic feet of natural gas
Mmbbl	Million barrels
P90, P50, P10	90%, 50% and 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively.
Reserves	Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied.
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies.