Horizon Oil

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

HORIZON OIL (HZN) PROGRESS REPORT ON ELEVALA-2 APPRAISAL/DEVELOPMENT WELL IN PAPUA NEW GUINEA

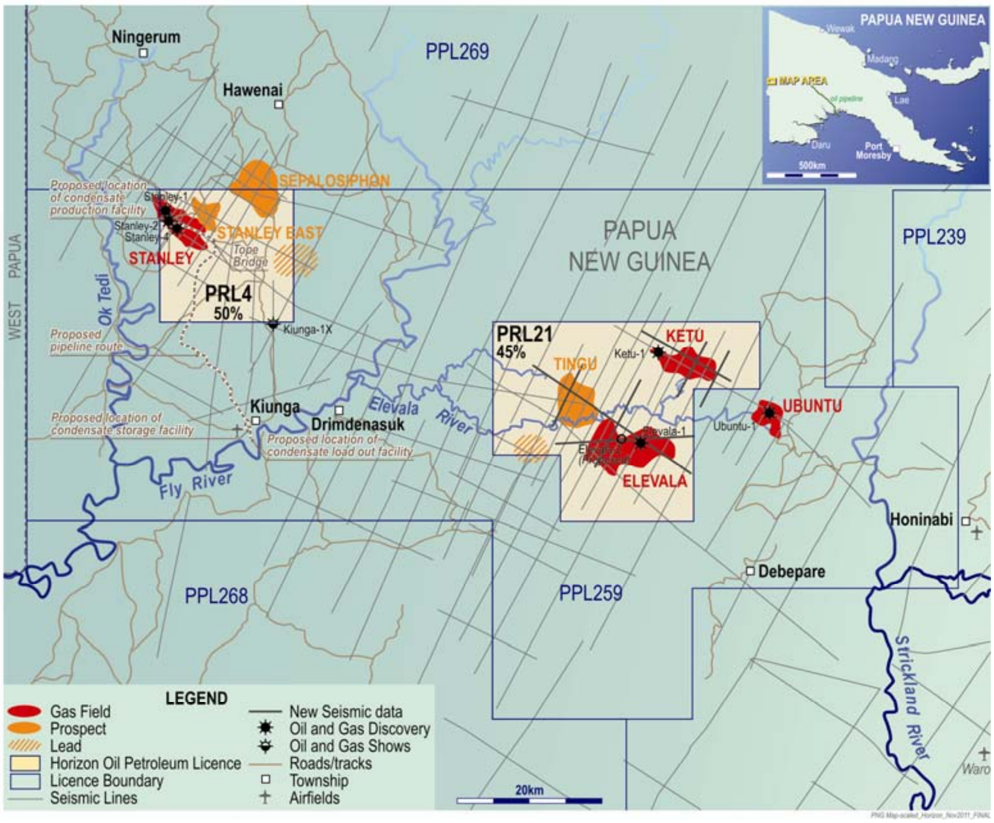
Horizon Oil advises that the Elevala-2 well has been drilled to a depth of 2,426 m and the current operation is running and setting 9-⅝" casing, prior to drilling ahead in 8-½" hole. It is anticipated that the first of the appraisal targets will be reached by approximately 18-20 December. The well spudded with Parker *Rig 226* on 14 November 2011 and is being operated by the Company's wholly owned subsidiary, Horizon Oil (Papua) Limited.

Since the last report, 18-⅝" surface conductor was successfully set at a depth of 57 m and the well drilled to a depth of 1,001 m in 17" hole on 22 November. 13-⅜" casing was run and the well drilled to the current depth in 12-¼" hole, which was reached on 9 December.

The Elevala-2 well is located in Petroleum Retention Licence 21 (PRL 21), approximately 50 km east of the port of Kiunga on the Fly River in Western Province, PNG (see map below). The well is designed to appraise the Elevala gas/condensate accumulation, discovered in 1989-1990 by the Elevala-1 well, which flowed on test at a rate of 11.9 million cubic feet of gas and 634 barrels of 54 deg API condensate per day.

The well program is to drill to penetrate the Elevala sandstone and the deeper Toro sandstone down-dip from the Elevala-1 discovery at a location 2.1 km west of that well. The targets will be evaluated to determine the gas water contact, the composition of the hydrocarbon column and the quality of the reservoirs. The planned total depth of the well is 3,500 m to basement. Depending on drilling results, core(s) may be cut in prospective zone(s) and the well may be completed for future service as a producer or water injector.

On completion, the plan is to drill the Ketu-2 appraisal/development well. Preparation of the Ketu-2 drilling site is at an advanced stage.



Ketu-2 wellsite being prepared for drilling as at 5 December 2011

The participants in PRL 21 are:

Horizon Oil (Papua) Limited (operator) ***(a wholly owned subsidiary of Horizon Oil Limited (HZN))***	45%
Talisman Energy Niugini Limited ***(a wholly owned subsidiary of Talisman Energy Inc (TLM:US))***	40%
Kina Petroleum Limited	15%

Yours faithfully,

Michael Sheridan
Chief Financial Officer & Company Secretary

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