Horizon Oil Limited ABN 51 009 799 455
Level 7, 134 William Street, Woolloomooloo NSW Australia 2011
Tel +61 2 9332 5000, Fax +61 2 9332 5050 www.horizonoil.com.au

19 December 2011

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 WELL IN PAPUA NEW GUINEA – GAS/CONDENSATE ZONE CONFIRMED

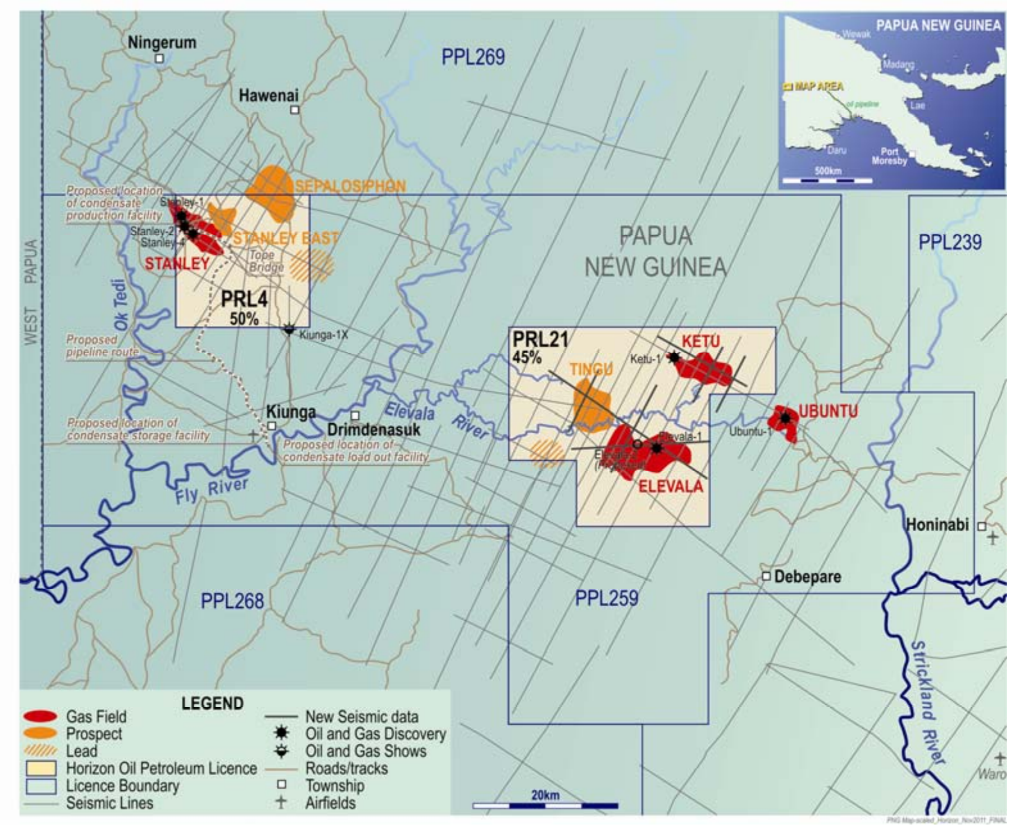
Horizon Oil advises that the Elevala-2 well has confirmed a gas/condensate zone in the primary Elevala sandstone target. The current operation is drilling ahead in 8-½” hole at a measured depth of 3,148 m towards the secondary Toro sandstone objective. The well spudded with Parker *Rig 226* on 14 November 2011 and is being operated by the Company’s wholly owned subsidiary, Horizon Oil (Papua) Limited.

Since the last report, 9-⅝” casing was set on 9 December at 2,422 m and the well drilled in 8-½” hole to a depth of 3,114 m. A core was cut over the interval 3,114 m to 3,142 m, with 100% recovery. Good gas shows were encountered during the coring operation. Preliminary results of the coring and logging while drilling indicate the hydrocarbon zone to be about 15 m thick, with sand thickness and quality similar to that of the equivalent zone in Elevala-1.

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 at a location 2.1 km west the Elevala-1 discovery well. The well was specifically located to test the northern extent of the hydrocarbon accumulation about 60 m down-dip of Elevala-1. In fact, the gas zone has been encountered high to prognosis, approximately 20 m down-dip and no water leg was observed. Further drilling results and interpretation will be required before being able to comment on hydrocarbon pay thickness and resource volume.

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 and will be ready to receive the rig at the end of December.



The participants in PRL 21 are:

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

Yours faithfully,

Michael Sheridan
Chief Financial Officer & Company Secretary

For further information please contact: Michael Sheridan
Telephone: (+612) 9332 5000
Facsimile: (+612) 9332 5050
Email: exploration@horizonoil.com.au
Or visit www.horizonoil.com.au