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3 April 2012

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

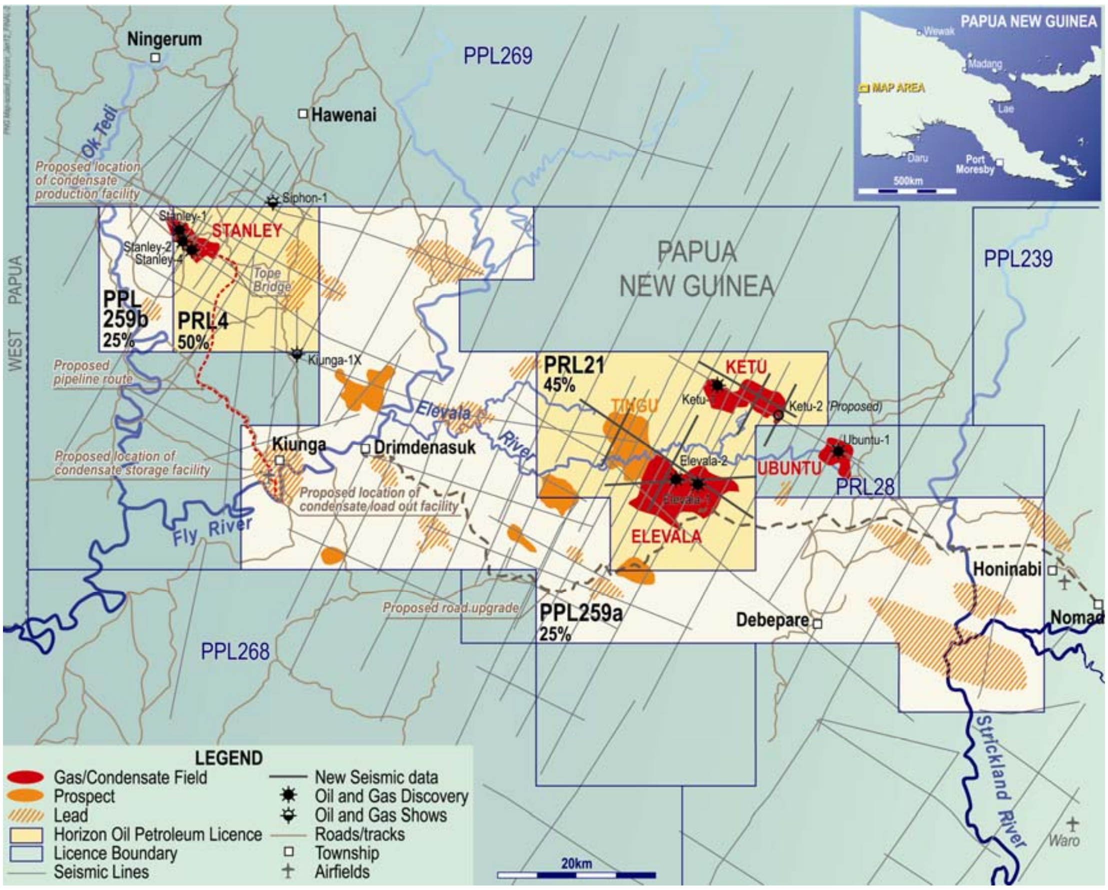
HORIZON OIL (HZN) PROGRESS REPORT ON KETU-2 APPRAISAL/DEVELOPMENT WELL IN PAPUA NEW GUINEA

Horizon Oil advises that the Ketu-2 well has been drilled to a measured depth of 2,550 m and 9-⅝" casing has been run and set with the shoe at 2,545 m. The current operation is pressure testing the blowout preventers, in preparation for drilling ahead in 8-½" hole. It is anticipated that the target Elevala sandstone will be reached by approximately 8-10 April. The well spudded with Parker *Rig 226* on 6 March 2012 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 1,256 m in 17-½" hole on 12 March. 13-⅜" casing was set at a depth of 1,181 m and the well drilled to the current depth in 12-¼" hole, which was reached on 29 March.

The Ketu-2 well is located in Petroleum Retention Licence 21 (PRL 21), approximately 65 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 Ketu gas/condensate accumulation in the Elevala sandstone, discovered in 1990-1991 by the Ketu-1 well.

The well program is to drill to penetrate the Elevala sandstone at a location 8.9 km southeast of the Ketu-1 discovery well to determine the extent of the accumulation in that direction and the level of trap fill. The target will be evaluated to determine the gas water contact, the composition of the hydrocarbon column and the quality of the reservoir. Depending on the result the well may be completed for service as a future gas injector. The planned total depth of the well is 3,824 m in basement and is anticipated to take about 45 days to drill.



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

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