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The Manager, Company Announcements
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
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**HORIZON OIL (HZN) PROGRESS REPORT ON KETU-2
APPRAISAL/DEVELOPMENT WELL IN PAPUA NEW GUINEA**

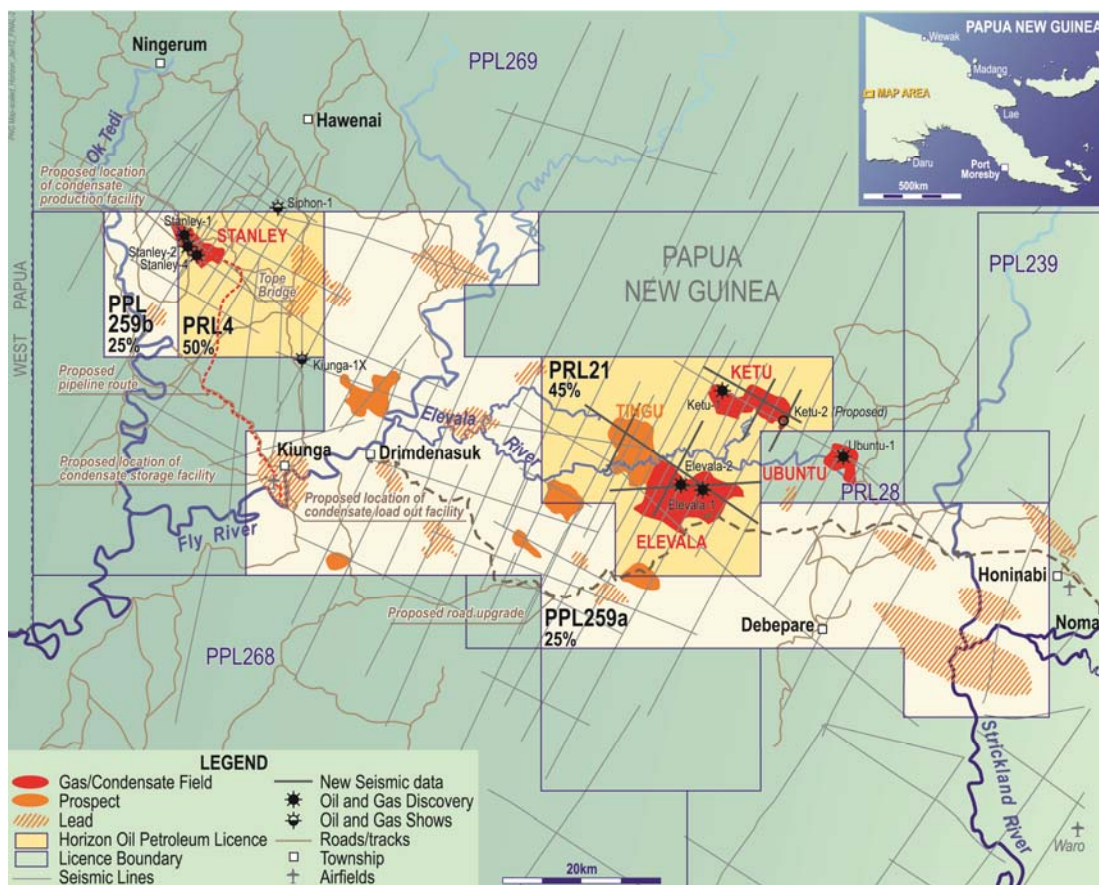
Horizon Oil advises that the Ketu-2 well reached a total measured depth of 3,787 m in granitic basement on 17 April 2012. The well spudded with Parker *Rig 226* on 6 March 2012 and is being operated by the Company's wholly owned subsidiary, Horizon Oil (Papua) Limited.

Since the last report, the well was deepened from the 9-5/8" casing shoe in 8-1/2" hole. A 27 m core of the target Elevala sandstone was successfully cut and recovered, before drilling the well to total depth. The Elevala sandstone was penetrated at a depth in line with the pre-drill prognosis and mudlog and logging-while-drilling (LWD) data indicate a gas zone. Subject to confirmation by further logs and samples, it appears that the Ketu-2 well has confirmed extension of the gas accumulation approximately 9 km east of the location of the Ketu-1 discovery well.

The current operation is running wireline logs and velocity survey, which will be followed by a logging run to take pressure measurements and samples across the target zone. A more detailed report on the well result will be able to be made once these logs have been obtained.

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 was designed 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 if possible, 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 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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