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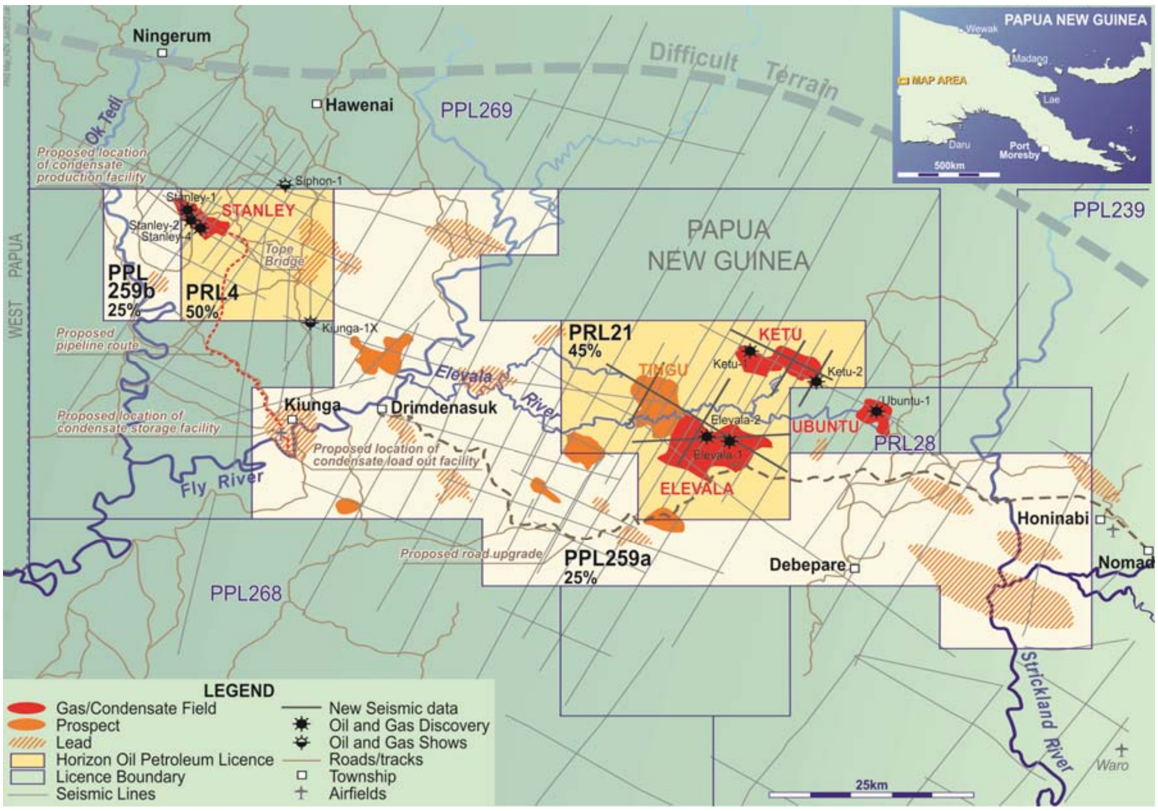
12 October 2012

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

HORIZON OIL (HZN) ISSUES RESOURCES UPDATE FOR PRL 21, PAPUA NEW GUINEA

Horizon Oil, operator of Petroleum Retention Licence (PRL) 21, advises the following revision of the resource estimates for the Elevala and Ketu fields and the Tingu prospect located within PRL 21 in the Western Province of Papua New Guinea (see map below). The independent audit has been carried out by RISC, a leading independent petroleum advisory firm.

The resource estimates are based on the results of drilling the Elevala-2 and Ketu-2 wells, well testing and acquisition of core and fluid samples. The new data has confirmed the extent of the fields, good reservoir quality in Elevala and the high liquids content, with condensate-gas-ratios of 50-60 barrels (bbl)/million standard cubic feet (mmscf) with a low inert gas content. In addition, potential upside has been quantified within the Toro sandstone in Elevala and in the Elevala and Toro sandstones in the adjacent Tingu prospect. The Elevala and Ketu field gross contingent resources as at 30 June 2012 are shown in Table 1 and prospective resources in Table 2.



In summary, at the 2C level of confidence there is estimated to be 795 billion cubic feet (bcf) of gas and 40 million barrels (mmbbl) of condensate contingent resources (gross). A further best estimate prospective resources of 552 bcf and 31 mmbbl of condensate have been identified.

Elevala and Ketu Gross Contingent Resources				
	1C	**2C**	**3C**	**Mean**
Elevala Elevala Sst				
Gross Gas Recovery bcf(1)	223	396	695	434
Condensate Recovery mmbbl	12.5	22.4	39.4	24.6
LPG '000 tonne	655	1,163	2,042	1,275
Ketu Elevala Sst				
Gross Gas Recovery bcf(2)	226	399	680	432
Condensate Recovery mmbbl	10.0	17.7	30.7	19.3
LPG '000 tonne	659	1,163	1,983	1,260
Total Contingent Resources				
Gross Gas bcf(3)	449	795	1375	866
Condensate mmbbl	22.5	40.1	70.1	43.9
LPG '000 tonne	1,314	2,327	4,025	2,535

Notes:
(1) Includes LPG resources with a yield of 2.94 tonne/mmscf and is not adjusted for fuel, flare or shrinkage
(2) Includes LPG resources with a yield of 2.92 tonne/mmscf and is not adjusted for fuel, flare or shrinkage
(3) Includes LPG resources and is not adjusted for fuel, flare or shrinkage

Table 1 Elevala and Ketu Gross Contingent Resources as at 30 June 2012

The estimates contained in this report have been audited in accordance with the Society of Petroleum Engineers Petroleum Resource Management System (PRMS)[1] and SPE auditing standards[2], based on work prepared by Horizon Oil and audited by RISC. Where considered appropriate, RISC has modified the Horizon Oil estimates to comply with PRMS standards. RISC found that in aggregate, Horizon Oil's resources estimates are reasonable.

[1] Petroleum Resource Management System, prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE); reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG); and the Society of Petroleum Evaluation Engineers (SPEE), March 2007
[2] Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information Approved by SPE Board in June 2001, Revised February 19 2007

Elevala and Tingu Gross Prospective Resources				
Prospective Resources	**P90**	**P50**	**P10**	**Mean**
Elevala (Toro sandstone)				
Gross Gas Recovery bcf(1)	77	137	240	150
Condensate Recovery mmbbl	4.1	7.4	13.1	8.1
LPG '000 tonne	226	403	705	441
Tingu (Elevala and Toro sandstone)				
Gross Gas Recovery bcf(1)	230	415	741	459
Condensate Recovery mmbbl	12.7	23.1	41.3	25.6
LPG '000 tonne	676	1,219	2,177	1,349
Total Prospective Resources (deterministically summed)				
Gross Gas bcf(1)	307	552	981	609
Condensate mmbbl	16.8	30.5	54.4	33.7
LPG '000 tonne	902	1,622	2,882	1,789
Notes: (1) Includes LPG resources with a yield of 2.94 tonne/mmscf				

Table 2 Elevala and Tingu Gross Prospective Resources as at 30 June 2012

All resources presented above are for gross interests (100%). Participants and their interests in PRL 21 are shown below. These interests are subject to reduction to allow for PNG State Nominee participation at 22.5%.

Participant	**Interest**
Horizon Oil (Papua) Limited[1]	45.0%
Talisman Energy Niugini Limited[2]	32.5%
Kina Petroleum Limited	15.0%
Diamond Gas Niugini B.V.[3]	7.5%

1. A wholly owned subsidiary of Horizon Oil Limited
2. A wholly owned subsidiary of Talisman Energy, Inc.
3. A wholly owned subsidiary of Mitsubishi Corporation.

Horizon Oil's Chief Executive Officer, Brent Emmett, commented-:

"We are very pleased to have independent certification of a substantial resource in PRL 21 - proven and probable contingent resources of 795 bcf gas, 40 million barrels of condensate and the equivalent of 26 million barrels of LPG contained in the gas. In addition, significant upside has been identified in the Tingu prospect which may be joined to Elevala field.

*This outcome, which represents a doubling of the certified resource size estimate before the drilling of the Elevala-2 and Ketu-2 appraisal wells, provides the incentive for detailed development planning. **Firstly**, we will be using the experience gained in the design of the Stanley field development in PRL 4 to fast track development plans and early production of the liquids in PRL 21 by way of gas stripping. And **secondly**, the increased gas volume - around 1.2 tcf in PRLs 4 and 21 combined - is approaching the scale required for a mid-scale LNG project and we are advanced in our pre-feasibilty studies of this opportunity."*

Yours faithfully

Michael Sheridan
Chief Financial Officer / Company Secretary

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