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The Manager, Company Announcements
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**HORIZON OIL (HZN) ADVISES SIGNIFICANT GAS/CONDENSATE DISCOVERY WITH
TINGU-1 EXPLORATION WELL IN PAPUA NEW GUINEA**

Horizon Oil advised on 26 September 2013 that a core had been cut in the Tingu-1 exploration well in PRL 21, Western Province, Papua New Guinea and encountered elevated gas readings over the primary target Elevala Sandstone. Since the time of that report the well has been drilled through the secondary target Toro Formation reservoir, where elevated gas readings were also encountered, and into basement at a total depth of 3235m MD, and the first suite of wire line logs, including pressure measurements, run.

The data from logs and pressure measurements confirm that Tingu-1 has penetrated a liquids rich gas column in the upper part of the Elevala Sandstone and has encountered a Gas Water Contact (GWC) in that reservoir, thereby achieving two of the primary objectives of the well; specifically, to prove hydrocarbons in the structure and to define the limits of the accumulation. Pressures indicate that the hydrocarbon column is similar in nature, with a consistent GWC, to the columns already proven at Elevala-2/2st1 and Elevala-1, located some 9.2 km and 12 km to the southeast of Tingu-1. This indicates that the Tingu and the Elevala accumulations are probably connected through the laterally pervasive Elevala Sandstone reservoir, overall substantially increasing the area of closure and the size of the resource base of the Elevala gas-condensate field and of PRL 21, which also includes the Ketu gas-condensate field.

The data from the Toro Formation indicate that a possible gas column has also been encountered in that reservoir. Further logging and sampling will be conducted to confirm this evaluation.

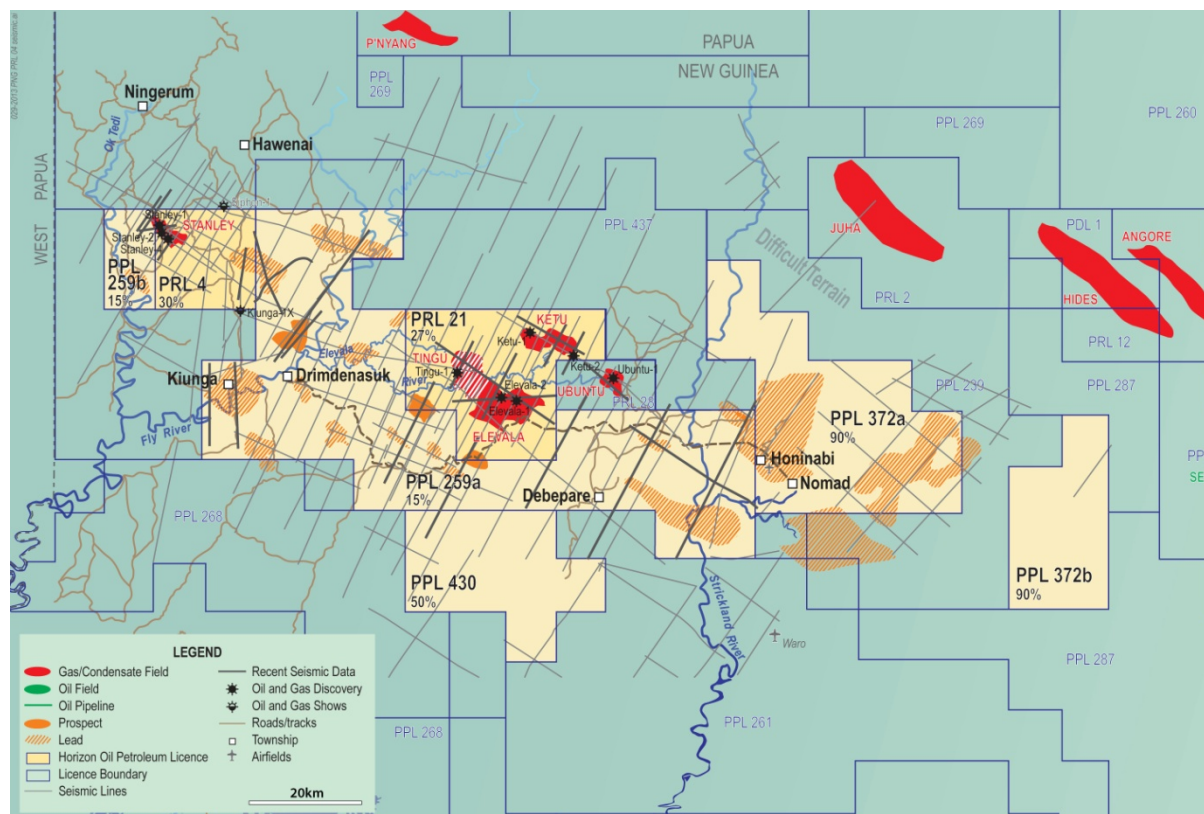
These results confirm that the exploration technology and methodology employed by the PRL 21 joint venture is successful and bodes well for the future potential of the area where Horizon Oil holds a significant acreage position containing a variety of highly prospective prospects and leads.

The current operation is finalizing logging operations, after which the well will be completed with a liner and production string.

The forward plan is to conduct a flow test, to obtain further information on reservoir and fluid properties for input to field evaluation and development planning.

Tingu-1 spudded on 26 August 2013 with Parker *Rig* 226. The well is located 9.2 km northwest of the Elevala-2 appraisal well, itself a stepout from the Elevala-1 discovery well, which both found condensate-rich gas in the Early Cretaceous Elevala Sandstone.

The Tingu accumulation is potentially similar in size to the Elevala gas-condensate field (2C contingent resource of approximately 400 billion cubic feet of gas and 22 million barrels of condensate). Horizon Oil, as operator of PRL 21, is currently carrying out FEED (front end engineering and design) of the Elevala and Ketu field developments. The Tingu gas-condensate accumulation will be incorporated in the development scope.



Participants in the PRL 21 joint venture are:

Horizon Oil (Papua) Limited (Horizon Oil Limited subsidiary: ASX:HZN)	45% ¹ (Operator)
Talisman Energy Niugini Limited (Talisman Energy Inc subsidiary: NYSE/TSX:TLM)	32.5%
Kina Petroleum Limited (ASX:KPL)	15%
Diamond Gas Niugini BV (Mitsubishi Corporation subsidiary)	7.5%

¹ Horizon Oil's interest reduces to 27% upon completion of its recently announced partial sale of its PNG interests to Osaka Gas Co. Ltd. In addition to aggregate milestone based consideration of US\$204 million, the sale provides for production adjustments in favour of Horizon Oil from Osaka Gas where threshold condensate reserves are exceeded. Subject to confirmation of the condensate reserves at Tingu, Horizon Oil may be entitled to a greater than 27% interest in the condensate reserves.

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

"This is an outstanding result for us in terms of:-

- adding potentially 100 million barrels of oil equivalent in gas and condensate contingent resources to the reserves of PRL 21, in which Horizon Oil is operator and holds a 27% interest. A combined development of Elevala, Ketu and Tingu has the potential to be a condensate recovery project of substantive scale;*
- providing a material increase to the gas resource in our PNG acreage, bringing us closer to achieving the threshold resource, when aggregated with other gas accumulations, required to feed a mid-scale LNG project; and*
- providing further confirmation of the low risk nature of the foreland basin play and the abundant hydrocarbon generation and entrapment.*

This last point, in particular, is encouraging for our shareholders, in view of Horizon Oil's large acreage holding in the play - 7,900 sq km gross - much of which is centred on the condensate rich gas "sweet spot" of the western Papuan Basin. We have a large inventory of undrilled leads and prospects (see map above) and the Tingu-1 result, which came in very close to our pre-drill prognosis, makes us increasingly confident of the ability of our technical team to expand the resource base further."

Yours faithfully,



Michael Sheridan

Chief Financial Officer/ Company Secretary



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