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The Manager, Company Announcements
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
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**HORIZON OIL (HZN) ADVISES STRONG GAS FLOWS DURING PRODUCTION TESTING
OF KETU-2 APPRAISAL WELL IN PRL 21, PAPUA NEW GUINEA**

Horizon Oil advises that it has recorded strong gas/condensate flows during production testing of Ketu-2 appraisal well in PRL 21, PNG. The flow test has confirmed the high deliverability of the Elevala sandstone reservoir and also that the condensate gas ratio (CGR) is consistent with that of the nearby Elevala and Tingu accumulations (see map below).

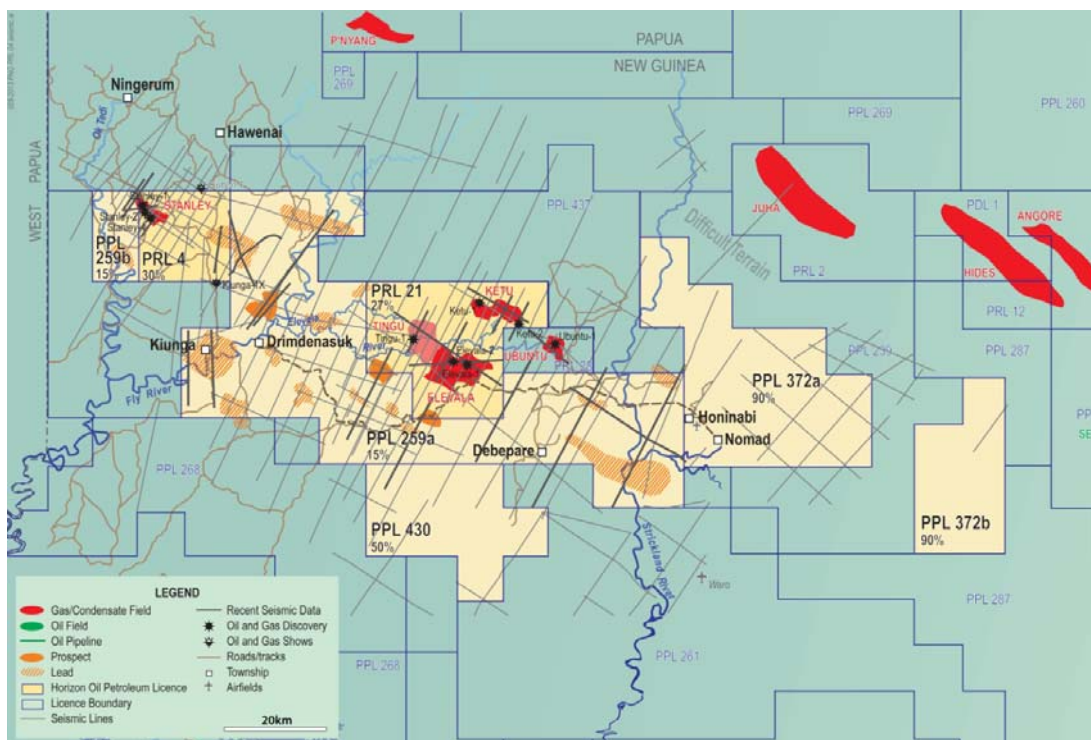
Ketu-2 was drilled in the first half of 2012 and successfully appraised the lateral extent of the Ketu-1 discovery well at a location 8.9 km southeast of Ketu-1. Ketu-2 was completed for future service as a production or gas re-injection well with a 5-1/2" completion string and a Xmas tree installed on the wellhead. The lower 9 m of the Elevala sandstone was perforated and flowed gas at a rate of over 20 million cubic feet of gas per day (mmcf/d) through a 48/64" choke, with an undetermined rate of condensate. A retrievable plug was set and the well suspended in May 2012, until required for further testing and service.

After the recent flow testing of the Tingu-1 discovery well, announced on 28 October 2013, the test unit and separator were moved to the Ketu-2 site and test operations began on 2 November 2013. Meanwhile *Parker Rig 226* is being moved to the Stanley site in PRL 4, in preparation for drilling of the Stanley-3 and -5 development wells. The rig is about 65% rigged down at Tingu-1.

During the comprehensive multi-rate test sequence, the well flowed gas consistently at rates of 35 - 40 mmcf/d through a 56/64" choke, with no produced water and minimal CO₂ and H₂S. The CGR stabilized at a rate of 50-60 barrels of condensate per million cubic feet of gas, in line with the Elevala and Tingu accumulations and about double that of the Stanley field CGR. The test has confirmed the good flow properties of the Elevala sandstone reservoir at this location.

The current operation is to set retrievable plugs, pressure test and safely suspend the well for future use before rigging down the test equipment.

The production test data for Ketu-2, as well as analysis of fluid samples acquired during testing, will be included with all the other information obtained on the Elevala, Ketu and Tingu hydrocarbon accumulations and utilised in the FEED study, which is currently underway. The intention is to submit a development licence application in March 2014 for a combined development of the PRL 21 fields, which will be of considerable scale.



Participants in the PRL 21 joint venture are:

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

Michael Sheridan

Chief Financial Officer & Company Secretary

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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.