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The Manager
Company Announcements
ASX Limited
Exchange Centre

20 Bridge Street
Sydney NSW 2000

AUSTRALIAN FINANCIAL REVIEW ARTICLE

In response to an article in today's edition of The Australian Financial Review regarding Horizon Oil's payment to acquire an interest in Petroleum Retention Licence 21 (PRL 21) in the Western Province of Papua New Guinea, Horizon confirms it has no actual knowledge of any wrongdoing relating to that transaction.

PRL 21 is an area containing known discoveries of condensate and gas and in August 2009, Horizon Oil and its then co-venturers applied for renewal of Petroleum Retention Licence 5 (PRL 5) in PNG. The then Minister for Petroleum and Energy did not grant the renewal. Horizon Oil commenced judicial review proceedings in respect of the Minister's decision to protect its commercial interests. As announced on 31 March 2011, the proceedings were settled including on terms providing for Horizon Oil to be granted a 70% interest in a new PRL 21, covering the same area as the former PRL 5.

The Minister awarded PRL 21 to three parties: Horizon Oil, and two local PNG companies: Eleva Energy Limited (**Eleva Energy**) and Dabajodi International Energy Limited (Dabajodi). Pursuant to pre-existing contractual arrangements, Horizon Oil transferred a 35% interest in PRL 21 to a subsidiary of Canadian multinational oil and gas company Talisman Energy, Inc (**Talisman**). Horizon Oil acquired a 10% interest in PRL 21 from Eleva Energy for \$US10.3 million, and Talisman acquired a further 5% interest in PRL 21 from Dabajodi. Following these transactions in 2011, PRL 21 was held Talisman - 40%, Horizon Oil - 45% and Kina Petroleum Limited (formerly Dabajodi) - 15%.