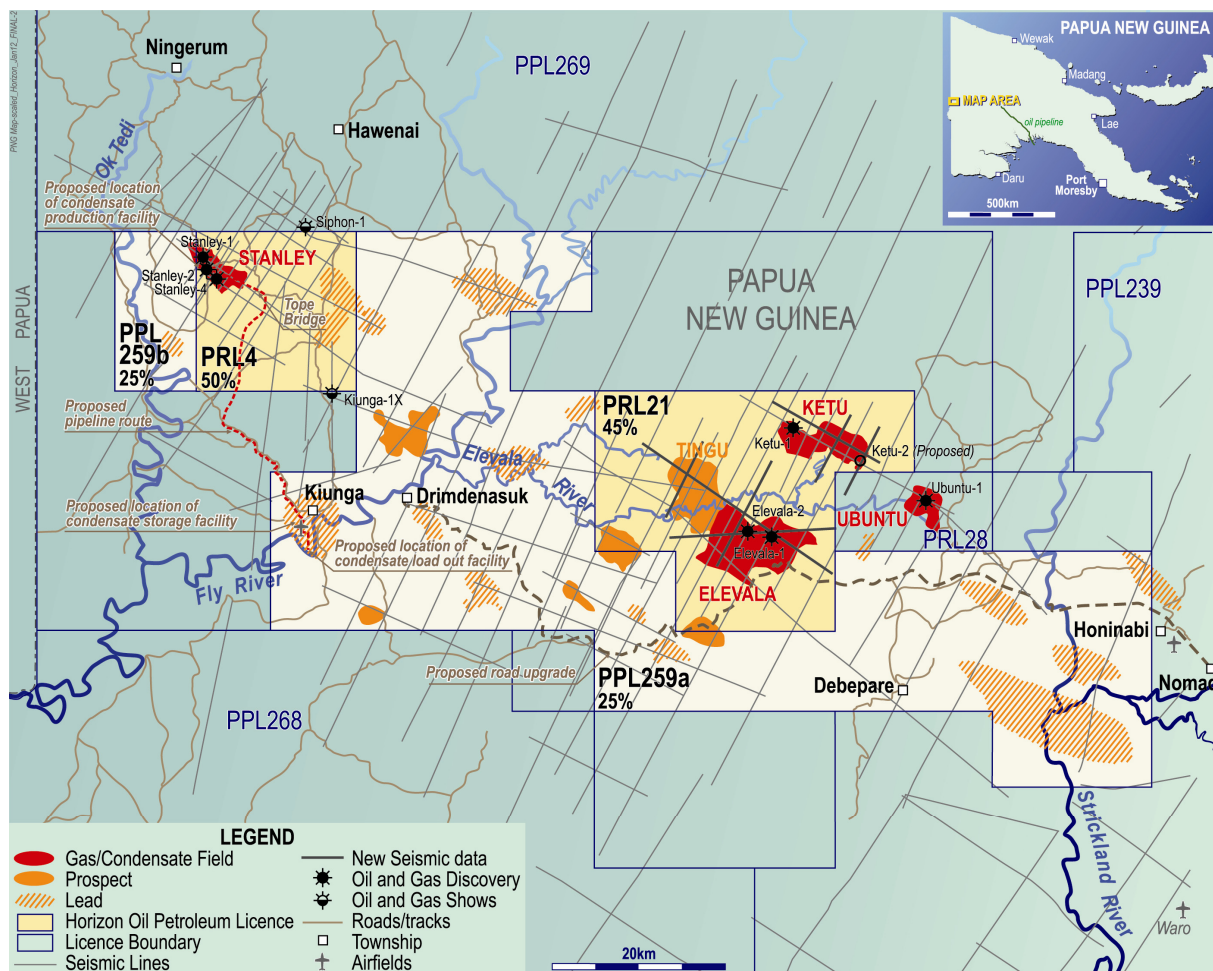


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The Manager, Company Announcements
 Australian Securities Exchange Limited
 Exchange Centre
 20 Bridge Street
 Sydney NSW 2000

HORIZON OIL (HZN) INCREASES ACREAGE POSITION IN PAPUA NEW GUINEA

Horizon Oil is pleased to advise that it has executed a farmin agreement with Eaglewood Energy Inc. to earn a 25% interest in PPL 259 in Western Province, Papua New Guinea (see map below). Under the terms of the farmout agreement, after receipt of requisite government approvals transferring a 25% participating interest share in PPL 259, Horizon Oil will reimburse a proportionate share of Eaglewood's PPL 259 sunk costs (approximately US\$2.5 m) and will carry Eaglewood for future seismic and drilling costs to a capped amount of US\$6.375 m. The drilling program will be operated by Horizon Oil.



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

“At the AGM last November, we flagged our intention of bulking up the Company’s acreage position around what we see as the sweet spot for liquids-rich gas in the Papuan Basin foreland, which is centred on our planned production hubs at Stanley and Elevala/Ketu. The acquisition of a 25% interest in PPL 259 is part of this strategy and is timely, given the recent drilling success at Elevala-2.

We believe the acquisition will deliver a number of benefits:-

- the inventory of prospects and leads increases significantly and this will spread geological risk and provide the potential for increasing reserves
- the return on the likely investment in infrastructure at Stanley (PRL 4) and Elevala/Ketu (PRL 21) stands to increase by way of potential add-ons from PPL 259 (and also Ubuntu in PRL 28)
- a larger gas reserves base has the potential to provide the scale needed for monetisation by way of, for example, a small scale liquefied natural gas plant at Kiunga or Drimdenasuk, exporting LNG, LPG and condensate via the Fly River. The proposed road upgrade between Drimdenasuk and the Strickland River (see map) presents as a likely pipeline route for transport of gas from the Elevala, Ketu and Ubuntu discoveries and other add-ons from PPL 259 along its route
- exploitation of PPL 259 offers synergies with Horizon Oil’s existing acreage in PNG in operations, as well as engineering design, implementation, product marketing and shipping.”

Yours faithfully,



Michael Sheridan
Chief Financial Officer & Company Secretary



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