

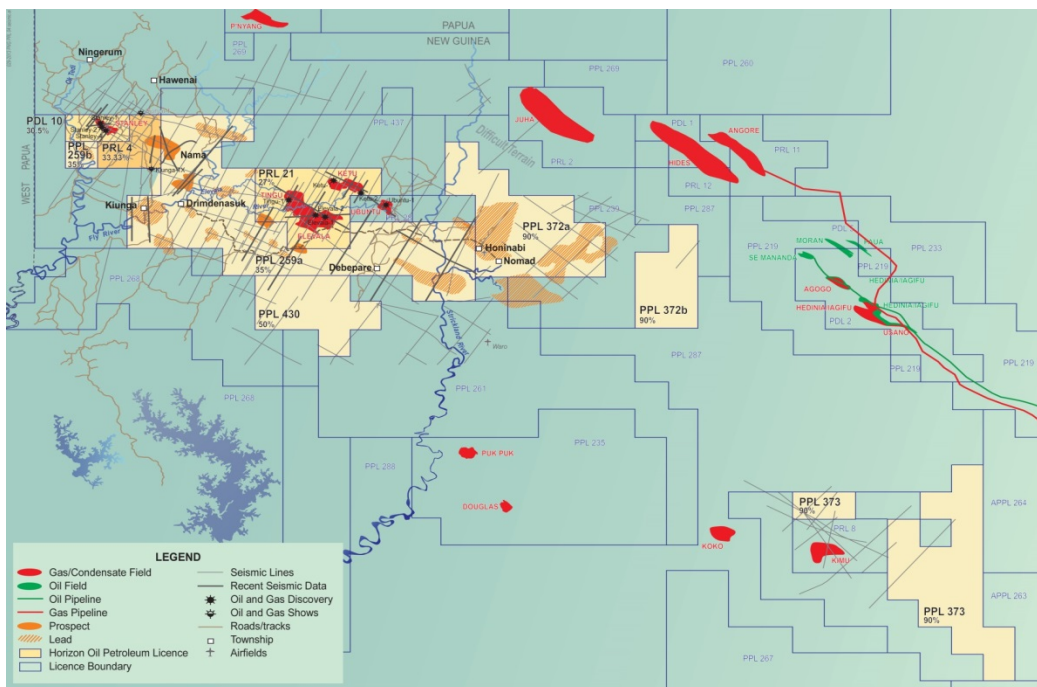
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The Manager, Company Announcements
 ASX Limited
 Exchange Centre
 20 Bridge Street
 Sydney NSW 2000

HORIZON OIL (HZN) REPORTS PRODUCTION TESTING RESULTS FOR STANLEY-5 PRODUCTION WELL IN PDL 10, PAPUA NEW GUINEA

In its last quarterly report dated 31 July 2014, Horizon Oil advised that the Stanley-5 well, which spudded on 16 June 2014 using Parker *Rig 226*, had been drilled to target total depth. Pleasingly the observed quality and size of the objective Toro and Kimu reservoirs were better than had been predicted, with a combined gross sand column of about 120 m and net pay of about 96 m.

Horizon Oil, which is managing the drilling of the Stanley-5 and -3 development wells on behalf of the PDL 10 joint venture, carried out a production test over the Toro and Kimu zones. After a clean-up period of 24 hours, the Stanley-5 well flowed at approximately 68 million cubic feet of gas per day (mmcf/d), with associated condensate, on a 122/64" choke at a wellhead pressure of 3,233 psi (*see photograph below*). Log and test data from the well, together with wellhead condensate samples obtained, are consistent with pre-drill estimates and the Stanley -2 results.





The two production wells for the Stanley gas-condensate project (Stanley -2 and -5) are now completed, ready for production and, through testing, have demonstrated the capacity to produce well in excess of the design capacity of the Stanley gas plant (140 mmcf). With a condensate gas ratio 30 barrels / mmcf, the Stanley gas-condensate project is forecast to achieve initial production of approximately 4,000 barrels/ day of condensate when the field commences production, scheduled in 2H 2016.

The Parker *Rig* 226 will now be skidded to commence drilling the final Stanley development well, the Stanley-3 injection well, from the current surface location. The Stanley -3 well has an anticipated spud date of 31 August 2014.

Stanley project development activities continue with current focus on finalisation and issue of equipment fabrication and construction tender packages, preparation for early works and engagement with the Stanley PNG State team (comprising representatives from key Government departments) and local landowners in respect of local content opportunities.

Participants	Interest
Horizon Oil (Papua) Limited	30% ¹
Talisman Niugini Pty Ltd (Operator)	40% ¹
Osaka Gas Niugini Pty Ltd	20% ¹
Diamond Gas Niugini B.V. ²	10% ¹

Yours faithfully

Michael Sheridan
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¹ Subject to finalisation of Stanley gas field unitisation adjustments (which do not reduce Horizon Oil group interests) and PNG State Equity entitlement of 22.5%

² Mitsubishi Corporation subsidiary