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

HORIZON OIL ANNOUNCES SALE OF HALF INTEREST IN PAPUA NEW GUINEA ASSETS FOR US\$55 MILLION

Key Transaction Terms

Horizon Oil is pleased to advise shareholders that it has entered into a sale and purchase agreement with a subsidiary of P3 Global Energy Company Limited (P3GE) of Thailand to appraise and develop Horizon Oil's gas / condensate resources in western Papua New Guinea. Under the agreement, P3GE will acquire a 50% interest in Petroleum Licence (PRL) 4, which contains the Stanley discovery and a 24.82% interest in PRL 5, which contains the Elevala and Ketu discoveries, for a total consideration of US\$55 million. The consideration is to be paid as follows:-

- US\$30 million in cash on closing, scheduled for 31 July 2009.
- US\$15 million by way of a letter of credit to be drawn down at any time after closing and applied to Horizon Oil's share of exploration and development expenditure on PRL 4 and PRL 5.
- US\$10 million by way of a letter of credit to be drawn down upon the grant of a Petroleum Development Licence (PDL) for development of a petroleum field within either PRL 4 or PRL 5 and applied towards Horizon Oil's share of development expenditure within such PDL.

The transaction is subject to there being no material adverse circumstances in the due diligence being conducted by P3GE and certain PNG Government transfer of interest approvals. After completion of the transaction, Horizon Oil's resultant interests will be 50% in PRL 4 and 24.82% in PRL 5.

About the Development Project

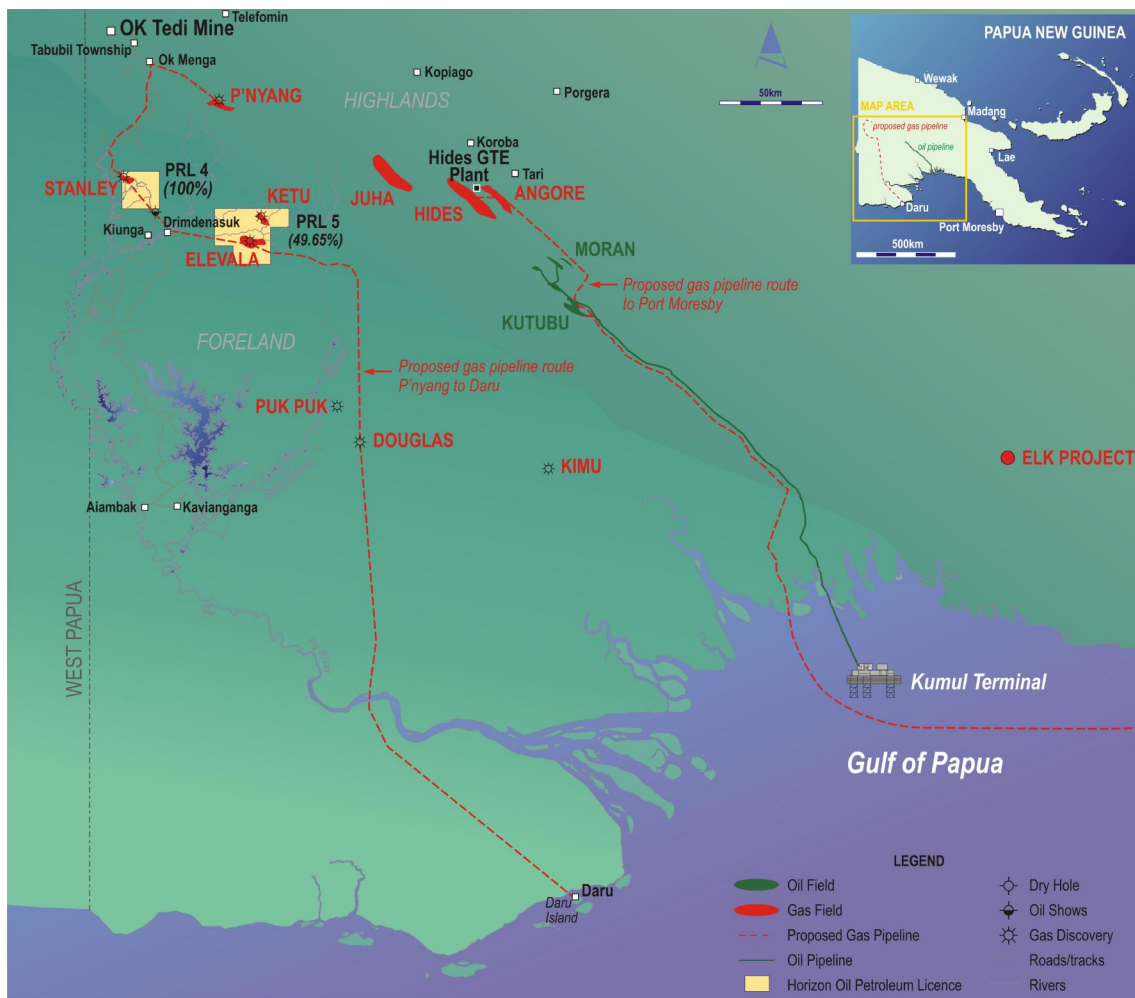
The Company has previously reported the good progress being made in planning for the commercialisation of its PNG resources. This has involved the acquisition of new seismic data in PRL 4 and reprocessing of existing seismic data in both PRLs, to allow a re-interpretation of the structures. A production test was performed on the Stanley-1 well and gas samples taken, which enabled a basis of design for development of the field to be carried out by Icon Engineering. The Stanley field development plan was finalised and filed with the PNG Department of Petroleum and Energy (DPE) in February 2009.

In summary, the proposed project entails the production of 140 million cubic feet of gas per day from two wells, extraction of initially over 4,000 barrels of condensate per day and potentially 40 tonnes of LPG per day, with re-injection of the dry gas until a gas market develops. Detailed

reservoir modelling supports the recovery of more than 8 million barrels of condensate over a 10 year period. Export of condensate by shipping via the Fly River has been extensively studied, as have the various commercialisation alternatives for the dry gas itself. The preliminary view is that the Stanley gas resource will most likely be utilised for power generation to supply local domestic and industrial consumers, while the larger combined Elevela / Ketu gas resource will rely on export by pipeline or as a liquid, via a small scale LNG process.

Social mapping and landowner identification review and preparation of the environmental impact assessment are at an advanced stage. Discussions on the Gas Agreement with the DPE are continuing. These key regulatory activities and studies are required for the grant of the PDL for Stanley field.

Work on the Elevela and Ketu fields in PRL 5 is not as advanced as that on Stanley, although, subject to further appraisal results, it is likely that much of the design work for Stanley field will have application for development of Elevela and Ketu.



About P3 Global Energy

P3 Global Energy is a member of the mining, energy and power generation group of companies, Thailand-domiciled PK Group, a privately held company with businesses in seven countries across three continents. The company's core businesses are exploration and production of oil and natural gas, gas transmission and distribution. PK Group also holds the majority interest in southeast Asia's largest publicly listed construction conglomerate, Italian-Thai Development Public Company Limited, which has extensive experience in the construction of large infrastructure projects including onshore oil and gas pipelines.

Horizon Oil was assisted by RISC A+D Pty Ltd, a transaction advisory firm associated with RISC Pty Ltd. RISC Pty Ltd had previously carried out a technical review and economic evaluation of the assets on behalf of the Company and confirmed proven and probable recoverable resources net to Horizon Oil of 486 PJ gas and 22 million barrels of associated condensate. RISC A+D conducted a sales process in respect of the assets on behalf of Horizon Oil beginning this year.

Horizon Oil's Chief Executive Officer Brent Emmett's comments:-

"This transaction has delivered three substantial outcomes for the Company:-

***Firstly**, in P3GE we have found a partner who shares our vision for building and commercialising large scale gas and liquid petroleum resources in western PNG. P3GE is a strong player in the region and has deep experience in power generation, oil field fabrication and pipeline construction. Importantly, P3GE shares our desire to play a responsible and constructive role with the landowners, provincial Government and other stakeholders in our areas of operations.*

***Secondly**, the transaction fairly recognises the value of Horizon Oil's PNG assets, which the Company has materially grown by way of consolidating fragmented interests in the licences and performing the necessary technical and commercial work to advance the discovered fields towards development.*

***Thirdly**, the consideration to be received for the transaction, together with cash on hand from the recent capital raising and forecast Maari oil field revenues, puts the Company in a sound financial position to finance the development of the Company's fields in Block 22/12, China and the Stanley gas-condensate field in PNG, as well as additional new business projects, while minimising our need for further borrowings."*

Yours faithfully,



Michael Sheridan

Chief Financial Officer/Company Secretary



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