



11 September 2009

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

**HORIZON OIL (HZN) ADVISES TERMINATION OF SALES AGREEMENT
WITH P3 GLOBAL ENERGY COMPANY LIMITED**

Horizon Oil advises that it has terminated the sale and purchase agreement (Agreement) with a subsidiary of P3 Global Energy Company Limited (P3GE) and that it is in discussions with another party with respect to the sale of part of its interests in Papua New Guinea. The Company expects to advise shareholders of the outcome of those discussions next week.

The Company advised shareholders on 20 May 2009 that it had entered into the Agreement with P3GE to sell a 50% interest in Petroleum Retention Licence (PRL) 4 and a 24.82% interest in PRL 5. These licences are located in Western Province, Papua New Guinea. The proposed transaction was subject to there being no material adverse circumstances in the due diligence conducted by P3GE and certain PNG Government transfer of interest approvals. The due diligence and Horizon Oil's completion obligations were satisfied on or before the stipulated closing date of 31 July 2009.

The Agreement required P3GE to pay Horizon Oil the sum of US\$30 million and provide a letter of credit in the amount of US\$15 million to be drawn down in respect of Horizon Oil's share of expenditure on PRLs 4 and 5. (A second letter of credit was to be provided upon the grant of a petroleum development licence covering either PRL 4 or 5 in the amount of US\$10 million, to be drawn down in respect of Horizon Oil's share of further expenditure on PRLs 4 and 5). P3GE failed to make the required payments on 31 July 2009. Consequently Horizon Oil issued a notice to P3GE terminating the sale and purchase agreement effective immediately upon receipt of the notice.

Yours faithfully,

Michael Sheridan
Chief Financial Officer / Company Secretary



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