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2 June 2011

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

HORIZON OIL PRESENTATION

Please find attached the Investor Presentation with regard to Horizon Oil's acquisition of additional interest in Block 22/12 and US$75 – 80m convertible bond issue.

Yours faithfully

Michael Sheridan
Chief Financial Officer & Company Secretary

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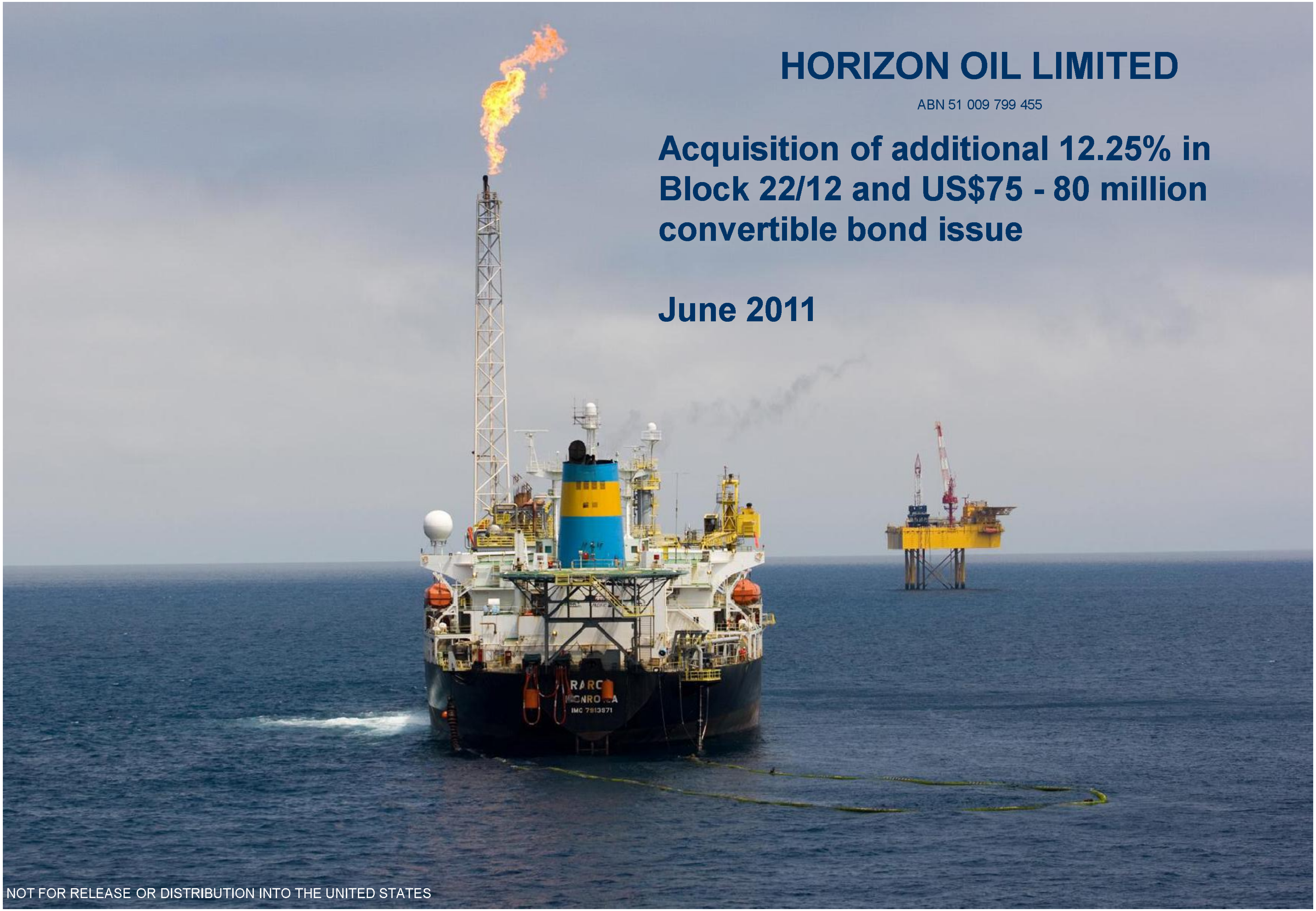

HORIZON OIL LIMITED

ABN 51 009 799 455

Acquisition of additional 12.25% in Block 22/12 and US$75 - 80 million convertible bond issue

June 2011

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Disclaimer

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Horizon reserves the right to withdraw, or vary the offer of Bonds at any time.

Presentation Outline

Horizon Oil

- Executive Summary
- Overview of Horizon Oil
- Acquisition Overview
- Convertible Bond Issue
- Source and Use of Funds
- Asset Review
  - Block 22/12, offshore China
  - Maari field and PEP 51313, offshore New Zealand
  - PRL 4 and PRL 21, Western Province, Papua New Guinea
- Appendix

Executive Summary

Horizon Oil

- Horizon Oil is an ASX listed E&P company focused on SE Asia / Australasia; large undeveloped reserve/resource inventory, predominately oil; market cap approx A$430m. Key assets are:
  - 26.95% of Block 22/12 in offshore China – sanctioned oil project, development underway
  - 10% of Maari/Manaia fields offshore New Zealand – on production since March 2009
  - 30% of PEP 51313 – upside acreage surrounding Maari/Manaia
  - 50% of Stanley gas/condensate field in PRL 4 Papua New Guinea – undergoing feasibility
  - 45% of Elevala and Ketu gas/condensate fields in PRL 21 Papua New Guinea – under appraisal

- On 2 June 2011 Horizon Oil signed a sale and purchase agreement (SPA) for the acquisition of an additional 12.25% stake in Block 22/12, bringing its overall interest to 26.95%
  - Acquisition price of A$38m value accretive to consensus broker valuation
  - Results in material increase in Horizon Oil's net oil reserves and future production
  - Asset is well understood, technical risk reduced, experienced operator in CNOOC

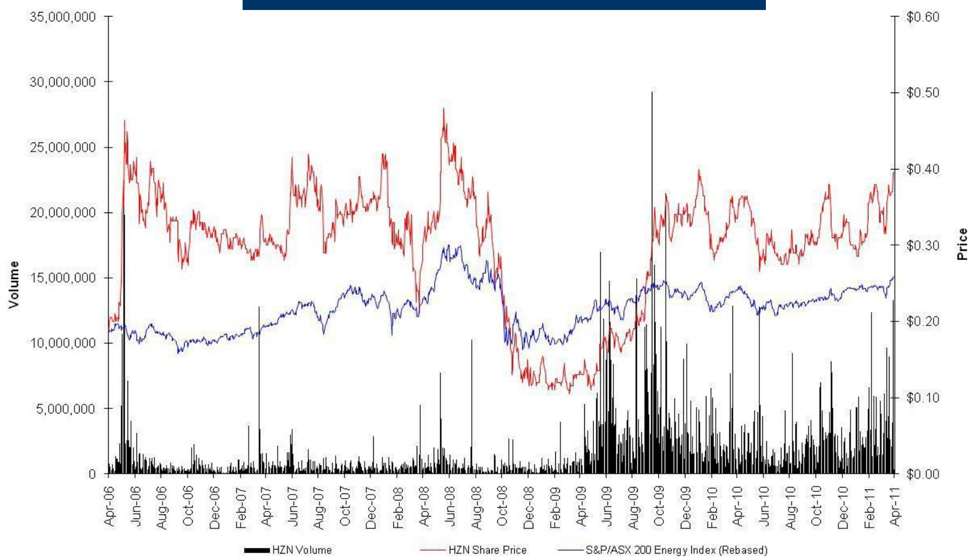
- On 2 June 2011 Horizon Oil launched a US$75 – 80m convertible bond issue to fund acquisition of the 12.25% stake in Block 22/12
  - To fund acquisition consideration and incremental development costs to first oil
  - Sets the scene for financing of Papua New Guinea development projects

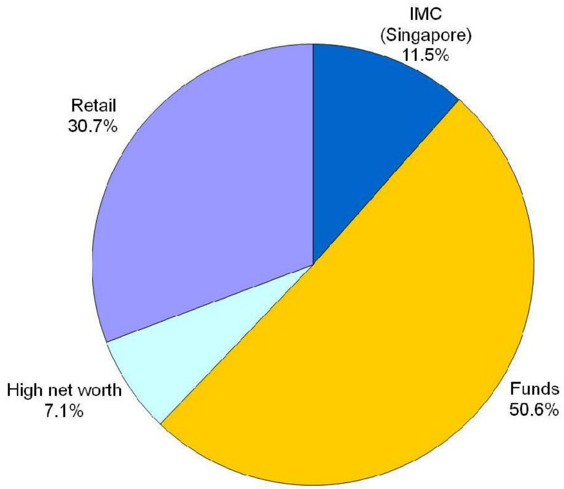
Overview of Horizon Oil

- E&P petroleum company with geographic focus on SE Asia / Australasia
- ASX listed – inclusion within ASX 300 Index
- Market capitalisation of A$430m at A$0.38 per share on 27 May 2011 (1,130.8m shares)
- Net production currently 1,500 bopd, generating EBITDA of approx US$4m per month
- 2P reserves of 16.8 mmbo and resources of 19.1 mmbo / 326 bcf gas
- Exploration potential of 97 million barrels of oil equivalent (mmboe) unrisked mean
- At 31 March 2011:-
  - Cash US$24.7m
  - Receivable from PNG sale US$22.0m (US$11m since received)
  - Bank debt - Maari project loan US$11.0m (ends 2011)
- 10 employees

Shareholder Distribution and Trading Statistics

SHARE PRICE HISTORY





1,130.8m shares

TRADING STATISTICS as at 27 May 2011

May 2011	
Last	$0.380
High	$0.420
Low	$0.360
Volume	55,598,694
12 Months	
Last	$0.380
High	$0.420
Low	$0.260
Volume	689.57m
Fully paid shares	1,130.8m
Partly paid shares	1.5m[1]
Employee options	39.4m[2]
Share appreciation rights	6.7m[3]
No. of shareholders	5,724
Market capitalisation	$435m
Top 20 / Issued Capital	56.3%

[1]Issued in accordance with employee incentive schemes

[2]20.1 million options expire Aug 2011 - $0.33 issue price. Remaining options - issue price ranging from $0.27 - $0.35.

[3]Share price equivalence of SARS - $0.31.

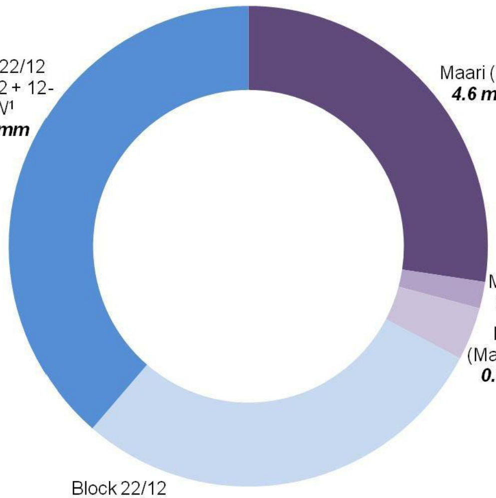
Horizon Oil

Board and Management

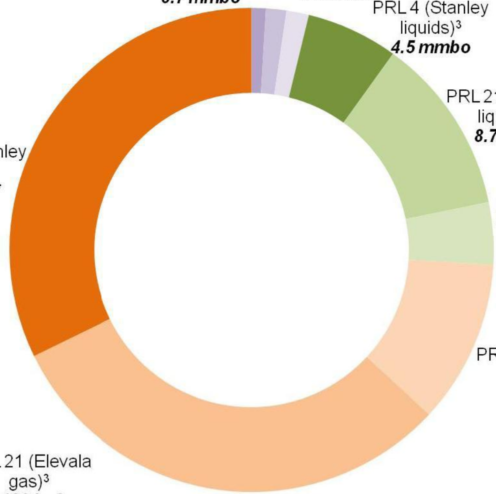
NON-EXECUTIVE DIRECTORS	RESPONSIBILITIES	EXPERIENCE
Fraser Ainsworth AM B.COMM, FAICD, FCPA	Chairman of Board, Chairman of Remuneration, Nomination and Disclosure Committee, Member of Audit and Risk Management Committee	28 years in CSR's resource & energy business, former MD of Delhi, former MD of SAGASCO, Founder & Executive Director of Potential Energy, Non-executive Director of Envestra Limited and Chairman of Tarac Australia Limited.
John Humphrey LL.B., SF Fin	Director, Chairman of Audit Committee, Member of Risk Management Committee	Senior partner in Mallesons Stephen Jacques, Director Downer EDI and Wide Bay Australia Limited, sitting member of the Takeover Panel.
Robert Laws B.Sc, GAICD	Director, Chairman of Risk Management Committee, Member of Audit and Remuneration and Nomination Committee	24 years experience in exploration, E&P management in Geosurveys and Elf Aquitaine, 18 years Director of Petroleum Division of South Australian Department of Mines & Energy.
Gerrit J de Nys B.Tech, FIEAust, FAICD, CPEng	Director	40 years experience in civil engineering, construction, oilfield contracting and natural resource investment management. Former MD of IMC Group Direct Investments, Non-Executive Chairman of Red Sky Energy Limited, independent Non-Executive Director of Shui On Construction and Materials Limited.
Andrew Stock B.Eng (Chem) (Hons), FAIE, GAICD	Director, member of Risk Management Committee	35 years of development, operations and commercial experience in energy industries in Australia and overseas. Director, Executive Projects for Origin Energy, former Executive General Manager for Major Development Projects for Origin Energy. Director of Geodynamics Limited and a member of the Advisory Boards for the Centre of Energy Technology & the Faculty of Engineering, Computers and Mathematical Sciences at University of Adelaide.
MANAGEMENT AND CONSULTANTS		
Brent Emmett B.Sc (Hons)	Chief Executive Officer / Managing Director and Member of Risk Management and Disclosure Committee	Over 30 years experience in exploration, E&P management, investment banking / Exxon, Elf Aquitaine, Ampolex, CIBC / Australia, New Zealand, Papua New Guinea, China, USA, Latin America.
Michael Sheridan B.Ec, LL.M., F Fin	Chief Financial Officer / Company Secretary	Over 20 years experience in finance, commercial and legal areas / Ernst & Young, Ampolex, RGC Limited, Minera Alumbrera Limited, Hutchison Telecoms / Australasia, South East Asia, South America.
Alan Fernie B.Sc	Manager, Exploration and Development	Over 35 years experience in exploration, E&P management and business development / BP, Sun International, Ampolex, Santos, RISC / UK, Latin America, Asia, Australia, Middle East, Europe.
Paul Ettema B.E. (Hons)	Petroleum Engineering Adviser	Over 30 years experience in reservoir engineering, development planning and operations management / Esso, Bridge Oil, Ampolex, NZOG / Australia, PNG, New Zealand, China.
Sir Moi Avei	Advisor to Board – Papua New Guinea Affairs	Former PNG Deputy Prime Minister and Minister for Petroleum and Energy, Managing Director of Hiri Consultants.
James (Jim) Slater	Principal of Kelly Down Consultants, Drilling and Logistics managers	Over 35 years experience in managing drilling operation in South America, Middle East and SE Asia, both onshore and offshore. For over 21years KDC has managed heli - supported logistics and drilling operations for good quality clients in PNG, including numerous wells in Western Province.

Net Reserves, Contingent Resources and Exploration Potential as at 31 December 2010 – Post PRL 21 & Block 22/12 Acquisitions

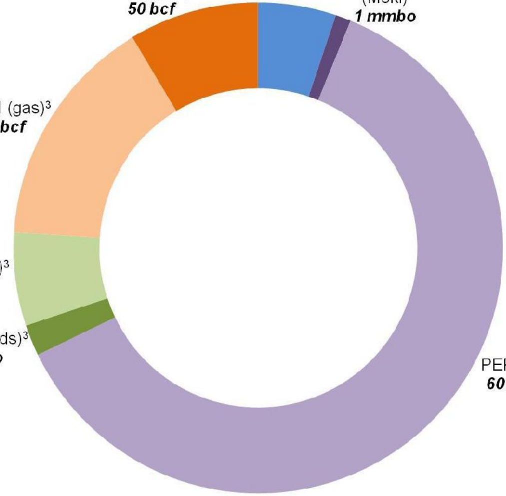
RESERVES
Proven + Probable



CONTINGENT RESOURCES
Proven + Probable



EXPLORATION POTENTIAL
Unrisked Mean

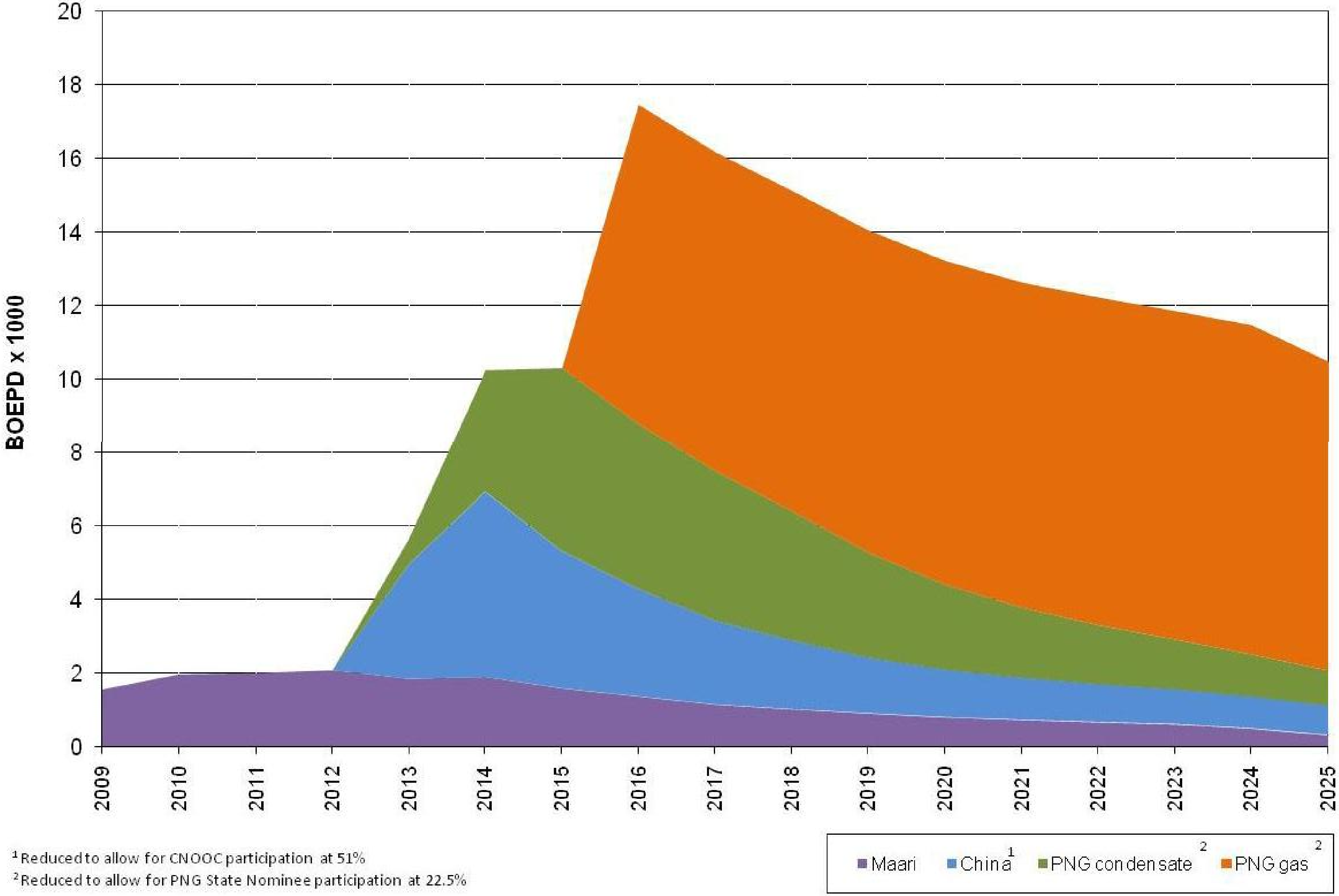


[1] Reduced to allow for CNOOC participation at 51%
[2] Net of production through 31 December 2010
[3] Subject to reduction to allow for PNG State Nominee participation at 22.5%

Total reserves and resources – 90 mmboe

Exploration potential – 97 mmboe

Net Production Forecast – Post PRL 21 & Block 22/12 Acquisitions



[1] Reduced to allow for CNOOC participation at 51%
[2] Reduced to allow for PNG State Nominee participation at 22.5%

Acquisition Overview

- Terms
  - Consideration of A$38m in cash and 15m options in Horizon Oil stock with an exercise price of A$0.37 and 3 year term
  - Conditions to SPA satisfied and no pre-emptive rights exist; transaction endorsed by CNOOC

- Project features
  - Relatively uncomplicated development in 40 – 60 m water depth; reasonable metocean conditions
  - Development concept utilises existing CNOOC facilities, services, infrastructure and manpower; export facilities already operational
  - Operator CNOOC is experienced in the region and capable; project management team established and development work underway
  - Phase I (WZ6-12 and WZ12-8W) gross cost estimate US$300m; first oil target late 2012
  - Phase II (WZ12-8E) feasibility study underway; logical add-on to Phase I

- Investment highlights
  - Purchase price and additional development cost to be funded by US$75 – 80 m convertible bond issue
  - Price is materially value accretive based on consensus broker valuation of Block 22/12
  - Increases Horizon Oil's net reserves in Block 22/12 from 6.1 mmbo to 11.2 mmbo and share of peak production from approximately 2,200 bopd to 4,000 bopd
  - Upside exploration potential in WZ6-12 area to be evaluated during development drilling campaign

Convertible Bonds Issue – Indicative Terms

Horizon Oil

Subject to appropriate market conditions, Horizon Oil intends to issue US$75 – 80m of convertible bonds on the following indicative terms:-

Issuer	**Horizon Oil Limited**
Issue size	US$75 - 80 million
Currency	United States Dollars (USD)
Ranking	Unsubordinated and unsecured (ranks effectively behind secured indebtedness)
Tenor	5 years ([June 2016])
Coupon	[•]% per annum
Conversion premium	[•]%
Conversion Price Resets	Reset dates in June 2013, 2014 and 2015, subject to floor at 80% of US$ Initial Conversion Price
Issue price / Redemption price	100.000% / [•]% of principal
Dividend protection	Full dividend protection
Issuer call option	Non-call for 3 years, then callable subject to 140% trigger
Sales restrictions	Reg S only
Listing	SGX-ST

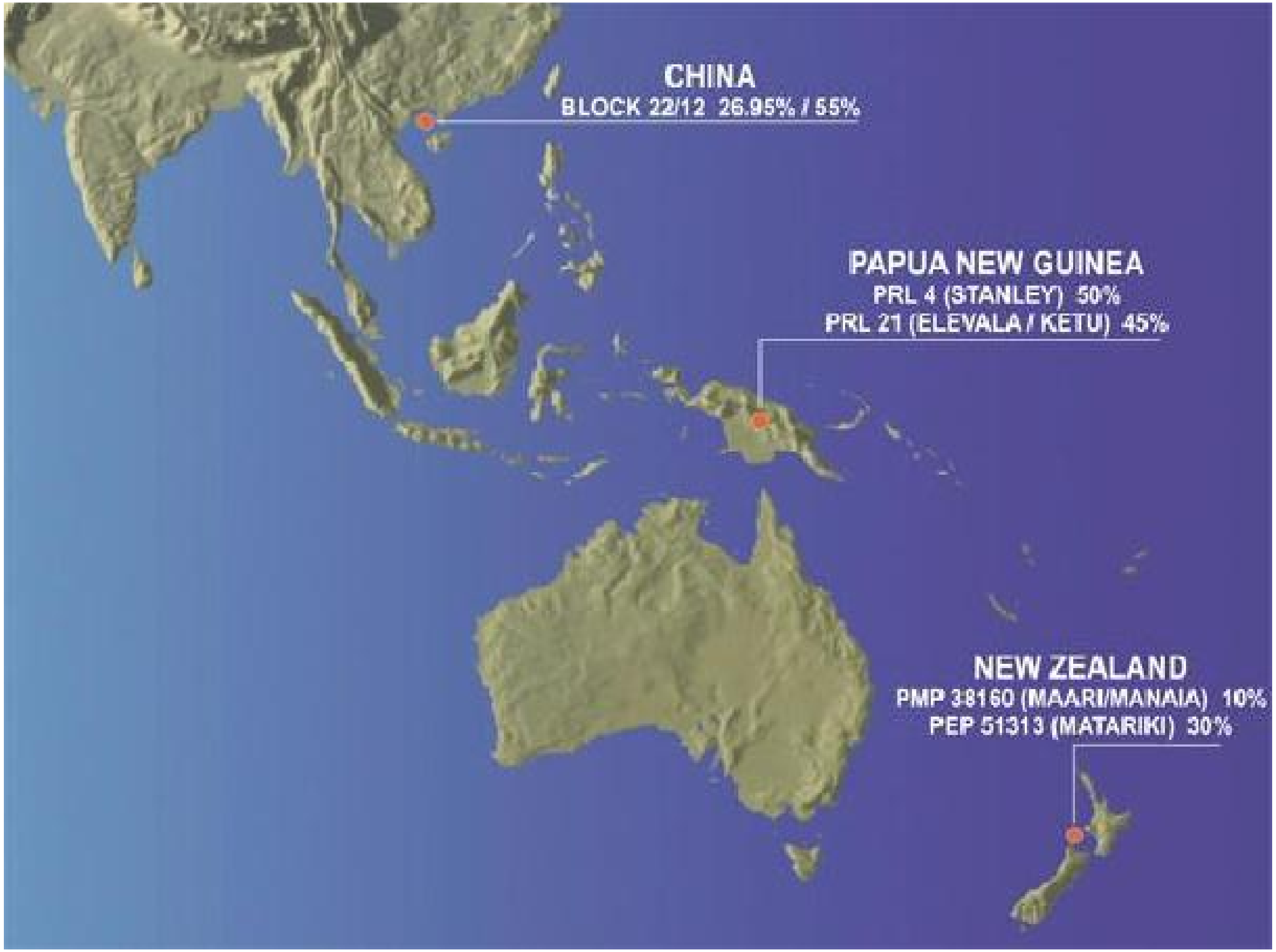
Source and Use of Funds April 2011 – December 2012

	US$m
Sources of funds	
Cash on hand (at 31 March 2011)	25
Forecast net after tax operating cashflow from Maari through 31 December 2012[1]	72
Proceeds from 2009 sale of part interest in PNG assets to Talisman	22
Proceeds from CB issue (net of costs)	72[3]
Project / portfolio reserves-based secured bank debt[2]	135
Total sources of funds	**US$326m**
Uses of funds	
Operations	
China Block 22/12 development capex at 26.95% interest to first production in January 2013	82
PNG Stanley development capex at 38.75% interest to first production in July 2013 (subject to project FID)	80
Overheads and anticipated exploration and (uncommitted) development costs	84
Corporate	
Acquisition of Petsec interest in Block 22/12	40
Maari project facility balance payable by end 2011	11
Financing costs (CB and bank facilities)	9
Working capital	20
Total uses of funds	**US$326m**

[1] Based on operator's current production forecast for 2011 and budget production for 2012, and current Brent oil price of US$110/bbl plus crude quality premium
[2] Currently uncommitted, but based on indicative proposals received from senior lenders
[3] Based on US$75m issue

Asset Review

Focus on productive fairways and mature operating environments in SE Asia / Australia …



…where there is strong demand for oil and gas

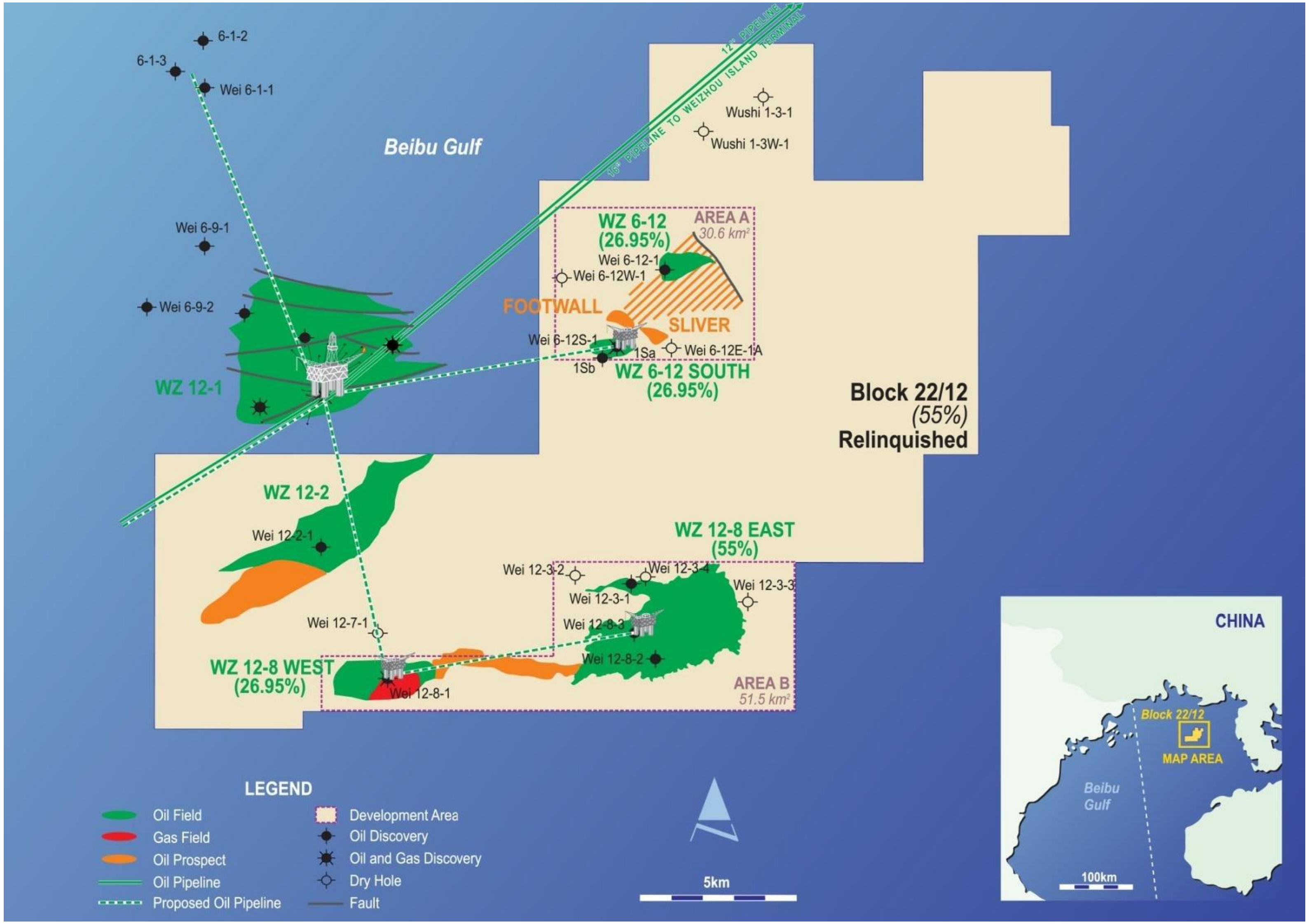
China 22/12 – Discoveries and Prospects

176 mmbo-in-place discovered…

Block 22/12 Post-CNOOC Back-in:

HZN	26.95%[1]
CNOOC	51.00% (Op)
ROC	19.60%
Majuko Corp	2.45%

[1] Assuming completion of Petsec acquisition



…development underway, on stream late 2012

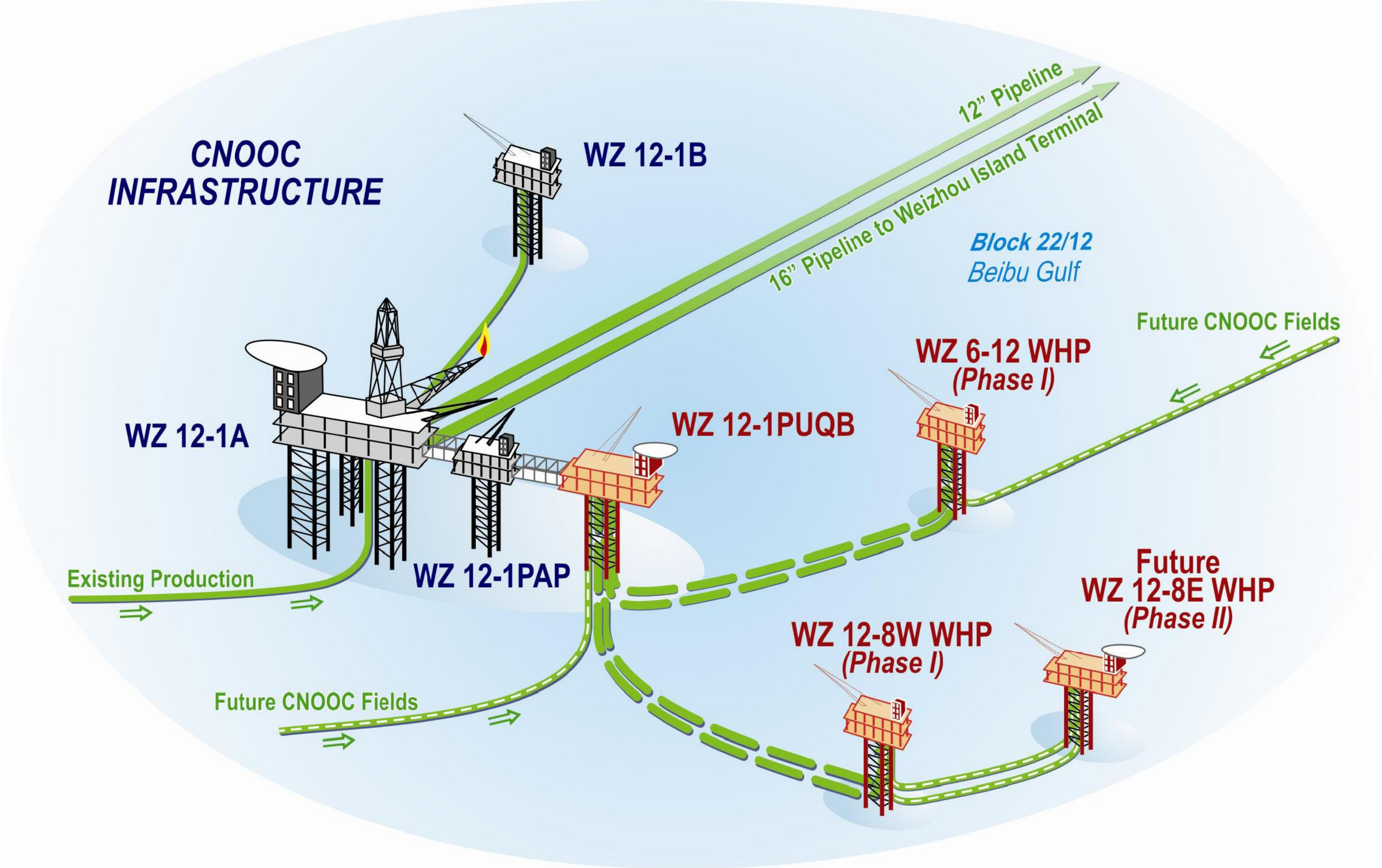
Block 22/12 Development Plan – Key Points

Horizon Oil

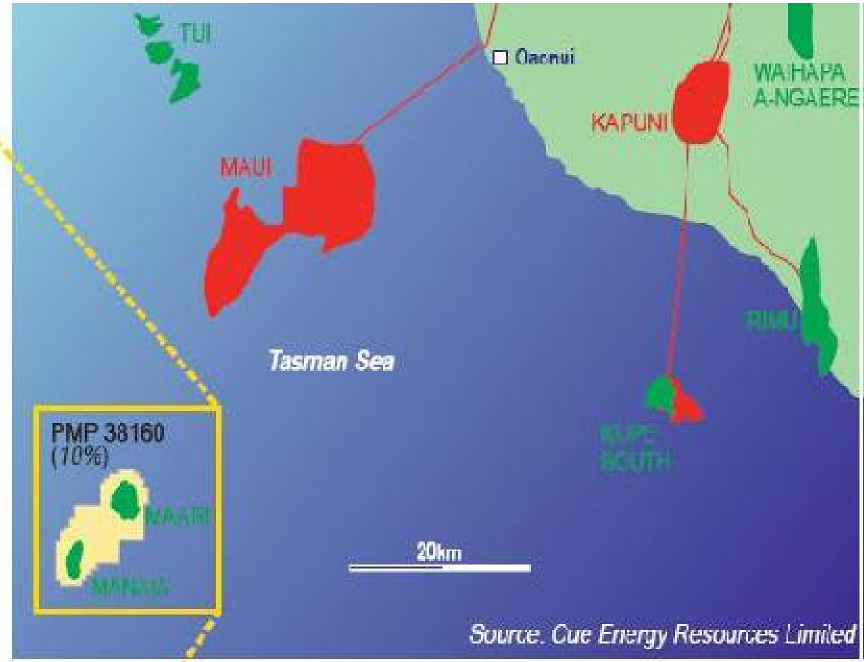
- Development scheme is to utilise CNOOC facilities, services, infrastructure and manpower where possible to achieve capex and opex sharing and accelerated timing to first oil
- CNOOC to operate Block development and production
- Phase I – unmanned wellhead platforms at WZ6-12S and WZ12-8W, tied back to new auxiliary utility platform at WZ12-1 location; total gross development cost US$300m – all up
- Water and gas disposal from CNOOC platform; oil export via CNOOC pipeline to Weizhou Island storage and ship loading facilities
- Supplemental Development Agreement signed with CNOOC August 2010; FID February 2011; construction 2011 – 12; on production late 2012
- Phase II – unmanned wellhead platform at WZ12-8E, tied back to Phase I auxiliary utility platform; feasibility study for WZ12-8E underway
- Further exploration potential in WZ6-12 area

Block 22/12 Phased Development Scheme

Horizon Oil



Maari / Manaia Fields – New Zealand



Maari / Manaia:	
HZN	10%
OMV	69% (Op)
Todd	16%
CUE	5%

Maari Development Concept

Horizon Oil

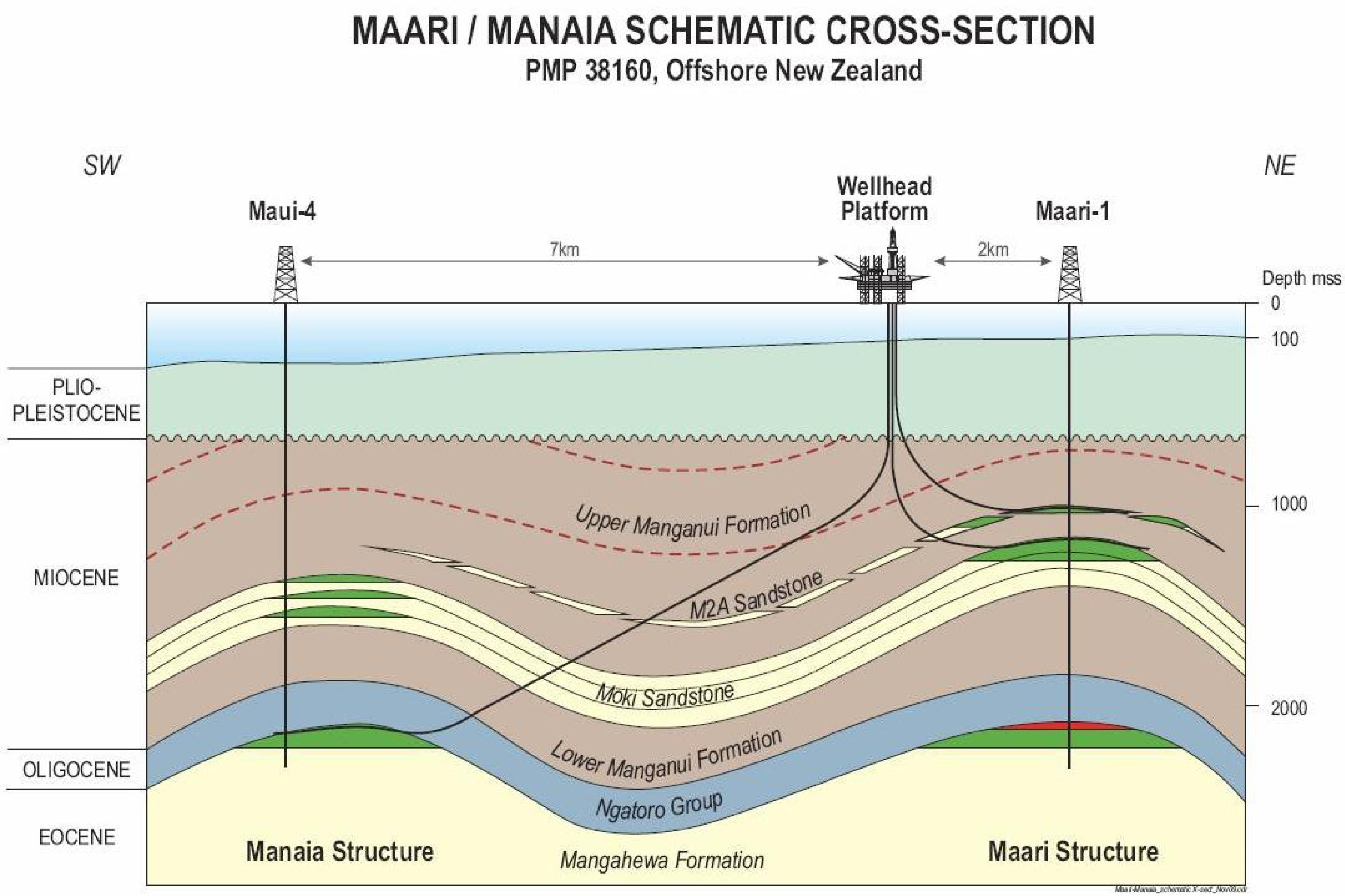
- Production permit covering Maari and Manaia through December 2027 with ability to extend
- Design plateau production rate 35,000 bopd
- Wellhead platform allows well intervention without need to import a rig
- Workover rig and coiled tubing unit permanently on platform or at shorebase
- Spare capacity on platform for additional wells to access upside reserves
- Back-up systems in well completion and process stream for flow assurance
- FPSO has 600,000 barrel storage; designed to be permanently moored
- Favourable purchase option over FPSO – likely to exercise in April 2013
- Platform is re-useable at end of field life

Maari Key Points

Horizon Oil

- Primary Maari Moki zone developed with 5 producer wells and 3 water injectors – 58 mmbo ultimate recoverable reserves
- Nameplate capacity of facilities 35,000 bopd, purchase option on FPSO
- Production to 27 May 2011 14.1 mmbo, generating gross revenue of over US$1 billion since first oil in March 2009
- High quality crude receiving premium to dated Brent price
- Successful appraisal / development wells drilled from platform on secondary zones – M2A sands and Manaia Mangahewa formation, both wells equipped for production
- Focus now on production optimisation and "Greater Maari Area" development to address upside potential

Maari Upside Potential



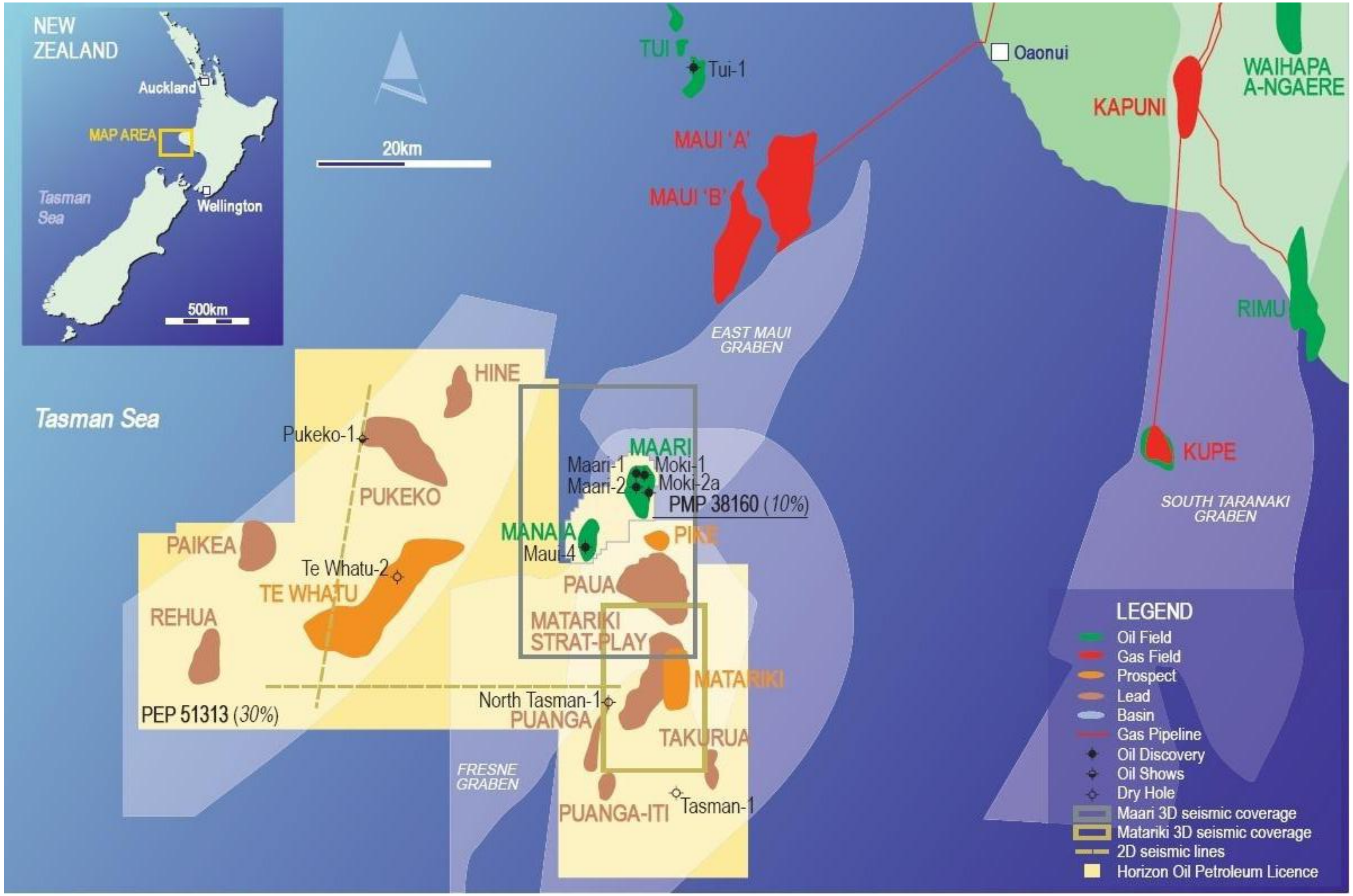
Potential to increase total recoverable reserves from PMP 38160 to 80 – 100 mmbo

PEP 51313 – New Zealand

2,595 sq km block with 5 year term, logical extension of Maari / Manaia…

PEP 51313:

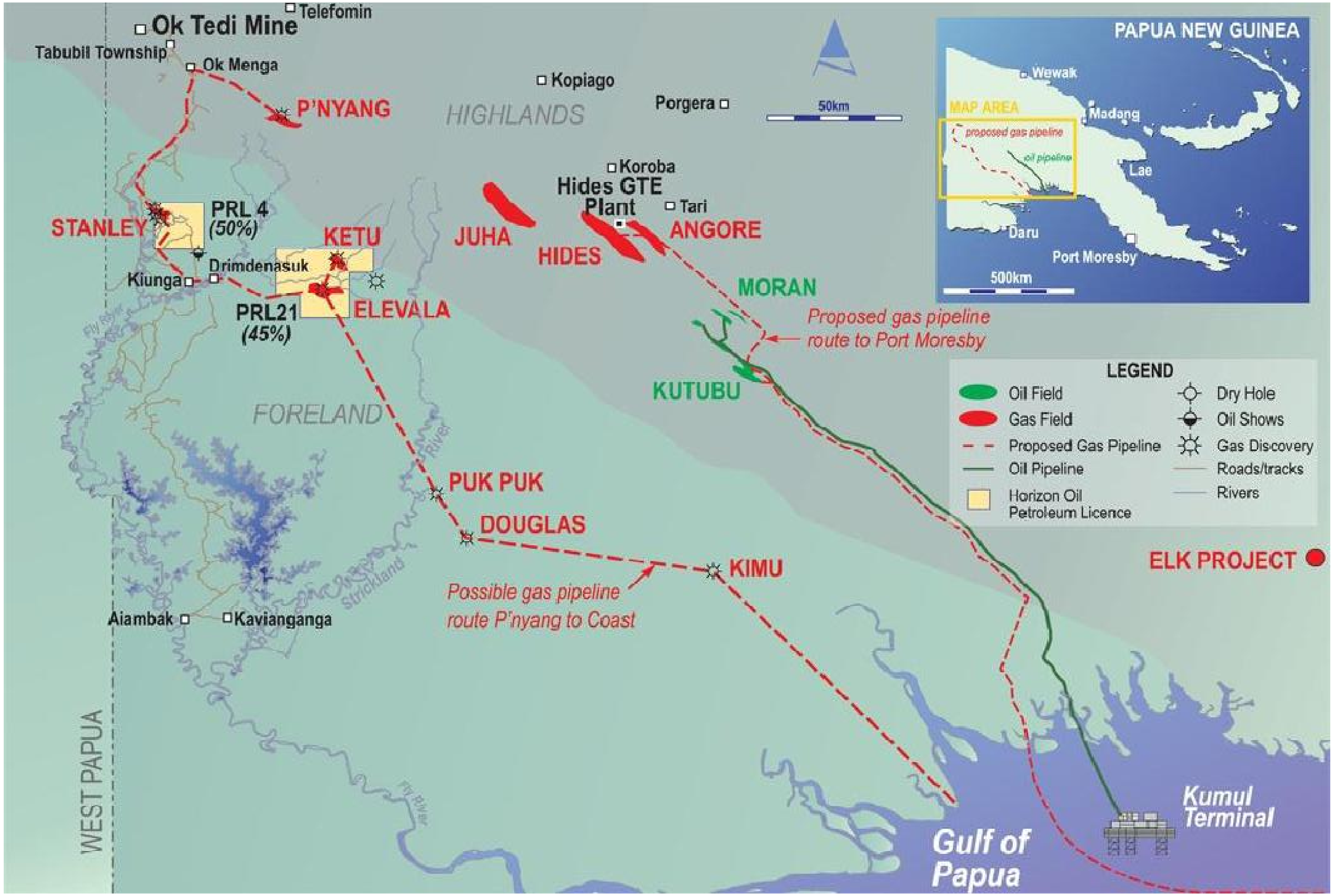
HZN	30%
Todd	50% (Op)
CUE	20%



…deep prospect and lead inventory in proven play-types

Papua New Guinea

Uptick in industry activity, with large projects gaining traction…



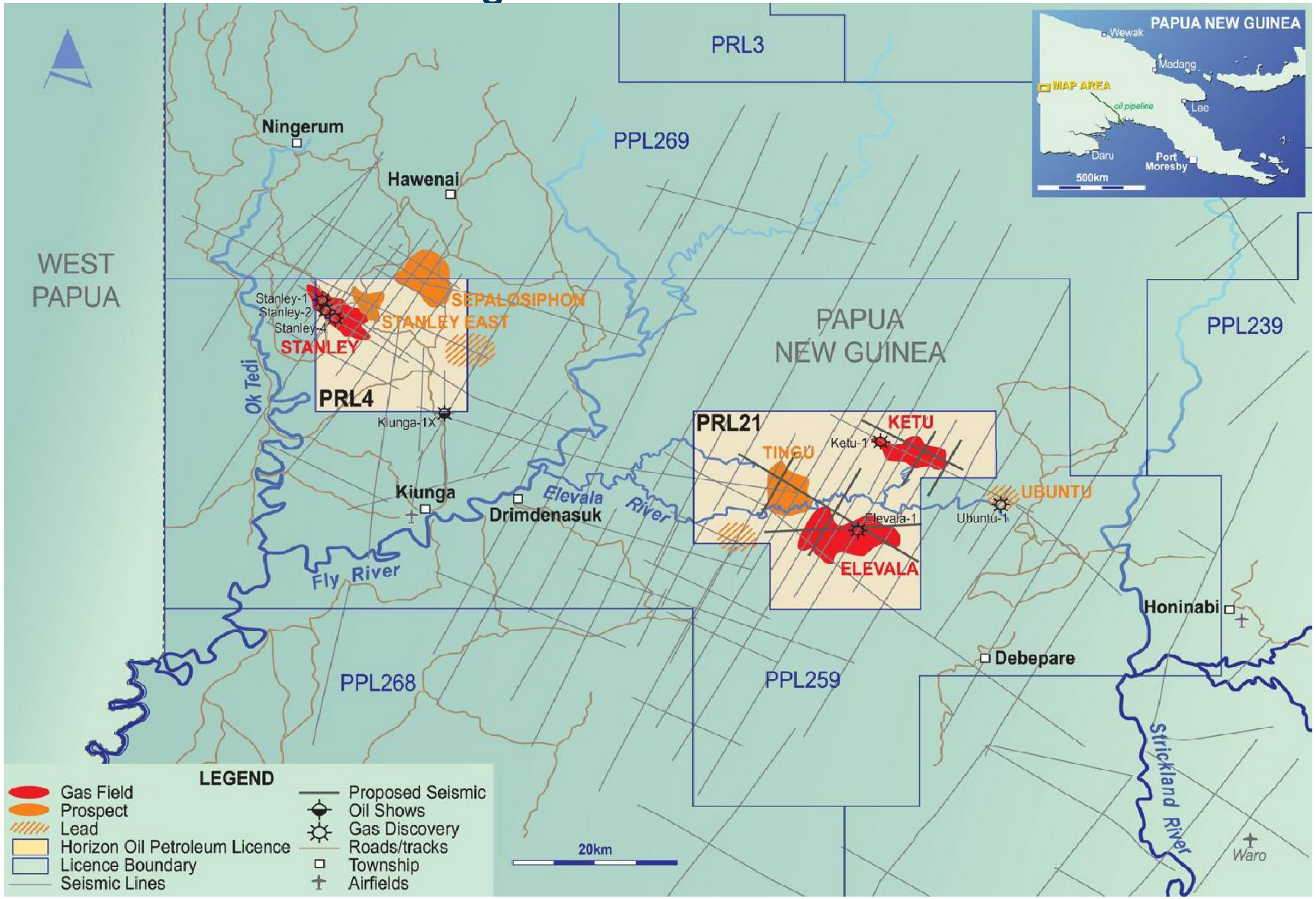
… major gas aggregation play emerging in Western Corridor / Offshore

PRL 4 and PRL 21 – Papua New Guinea

Possible recoverable resources of 1 – 2 tcf gas and 40 – 70 mmbo condensate…

PRL 4:	
HZN	50% (Op)
Talisman	50%

PRL 21:	
HZN	45% (Op)
Talisman	35%
Dabajodi	20%



…condensate stripping phase planning underway

Western Province Play – Papua New Guinea

- Significant resource position, joint venture with partner Talisman Energy Inc. in:-
  - PRL 4 (Stanley gas / condensate discovery) – 50%
  - PRL 21 (Elevala and Ketu gas / condensate discoveries) – 45%
- Fields located in relatively flat and accessible foreland area
- Initial development phase to involve condensate stripping with re-injection of dry gas and export of condensate via Fly River, operated by Horizon Oil – FEED and shipping studies substantively complete
- Development drilling program underway with positive result at Stanley-2 and -4
- Good progress being made on regulatory issues associated with Stanley development – Field Development Plan lodged
- Negotiations underway to supply gas to local and regional consumers
- Gas export phase to occur later, operated by Talisman - assembling large gas aggregation play
- Drilling program:- Stanley-4, (Sepalosiphon-1), Elevala-2, Ketu-2

Analysts' Valuations (Pre PRL 21 & Block 22/12 Acquisitions)

Horizon Oil

Firm	Date of research	Target share price (A$)	Recommendation
UBS	31 Mar 11	$0.58	BUY
Commonwealth Bank	5 May 11	$0.50	BUY
Euroz	31 Mar 11	$0.55	BUY
Macquarie Equities	3 May 11	$0.50	BUY
Merrill Lynch	31 Mar 11	$0.47	BUY
Moelis & Co	21 Mar 11	$0.65	BUY
Morgan Stanley	31 Mar 11	$0.49	BUY
Patersons	3 May 11	$0.45	BUY
RBS Morgans	1 Apr 11	$0.43	HOLD
Southern Cross Equities	31 Mar 11	$0.53	BUY
Wilson HTM	1 Apr 11	$0.41	BUY

HZN Share Price … Catalysts for Re-rating

Horizon Oil

- Achievement of construction milestones on Block 22/12 development
- Final Investment Decision on Stanley condensate stripping project
- Progress on gas sales to regional PNG consumers
- Progress by Talisman on Western Corridor gas aggregation (export) scheme
- Begin appraisal drilling on Elevala and Ketu discoveries in PRL 21
- Exploration success
  - PMP 38160, Maari /Manaia
  - PEP 51313, New Zealand – Matariki, Te Whatu, Pukeko
  - PNG – Sepalosiphon, Tingu
  - Block 22/12 – WZ6-12 close-in and deeper prospects

Coming up in 2011…Management Priorities

Horizon Oil

- Maari field, New Zealand
  - Optimise water injection and oil production
  - Design development scheme to produce Greater Maari Area accumulations
- PEP 51313, New Zealand
  - Process recently-acquired seismic, integrate with existing and interpret
  - Mature prospect(s) for drilling in 2012
- Block 22/12, offshore China
  - WZ6-12 + 12-8W development, engineering, procurement and construction
  - Complete feasibility study for WZ12-8E
  - Evaluate exploration prospects for drilling in field development drilling phase
- PRLs 4 and 21, Papua New Guinea
  - Drill Elevala-2 and Ketu-2 wells
  - Field development planning for Stanley
  - Mature exploration prospect inventory for drilling

Horizon Oil

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Analyst reports on HZN

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Appendix – further background information

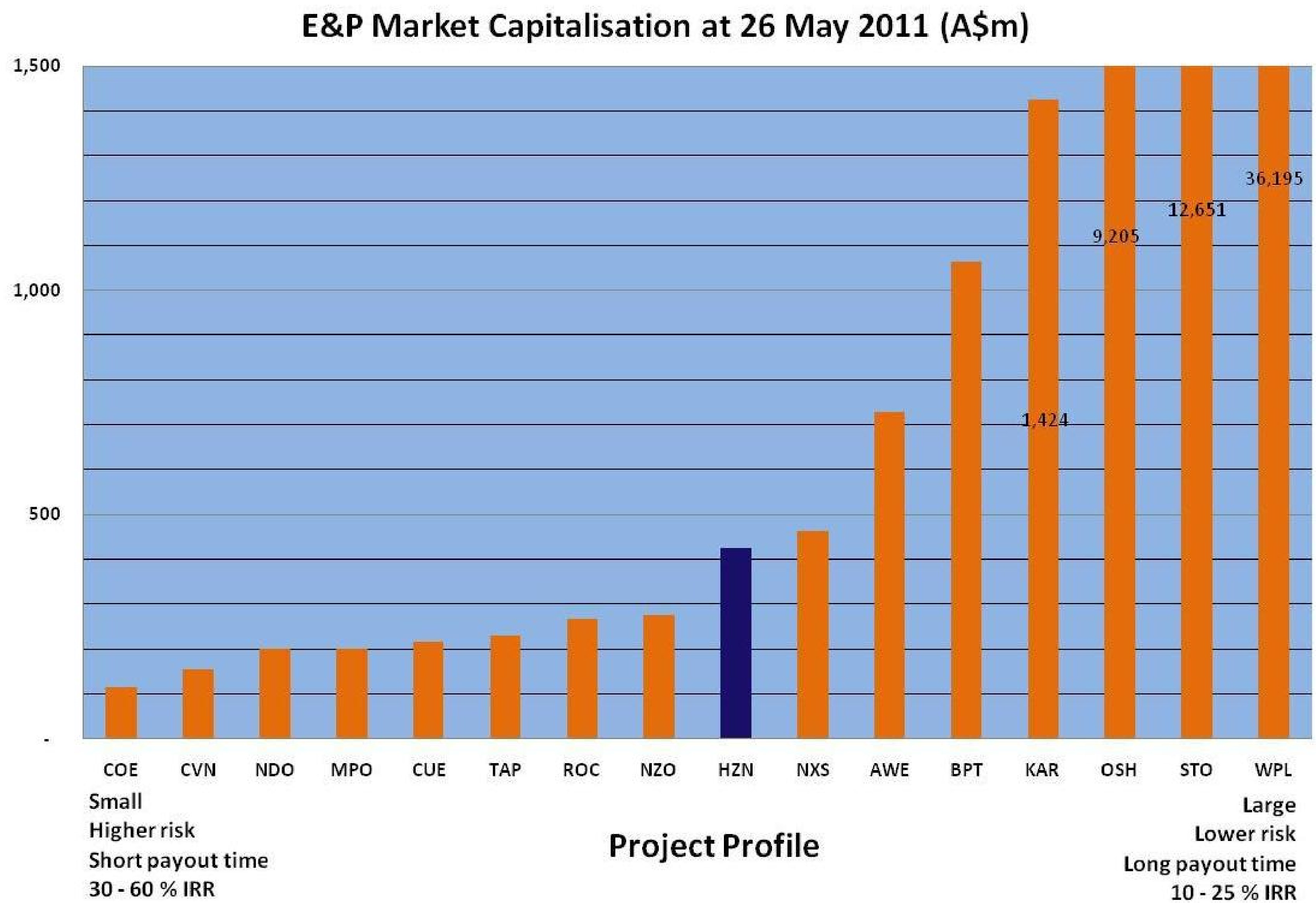
Investment Strategy

Horizon Oil

- Distinct southeast Asian geographic focus
- Strong, long-lived cashflows from Maari field, offshore New Zealand, to fund future capital program
- Substantial inventory of discovered reserves and resources to bring into production with minimal exposure to geological risk – 90 million barrels of oil equivalent (mmboe)
- Conservative and highly selective policy on exploration – 97 mmboe unrisked mean potential
- Focus on plays with scale and upside

Exposure to commodity price upside, especially oil price, and production growth

Executive summary



Recent PNG Transactions…heavy artillery arriving

Horizon Oil

Date	Company	Transactions
On-going	Exxon	Development of the Exxon-operated PNG LNG Project
On-going	InterOil	Appraisal / development of Elk / Antelope LNG Project – to be front-ended with condensate stripping phase
Sep'08	Sasol	Papua Petroleum Ltd farms out 51% interests in PPLs 285, 286, 287 and 288 to Sasol for seismic carry
Oct '08	Petronet Eni	Indian LNG importer Petronet signals plan to enter the upstream oil and gas sector in PNG Italy's Eni signs an oil and gas exploration agreement with the PNG Government
Dec '08	Petromin Nippon	Petromin acquires direct interest in Elk/Antelope Field from InterOil for initial A$4.8m deposit and funding for 20.5% of field development costs Nippon acquires AGL Energy's PNG interests for A$1.13bn
Feb '09	Kogas	Kogas reported as actively seeking to establish an interest in gas fields in PNG
Mar '09	IPIC	IPIC completes purchase of 17.6% stake in Oil Search via 5 year US$1.1bn exchangeable bond from PNG Govt
Apr '09	Oil Search	Oil Search farms into Eaglewood Energy's PPL 260 - seismic + optional well
May'09	Origin Energy	Origin forms JV with PNG Sustainable Development Program
May '09	Sasol	Rift Oil farms out PPL 235 to Sasol – seismic + up to 4 wells
Jun '09	P3GE Talisman Energy	Eaglewood Energy farms out PPL 259 to P3GE for US$15m and one well Talisman purchases Rift Oil outright for £114.8m (~US$188m) acquiring PPL 235 (Douglas and Puk Puk gas discoveries) and PPL 261. The terms of the deal override the PPL 235 farmout to Sasol
Jul`09	Talisman Energy	NGE farms out PPL 268 and 269 to Talisman – seismic + up to 6 wells
Sep'09	Talisman Energy	Talisman purchases:- 50% of PRL 5 from Santos for US$20m 50% of PRL 4 from Horizon Oil for US$30m in cash + US$30m work carry
Oct'09	Oil Search	Oil Search raises A$935m in new capital to fund equity component of PNG LNG project
Dec'09	Talisman Energy	Talisman purchases Papua Petroleum Ltd for A$25m – 49 interests in PPLs 285, 286, 287 and 288
Aug'10	Talisman Energy	Talisman buys Cue and Mosaic interests in Kimu gas field in PRL 8 for US$16m
Aug'10	Mitsui	Mitsui buys into InterOil Elk / Antelope condensate stripping / LNG project
Sep'10	Energy World Corp	EWC signs agreement with InterOil to build 2 mtpa LNG plant fed by Elk / Antelope

Risk Factors

There are numerous widespread risks associated with investing in any form of business and with investing in bonds and the share market generally. There are also a range of specific risks associated with the Company's business and its involvement in the exploration and petroleum development and production industry and an investment in the Bonds or the Ordinary Shares of the Company should be considered speculative. Many of these risk factors are largely beyond the control of the Company and its Directors because of the nature and location of the existing and proposed business activities of the Company.

Investors should carefully consider the risks described below before making a decision to invest in the Bonds. The risks described below do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.

The investment referred to in this Offering Circular may not be suitable for all of its recipients. Investors are advised to examine the contents of this Offering Circular and to consult their professional advisors before making a decision to subscribe for Bonds.

RISKS RELATING TO THE BONDS AND THE SHARES

The following summary, which is not exhaustive, outlines some of the major risk factors in respect of an investment in the Bonds.

There is a lack of a public market for the Bonds

There is currently no formal market through which the Bonds may be sold and purchasers may not be able to resell the Bonds purchased under this Offering Circular. Application will be made for the listing of the Bonds on the SGX-ST. However, there is currently no formal trading market for the Bonds and there can be no assurance that an active trading market will develop for the Bonds after the Offering, or that, if it develops, such a market will sustain a price level at the issue price.

Other Indebtedness

The Bonds will rank pari passu in right of payment with all other existing and future unsecured and unsubordinated obligations of the Company save for such obligations that may be preferred by provisions of law that are mandatory and of general application. To the extent the Company incurs any future secured indebtedness, the Bonds will also effectively rank behind such secured obligations to the extent of the assets serving as security for that secured indebtedness. To the extent that assets of the group are owned by the Company's Subsidiaries (as defined in the Conditions) and not by the Company, the ability of the Bondholders to have recourse to those assets will also rank effectively behind all obligations incurred by those Subsidiaries.

There is an absence of covenant protection for the Bonds

The Trust Deed will not limit the Company's ability to incur additional debt or liabilities (including secured indebtedness). The Trust Deed will not contain any provision specifically intended to protect holders of the Bonds in the event of a future leveraged transaction by the Company (other than certain secured capital markets transactions in the circumstances described in Condition 2 (Negative Pledge)).

The Company (or its Subsidiaries) may in the future incur further indebtedness and other liabilities. The Company (and its Subsidiaries) has and may in the future provide guarantees and/or indemnities in respect of such indebtedness. The Company is a holding company with no significant assets other than the shares of its wholly-owned and non wholly-owned Subsidiaries. The ability of the Company's Subsidiaries to pay dividends and make other transfers to the Company may be limited by various regulatory, contractual, legal and tax constraints or the Subsidiaries' debt or other agreements with lenders. If as a result of these restrictions the Company is unable to ensure the continued transfer of dividends and other income to it from these Subsidiaries, this may materially and adversely impair the Company's ability to pay dividends and interest, and to service its debt obligations, including its obligations under the Bonds.

The Company may be unable to redeem the Bonds

The Company must redeem the Bonds on the Maturity Date, on the request of a Bondholder if a Change of Control or a Delisting (each as defined in the Terms and Conditions of the Bonds) occurs or on the occurrence of an Event of Default in relation to which the Trustee has given notice to the Issuer that the Bonds are immediately due and repayable. The Company cannot assure Bondholders that, if required, it would have sufficient cash or other financial resources at the time such a redemption obligation arises or would be able to arrange financing to redeem the Bonds in cash.

The market price of the Bonds following the offering of the Bonds may be volatile

The market price of the Bonds will be based on a number of factors, including:

- the prevailing interest rates being paid by companies similar to the Company;
- the overall condition of the financial and credit markets;
- prevailing interest rates and interest rate volatility;
- the markets for similar securities;
- the financial condition, results of operations and prospects of the Company;
- the publication of earnings estimates or other research reports and speculation in the press or investment community;
- the market price and volatility of the Ordinary Shares;
- the market prices for commodities (including, without limitation, the market price for oil);
- changes in the industry and competition affecting the Company; and
- general market and economic conditions.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Bonds.

Risk Factors

Holders will bear the risk of fluctuations in the price of the Ordinary Shares

The market price of the Ordinary Shares may be volatile. The volatility of the market price of the Ordinary Shares may affect the ability of holders of Bonds to sell the Bonds at an advantageous price. Additionally, this may result in greater volatility in the market price of the Bonds than would be the case for non-convertible debt securities. The market price of a publicly traded stock is affected by many variables not directly related to the success of the Company. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, including in particular petroleum companies considered to be development stage companies or companies in early stages of production, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Market price fluctuations in the Ordinary Shares may also arise due to the operating results of the Company failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors along with a variety of additional factors, including, without limitation, those set forth under "Cautionary Statement Regarding Forward -Looking Statements". In addition, stock markets, including the ASX and the SGX-ST from time to time suffer significant price and volume fluctuations that affect the market price for securities and which may be unrelated to the operating performance of the Company. Any of these events could result in volatility and/or a decline in the market price of the Bonds or the Ordinary Shares.

Holders have limited anti-dilution protection

The conversion price of the Bonds will be adjusted in the event that there is a consolidation, sub-division, or reclassification, capitalisation of profits or reserves, rights issue, capital distribution or other adjustment, but only in the circumstances and only to the extent provided in "Terms and Conditions of the Bonds – Conversion of Bonds". There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Events in respect of which no adjustment is made may adversely affect the value of the Ordinary Shares and, therefore, adversely affect the value of the Bonds.

Before conversion, Bondholders will not be entitled to any shareholder rights, but will be subject to all changes affecting the Ordinary Shares

A Bondholder holding Bonds will not be entitled to any rights with respect to the Ordinary Shares, including voting rights and rights to receive dividends or distributions. However, the Ordinary Shares which the Bondholder will receive upon conversion of his Bonds will be subject to all changes affecting the Ordinary Shares. Except for limited cases under the adjustments to the conversion price, the Bondholder will be entitled only to rights that the Company may grant with respect to the Ordinary Shares if and when the Company delivers Ordinary Shares to the Bondholder upon its election to convert its Bonds into Ordinary Shares. For example, should the Company seek approval from Ordinary Shareholders for a potential merger, or if an amendment is proposed to the Company's certificate of incorporation or articles which may require Shareholder approval, the Bondholders will not be entitled to vote on the merger or amendment.

Modifications and waivers

The conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Change of law

The terms and conditions of the Bonds are based on English law in effect as at the date of Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Exchange rate risks and exchange controls

The Company will pay principal and interest on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than U.S. dollars. These include the risk that exchange rates may significantly change (including the changes due to devaluation of the U.S dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

GENERAL RISKS RELATING TO THE COMPANY'S BUSINESS

The following summary, which is not exhaustive, represents some of the more general major risk factors for the Company.

Economic conditions

Economic conditions, both domestic and global, may affect the performance of the Group. Adverse changes in macroeconomic conditions, including global and country-by-country economic growth, the costs and general availability of credit, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary, and regulatory policies), general consumption and consumer spending, employment rates and industrial disruption, amongst others, are outside the control of the Company and may result in material adverse impacts on the Company's business and its operating results.

Risk Factors

Volatility of commodity prices

The profitability of the Company's current operations is directly related to the market price of commodities, in particular petroleum. Commodities and other resource prices fluctuate widely and are affected by numerous factors beyond the Company's control, including but not limited to global supply and demand, expectations with respect to the rate of inflation, the exchange rates of the US dollar to other currencies, interest rates, forward selling by producers, central bank sales and purchases, production and cost levels in major producing regions, global or regional political, economic or financial situations and a number of other factors.

Production risk

Ongoing production and commissioning of staged expansions to production may not proceed to plan, with potential for delay in the timing of targeted production and/or a failure to achieve the level of targeted production. In extreme circumstances, these potential delays or difficulties may necessitate additional funding which could lead to additional equity or debt requirements for the Group. In addition to potential delays, there is a risk that capital and/or operating costs will be higher than expected or there will be other unexpected changes in variables upon which expansion and commissioning decisions were made. These potential scope changes and/or cost overruns may lead also to additional funding requirements.

The Company's activities may be affected by numerous other factors beyond the Company's control. Mechanical failure of the Company's operating plant and equipment, and general unanticipated operational and technical difficulties, may adversely affect the Company's operations. There is limited operating history available from the Company's sites. Operating risks beyond the Company's control may expose it to uninsured liabilities. The business of petroleum exploration and development is subject to a variety of risks and hazards. Such occurrences may delay production, increase production costs or result in damage to and destruction of, petroleum properties or production facilities, personal injury, environmental damage and legal liability. The Company has insurance to protect itself against certain risks of petroleum and processing within ranges of coverage consistent with industry practice. However, the Company may become subject to liability for hazards that it cannot insure against or that it may elect not to insure against because of high premium costs or other reasons. The occurrence of an event that is not fully covered, or covered at all, by insurance, could have a material adverse effect on its financial condition and results of operations.

Although the Company intends to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on the Company's operations and its financial results.

Speculative nature of petroleum exploration and development

Development of the Company's petroleum exploration properties is contingent upon obtaining satisfactory exploration results. Petroleum exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of risk increases substantially when the Company's properties are in the exploration as opposed to the development phase. There is no assurance that commercial quantities of petroleum will be discovered on any of the Company's exploration properties. There is also no assurance that, even if commercial quantities of petroleum are discovered, a particular property will be brought into commercial production. The discovery of resources is dependent upon a number of factors not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a particular resources, once discovered, is also dependent upon many factors, some of which are the particular attributes of the resources. In addition, assuming discovery of a commercial resource, depending on the type of operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of the Company.

Resources and reserves

No assurance can be given that the hydrocarbon resource and reserves estimates will be recovered during production. The failure of the Company to achieve its production estimates could have a material and adverse effect on any or all of its future cash flows, access to capital, profitability, results of operations, financial condition and prospects. Production estimates are dependent on, among other things, the accuracy of reserve and resource estimates, the accuracy of assumptions regarding the resource calculations and recovery rates. Reserve and resource estimates are based on limited sampling. Commodity price fluctuations, as well as increased production costs or reduced recovery rates, may render reserves uneconomic and may ultimately result in a restatement of such reserves. Moreover, short-term operating factors relating to reserves, such as the need for sequential development of resource bodies and the processing of new or different resource types may cause a drilling operation to be unprofitable in any particular accounting period.

Development risk

The Company's development projects may be delayed or be unsuccessful for many reasons, including unanticipated financial, operational or political events, the failure to receive government approvals, whether a final investment decision is reached, cost overruns, decline in petroleum prices or demand, equipment and labour shortages, technical concerns including with respect to reserves and deliverability difficulties, increases in operational cost structures, contractual issues with securing sales contracts for petroleum products or with engineering procurement and construction contracts, community or industrial actions, changes in construction costs, design requirements and delays in construction or other circumstances which may result in the delay, suspension or termination of the development projects.

In addition, the ability of counterparties of the relevant sales contracts to meet their commitments under such arrangements may impact on the Company's investment in these projects.

Development projects to which the Company is or may become involved are subject to the abovementioned risks (and the other risks outlined in this document), and may adversely affect the commerciality and economics of project development.

Risk Factors

Security of tenure

All licences in which the Company has interests are subject to renewal conditions or are yet to be granted, which will be at the discretion of relevant Ministries in each country. The maintenance of licences, obtaining renewals, or getting licences granted, often depends on the Company being successful in obtaining required statutory approvals for proposed activities. While the Company anticipates that subsequent renewals or licence grants will be given as and when sought, there is no assurance that such renewals or grants will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection with such grant or renewal.

Political stability

The Company's material investments and operations are principally conducted in Papua New Guinea, New Zealand and China. The Company's projects may be subject to the effect of economic, political and social instability, civil unrest, the sovereignty of assets held in those foreign countries, subsequent legislative or administrative actions, the ability to repatriate funds from those countries and the dynamics of their particular legal and commercial systems and creation of new laws. These factors (which may include new or modified taxes or other government levies as well as other legislation) may impact on the profitability and viability of the Company's properties.

Unexploded ordinance and security risk

Areas of Papua New Guinea contain unexploded ordinance and there are security risks in isolated parts of the region. The Company takes precautionary measures to minimise the risks these pose to its personnel and property. In the time which the Company has been operating in Papua New Guinea, it has not suffered any material adverse effect from these issues. However, there is no certainty that loss or liability can be avoided in the future.

Government regulation and tenure

The impact of actions by governments in the countries in which the Company operates may affect the Company's licence to operate and tenure. The Company's activities are subject to extensive laws and regulations controlling not only the commercial exploitation for petroleum properties, but also the possible effects of such activities upon the environment and upon interests of private landholders and local communities. Permits from a variety of regulatory authorities are required for many aspects of operations and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of the Company's properties, the extent of which cannot be predicted. Any failure to comply with applicable laws and regulations, may impact on the profitability and performance of the Company.

In the context of environmental permitting, including the approval of reclamation plans, the Company must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. While it is possible that costs and delays associated with compliance with such laws, regulations and permits could become such that the Company will not proceed with the development or operation of a project, the Company is not aware of any material environmental constraint affecting its proposed development or production activities or exploration properties that would preclude the economic development or operation of any specific project or property.

General legal and taxation matters

Future earnings, assets values and the relative attractiveness of the Company's Bonds and Ordinary Shares may be affected by changes in law and government policy in the jurisdictions in which the Company operates, in particular changes to taxation laws (including stamp duty and goods and services tax).

Any change to the current rate of Company income tax or royalties in jurisdictions where the Company operates will impact on the profitability and performance of the Company.

Liquidity Concerns and Future Financing

Further exploration and development of the various properties in which the Company holds interests depend upon the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that the Company will be successful in obtaining the financing required as and when needed. Volatile markets for commodities may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone its development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

Logistics

Logistical risk relates to long supply lines, and lack of engineering and other support facilities close to the Company's operating sites. In certain of the countries in which the Company operates, the transhipment of commodities through neighbouring countries for export could be subject to disruptions through transhipment licensing delays, political disputes and natural disasters.

Risk Factors

Failures in the supply chain for specialist equipment and materials

The Company operates within a complex supply chain depending on suppliers of raw materials, services, equipment and infrastructure to ensure it can operate, and on providers of logistics to ensure its exploration, development and production activities can be delivered. Failure of significant components of this supply chain due to strategic factors such as business failure or serious operational factors, could have an adverse effect on the Company's business and results of operations.

Failure to make or integrate acquisitions

Business combinations entail a number of risks including the effective integration of acquisitions (including the realisation of synergies), significant one time write-offs or restructuring charges, and unanticipated costs and liabilities. All of these may be exacerbated by the diversion of management's attention away from other ongoing business concerns. The Company may also be liable for the past acts, omissions or liabilities of companies and businesses or properties it has acquired or disposed of, which may be unforeseen or greater than anticipated.

Uninsurable risks

The Company may become subject to liability for accidents, pollution and other hazards against which it cannot insure against which it may elect not to insure because of premium costs or for other reasons, or in amounts, which exceed policy limits. The occurrence of an event that is not fully covered, or covered at all, by insurance, could have a material adverse effect on its financial condition and results of operations.

Joint Ventures and other strategic partnerships may not be successful

The Company participates in several joint venture arrangements and it may enter into further joint ventures. Although the Company has sought to protect its interests, existing and future joint ventures necessarily involve special risks. Whether or not the Company holds majority interests or maintains operational control in its joint ventures, its partners may:

have economic or business interests or goals that are inconsistent with, or opposed to, those of the Company;

exercise veto rights to block actions that the Company believes are in its or the joint venture's best interests;

take action contrary to the Company's policies or objectives with respect to its investments; or

be unable or unwilling to fulfil their obligations under the joint venture or other agreements, such as contributing capital to expansion or maintenance projects.

Where projects and operations are controlled and managed by the Company's partners, the Company may provide expertise and advise but it has limited control with respect to compliance with its standards and objectives. Improper management or ineffective policies, procedures or controls could adversely affect the value of related non managed projects and operations and, by association, damage the Company's reputation thereby harming the Company's other operations and access to new assets.

Climate change risk

Increased regulation of greenhouse gas emissions could adversely affect the Group's costs of operations. Regulatory change by governments in response to greenhouse gas emissions may represent an increased costs to the Company impacting profitability. Increasing regulation of greenhouse gas emissions, including the progressive introduction of a carbon tax in any jurisdiction in which the Company operates is likely to raise energy costs and costs of production over the next decade. Regulation of greenhouse gas emissions in the jurisdictions of the Company's customers could also have an adverse effect on the cost of the Company's production.

Foreign operations

The Company's operations overseas are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties vary from country to country and include, but are not limited to, currency exchange rate; high rates of inflation; labour unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; changing political conditions; currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or otherwise benefit residents of that country or region.

Changes, if any, in investment policies or shifts in political attitude in any of the countries in which it operates may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, black economic empowerment or similar policies, employment contractor selection and safety. Failure to comply strictly with applicable laws, regulations and local practices relating to petroleum right applications and tenure, could result in loss, reduction or expropriation of entitlements.

The occurrence of these factors adds uncertainties which cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Failure of basic infrastructure

Infrastructure in some developing countries for utilities such as electricity and water supply is under strain and underdeveloped. A serious failure of basic infrastructure or occurrences of power outages in the regions in which the Company operates could adversely affect production at the Company's operations.

Risk Factors

Key personnel

Retaining qualified personnel is critical to the Company's success. The Company may face risks from the loss of key personnel, as it may be difficult to secure and retain candidates with appropriate experience and expertise. The Company has implemented incentive plans to assist in the recruitment and retention of talented people needed to achieve its business objectives. Despite this, one or more of the Company's key employees could leave their employment and this may adversely affect the Company's ability to conduct its business and, accordingly, affect the profitability, financial position and performance and prospects of the Company. The Company's success also depends on its ability to identify, attract, accommodate, motivate and retain additional suitably qualified personnel. The number of persons skilled in the acquisition, exploration, development and operation of petroleum properties is limited and competition for such persons is high. As the Company's business activity grows, it will require additional personnel to meet its growing needs. If the Company is unable to access and retain the services of a sufficient number of qualified personnel, this could be disruptive to the Company's development and may materially adversely affect its profitability, financial position and performance and prospects.

Key contractors

The Company's business relationships, operations and financial performance may be materially and adversely affected if any of its current and proposed contractors and sub-contractors do not perform their contractual obligations. The Company can provide no guarantee that the contractors will fulfil these obligations.

Labour and employment matters

While the Company has good relations with its employees, these relations may be impacted by changes in the scheme of labour relations which may be introduced by the relevant country governmental authorities which regulate its operations. Adverse changes in such legislation may have a material adverse effect on the Company's business.

As the Company's business grows, it may require additional key financial, administrative, marketing and public relations personnel as well as additional staff for operations. In addition, given the remote location of the properties, the lack of infrastructure in the nearby surrounding areas, and the shortage of a readily available labour force in the petroleum industry, the Company may experience difficulties retaining the requisite skilled employees in the region. It is important for the Company's continued success that it attracts, develops, retains and engages the right employees. A limited supply of skilled workers could lead to an increase in labour costs of the Company being unable to attract and retain the employees it needs. When new workers are hired, it may take a considerable period of training and time before they are equipped with the requisite skills to work effectively and safely on some of the inherently dangerous tasks associated with the petroleum industry. Failure to retain without appropriate replacement or to attract employees with the right skills for the Company's business could have a material adverse effect on the Company's business. While the Company believes that it will be successful in attracting and retaining qualified personnel and employees, there can be no assurance of such success.

Subsidiaries

The Company conducts certain of its operations through subsidiaries and holds certain of its assets in such subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between the Company and its subsidiaries could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

Exploration and drilling carry inherent risks

Drilling operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, infrastructure failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput. Although it is intended to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on the Company's operations and its financial results should any of these hazards be encountered.

Commodity prices

Commodity prices may substantially impact on the economics of projects and, hence, on exploration and development programs. Commodity prices react to the economic climate, market forces of supply and demand, and other factors beyond the Company's control. The aggregate effect of these factors on commodity prices is impossible to predict. Decreases in commodity prices could adversely effect the Company's ability to finance the development of its projects as well as its results of its operations.

Currency risk

The Company's operations incur expenditures in the local currencies of various countries from operations and certain other capital and operating costs will be in other than the Company's functional currency, US dollars. As a result of the use of these different currencies, the Company is subject to foreign currency fluctuations which may affect its financial position and operating results.

Competition

Significant and increasing competition exists for petroleum acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established petroleum companies with substantial capabilities and greater financial and technical resources, the Company may be unable to acquire rights to exploit additional attractive petroleum properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will acquire any interest in additional operations that would yield reserves or result in commercial petroleum operations.

Risk Factors

Hedging risk

The Company has implemented a hedging policy incorporating currency, interest rate, and various commodities with a view to minimising potential adverse effects on revenue while still allowing medium to longer term exposure to commodity prices. The hedging program may include forward contracts. If the Company fails to deliver the required product on the maturity date of each committed contract then it will need to renegotiate or close out and settle the relevant forward contract. This will result in either a cash gain or loss to the Company depending upon the market price of commodities or the US$/A$ exchange rate at that point in time. Although the risk is managed by the Company, the Company cannot guarantee the effectiveness of its hedging policies. Although hedging activities may protect the Company in certain instances, forward contracts may also limit upside where the market price exceeds the hedge contract.

Equity dilution

The Company may undertake additional offerings of securities in the future. The increase in the number of fully paid shares issued and the possibility of sales of such shares may have a depressive effect on the price of fully paid shares already on issue. The Conditions provide for an adjustment to the Conversion Price in relation to some but not all future offerings of securities. In addition, as a result of the issue of such additional fully paid shares, the voting power of the Company's existing shareholders will be diluted.

Estimates and assumptions are used in preparing consolidated financial statements

Preparation of the consolidated financial statements requires the Company to use estimates and assumptions. Accounting for estimates requires the Company to use its judgement to determine the amount to be recorded on its financial statements in connection with these estimates. The Company's estimates and assumptions used in the valuation of work-in-progress inventories include estimates of petroleum expected to be recovered and the price expected to be realised when the product is recovered. If the estimates and assumptions are inaccurate, the Company could be required to write down the recorded value of its work in progress inventory. On an ongoing basis, the Company re-evaluates its estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

Ability to manage growth

Future operating results depend to a large extent on management's ability to successfully manage growth. This necessarily requires rapid expansion and consolidation of all aspects of the business operations, such as the development of petroleum operations, revenue forecasting, an effective resources marketing strategy, addressing new markets, controlling expenses, implementing infrastructure and systems and managing its assets and contractors. The inability to control the costs and organisational impacts of business growth, an unpredicted decline in the growth rate of revenues without a corresponding and timely reduction in expenses or a failure to manage other issues arising from growth can have a material adverse effect on the Company's operating results.

Litigation

The Company is subject to litigation risks. All industries, including the petroleum industry, are subject to legal claims, which claims may be with or without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company is or may become subject could have a material effect on its financial position, results of operations or the Company's project development operations.

Petsec acquisition

There is a risk that the Petsec acquisition does not complete because, for example, the sale agreement is terminated by one of the parties for breach of the agreement. The non-completion of the Petsec acquisition could be disruptive to the Company's development and may materially adversely affect its profitability, financial position and performance and prospects.

The risks described above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.

The investment referred to in this Presentation may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment advisor before making a decision to subscribe for Bonds.