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31 July 2013

HORIZON OIL LIMITED \$53.5 MILLION FULLY UNDERWRITTEN ENTITLEMENT OFFER

KEY HIGHLIGHTS

- Horizon Oil Limited (ASX:HZN) ("**Horizon Oil**") today announced a \$53.5 million fully underwritten accelerated non-renounceable pro-rata entitlement offer ("**Entitlement Offer**").
- New shares issued under the Entitlement Offer will be priced at \$0.33 per share representing a 9.6% discount to TERP¹ (the "**theoretical ex rights price**"), a 13.0% discount to the 5-day Volume Weighted Average Price ("**VWAP**") and a 10.8% discount to the closing price of Horizon Oil's ordinary shares on the Australian Securities Exchange ("**ASX**") on Tuesday, 30 July 2013.
- Funds raised from the Entitlement Offer will be used to continue Horizon Oil's active exploration and development work programme across Papua New Guinea, China and New Zealand pending completion and receipt of funds from the recently announced Papua New Guinea farm-in transaction with Osaka Gas.
- Horizon Oil's largest shareholder, Austral-Asia Energy Pty Ltd ("**IMC**") has committed to participate in the Entitlement Offer to maintain its current holding of 19.9%. IMC has also committed to sub-underwrite up to \$10 million of the retail portion of the Entitlement Offer.

¹ TERP is the price at which Horizon Oil ordinary shares should trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Horizon Oil ordinary shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and therefore may not be equal to the TERP.



EQUITY RAISING DETAILS

Horizon Oil is pleased to announce a fully underwritten accelerated non-renounceable pro-rata entitlement offer to raise approximately \$53.5 million ("**Entitlement Offer**").

Net proceeds from the Entitlement Offer will be used to continue Horizon Oil's active exploration and development work programme across Papua New Guinea, China and New Zealand pending completion and receipt of funds from the recently announced Papua New Guinea farm-in transaction with Osaka Gas.

The Entitlement Offer will comprise a 1 for 7 accelerated non-renounceable Entitlement Offer of new fully paid ordinary shares in Horizon Oil ("**New Shares**") to raise approximately \$53.5 million, consisting of:

- an accelerated institutional component to be conducted today ("**Institutional Entitlement Offer**"); and
- a retail component which is open from Friday, 9 August 2013 to Friday, 23 August 2013 ("**Retail Entitlement Offer**").

IMC has committed to participate in the Institutional Entitlement Offer to the extent necessary to maintain its current shareholding of approximately 19.9%.

The New Shares will be priced at \$0.33 per share ("**Offer Price**") representing:

- 10.8% discount to the closing price of Horizon Oil's ordinary shares on the ASX on Tuesday, 30 July 2013;
- 13.0% discount to the 5-day VWAP; and
- 9.6% discount to TERP of \$0.365.

The New Shares will rank equally with existing Horizon Oil shares from the date of issue.

Horizon Oil's Chief Executive Officer, Brent Emmett, said "The proceeds from the capital raising, along with the our recently announced strategic alliance with Osaka Gas in Papua New Guinea, provides Horizon Oil with the resources to continue to develop and realise the commercial value of the acreage in the Western Province, Papua New Guinea."

Under the Entitlement Offer, eligible Horizon Oil shareholders may subscribe for 1 New Share for every 7 existing Horizon Oil ordinary shares held at 7:00pm (Australian Eastern Standard Time ("**AEST**")) Tuesday, 6 August 2013 ("**Record Date**") at the Offer Price ("**Entitlement**").

As the Entitlement Offer is non-renounceable, there will be no trading of Entitlements.

UBS AG, Australia Branch is acting as Sole Lead Manager and Sole Underwriter to the Offer. RBS Morgans Corporate Limited is acting as Co-Manager to the transaction.

IMC has also committed to sub-underwrite up to \$10 million of the retail portion of the Entitlement Offer. If all eligible shareholders elect to take up their entitlement in full IMC's percentage holding will not change. In the theoretical scenario where no Horizon Oil shareholders take up their entitlement under the Retail Entitlement Offer, the impact of IMC's pro-rata participation and sub-underwriting would be to increase IMC's ownership of



Horizon Oil shares from 19.9% prior to the Entitlement Offer to 22.2% post the Entitlement Offer.

INSTITUTIONAL ENTITLEMENT OFFER

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place today.

Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Entitlements not taken up under the Institutional Entitlement Offer will be offered to institutional investors through a bookbuild at the same Offer Price of \$0.33.

RETAIL ENTITLEMENT OFFER

Horizon Oil retail shareholders with a registered address in Australia or New Zealand on the Record Date (**"Eligible Retail Shareholders"**) will be entitled to participate in the Retail Entitlement Offer, on the terms and subject to the conditions set out in the booklet to be sent to Eligible Retail Shareholders in relation to the Retail Entitlement Offer (**"Retail Offer Booklet"**).

Eligible Retail Shareholders will have the opportunity to participate at the same Offer Price and the same offer ratio as the Institutional Entitlement Offer. Eligible Retail Shareholders will be entitled to acquire 1 New Share for every 7 existing Horizon Oil shares held on the Record Date. Fractional Entitlements to New Shares will be rounded up.

Under the Retail Entitlement Offer, Eligible Retail Shareholders (other than related parties of Horizon Oil) may also apply for additional New Shares in excess of their Entitlement up to a maximum of 50% of their Entitlement (**"Additional New Shares"**). That is, they may in aggregate apply for New Shares and Additional New Shares equal to a maximum of 150% of their Entitlement. The allocation of Additional New Shares and any scale back will be subject to the availability of Additional New Shares and any scale back will be applied proportionately.

Please note that shareholders with an address registered outside Australia or New Zealand on the Record Date may be ineligible to participate in the Entitlement Offer (**"Ineligible Foreign Shareholders"**). However, pursuant to section 615 of the *Corporations Act 2001* (Cwlth) (**"Corporations Act"**) and subject to regulatory approval Horizon Oil will appoint a nominee to subscribe for New Shares which Ineligible Foreign Shareholders would have been entitled to apply for had they been entitled to participate in the Entitlement Offer. The nominee will remit any net proceeds of sale to Ineligible Foreign Shareholders. The Retail Offer Booklet will contain further details of this process.

Eligible Retail Shareholders will be sent further details about the Entitlement Offer in the Retail Offer Booklet to be lodged with ASX on, and despatched on or around, Friday, 9 August 2013. Investors who have questions relating to the Entitlement Offer should call the Horizon Oil Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday during the Retail Entitlement Offer period which is Friday, 9 August 2013 until 5:00pm (AEST) Friday, 23 August 2013.



ENTITLEMENT OFFER TIMETABLE

Event	Date
Trading Halt Institutional Entitlement Offer conducted	Wednesday, 31 July 2013
Result of Institutional Entitlement Offer announced, trading halt lifted	Thursday, 1 August 2013
Record Date (7pm, AEST)	Tuesday, 6 August 2013
Retail Entitlement Offer opens	Friday, 9 August 2013
Settlement of Institutional Entitlement Offer	Wednesday, 14 August 2013
Issue of New Shares under the Institutional Entitlement Offer Normal trading of New Shares issued under the Institutional Entitlement Offer commences	Thursday, 15 August 2013
Retail Entitlement Offer closes (5pm, AEST)	Friday, 23 August 2013
Announcement of Retail Entitlement Offer results	Wednesday, 28 August 2013
Settlement of Retail Entitlement Offer	Friday, 30 August 2013
Issue of New Shares and any Additional New Shares under the Retail Entitlement Offer	Monday, 2 September 2013
Normal trading of New Shares and any Additional New Shares issued under the Retail Entitlement Offer commences and mailing of updated CHESS notices and issuer sponsored holding statements completed	Tuesday, 3 September 2013

The above timetable is indicative only and subject to change. Horizon Oil, in conjunction with the underwriter and subject to the Corporations Act, the ASX Listing Rules and other applicable laws, has the right to vary any of the above dates, including the Retail Entitlement Offer closing date, without notice and to accept late applications, in each case, either generally or in particular cases. Horizon Oil also reserves the right not to proceed with the whole or part of the Entitlement Offer at any time prior to allotment of New Shares under the Retail Entitlement Offer. In that event, application money will be returned without interest. The commencement of quotation of New Shares is subject to confirmation from ASX.

Eligible Retail Shareholders are encouraged to carefully read the Retail Offer Booklet for further details relating to the Retail Entitlement Offer. Shareholders who are in any doubt as to how they should respond should consult their stockbroker, accountant or other independent professional adviser without delay.

STOCK LENDING AND OTHER TRANSACTIONS

Horizon Oil has been provided with a confirmation from ASX that allows it, in determining Entitlements under the Entitlement Offer, to ignore any changes in security holdings that occur after the commencement of the trading halt (other than registration of transactions that were effected through ASX Trade before the halt).

Accordingly, a person who is a registered Horizon Oil shareholder at 7.00pm (AEST) on



the Record Date as a result of a dealing that occurred after the commencement of the trading halt (other than registrations of transactions that were effected through ASX Trade before the halt) may not be entitled to receive an Entitlement under the Entitlement Offer. If a Horizon Oil shareholder has existing Horizon Oil shares out on loan at the Record Date, the borrower will be regarded as the shareholder for the purposes of determining Entitlements under the Entitlement Offer (provided that those borrowed securities have not been on-sold).

Should you require further information please contact:

Brent Emmett
Chief Executive Officer
Ph: + 61 2 9332 5000

IMPORTANT NOTICES

Further information in relation to the matters described in this announcement including important notices, key risks and assumptions in relation to certain forward-looking information in this announcement is set out in an investor presentation released today to ASX by Horizon Oil. The information in the "Important Notice and Disclaimer" and "Risks relating to Horizon Oil" sections of that presentation applies to this announcement as if set out in full in this announcement.

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