



Horizon Oil Limited ABN 51 009 799 455

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9 August 2013

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

Dear Sir,

HORIZON OIL LIMITED RETAIL ENTITLEMENT OFFER

Attached is a copy of the Retail Offer Booklet associated with the accelerated non-renounceable pro-rata entitlement offer announced by the company on 31 July 2013.

A printed copy of the Retail Offer Booklet will be sent to all eligible shareholders. Copies of this document can be downloaded from the Company's website www.horizonoil.com.au.

A handwritten signature in black ink that reads "Richard Beament". The signature is fluid and cursive, with a large, stylized 'R' and 'B'.

Yours faithfully,

Richard Beament

Manager - Finance & Commercial/Assistant Company Secretary



For further information please contact:

Mr Richard Beament

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Email: exploration@horizonoil.com.au

Or visit www.horizonoil.com.au



ABN 51 009 799 455

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES.



Sole Lead Manager and Underwriter:
UBS AG, Australia Branch



Co-Manager:
RBS Morgans Corporate Limited

Retail Entitlement Offer

1 for 7 accelerated non-renounceable pro-rata entitlement offer to raise \$53.5 million.

The Retail Entitlement Offer opens on Friday, 9 August 2013. The Retail Entitlement Offer closes at 5:00pm (Australian Eastern Standard Time) on Friday, 23 August 2013 (unless extended).

IMPORTANT INFORMATION

This Retail Offer Booklet is issued pursuant to section 708AA of the Corporations Act (as notionally modified by Australian Securities and Investments Commission (ASIC) class orders [CO 07/571] and [CO 08/35]) for the offer of New Shares without disclosure to retail investors under Part 6D.2 of the Corporations Act. This Retail Offer Booklet was lodged with the Australian Securities Exchange (ASX) on 9 August 2013. ASIC and ASX take no responsibility for the contents of this Retail Offer Booklet.

This Retail Offer Booklet is not a prospectus and does not contain all of the information that an investor would find in a prospectus or which may be required by an investor in order to make an informed investment decision regarding, or about the rights attaching to, New Shares or Additional New Shares. The information in this Retail Offer Booklet does not constitute a securities recommendation or financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. The Company is not licensed to (and does not) provide financial product advice in respect of the New Shares or Additional New Shares (as defined below). Nevertheless, this Retail Offer Booklet contains important information and requires your immediate attention.

Before you decide whether to apply to subscribe for New Shares or Additional New Shares, you should:

- read this Retail Offer Booklet in its entirety, including the risk factors outlined in the Capital Raising Presentation which was released to ASX by the Company on 31 July 2013 and is included in Section 3 of this Retail Offer Booklet; and
- conduct your own independent review, investigation and analysis of the Company and the New Shares (and Additional New Shares) which are the subject of the Retail Entitlement Offer, consider whether they are a suitable investment for you in light of your own investment objectives, financial circumstances and particular needs (having regard to the merits or risks involved).

If you are in any doubt as to how to deal with this Retail Offer Booklet, you should consult your professional adviser without delay. The New Shares and Additional New Shares offered are of a speculative nature.

By returning the personalised entitlement and acceptance form accompanying this booklet (“**Entitlement and Acceptance Form**”) or otherwise arranging for payment for your New Shares (or Additional New Shares, if applicable to you) in accordance with the instructions on the personalised Entitlement and Acceptance Form, you acknowledge that you have received and read this Retail Offer Booklet, you have acted in accordance with the terms of the Retail Entitlement Offer detailed in this Retail Offer Booklet and you agree to all of the terms and conditions as detailed in this Retail Offer Booklet.

Overseas Shareholders

This Retail Offer Booklet and the Entitlement and Acceptance Form do not, and are not intended to, constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, persons in the United States, or in any other place or jurisdiction in which, or to any person to whom, such offer or sale would be unlawful.

No action has been taken to register or qualify the Entitlement Offer, the New Shares, or the Additional New Shares, or otherwise permit a public offering of the New Shares, in any jurisdiction outside of Australia and New Zealand. No offer is being made to Shareholders with a registered address outside Australia and New Zealand. The distribution of this Retail Offer Booklet and the Entitlement and Acceptance Form (including electronic copies) outside Australia and New Zealand may be restricted by law. Any failure to comply with applicable restrictions may constitute a violation of applicable securities laws. The Company reserves the right to treat as invalid any Entitlement and Acceptance Form that appears to the Company or the Company’s agents to have been submitted in violation of any applicable securities laws. Please refer to Section 4.6 of this Retail Offer Booklet for further detail.

Eligible Shareholders holding Shares on behalf of persons who are resident outside Australia or New Zealand, (including nominees, custodians and trustees) are responsible for ensuring that any dealing with New Shares (and Additional New Shares, if applicable) issued under the Entitlement Offer does not breach the laws and regulations in the relevant overseas jurisdiction, and should observe any applicable restrictions relating to the taking up of Entitlements or the

distribution of this Retail Offer Booklet or the Entitlement and Acceptance Form. Please refer to Section 4.6 of this Retail Offer Booklet for further detail.

The making of an Application (whether by the return of a duly completed Entitlement and Acceptance Form or making a BPAY¹ payment in accordance with the instructions on the Entitlement and Acceptance Form) will constitute a representation that there has been no breach of such laws or regulations. Shareholders who are nominees, custodians or trustees are therefore advised to seek independent advice as to how they should proceed. The New Shares may only be offered outside the United States to persons who are not acting for the account or benefit of persons in the United States.

New Zealand

The New Shares and Additional Shares are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand).

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

United States

Neither this Retail Offer Booklet nor the Entitlement and Acceptance Form may be distributed to persons in the United States. The New Shares and any Additional New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares (and the Additional New Shares, if any) will only be offered and sold outside the United States to Eligible Retail Shareholders that are not acting for the account or benefit of persons in the United States in ‘offshore transactions’ in compliance with Regulation S under the US Securities Act.

Information publicly available

Information about the Company is publicly available and can be obtained

from ASIC and ASX (including its website: www.asx.com.au). The contents of any website screen or ASIC or ASX filing by the Company are not incorporated into this Retail Offer Booklet and do not constitute part of the Retail Entitlement Offer. Regardless, this Retail Offer Booklet is intended to be read in conjunction with the publicly available information in relation to the Company which has been lodged with ASX. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in New Shares (and Additional New Shares, if applicable) or the Company. Some of the risk factors that should be considered by potential investors are outlined in the Capital Raising Presentation in Section 3 of this Retail Offer Booklet.

No representations other than as set out in this Retail Offer Booklet

No person is authorised to give any information or make any representation in connection with the Retail Entitlement Offer which is not contained in this Retail Offer Booklet. Any such extraneous information or representation may not be relied upon.

UBS AG, Australia Branch (**the Underwriter**) has not authorised, permitted or caused the issue, lodgement, submission, despatch or provision of this Retail Offer Booklet. The Underwriter does not make, or purport to make, any statement in this Retail Offer Booklet, and there is no statement in this Retail Offer Booklet which is based on any statement by the Underwriter. To the maximum extent permitted by law, the Underwriter expressly disclaims all liability in respect of, make no representations regarding, and take no responsibility for, any part of this Retail Offer Booklet.

Past performance

Investors should note that the past share price performance of the Company provides no guarantee or guidance as to future share price performance. Past performance information given in this Retail Offer Booklet is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. The historical information in this Retail Offer Booklet is, or is based upon information that has been released to the market. For further information, please see past announcements released to the ASX.

Forward looking statements

This Retail Offer Booklet contains forward-looking statements. Forward-looking statements include those containing words such as: 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', 'consider', 'foresee', 'aim', 'will' and other similar expressions. Any forward-looking statements, opinions, and estimates, provided in this Retail Offer Booklet are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of the Company, including the risks and uncertainties described in the 'Risks relating to Horizon Oil' section of the Capital Raising Presentation. This includes any statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements may include indications, projections, forecasts and guidance on sales, earnings, dividends and other estimates. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which those statements are based. These statements may assume the success of the Company's business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond the Company's control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, the Company assumes no obligation to update these forward-looking statements. To the maximum extent permitted by law, the Company and its directors, officers, employees, agents, associates and advisers disclaim any obligations or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions, do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of such information, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any

forward-looking statement, and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

The forward-looking statements are based on information available to the Company as at the date of this Retail Offer Booklet. Except as required by law or regulation (including the ASX Listing Rules), the Company undertakes no obligation to provide any additional, updated or supplementary information whether as a result of new information, future events or results or otherwise.

No rights trading

Entitlements are non-renounceable and cannot be traded on the ASX or any other exchange, nor can they be privately transferred. You cannot withdraw your Application for New Shares (or Additional New Shares, if applicable to you) once it has been submitted (except as allowed by law).

Eligibility

This Retail Offer Booklet and the Entitlement and Acceptance Form sets out the Entitlement of an Eligible Retail Shareholder to participate in the Retail Entitlement Offer.

Please read the instructions in this Retail Offer Booklet and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement.

Entire agreement

The terms contained in this Retail Offer Booklet and the Entitlement and Acceptance Form constitute the entire agreement between the Company and you as to the Retail Entitlement Offer and your participation in the Retail Entitlement Offer to the exclusion of all prior representations, understandings and agreements between the Company and you.

Governing law

This Retail Offer Booklet, the Retail Entitlement Offer and the contracts formed on acceptance of the Applications are governed by the laws applicable in New South Wales. Each Applicant for New Shares (and Additional New Shares, if applicable) submits to the non-exclusive jurisdiction of the courts of New South Wales. Applicant means a person who has applied to subscribe for New Shares (and Additional New Shares, if applicable) by submitting an Application.

If you are in any doubt or have any concerns in relation to these matters, you should first consult with your stockbroker, accountant or other professional adviser.

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Chairman's Letter



Friday, 9 August 2013

Dear Shareholder

On behalf of the board of directors of Horizon Oil Limited (**Horizon Oil** or the **Company**), I invite you to participate in the retail component of the 1 for 7 fully underwritten accelerated non-renounceable pro-rata entitlement offer of ordinary shares (**New Shares**) at an offer price of \$0.33 per New Share (**Offer Price**) (**Entitlement Offer**). The Offer Price represents a discount of approximately 9.6% to the theoretical ex-rights price (**TERP**).²

The Entitlement Offer was announced on Wednesday, 31 July 2013. The Entitlement Offer will raise gross proceeds of approximately \$53.5 million.

The proceeds of the Entitlement Offer will be used to continue Horizon Oil's planned exploration and development work program for Papua New Guinea and together with cashflow from the Maari/Manaia fields (**Maari**) and the Beibu Gulf China (**Beibu**) will address other opportunities and commitments in New Zealand and China.

As announced on ASX on Thursday, 1 August 2013, the Company has successfully completed the institutional component of the Entitlement Offer (**Institutional Entitlement Offer**). The Institutional Entitlement Offer raised gross proceeds of \$33 million.

This offer booklet (**Retail Offer Booklet**) relates to the retail component of the Entitlement Offer (**Retail Entitlement Offer**), which offers Eligible Retail Shareholders (as defined in Section 2.1 of the Retail Offer Booklet) the same opportunity offered to those investors who participated in the Institutional Entitlement Offer. The Retail Entitlement Offer is intended to raise gross proceeds of approximately \$21 million.

The Entitlement Offer is fully underwritten by UBS AG, Australia Branch (**Underwriter**).

The Retail Entitlement Offer closes at 5:00pm (AEST) on Friday, 23 August 2013 (Closing Date).

If you are an Eligible Retail Shareholder and wish to participate, you need to ensure that your completed personalised Entitlement and Acceptance Form and Application Monies are received by the Company's Share Registrar (Boardroom Pty Limited (**Boardroom**)) **OR** that you have paid your Application Monies via BPAY, in line with the instructions that are set out on the personalised Entitlement and Acceptance Form and in the Retail Offer Booklet, before the Closing Date.

If you are an Eligible Retail Shareholder, you may do any one of the following:

- take up all or part of your Entitlement (defined below); or
- take up all of your Entitlement and also apply for Additional New Shares in excess of your Entitlement (see Section 1 below) (unless you are a related party of the Company); or
- do nothing and allow your Entitlement to lapse.

Further details on how to submit your Application are set out in this Retail Offer Booklet. You should consult your stockbroker, accountant or other independent professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer. You should also refer to the 'Risks relating to Horizon Oil' section of the Capital Raising Presentation which was released to ASX on Wednesday, 31 July 2013, and is included in Section 3 of this Retail Offer Booklet.

I encourage you to carefully read this Retail Offer Booklet. Should you require further assistance, please contact the Horizon Oil Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (from outside Australia) at any time from 9:00am to 5:00pm (AEST) Monday to Friday during the Retail Entitlement Offer period (**Retail Entitlement Offer Period**).

On behalf of the Board, I thank you for your continued support.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Fraser Ainsworth'.

Fraser Ainsworth AM
Chairman

² TERP is the price at which the Company's 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 the Company's 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. TERP is calculated by reference to Horizon Oil's closing price of \$0.37 per share on Tuesday, 30 July 2013, being the last trading day prior to the announcement of the Entitlement Offer.

Key dates for the Retail Entitlement Offer

The Retail Entitlement Offer is open for acceptance until 5:00pm (AEST) on the Closing Date or such other date as the Company, in conjunction with the Underwriter, shall determine, subject to the *Corporations Act 2001* (Cth) (**Corporations Act**) and the ASX Listing Rules (**Listing Rules**). Other key dates for the Retail Entitlement Offer are as follows:

Announcement of the Entitlement Offer	Wednesday, 31 July 2013
Record Date for eligibility in the Entitlement Offer (7:00pm, AEST)	Tuesday, 6 August 2013
Retail Entitlement Offer opens	Friday, 9 August 2013
Retail Offer Booklet dispatched	Friday, 9 August 2013
Retail Entitlement Offer closes	Friday, 23 August 2013
Settlement of New Shares issued under the Retail Entitlement Offer	Friday, 30 August 2013
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	Monday, 2 September 2013
New Shares issued under the Retail Entitlement Offer commence trading on the ASX	Tuesday, 3 September 2013

The timetable above is indicative only and may be subject to change. Horizon Oil reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Horizon Oil reserves the right to extend the closing date of the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer (either generally or in particular cases) and to withdraw the Retail Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares and Additional New Shares.

The commencement of quotation of New Shares and Additional New Shares is subject to confirmation from ASX.

Eligible Retail Shareholders wishing to participate in the Retail Entitlement Offer are encouraged to submit their Entitlement and Acceptance Form or make their payment via BPAY as soon as possible after the Retail Entitlement Offer opens.

If you are in doubt as to whether you should participate in the Retail Entitlement Offer, you should consult your stockbroker, accountant, solicitor or other professional adviser. If you have any questions, please call contact the Horizon Oil Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (from outside Australia) at any time from 9:00am to 5:00pm (AEST) Monday to Friday during the Retail Entitlement Offer Period.

1. Summary of options available to you

Each Eligible Retail Shareholder may apply for 1 New Share for every 7 shares held at the Record Date (**Entitlement**).

If you are an Eligible Retail Shareholder (as defined in Section 2.1) you may take one of the following actions:

- take up all or part of your Entitlement;
- take up all of your Entitlement and apply for Additional New Shares up to 50% of your Entitlement (unless you are a related party of the Company); or
- do nothing and let your Entitlement lapse.

If you are a retail shareholder that is not an Eligible Retail Shareholder, you are an ineligible retail shareholder (**Ineligible Retail Shareholder**) (see Section 2.8 below). New Shares in respect of Entitlements which would have been issued to Ineligible Retail Shareholders had they been entitled to participate and had they taken up all or part of their entitlement will be issued to a nominee. The nominee will offer those New Shares for sale and any proceeds of sale (net of expenses) will be distributed proportionately to ineligible Shareholders (including Ineligible Retail Shareholders).

Options available to you	Actions required
Take up all or part of your Entitlement	– You may elect to purchase New Shares up to your Entitlement at the Offer Price – Submit an application for New Shares under the Entitlement Offer using an Entitlement and Acceptance Form (with application money) or the payment of Application Money by BPAY (Application) in accordance with the instructions in this Retail Offer Booklet and on the personalised Entitlement and Acceptance Form; – You must either: > Make payment via BPAY; or > Make payment via cheque, bank draft or money order and return your Entitlement and Acceptance Form – New Shares will rank equally with existing fully paid ordinary shares in the capital of the Company (Shares) from the date of allotment – The Retail Entitlement Offer closes at 5:00pm (AEST) on Friday, 23 August 2013 – If you only take up part of your Entitlement, the part you do not take up will form part of the Shortfall (as defined in Section 2.2)
Take up all of your Entitlement and apply for Additional New Shares	– Unless you are a related party of the Company, you may take up all of your Entitlement and apply for New Shares in excess of your Entitlement (Additional New Shares) (as described above, the Application extends to applications for Additional New Shares) – Additional New Shares will rank equally with existing Shares from the date of allotment – You may apply for Additional New Shares of up to 50% of your Entitlement, subject to any scale back and rounding applied by the Company in the event that applications for Additional New Shares exceed the available Shortfall

Options available to you	Actions required
Allow all or part of your Entitlement to lapse	– If you decide not to apply for all or part of your Entitlement to New Shares, or fail to apply by the Closing Date, your Entitlement will lapse – The New Shares not subscribed for will form part of the Shortfall – As the Entitlement Offer is non-renounceable, you will not receive any value or consideration for any of your Entitlements that lapse

If you are in doubt as to whether you should participate in the Retail Entitlement Offer, you should consult your stockbroker, accountant, solicitor or other professional adviser. If you have any questions, please contact the Horizon Oil Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (from outside Australia) at any time from 9:00am to 5:00pm (AEST) Monday to Friday during the Retail Entitlement Offer Period.

Horizon Oil drilling operations in PRL 21, Papua New Guinea



2. Overview of the Retail Entitlement Offer

2.1 Overview of the Entitlement Offer

Horizon Oil is undertaking a fully underwritten accelerated non-renounceable 1 for 7 pro-rata Entitlement Offer. The offer price is \$0.33 for each New Share, which represents a discount of approximately 9.6% to TERP.

If you are an Eligible Retail Shareholder or Eligible Institutional Shareholder³ you may apply for 1 New Share for every 7 Shares held at 7:00pm (AEST) on Tuesday, 6 August 2013 (**Record Date**).

Upon Application, the applicant must pay the offer price for each New Share in full.

Please refer to the Capital Raising Presentation in Section 3 of this Retail Offer Booklet for information regarding the purpose of the Entitlement Offer and applications for proceeds of the Entitlement Offer, for information on the Company's business and strategy, and importantly, the risks associated with an investment in the Company. You should also consider publicly available information about the Company available at www.asx.com.au and www.horizonoil.com.au.

Institutional Entitlement Offer

On Wednesday, 31 July 2013, the Company announced a fully underwritten Entitlement Offer. The successful completion of the Institutional Entitlement Offer was announced on Thursday, 1 August 2013. The Institutional Entitlement Offer raised a total of \$33 million.

Settlement under the Institutional Entitlement Offer will occur on Wednesday, 14 August 2013 with allotment and trading expected to occur on the following business day.

Retail Entitlement Offer

The Retail Entitlement Offer constitutes an offer to Eligible Retail Shareholders only. The Retail Entitlement Offer is fully underwritten and is intended to raise approximately \$21 million.

The Opening Date for the Retail Entitlement Offer is 9:00am (AEST) on Friday, 9 August 2013 and the Closing Date is 5:00pm (AEST) on Friday, 23 August 2013.

Eligible Retail Shareholders will be sent the Retail Offer Booklet and a personalised Entitlement and Acceptance Form. The Entitlement and Acceptance Form will show the number of New Shares to which you are entitled.

Eligible Retail Shareholders are invited to subscribe for all or part of their Entitlement under the Retail Entitlement Offer. Eligible Retail Shareholders (other than related parties of the Company) may also apply for Additional New Shares up to 50% of their Entitlement, subject to any scale back and rounding applied by the Company in the event that applications for Additional New Shares exceed the available Shortfall (see Section 2.2 below).

The Retail Entitlement Offer is only open to Eligible Retail Shareholders. An **Eligible Retail Shareholder** is a person who:

- is registered as a holder of Shares as at the Record Date, being 7:00pm (AEST) Tuesday, 6 August 2013;
- has a registered address on the Horizon Oil share register in Australia or New Zealand;

³ Eligible Institutional Shareholder means a Shareholder at the Record Date who is an Institutional Investor, who the Company and the Underwriter agree should be treated as an Eligible Institutional Shareholder and who the Underwriter determines has successfully received an offer on behalf of the Company under the Institutional Entitlement Offer.

- did not receive an offer (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer and was not treated as an Ineligible Institutional Shareholder⁴ under the Institutional Entitlement Offer;
- is not in the United States and is not acting for the account or benefit of a person in the United States; and
- is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Nominees and custodians should refer to Section 5.15 of this Retail Offer Booklet for further information.

2.2 Additional New Shares

Eligible Retail Shareholders who apply for Additional New Shares in excess of their Entitlement will be offered New Shares equivalent (in aggregate) to the number not taken up by Eligible Retail Shareholders (the **Shortfall**). In this way, Eligible Retail Shareholders may apply for Additional New Shares up to 50% of their Entitlement. Please note that an Eligible Retail Shareholder who is also a related party of the Company is not entitled to apply for Additional New Shares.

Please note that Additional New Shares will only be allocated to you if there are sufficient New Shares from Eligible Retail Shareholders who do not take up their full Entitlement. To the extent that applications for Additional New Shares exceed the Shortfall available, applications will be scaled back by the Company proportionately (subject to rounding). If you apply for Additional New Shares there is no guarantee you will be allocated any, and you may only apply for up to 50% of your Entitlement.

2.3 Ranking of New Shares

New Shares and Additional New Shares will rank equally in all respects with existing Shares.

2.4 Effect of the Entitlement Offer on the Company's capital structure

The principal effect of the Entitlement Offer on the Company's capital structure will be to increase the total number of issued Shares. The capital structure of the Company following the issue of New Shares in connection with the Entitlement Offer will be as follows:

Shares on issue on announcement of Entitlement Offer:	1,135,266,515
Shares to be issued under the Institutional Entitlement Offer:	Approximately 97 million
Shares to be issued under the Retail Entitlement Offer:	Approximately 64 million
Shares on issue after the Entitlement Offer:	Approximately 1,297 million

The final shares to be issued under the Institutional Entitlement Offer and Retail Entitlement Offer are subject to reconciliation and to rounding.

On 17 June 2011, the Company issued US\$80 million 5.50% June 2016 convertible bonds (**Convertible Bonds**). The conversion price of the Convertible Bonds will be adjusted in accordance with the terms and conditions of the Convertible Bonds following the Entitlement Offer.

⁴ Ineligible Institutional Shareholder means a Shareholder as at the Record Date who is not an Eligible Institutional Shareholder and who the Company and the Underwriter agree that although an Institutional Investor (see Section 5.15 below), should not receive an offer under the Institutional Entitlement Offer in accordance with Listing Rule 7.7.1(a) and section 9A(3)(a) of the Corporations Act, or not an Institutional Investor, is a person to whom offers and issues of New Shares could lawfully be made in Australia without the need for disclosure under Chapter 6D of the Corporations Act if that Shareholder had received the offer in Australia, and who should be treated as an Ineligible Institutional Shareholder for the purposes of the Entitlement Offer.

Convertible Bonds that have not been converted do not carry an entitlement to participate in the Entitlement Offer.

As at the date of this Retail Offer Booklet, the Company had 32,973,000 options on issue.

The exercise price of all options and the number of the underlying shares to which the options relate will be adjusted in accordance with the ASX Listing Rules following the Entitlement Offer, in accordance with their terms. The options do not carry an entitlement to participate in the Entitlement Offer.

2.5 Persons with more than one holding

If you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding.

2.6 Trading of New Shares

It is expected that trading on ASX will commence in relation to the New Shares (and Additional New Shares, if any) issued under the Retail Entitlement Offer on a normal 'T+3' settlement basis on Tuesday, 3 September 2013. It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares or Additional New Shares (if applicable). The sale by Applicants of New Shares or Additional New Shares (if applicable) prior to the receipt of a holding statement is at the Applicant's own risk.

The Company and the Underwriter will have no responsibility and disclaim all liability (to the maximum extent permitted by law, including for negligence) against persons who trade New Shares or Additional New Shares (as the case may be) before they receive their confirmation of issue, whether on the basis of confirmation of allocation provided by the Company, the Share Registry, the Underwriter or otherwise.

2.7 Non-Renounceable

The Retail Entitlement Offer, and your Entitlement, is non-renounceable. This means it is personal to you and cannot be traded, transferred, assigned or otherwise dealt with. If you are an Eligible Retail Shareholder and you do not take up your Entitlement, it will lapse and you will not receive any New Shares under the Retail Entitlement Offer.

Any New Shares not subscribed for by Eligible Retail Shareholders will form part of the Shortfall and, to the extent not allocated as Additional New Shares, will be subscribed for by the Underwriter or by sub-underwriters, subject to the underwriting agreement dated Wednesday, 31 July 2013 between the Company and the Underwriter ("**Underwriting Agreement**") and any relevant sub-underwriting agreements.

2.8 Ineligible Retail Shareholders

The Retail Entitlement Offer is not open to Shareholders who as at the Record Date have a registered address outside Australia or New Zealand ("**Ineligible Retail Shareholders**"). The Company, in conjunction with the Underwriter, has decided that it is not reasonable to extend the Retail Entitlement Offer to Ineligible Retail Shareholders having regard to the number of Shareholders outside Australia and New Zealand, the number and value of New Shares that would be offered to Shareholders outside of Australia and New Zealand and the cost of complying with the legal and regulatory requirements in jurisdictions other than Australia and New Zealand.

The Company may (in its absolute discretion) extend the Retail Entitlement Offer to any shareholder in other foreign jurisdictions (subject to compliance with applicable laws).

The Company, in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder. The Company disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder.

Pursuant to section 615 of the *Corporations Act 2001* (Cwlth), Horizon Oil has appointed a nominee to subscribe for New Shares which ineligible Shareholders (including Ineligible Retail Shareholders) would have been entitled to apply for had they been entitled to participate in the Entitlement Offer and had they taken up all or part of their entitlement. The nominee will offer those New Shares for sale and any proceeds of sale (net of expenses) will be distributed proportionately to ineligible Shareholders (including Ineligible Retail Shareholders).

2.9 Holding statements

Holding Statements are expected to be dispatched to Eligible Retail Shareholders on Monday, 2 September 2013 in respect of New Shares and Additional New Shares allotted under the Retail Entitlement Offer.

It is the responsibility of each successful Applicant to confirm their holding before trading in New Shares or Additional New Shares. Successful Applicants who sell New Shares or Additional New Shares before receiving a Holding Statement do so at their own risk, even if they have obtained details of their holding from the Horizon Oil Offer Information Line.

2.10 Withdrawal of the Entitlement Offer

The Company reserves the right to withdraw the Entitlement Offer at any time prior to the issue of any New Shares or Additional New Shares, in which case, the Company will refund any Application Money without interest.

2.11 Enquiries

Please contact the Horizon Oil Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (from outside Australia) at any time from 9:00am to 5:00pm (AEST), Monday to Friday, during the Retail Entitlement Offer Period should you have any enquiries in relation to the Entitlement Offer.

3. ASX announcements and Capital Raising Presentation



NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

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.

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer of securities for sale in the United States or any other jurisdiction. Any securities described in this announcement may not be offered or sold in the United States absent registration under the US Securities Act of 1933 or an exemption from registration.

Horizon Oil Limited

ABN 51 009 799 455

Capital Raising Presentation – Underwritten Entitlement Offer July 2013



NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO U.S. PERSONS

Important Notice and Disclaimer



This investor presentation ("Presentation") has been prepared by Horizon Oil Limited (ABN 51 009 799 455) ("Horizon Oil"). The Presentation has been prepared in relation to an accelerated non-renounceable pro-rata entitlement offer of new Horizon Oil ordinary shares ("New Shares") at a fixed offer price ("Offer Price"), to be made to eligible institutional shareholders of Horizon Oil ("Institutional Entitlement Offer") and eligible retail shareholders of Horizon Oil ("Retail Entitlement Offer"), under section 708AA of the Corporations Act 2001 (Cwlth) ("Corporations Act") as modified by Australian Securities and Investments Commission ("ASIC") Class Order [08/35] (the "Entitlement Offer").

This Presentation is not a prospectus, product disclosure statement or other offering document under Australian law, including the Corporations Act or any other law. The Presentation has not been, nor will it be, lodged with ASIC.

By accepting, assessing or reviewing this Presentation, or attending any associated presentation or briefing, you agree to be bound by the following conditions.

Summary information

This Presentation contains summary information about the current activities of Horizon Oil and its subsidiaries as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in Horizon Oil or that would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act.

The Entitlement Offer to which this Presentation relates complies with the requirements of section 708AA of the Corporations Act as modified by ASIC Class Order [08/35], and a cleansing notice complying with that section will be lodged with ASX.

The historical information in this Presentation is, or is based upon, information that has been released to the Australian Securities Exchange ("ASX"). This Presentation should be read in conjunction with Horizon Oil's other periodic and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au.

No member of Horizon Oil or any of its related bodies corporate and their respective directors, employees, officers and advisers offer any warranties in relation to the statements and information in this Presentation.

Statements made in this Presentation are made only as the date of this Presentation. The information in this Presentation remains subject to change without notice. Horizon Oil reserves the right to withdraw the Entitlement Offer or vary the timetable to the Entitlement Offer without notice. Horizon Oil is not responsible for providing updated information to any prospective investors.

The distribution of this Presentation outside Australia and New Zealand may be restricted by law. Persons who come into possession of information in this Presentation who are not in Australia or New Zealand should seek independent advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Not an offer

This Presentation is for information purposes only and should not be considered as a solicitation, offer or invitation for subscription, purchase or sale of securities in any jurisdiction, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register the New Shares, or otherwise permit a public offering of New Shares, in any jurisdiction outside Australia or New Zealand, except as set out in this Presentation – please refer to the International Entitlement Offer Restrictions on slides 35 to 36.

A retail offer booklet for the Retail Entitlement Offer will be available following its lodgement with ASX. Any eligible retail shareholder who wishes to participate in the Retail Entitlement Offer should consider the retail offer booklet in deciding to apply under that offer. Anyone who wishes to apply for New Shares under the Retail Entitlement Offer will need to apply in accordance with the instructions contained in the retail offer booklet and the entitlement and application form.

Not investment advice

Nothing in this Presentation constitutes investment, legal, tax or other advice. This Presentation has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek legal, accounting and taxation advice appropriate to their jurisdiction. Horizon Oil is not licensed to provide financial product advice in respect of Horizon Oil shares. Cooling off rights do not apply to the acquisition of Horizon Oil shares.

Investment risk

An investment in Horizon Oil shares is subject to known and unknown risks, some of which are beyond the control of Horizon Oil. Horizon Oil does not guarantee any particular rate of return or the performance of Horizon Oil, nor does it guarantee the repayment of capital from Horizon Oil or any particular tax treatment. Investors should have regard to the risk factors outlined in this Presentation when making their investment decision.

Financial data

All dollar values are in Australian dollars (A\$ or AUD) unless otherwise stated.

Future performance

This Presentation contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance", "project", "opinion" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, the outcome and effects of the Entitlement Offer and the use of proceeds. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements, and include statements in this Presentation regarding the conduct and outcome of this capital raising, the use of proceeds, and Horizon Oil's outstanding debt. The forward looking statements contained in this Presentation are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Horizon Oil, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Refer to the "Risks relating to Horizon Oil" section of this Presentation for a summary of certain general and Horizon Oil specific risk factors that may affect Horizon Oil.

Important Notice and Disclaimer (continued)



Future performance (continued)

You are cautioned not to place undue reliance on forward looking statements, opinions and estimates provided in this Presentation as there can be no assurance that actual outcomes will not differ materially from these forward looking statements. Forward looking statements, opinions and estimates provided in this Presentation necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise, including, but not limited to the risks factors outlined in this Presentation, many of which are outside the control of Horizon Oil. Similarly, statements about market and industry trends, which are based on interpretations of current market conditions, should be treated with caution. Such statements may cause the actual results or performance of Horizon Oil to be materially different from any future results or performance expressed or implied by such forward looking statements. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward looking statements are based on information available to Horizon Oil as at the date of this Presentation.

Except as required by law or regulation (including the ASX Listing Rules), Horizon Oil undertakes no obligation to provide any additional, updated or supplementary information whether as a result of new information, future events or results, or otherwise.

Past performance

Investors should note that past performance, including past share price performance, of Horizon Oil cannot be relied upon as an indicator of (and provides no guidance as to) future Horizon Oil performance including future share price performance and is given for illustrative purposes only. The historical information in this Presentation is, or is based upon, information that has been released to the market. For further information, please see past announcements released to ASX.

Disclaimer

Neither the underwriter, nor any of its or Horizon Oil's respective advisers or any of their respective affiliates, related bodies corporate directors, officers, partners, employees and agents, have authorised, permitted or caused the issue, submission, dispatch or provision of this Presentation and, except to the extent referred to in this Presentation, none of them makes or purports to make any statement in this Presentation and there is no statement in this Presentation which is based on any statement by any of them.

For the avoidance of doubt, the underwriter and its respective advisers, affiliates, related bodies corporate, directors, officers, partners, employees and agents have not made or purported to make any statement in this Presentation and there is no statement in this Presentation which is based on any statement by any of them.

To the maximum extent permitted by law, Horizon Oil, the underwriter and their respective advisers, affiliates, related bodies corporate, directors, officers, partners, employees and agents exclude and disclaim all liability, for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer and the information in this Presentation being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise.

To the maximum extent permitted by law, Horizon Oil, the underwriter and their respective advisers, affiliates related bodies corporate, directors, officers, partners, employees and agents make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of information in this Presentation and, with regards to the underwriter, it and its advisers, affiliates, related bodies corporate, directors, officers, partners, employees and agents take no responsibility for any part of this Presentation or the Entitlement Offer.

The underwriter and its advisers, affiliates, related bodies corporate, directors, officers, partners, employees and agents make no recommendations as to whether you or your related parties should participate in the Entitlement Offer nor do they make any representations or warranties to you concerning the Entitlement Offer, and you represent, warrant and agree that you have not relied on any statements made by the underwriter, or its advisers, affiliates, related bodies corporate, directors, officers, partners, employees and agents in relation to the Entitlement Offer and you further expressly disclaim that you are in a fiduciary relationship with any of them.

Reserves and resources estimates

The reserve and resource estimates used in this Presentation were, where indicated, compiled by Alan Fernie (Manager – Exploration and Development), Mr Fernie (B.Sc), who is a member of AAPG, has more than 35 years relevant experience within the industry. The reserve and resource estimates are consistent with the definitions of proved, probable, and possible hydrocarbon reserves and resources that appear in the Australian Stock Exchange (ASX) Listing Rules. Alan Fernie is qualified in accordance with the requirements of ASX Listing Rule 5.11 and consents to the use of the resource and reserve figures in the form and context in which they appear in this Presentation.

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Entitlement Offer – Executive Summary



- Horizon Oil Limited ("Horizon Oil") is raising AUD53.5 million through a fully underwritten one for seven accelerated non-renounceable entitlement offer ("Entitlement Offer") million via the issue of approximately 162 million ordinary shares ("New Shares").
- Net proceeds from the Entitlement Offer, in combination with production income from Maari and Beibu Gulf fields, will be used to fund Horizon Oil's intensive near-term exploration and development program, while waiting for receipt of proceeds from the recent Osaka Gas transaction. The key elements of the program are set out in the Uses of Funds slide, which follows.
- The Company has continued to meet its technical and commercial objectives, with two significant recent achievements being:-
 - Reserves upgrade of the Beibu Gulf fields in China, WZ 6-12 fields on stream at 10,000 bopd and development drilling of WZ 12-8W field nearing completion
 - The successful sale of 40% of its Papua New Guinea assets to Osaka Gas for a milestone-based payment of US\$204 million, valuing Horizon Oil PNG interests at approximately US\$500 million.
- The initial cash payment due on completion of the sale of 40% of Horizon Oil's PNG assets to Osaka Gas is US\$74 million plus post effective date adjustments. Completion is conditional upon award of the Production Development Licence ("PDL") for Stanley field in PRL 4, and other customary consents and regulatory approvals.
- No material issues have been raised with regard to grant of the Stanley PDL or obtaining of other consents, however timing is uncertain and beyond the control of Horizon Oil. Although it is expected that the Osaka Gas transaction will complete prior to end 2013 and sale proceeds received, funds from the Entitlement Offer will ensure that the Company's capital program is funded well into 2014.
- The Entitlement Offer, with the crude oil hedging program put in place during the recent period of high oil prices, are considered by Horizon Oil's Board to be prudent measures to reduce funding risk and provide certainty to allow the Company to participate fully in a high impact near-term exploration and development program.

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Entitlement Offer – Overview



- The Entitlement Offer is fully underwritten by UBS AG, Australia Branch ("UBS").
- RBS Morgans Corporate Limited is acting as Co-manager to the Entitlement Offer.
- 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. 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.
- The fixed offer price of \$ 0.33 per New Share under the Entitlement Offer ("Offer Price") represents a 9.6% discount to the theoretical ex-rights price ("TERP")¹, a 13.0% discount to the 5-day Volume Weighted Average Price ("VWAP") and a 10.8% discount to Horizon Oil's closing price on the ASX as at 30 July 2013.
- The Entitlement Offer is available to eligible shareholders who are registered as holders of Horizon Oil shares as at the Record Date, 7:00pm (Sydney time) 6 August 2013.
- Institutional component of the Entitlement Offer is open on 31 July 2013 ("Institutional Entitlement Offer").
- Retail component of the Entitlement Offer is open from 9 August 2013 to 23 August 2013 ("Retail Entitlement Offer")
 - Available only to eligible retail shareholders with a registered address in Australia and New Zealand
 - Eligible retail shareholders (other than related parties of Horizon Oil) are being given the opportunity to apply for New Shares in excess of their Entitlement up to a maximum of 50% of their entitlement².

¹ The theoretical ex-rights price or TERP is the theoretical price at which Horizon Oil shares should trade immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only. The actual price at which Horizon Oil shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the TERP.

² 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.

Entitlement Offer – Sources and Uses of Funds



Sources of funds

- Net proceeds from Entitlement Offer
- Net production income from Maari and Beibu Gulf fields

Principal near-term uses of funds

- | | |
|--|--------------------------------|
| ▪ Early works on Stanley field in PRL 4 and continuation of PDL approval process at 50% interest: | Net US\$3m¹ |
| ▪ Tingu-1 exploration well in PRL 21 in August/September 2013, at 45% interest: | Net US\$16m¹ |
| ▪ Front End Engineering and Design for Elevala/Ketu field development in PRL 21 through to PDL submission date in March 2014, at 45% interest: | Net US\$8m¹ |
| ▪ Manaia-2 exploration/appraisal well in New Zealand in August/September 2013 at 10% interest: | Net US\$3m |
| ▪ Completion of Beibu Gulf fields (Phase I) development drilling in China, scheduled for September 2013, at 26.95% interest: | Net US\$21m |
| ▪ Development planning for Beibu Gulf WZ 12-8E field (Phase II), for submission in August 2013, at 55% interest: | Net US\$2m |

¹ 40% of Horizon Oil's cost to be reimbursed by Osaka Gas upon completion of transaction

Entitlement Offer – Timetable



Event	Date ¹
Trading halt	31 July 2013
Institutional Entitlement Offer	31 July 2013
Announcement of outcome under the Institutional Entitlement Offer	1 August 2013
Trading in Horizon Oil shares resumes	1 August 2013
Record Date for the Entitlement Offer	7pm, 6 August 2013
Retail Entitlement Offer opens	9am, 9 August 2013
Settlement under the Institutional Entitlement Offer	14 August 2013
Allotment and trading of New Shares issued under the Institutional Entitlement Offer	15 August 2013
Retail Entitlement Offer closes	5pm, 23 August 2013
Announcement of outcome under the Retail Entitlement Offer	28 August 2013
Settlement of New Shares issued under the Retail Entitlement Offer	30 August 2013
Allotment of New Shares issued under the Retail Entitlement Offer	2 September 2013
Trading of New Shares issued under the Retail Entitlement Offer on a normal settlement basis	3 September 2013

¹ All dates and times are indicative only and subject to change at the discretion of the Company, in conjunction with the underwriter. All dates and times are references to Australian Eastern Standard Time.

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Significant Recent Achievements



Beibu Gulf fields on stream and Phase I development nearing completion

- Pre-development exploration drilling on WZ 6-12 fields resulted in reserves upgrade of 18%
- 10 well development drilling program from WZ 6-12 wellhead platform completed safely, ahead of schedule and within budget on 15 June 2013
- Production from WZ 6-12 fields currently 10,000 bopd gross, 2,700 bopd net
- 5 well development drilling program for WZ 12-8W platform on schedule for completion in September 2013; currently first 2 wells on stream

Successful sale of 40% of PNG assets to Osaka Gas

- Horizon Oil entered into agreement to sell 40% of its PNG assets to Osaka Gas Co. Ltd. of Japan for US\$204 million, including US\$74 million in cash on completion, a further US\$130 million in cash upon FID for an LNG project, plus potential production payments where threshold condensate production exceeded
- Horizon Oil and Osaka Gas to form strategic alliance to commercialise Horizon Oil's net certified reserves and contingent resources of 125 mmbae and develop acreage covering 7,900 sq km in Western Province
- Potential profit of approximately US\$153 million, made up of US\$23 million on completion and a further amount of approximately US\$130 million upon achieving the LNG FID milestone
- Transaction terms imply value of ~US\$500 million of Horizon Oil's PNG interests

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Strategic Alliance with Osaka Gas Co. Ltd. Of Japan



- 60:40 strategic alliance with global gas company to provide **funding + valuation + pathway to LNG commercialisation**
- Sale of 40% of Horizon Oil's interests in PRL 4, PRL 21 and PPL 259 for milestone-based consideration of US\$204m plus potential condensate production adjustment
- Option to acquire 40% of Horizon Oil's interest in PPL 430, PPL 372 and PPL 373 for reimbursement of past costs
- Consideration
 - US\$74m at completion, plus completion adjustments from effective date of 1 Jan 2013
 - US\$130m on FID by Osaka Gas of LNG development or tolling/substituting equity gas through third party LNG infrastructure; US\$50m paid on FID, US\$80m paid in line with project costs
- Production adjustment of condensate production from Stanley, Elevala, Ketu and part of Tingu above threshold 6.7 mmbbl (post PNG Government back-in)
 - Equates to 0.9 mmbbl if current certified gross condensate resources (2C) are achieved
 - Additional 3.2 mmbbl if RISC prospective resources in PRL 21 are achieved
 - Entitlement to proportionate condensate adjustment after payout of Stanley, Elevala/Tingu and Ketu condensate development costs
 - New discoveries not subject to retention arrangements
- Preferred LNG marketing arrangements and financing support

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Growth in Acreage, Petroleum Resources, Transaction Multiples and Value of Horizon Oil's PNG Position



Transaction	Horizon Oil to Talisman	Talisman to Mitsubishi	Horizon Oil to Osaka Gas ¹	Horizon Oil to Osaka Gas ²
Date	15 Sep 09	23 Feb 12	23 May 13	23 May 13
Licences	PRLs 4/5 ³	PRLs 4/21	PRLs 4/21	PRLs 4/21
Certified gross P50 resources by licence (mmboe)	56/94	70/94	79/173	79/173
Total certified gross P50 resources (mmboe)	150	164	252	252
Interest sold (%)	50/50	10/7.5	20/18	20/18
Consideration (US\$m)	80	62	204	204
Production adjustment (US\$m)				70
US\$/boe	1.07	4.41	4.43	5.84
Implied value of Horizon Oil interest (US\$m)	160	330	510	685
Horizon Oil gross acreage (sq km)	1,105	1,105	7,900	7,900

¹ Without production adjustment

² Including production adjustment based on current certified P50 resources, potentially yielding ~US\$70m in pre-tax income

³ Licence area re-issued as PRL 21 in March 2011

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Horizon Oil Snapshot



- Market capitalisation of A\$420m at A\$0.37 per share on 30 July 2013 (1,135.3m shares)
- Current net production: Maari/Manaia 900 bopd priced at Brent plus US\$5-6
 Beibu Gulf 2,700 bopd priced at Brent less US\$4
- Current EBITDA ~US\$8m per month
- Forecast exit 2013 production ~5,500 bopd net
- 2P reserves of 19.6 mmbo and 2C contingent resources of 16.1 mmbo/335 bcf gas, post Osaka Gas transaction
- Prospective resources of 111 million barrels of oil equivalent (mmboe) best estimate, post Osaka Gas transaction
- US\$160m reserves-based lending facility in place
- At 30 June 2013:-
 - Cash on hand US\$19.0m
 - Convertible bond US\$80.0m (matures June 2016, unless converted prior)
 - Drawdown on US\$160m facility US\$134.3m
 - Net debt US\$195.3m

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Upcoming News Flow and Share Price Catalysts



Timeframe

- Improved production performance from Maari/Manaia fields and progress on appraisal drilling and field upgrade Q3 2013 - 2014
- Ramp up to peak oil production of Beibu Gulf fields Phase I development Ongoing - Q3 2013
- Progress on Beibu Gulf fields Phase II development plan Q3 2013
- Progress on sales of Stanley gas to regional PNG consumers and larger scale gas commercialisation/export plans Ongoing
- Progress on Stanley PDL award and development execution Q2 2013 - 2014
- Progress on Elevala/Ketu development planning Ongoing - Q1 2014
- Exploration success
 - PNG: Tingu-1 in PRL 21 and exploration drilling in PPL 259 2 wells Q3 2013 - 2014
 - PMP 38160: Manaia-2, Maari Deep 2 wells Q3 2013 - 2014
 - PEP 51313, New Zealand: Whio -1 1 well Q1 2014

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Investment Proposition



- Focused southeast Asian/Australasian E&P specialist.
- Strong, long-lived cashflows from Maari/Manaia fields, offshore New Zealand, re-invested to fund future capital program. Low risk, new reserves appraisal drilling and mid-life field upgrade program to begin Q3 2013.
- Beibu Gulf field development, offshore China, on stream in March 2013 and oil production now ramping up to forecast 16-18,000 bopd peak at end 2013 (currently 10,000 bopd). Additional field to be developed in Phase II.
- Large gas/condensate resources and acreage position onshore Papua New Guinea. Condensate production from Stanley field to commence in early 2015. Potential for long -life mid-scale LNG project to commercialise gas.



Focus on proven, conventional plays with scale, upside and manageable risk



Substantial inventory of discovered reserves and resources to bring into production with minimal exposure to geological risk – 92 million barrels of oil equivalent (mmboe)



Conservative and highly selective approach to exploration in and around discovered reserves and resources – 111 mmboe unrisks best estimate potential



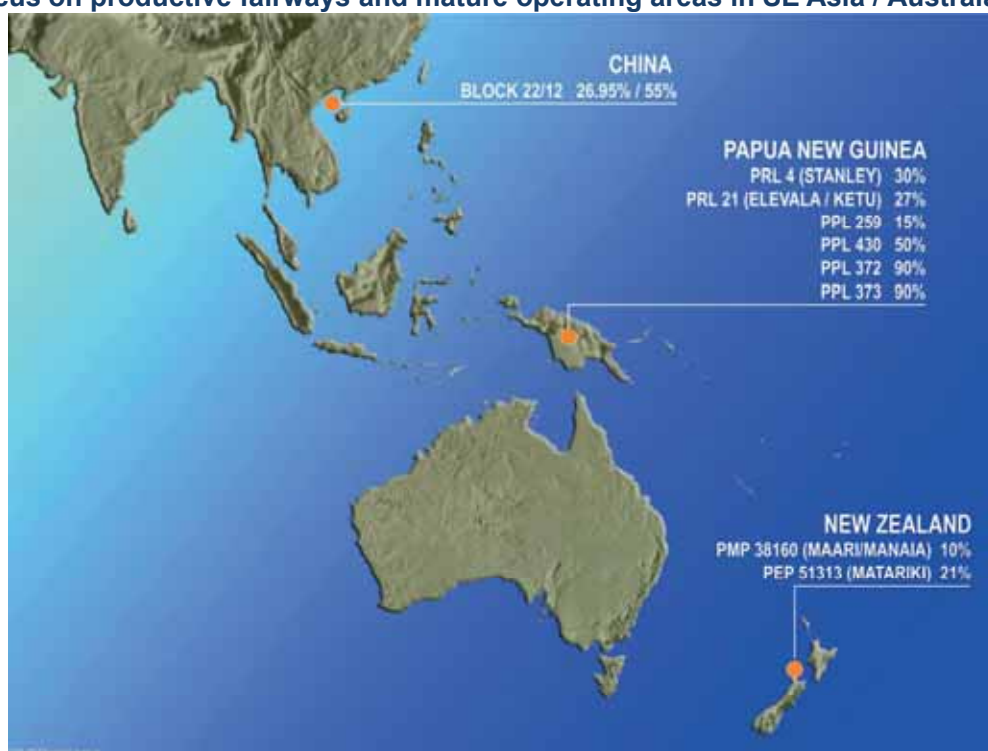
Low risk exposure to commodity price upside, especially oil price, and production growth

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Geographic Focus and Asset Location



Focus on productive fairways and mature operating areas in SE Asia / Australasia



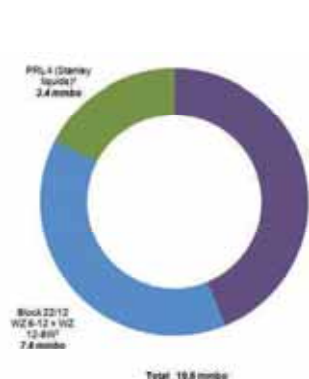
Conventional plays with scale and upside - conservative approach to exploration

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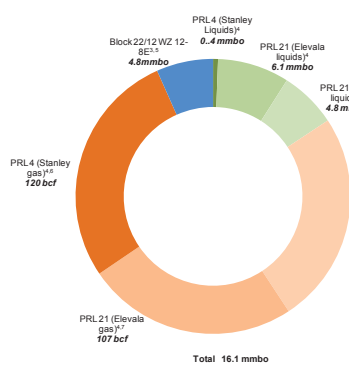
Net Reserves¹, Contingent Resources¹ and Prospective Resources¹ as at 30 April 2013, Post Osaka Gas Transaction



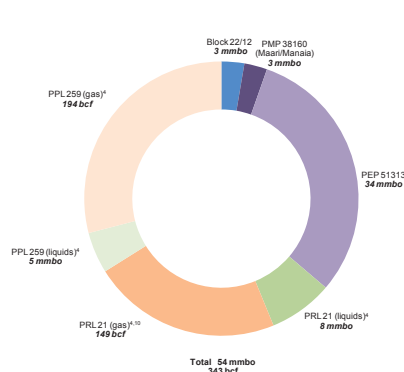
RESERVES Proven + Probable



CONTINGENT RESOURCES Proven + Probable



PROSPECTIVE RESOURCES Best Estimate



¹ Estimated in accordance with SPE-PRMS standard; 6 bcf gas equals 1 boe; 1 bbl condensate equals 1 boe

² Net of production of 21.5 mmboe gross through 30 April 2013

³ Reduced to allow for CNOOC participation at 51%

⁴ Subject to reduction to allow for PNG State Nominee participation at 22.5%

⁵ Assumes recovery factor of 20% of oil-in-place

⁶ Includes 2.6 mmbbl LPG (1 tonne LPG equals 11 bbl)

⁷ Includes 3.5 mmbbl LPG

⁸ Includes 3.5 mmbbl LPG

⁹ Estimates have an associated risk of discovery and risk of development

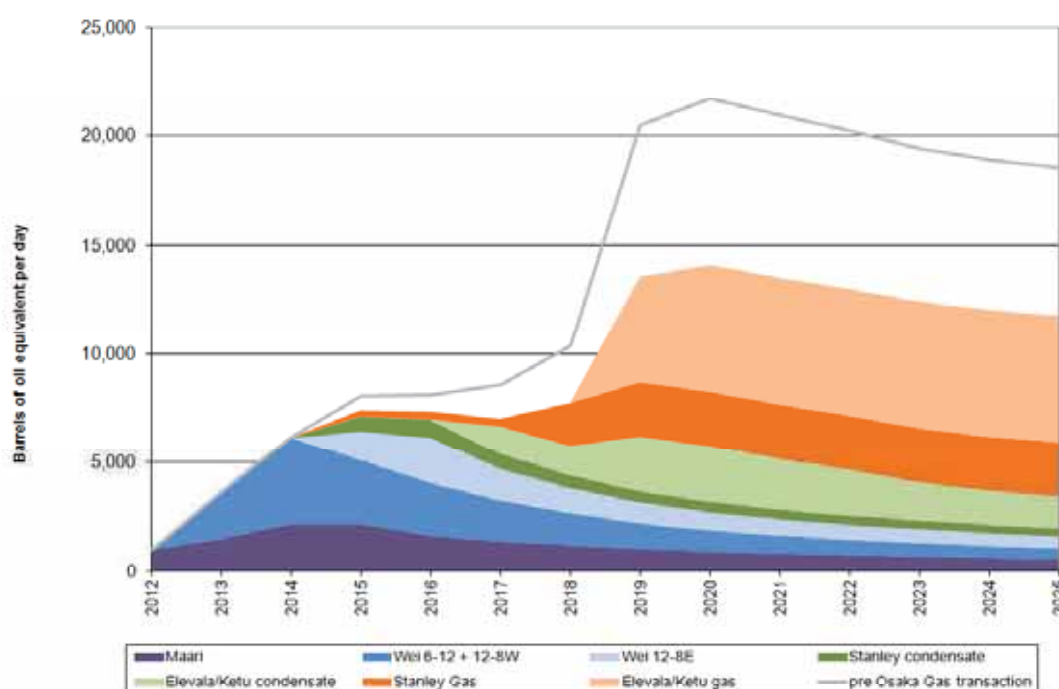
¹⁰ Includes 4.8 mmbbl LPG

**Total reserves
and contingent resources – 92 mmboe**

Prospective resources⁹ – 111 mmboe

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Forecast Net Production From Reserves + Contingent Resources as at 30 April 2013, Post Osaka Gas Transaction



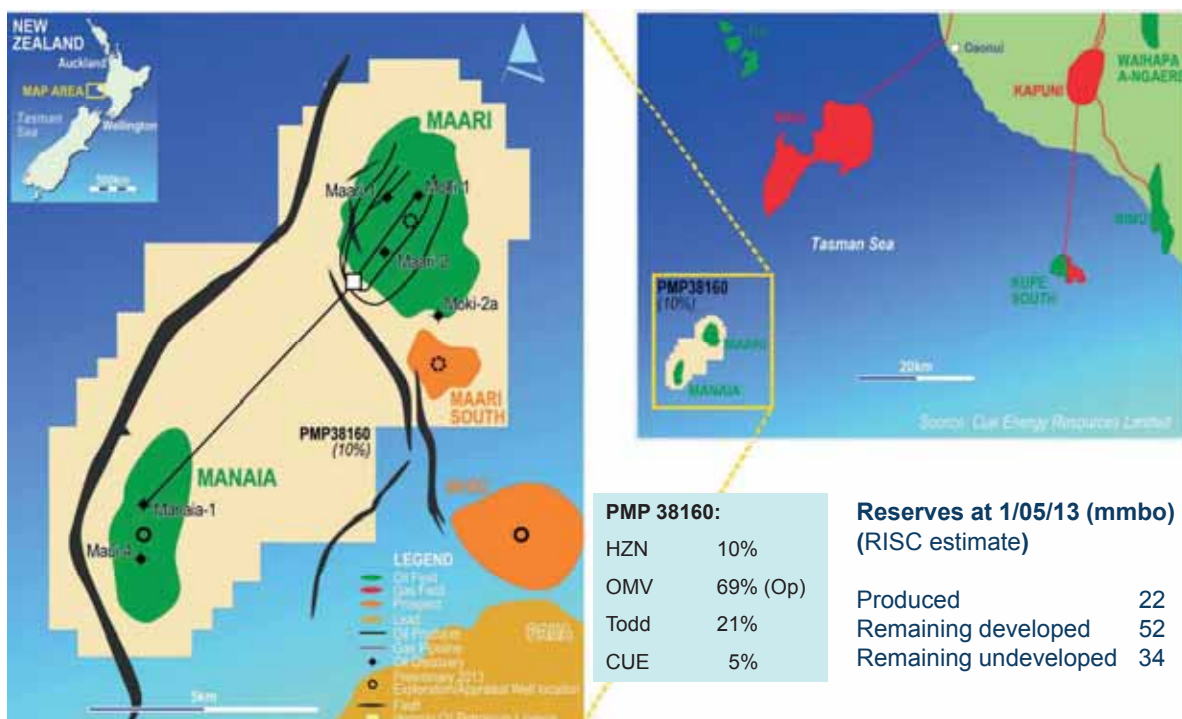
Includes historical production prior to 30 April 2013

Based on proven and probable reserves and contingent resources, estimated in accordance with SPE-PRMS standard

Timing of new field production based on operator estimates

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Maari /Manaia Fields – New Zealand



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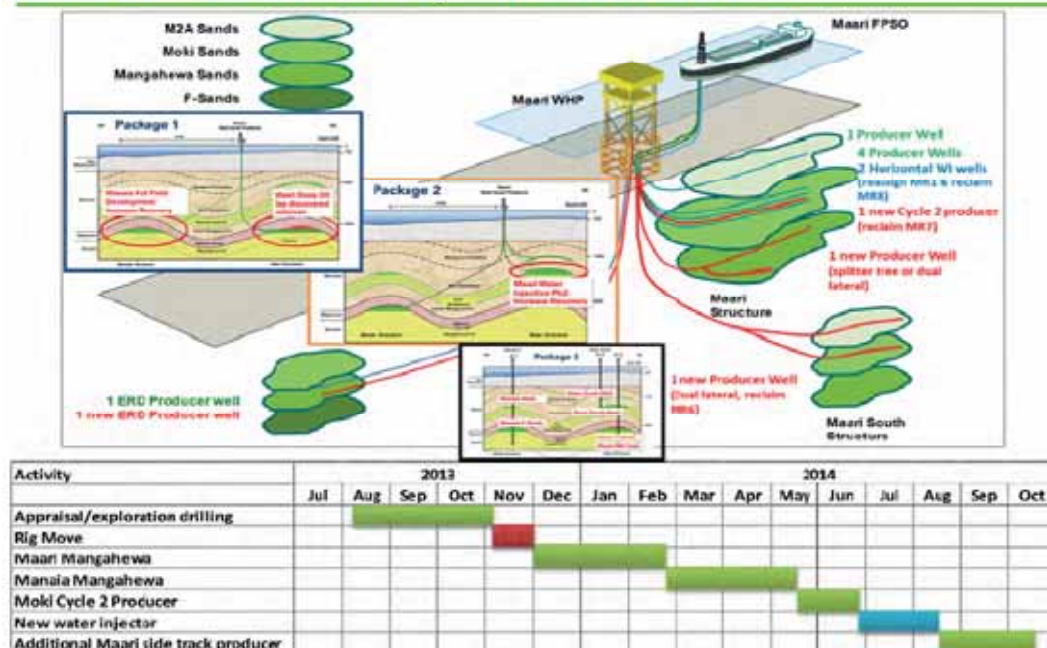
Maari/Manaia – Key Points

- Wellhead platform / FPSO development in 100 m water depth
- Maari Moki zone developed with 5 producer wells and 3 water injectors – field developed on basis of 60 mmbo recoverable reserves; successful appraisal/development wells drilled from platform on secondary zones – M2A sands and Manaia Mangaheva formation, completed for production
- Nameplate capacity of facilities 35,000 bopd; FPSO *Raroa* purchased in 2013
- High quality crude receiving US\$5-6 premium to dated Brent price
- Reserves in existing developed zones materially upgraded in 2012, with expected ultimate recovery of ~100 mmbo
- Focus now on production optimisation (reconfiguration of water injection scheme and additional producer offtake wells) and “Greater Maari Area” development
- Two exploration/appraisal wells to be drilled in 2013/14 (Manaia-2 and Maari Deep), with unrisks potential of 20-25 mmbo in new zones
- Whio prospect is a potential add-on to the Maari development, if a discovery; to be drilled in Q1 2014 with unrisks potential of 27 mmbo

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Maari/Manaia Growth Projects

Maari – Growth Projects Time line

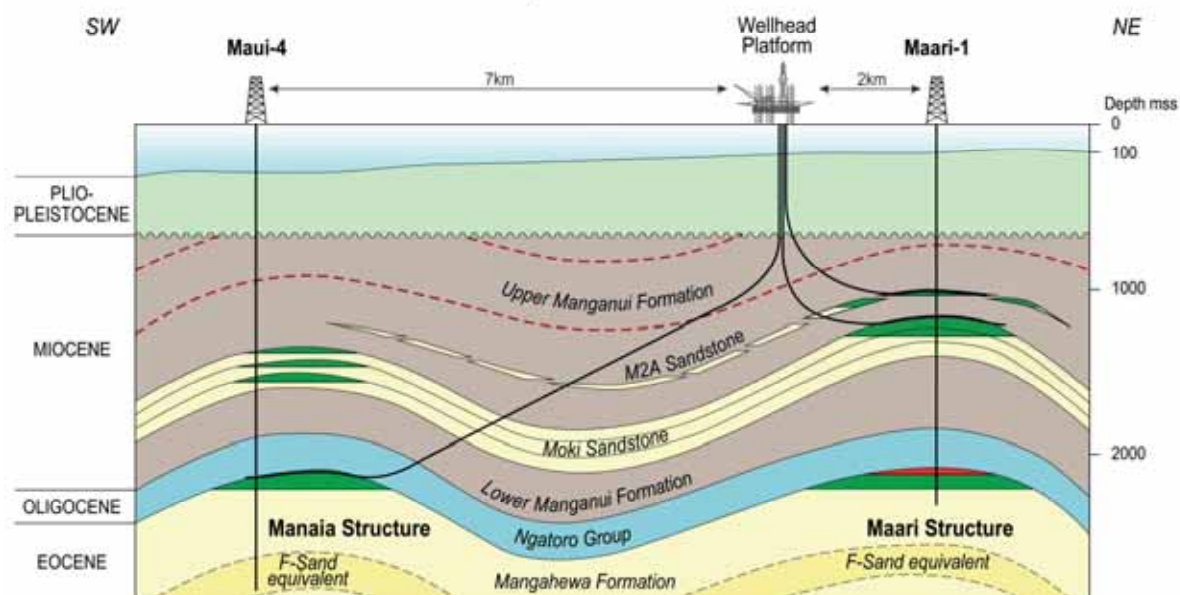


Objective to reconfigure water injection scheme, access undeveloped reserves and optimise production

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Maari /Manaia Upside Potential

MAARI / MANAIA SCHEMATIC CROSS-SECTION PMP 38160, Offshore New Zealand



Two wells to be drilled in 2013/14 (Manaia-2 and Maari Deep) to address new reserves - unrisks potential of 20 - 25 mmbo

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Deep prospect and lead inventory with 163 mmbo exploration potential

HZN	21%
	(10% Whio)
OMV	30% (Op)
Todd	35%
CUE	14%

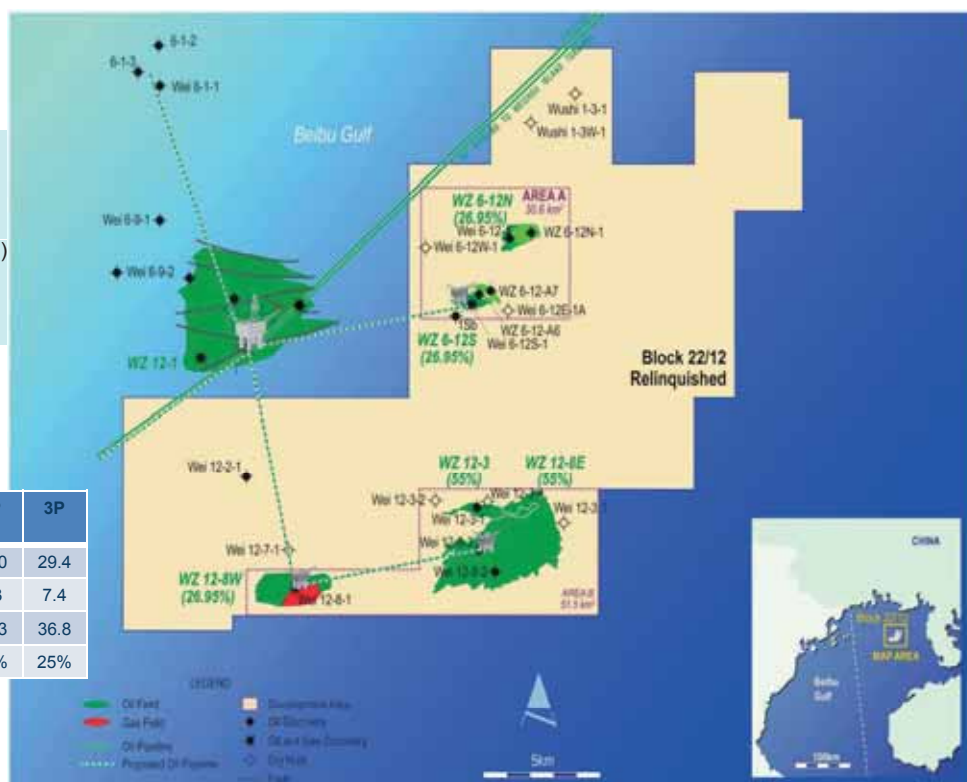


Whio-1 to be drilled in Q1 2014 with mean potential of 27 mmbo (operator estimate)

Horizon Oil

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

Gross reserves (mmbbl)	1P	2P	3P
As at 31/12/2011	18.5	24.0	29.4
Additions	4.4	4.3	7.4
As at 31/12/2012	22.9	28.3	36.8
Increase	24%	18%	25%



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Beibu Gulf Fields – Key Points



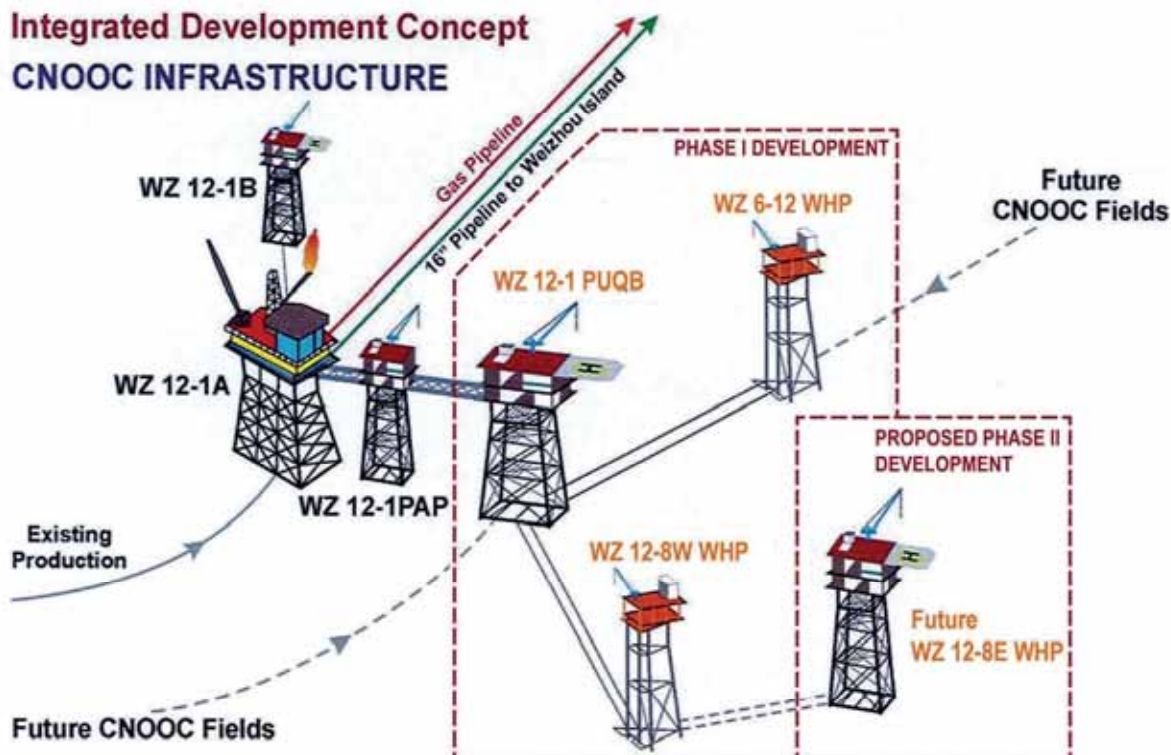
- 2 phase development in 40 - 60 m water depth utilising CNOOC platform facilities, export pipeline and terminal on Weizhou Island
- Phase 1 platforms WZ 6-12 and WZ 12-8W connected by pipeline to PUQB utility platform; forecast completion cost within initial US\$300m budget
- Three well exploration program prior to development drilling increased 2P reserves by 18% to 28 mmbo; new reserves incorporated in Phase 1 development for US\$50m incremental cost
- WZ 6-12: 10 wells on production, currently ~10,000 bopd gross
- WZ 12-8W: 5 well batch drilling operations underway; scheduled completion September 2013 ; first two wells on stream
- Forecast field peak production 16,000-18,000 bopd at end 2013
- Horizon Oil net peak production ~4,500 bopd
- Oil sales to Chinese refineries - currently priced at US\$4 discount to Brent
- Phase II development plan for WZ 12-8E field scheduled for completion in August 2013

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Beibu Gulf Fields – Phased Development Scheme

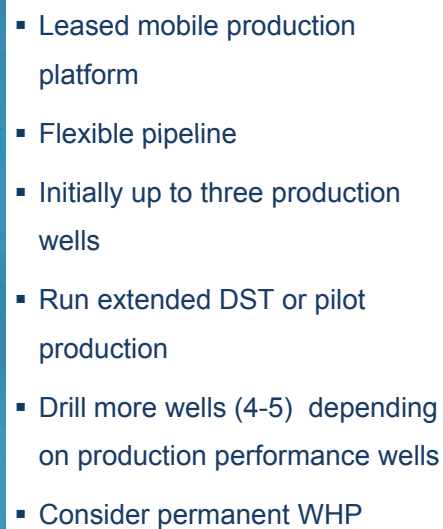


Integrated Development Concept CNOOC INFRASTRUCTURE



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Horizon Oil



Horizon Oil



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PNG Exploration and Development Program – Key Points



- Commanding 7,900 sq km acreage position in liquids-rich “sweet spot” of foreland area with certified condensate and gas resources of 125 mmbbl net, subject to reduction when transaction with Osaka Gas completes
- Stanley (PRL 4) and Elevala/Ketu (PRL 21) fields successfully appraised in 2011/12
- Stanley condensate recovery project FEED completed and FID in July 2012, production development licence application submitted in August 2012 and currently awaiting approval; early works, including river tanker construction, underway; target first production 2015
- Site preparation for Tingu-1 exploration/appraisal complete, scheduled spud late August 2013
- FEED for Elevala/Ketu condensate recovery project underway; development licence application submission March 2014
- Active exploration/appraisal program planned in low geological risk environment and accessible terrain to establish sufficient gas resources for 2– 4 mtpa mid-scale LNG plant on coast; target FID 2016

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Horizon Oil Acreage and Joint Venture Partners



PRL 4:

HZN	30% (Op)
Osaka Gas	20%
Talisman	40%
Mitsubishi	10%

PRL 21:

HZN	27% (Op)
Osaka Gas	18%
Talisman	32.5%
Kina	15%
Mitsubishi	7.5%

PPL 259:

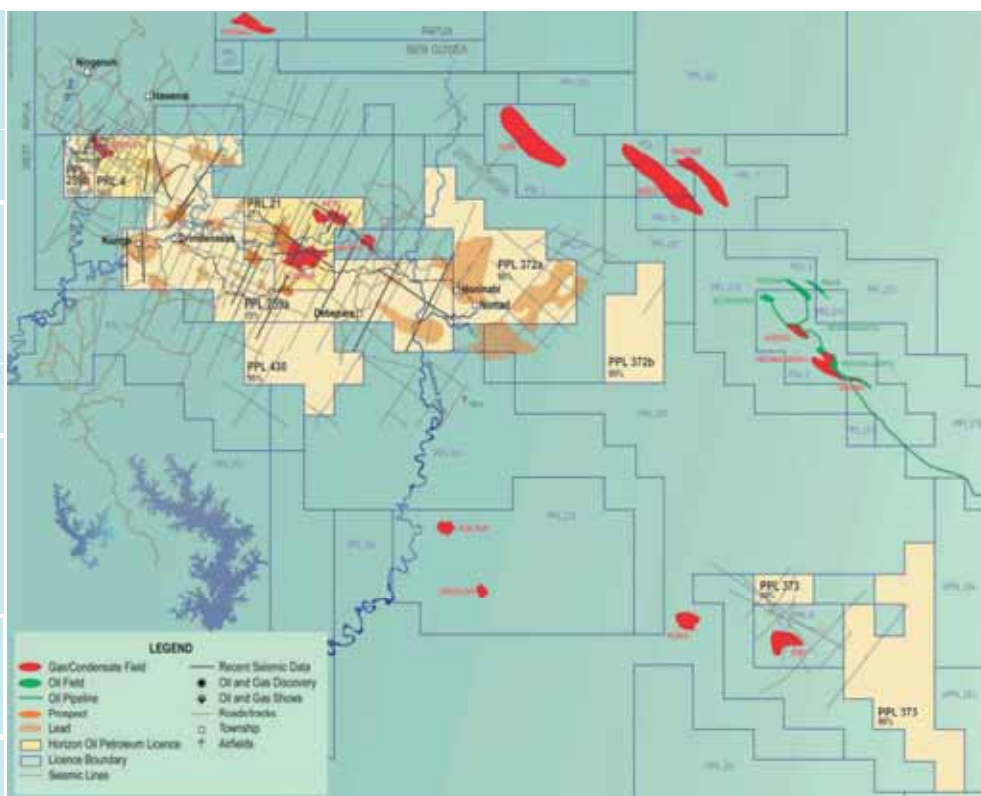
HZN	15%
Osaka Gas	10%
Eaglewood	65%
P3GE	10%

PPL 430:

HZN	50% (Op)
Eaglewood	50%

PPLs 372 and 373:

HZN	90% (Op)
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Tingu Well Site Mid-June 2013

Horizon Oil



- Scheduled spud – late August 2013
- Mean prospective resources (RISC estimate):
 - 459 bcf gas
 - 25.6 mmbbl condensate
 - 14.9 mmbbl LPG included in gas

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PNG Gas Commercialisation Options

Horizon Oil

- **Power generation**
 - Ok Tedi Mining Limited (OTML)
 - Frieda River project (if sanctioned)
 - Local towns and communities in Kiunga – OK Menga – Frieda River corridor
 - Export to West Papua: Merauke, Jayapura
- **Mid-scale LNG ~2-4 mtpa**

Expandable mid scale LNG plant located at Daru to supply:-

 - City and mining project power demand, as substitute for diesel or fuel oil
 - Singapore LNG and products hub
 - North Asian markets



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Risks relating to Horizon Oil



There are numerous widespread risks associated with investing in any form of business and the share market generally. There are also a range of specific risks associated with Horizon Oil's business and its involvement in the petroleum exploration, development and production industry and an investment in the Ordinary Shares of Horizon Oil (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 Ordinary Shares. 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.

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.

Volatility of commodity prices

The profitability of the Company's current operations is directly related to the market price of commodities, in particular oil. 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 operations 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.

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.

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 resource, once discovered, is also dependent upon many factors, some of which are the particular attributes of the resource. 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 an operation to be unprofitable in any particular accounting period.

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Risks relating to Horizon Oil (continued)



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.

Uninsurable risks

The Company may become subject to liability for accidents, pollution and other hazards against which it cannot insure against, or 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.

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.

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 of and exploration 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 particular project, the Company is not aware of any material environmental constraint affecting its proposed development and production activities or exploration properties that would preclude the economic development or operation of any specific operation 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 transshipment of commodities through neighbouring countries for export could be subject to disruptions through transshipment licensing delays, political disputes and natural disasters.

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 its exploration, development and production activities can operate, and on providers of logistics to ensure products are 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.

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Risks relating to Horizon Oil (continued)



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.

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 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 petroleum exploration and production or 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 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 in the regions in which the Company operates could adversely affect production at the Company's operations.

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.

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 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 exploration and project development operations.

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Risks relating to Horizon Oil (continued)



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, technical, 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 throughout. 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 affect the Company's ability to finance the development of its projects as well as its results of its operations.

Currency Risk

The Company incurs expenditures in the local currencies of various countries from operations and certain other capital and operating costs will primarily 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 materially 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.

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 operations, revenue forecasting, an effective 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.

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International Entitlement Offer Restrictions



International Offer Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

British Virgin Islands

The New Shares may not be offered in the British Virgin Islands unless the Company or the person offering the New Shares on its behalf is licensed to carry on business in the British Virgin Islands. The Company is not licensed to carry on business in the British Virgin Islands. The New Shares may be offered to British Virgin Islands business companies from outside the British Virgin Islands without restriction. A British Virgin Islands business company is a company formed under or otherwise governed by the BVI Business Companies Act, 2004 (British Virgin Islands).

Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of New Shares only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus and Registration Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Shares or the offering of New Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Shares.

The Company, and the directors and officers of the Company, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada. Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages or rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased the New Shares with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the New Shares as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Shares were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding, or disposition of the New Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of these securities (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

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International Entitlement Offer Restrictions (continued)



New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand).

The New Shares in the entitlement offer are not being offered or sold to the public in New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

Other than in the entitlement offer, New Shares may be offered and sold in New Zealand only to:

- persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- persons who are each required to (i) pay a minimum subscription price of at least NZ\$500,000 for the securities before allotment or (ii) have previously paid a minimum subscription price of at least NZ\$500,000 for the securities before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this document.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise permitted to, and in accordance with the conditions of any other applicable provisions of the SFA. This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 27(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

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Please visit the Horizon Oil website
www.Horizonoil.com.au to see:-

Detailed Investor Presentation
Latest Quarterly Report
Analyst reports on HZN



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The reserve and resource information contained in this announcement is based on information compiled by Alan Fernie (Manager – Exploration and Development). Mr Fernie (B.Sc), who is a member of AAPG, has more than 35 years relevant experience within the industry and consents to the information in the form and context in which it appears.





NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

1 August 2013

HORIZON OIL LIMITED ANNOUNCES SUCCESSFUL COMPLETION OF INSTITUTIONAL ENTITLEMENT OFFER

KEY HIGHLIGHTS

- Institutional component of the Entitlement Offer successfully completed, raising approximately \$33 million.
- Strong support shown by existing institutional shareholders.
- Retail offer opens on Friday, 9 August 2013.

Horizon Oil Limited (ASX:HZN, or "**Horizon Oil**") is pleased to announce the successful completion of the institutional component of its 1 for 7 accelerated non-renounceable pro-rata entitlement offer ("**Institutional Entitlement Offer**") announced yesterday.

A total of approximately \$33 million was raised under the Institutional Entitlement Offer.

The Institutional Entitlement Offer was strongly supported by existing institutional shareholders in Horizon Oil, evidenced by a 90% take up rate. Horizon Oil's major shareholder, Austral-Asia Energy Pty Ltd ("**IMC**") participated in the Institutional Entitlement Offer to the extent necessary to maintain its current shareholding of 19.9%.

Horizon Oil's Chief Executive Officer, Brent Emmett, said: "We are delighted by the excellent support demonstrated by Horizon Oil's existing institutional shareholders. We consider their support of the Institutional Entitlement Offer a strong endorsement of Horizon Oil's existing and stated objectives".

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**") 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.

The new shares to be issued under the Institutional Entitlement Offer will rank equally with existing shares from the date of their issue. Settlement of the Institutional Entitlement Offer is expected to be completed on Wednesday, 14 August 2013 and accordingly the

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.



new shares issued under the Institutional Entitlement Offer are expected to be issued and commence trading on Australian Securities Exchange ("**ASX**") on Thursday, 15 August 2013.

COMMENCEMENT OF THE RETAIL ENTITLEMENT OFFER

The retail component of the 1 for 7 accelerated non-renounceable entitlement offer ("**Retail Entitlement Offer**") is expected to raise approximately \$21 million and is fully underwritten².

The Retail Entitlement Offer will open on Friday, 9 August 2013 and closes at 5:00pm (AEST) on Friday, 23 August 2013. Eligible Retail Shareholders (defined below) will have the opportunity to participate at the same offer price and the same offer ratio as the Institutional Entitlement Offer.

Horizon Oil retail shareholders with a registered address in Australia or New Zealand at 7:00pm (AEST) on Tuesday, 6 August 2013 ("**Record Date**") ("**Eligible Retail Shareholders**")³ will be entitled to participate in the Retail Entitlement Offer on the terms and subject to the conditions set out in the booklet relating to the Retail Entitlement Offer ("**Retail Offer Booklet**"). Eligible Retail Shareholders will be entitled to acquire 1 new fully paid ordinary share in Horizon Oil ("**New Shares**") for every 7 existing Horizon Oil shares held on the Record Date ("**Entitlement**"). Fractional Entitlements 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 ("**Additional New Shares**") up to a maximum of 50% of their Entitlement. 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.

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

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

Horizon Oil expects its trading halt to be lifted and Horizon Oil shares to recommence trading on an ex-entitlement basis from market open today.

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.

² The Institutional Entitlement Offer and the Retail Entitlement Offer are together the Entitlement Offer.

³ Other eligible criteria will be set out in the Retail Offer Booklet.



IMC has 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.

ENTITLEMENT OFFER TIMETABLE

Event	Date
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	Thursday, 15 August 2013
Normal trading of New Shares issued under the Institutional Entitlement Offer commences	
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 Additional New Shares under the Retail Entitlement Offer	Monday, 2 September 2013
Normal trading of New Shares and 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. The commencement of quotation of New Shares is subject to confirmation from ASX.

Eligible Retail Shareholders are encouraged to 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.



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 yesterday 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.

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer of securities for sale in the United States or any other jurisdiction. Any securities described in this announcement may not be offered or sold in the United States absent registration under the US Securities Act of 1933 or an exemption from registration.

4. Action required by Shareholders

4.1 Options for Eligible Retail Shareholders

Eligible Retail Shareholders may do one of the following:

- take up all or part of your Entitlement;
- take up all of your Entitlement and apply for Additional New Shares up to 50% of your Entitlement (unless you are a related party of the Company); or
- allow all or part of your Entitlement to lapse.

4.2 Applying for New Shares and Additional New Shares

If you wish to either:

- (i) take up all or part of your Entitlement; or
- (ii) take up all of your Entitlement and apply for Additional New Shares,

you have two options, you may either:

- (i) pay by BPAY, in which case you do not need to return your personalised Entitlement and Acceptance Form; or
- (ii) submit your personalised Entitlement and Application Form and make payment via cheque, bank draft or money order.

4.3 Applying and paying via BPAY

To make payment via BPAY, please follow the instructions on the personalised Entitlement and Acceptance Form.

Please note that should you choose to pay by BPAY:

- you must be the holder of an account with an Australian financial institution that supports BPAY transactions;
- use the specific biller code and unique Customer Reference Number (CRN) provided on your personalised Entitlement and Acceptance Form;
- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the declarations on that Entitlement and Acceptance Form;
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Money; and
- you must ensure that your BPAY payment is received by the Share Registry by 5:00pm (AEST) on Friday, 23 August 2013. Your financial institution may implement earlier cut-off times with regards to electronic payment.

If you receive more than one personalised Entitlement and Acceptance Form (ie where you have multiple holdings), please only use the CRN specific to the Entitlement on that form. If you inadvertently use the same CRN for more than one of your Entitlements when paying by BPAY, you will be deemed to have applied only for New Shares on the Entitlement to which that CRN applies and your applications in respect of your other CRNs will be deemed not to have been supported by cleared funds.

4.4 Applying via submission of your Entitlement and Acceptance Form and making payment by cheque, bank draft or money order

For payment by cheque, bank draft or money order, you need to:

- complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the Form and return it to the Share Registry;
- along with your Entitlement and Acceptance Form, return to the registry a cheque, bank draft or money order:
 - > for an amount equal to \$0.33 multiplied by the number of New Shares and if applicable Additional New Shares that you are applying for;
 - > in Australian currency drawn on an Australian branch of a financial institution; and
 - > payable to 'Horizon Oil Limited' and crossed 'Not Negotiable'; and
- ensure that your completed personalised Entitlement and Acceptance form along with payment is received by 5:00pm (AEST) on Friday, 23 August 2013.

Postal address

Horizon Oil Share Registry
C/- Boardroom Pty Limited
GPO Box 3993
Sydney, NSW, 2001

Entitlement and Acceptance Forms (and Application Money) will not be accepted at the Company's registered office or corporate offices, or other offices of the Share Registry.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies is insufficient to pay in full for the number of New Shares you have applied for, your cheque may be dishonoured, or alternatively, your application will not be accepted.

Cash payments will not be accepted. Receipts for payment will not be issued.

4.5 Application money

Application Money or Monies means monies received from Applicants in respect of their Applications.

Until the New Shares (and if applicable, any Additional New Shares) are issued, Application Money will be held in trust in a subscription account which is held by the Company on behalf of each Eligible Retail Shareholder.

Any Application Money received for more than your final allocation of New Shares and if applicable Additional New Shares will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid.

If necessary, Application Money will be refunded as soon as reasonably practicable, without interest. Interest earned on any Application Money will be for the benefit of the Company.

The Company will treat you as applying for as many New Shares as your payment will pay for in full up to your full Entitlement and, in respect of amounts received by the Company in excess of your full Entitlement (**Excess Amount**), may treat your Application as applying for as many Additional New Shares as your Excess Amount will pay for in full. To the extent that applications for Additional New Shares exceed Shortfall available, applications will be scaled back by the Company (see Section 2.2).

4.6 Implications of making an Application

You must make your application for New Shares (and if applicable, Additional New Shares) in accordance with the Retail Offer Booklet and the personalised Entitlement and Acceptance Form. The Company reserves the right to reject applications not made in this way.

The Company also reserves the right (in its absolute discretion) to reduce the number of New Shares (and if applicable, Additional New Shares) allocated to Eligible Retail Shareholders, or persons claiming to be Eligible Retail Shareholders, if their claims prove to be overstated or if they or their nominees fail to provide information to substantiate their claims.

Submitting an Application constitutes a binding offer to acquire New Shares (and if applicable, Additional New Shares) on the terms and subject to the conditions set out in this Retail Offer Booklet and the Entitlement and Acceptance Form and, once lodged, cannot be withdrawn (except as allowed by law).

You do not need to sign the personalised Entitlement and Acceptance Form for it to be considered binding.

An Application may still be treated as a valid Application for New Shares (and if applicable, Additional New Shares) even if it is not completed or submitted correctly. The Company's decision whether to treat an Application as valid and how to construe, amend, complete or submit the Application is final.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY, you:

- offer to acquire the New Shares (and if applicable, Additional New Shares) on the terms and subject to the conditions set out in this Retail Offer Booklet;
- acknowledge that you have read and understand this Retail Offer Booklet and your personalised Entitlement and Acceptance Form in their entirety;
- agree to be bound by the terms of this Retail Offer Booklet, the Entitlement and Acceptance Form and the provisions of the Company's constitution;
- authorise the Company to register you as the holder(s) of the New Shares (and if applicable, Additional New Shares) allotted to you;
- declare that all details and statements made in the personalised Entitlement and Acceptance Form are complete and accurate;
- declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Retail Entitlement Offer;
- acknowledge that once the Company receives the personalised Entitlement and Acceptance Form or your payment by BPAY, you may not withdraw it except as allowed by law;
- agree to apply for, and be issued with up to, the number of New Shares (or Additional New Shares (where permitted), including if because of the receipt by the Company of an Excess Amount from you) that you apply for at the Offer Price of \$0.33 per New Share;
- authorise the Company and its officers or agents to do anything on your behalf necessary for the New Shares (and Additional New Shares, if applicable) to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the personalised Entitlement and Acceptance Form;
- agree that the allotment of New Shares (and Additional New Shares, if applicable) to you constitutes acceptance of your Application;
- declare that you are the current registered holder(s) of the Shares in your name at the Record Date;
- acknowledge that the information contained in this Retail Offer Booklet is not investment advice or a recommendation that New Shares (or Additional New Shares, if applicable) are suitable for you, given your investment objectives, financial situation or particular needs;

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- represent and warrant that the law of any other place (other than Australia or New Zealand) does not prohibit you from being given this Retail Offer Booklet or making an Application for New Shares (and Additional New Shares, if applicable);
 - represent and warrant that you are an Eligible Retail Shareholder and have read and understood this Retail Offer Booklet and the personalised Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and agreements, contained in this Retail Offer Booklet and the personalised Entitlement and Acceptance Form; and
 - will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:
 - > you are not in the United States and are not acting for the account or benefit of a person in the United States;
 - > you are subscribing for or purchasing New Shares (or Additional New Shares, if applicable) in an “offshore transaction” in compliance with Regulation S under the US Securities Act;
 - > you acknowledge that the New Shares (and Additional New Shares) have not been, nor will be, registered under the US Securities Act or the securities laws of any state or other jurisdictions in the United States, or in any other jurisdiction outside Australia or New Zealand. You acknowledge that, accordingly, the Entitlements may only be taken up by, and the New Shares (and Additional New Shares, if applicable) may only be offered and sold to, directly or indirectly, persons outside the United States that are not acting for the account or benefit of persons in the United States;
 - > you agree that if in the future you decide to sell or otherwise transfer the New Shares (or Additional New Shares, if applicable), you will only do so only outside the United States in a standard (regular way) brokered transaction on the ASX where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States or is acting for the account or benefit of a person in the United States, in accordance with Regulation S under the U.S. Securities Act; and
 - > you have not, and will not, send any materials relating to the Entitlement Offer to any person in the United States, Canada or any other jurisdiction outside Australia or New Zealand except to beneficial Shareholders who are institutional or professional investors in the countries (excluding Canada and the United States) listed in, and to the extent permitted under, the “International Entitlement Offer Restrictions” section of the Company’s Capital Raising Presentation that is included in Section 3 of this Retail Offer Booklet.

5. Important information for Shareholders

5.1 No prospectus or product disclosure statement

The Entitlement Offer complies with the requirements of section 708AA of the Corporations Act as notionally modified by ASIC Class Order [CO 07/571] and ASIC Class Order [CO 08/35]. Accordingly, neither this Retail Entitlement Offer Booklet nor the Entitlement and Acceptance Form are required to be lodged or registered with ASIC. As the Company is a listed disclosing entity which meets the requirements of section 708AA of the Corporations Act as notionally modified by ASIC Class Order [CO 07/571] and ASIC Class Order [CO 08/35], no prospectus or product disclosure statement for the Entitlement Offer will be prepared.

5.2 Continuous disclosure

The Company is a “disclosing entity” under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including the preparation of annual reports and half yearly reports.

The Company is required to notify the ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the stock markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its Shares. That information is available to the public from the ASX.

Some documents are required to be lodged with ASIC in relation to the Company. These documents may be obtained from, or inspected at, an ASIC office.

5.3 Not investment advice

The information provided in this Retail Offer Booklet is not intended to be relied on as advice to investors and has been prepared without taking into account the recipient’s investment objectives, financial circumstances or particular needs.

This Retail Offer Booklet does not purport to contain all the information that you may require in evaluating a possible application for New Shares and Additional New Shares and you should undertake your own independent review, investigation and analysis of the Company and the Retail Entitlement Offer. You should obtain professional advice if required and carefully evaluate the risks of an investment in the Company before making any investment decision.

The shares offered under this Retail Offer Booklet should be considered speculative.

5.4 Future performance

This Retail Offer Booklet contains certain forward-looking statements with respect to the financial condition, results of operations, projects and business of the Company and certain plans and objectives of the management of the Company. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are subject to change without notice. These risks include the matters described in the “Risks relating to Horizon Oil” section of the Capital Raising Presentation release to ASX on Wednesday, 31 July 2013 which is included in Section 3 of this Retail Offer Booklet. The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.

Forward-looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Neither the Company, nor any other person, gives any representation, warranty, assurance nor guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. In particular, such forward-looking statements are subject to significant uncertainties and contingencies, many of which are outside the control of the Company.

5.5 Past performance

Investors should note that the past share price performance of the Company provides no guarantee or guidance as to future share price performance. Past performance information given in this Retail Entitlement Offer Booklet is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. The historical information in this Retail Entitlement Offer Booklet is, or is based upon information that has been released to the market. For further information, please see past announcements released to the ASX.

5.6 Underwriting arrangements and fees

The Company has entered into the Underwriting Agreement with the Underwriter who has agreed to manage and underwrite the Entitlement Offer.

The Entitlement Offer is fully underwritten. Any New Shares which are not subscribed for by Eligible Retail Shareholders pursuant to their Entitlement or allocated to Eligible Retail Shareholders other than related parties of the Company applying for Additional New Shares, will form part of the Shortfall to be taken up by the Underwriter and/or by sub-underwriters, on the terms and conditions of the Underwriting Agreement and any relevant sub-underwriting agreements. However, it is important to note that the Underwriter will be acting for and providing services to the Company in this process and will not be acting for or providing services to shareholders or any other investor. The engagement of the Underwriter by the Company is not intended to create any agency, fiduciary or other relationship between the Underwriters and the shareholders or any other investor.

The obligations of the Underwriter under the Underwriting Agreement are subject to the satisfaction of a number of conditions, including (but not limited to):

- the Company obtaining, and ASX not withdrawing or modifying, the necessary ASX waivers required to conduct the Entitlement Offer;
- the New Shares (and Additional New Shares) being approved for quotation by ASX; and
- receipt by the Underwriter of a customary legal opinion from the Company’s legal counsel.

As is customary with these types of arrangements:

- the Company has, subject to certain usual limitations, agreed to indemnify the Underwriter, its affiliates (ie any person who controls or is controlled by the Underwriter) and related bodies corporate, the directors, officers, employees, of the Underwriter, its affiliates and related bodies corporate against losses they may suffer or incur in connection with the Entitlement Offer;
- the Company and the Underwriter have given certain representations, warranties and undertakings in connection with (among other things) the Entitlement Offer; and
- the Underwriter may (in certain circumstances, including having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from its obligations under it on the occurrence of certain events on or prior to the settlement date of the Retail Entitlement Offer, including (but not limited to) where:
 - > the Company is removed from the official list of ASX or the Shares cease to be quoted or are suspended from quotation by ASX;
 - > a regulatory body makes an application, holds, or gives an intention to hold a hearing or investigation, or commences proceedings against the Company in relation to the Entitlement Offer, or an application is made to the Takeovers Panel in connection with the Offer or any Offer document;
 - > there are material disruptions in financial or economic conditions in key markets, certain falls in the S&P/ASX 200 indices or hostilities commence or escalate in certain key countries;
 - > a statement contained in the offer materials is or becomes false, misleading or deceptive (including by omission) or likely to mislead or deceive, or statements or estimates relating to future matters in the offer materials are or become incapable of being met; and
 - > there is a material adverse change in the financial position or performance, assets, liabilities, profits, losses or prospects of the Company or any of its subsidiaries.

Please note that the above is not an exhaustive list of the termination events in the Underwriting Agreement.

If terminated, the Entitlement Offer may not proceed in its entirety.

The Underwriter, after consultation with the Company, may, at any time, appoint sub-underwriters or co-managers in respect of any part of the Entitlement Offer.

The Underwriter is entitled to be paid fees and expenses under the Underwriting Agreement, and receive certain indemnities. Any co-manager fees in respect of the Entitlement Offer would be paid by the Underwriter out of the fees payable to the Underwriter.

No additional fees other than as described in the paragraph above are payable to or by the Company in relation to the underwriting or sub-underwriting of the Entitlement Offer.

Austral-Asia Energy Pty Ltd and its associates (“**IMC**”), a substantial shareholder of the Company, has committed to sub-underwrite a portion of the Retail Entitlement Offer up to the value of \$10 million (“**Sub-underwriting Commitment**”). This Sub-underwriting Commitment forms part of the general sub-underwriting of the Retail Entitlement Offer.

The number of New Shares to be allotted to IMC in relation to the Sub-underwriting Commitment will depend on the actual level of subscriptions received following completion of the Retail Entitlement Offer.

As at the date of issue of this Retail Offer Booklet, the Company does not consider that either of the Underwriter or IMC are a related party of the Company.

5.7 Risks

The Capital Raising Presentation details important factors and risks that could affect the financial and operating performance of Horizon Oil. You should refer to the “Risks relating to Horizon Oil” section of the Capital Raising Presentation released to ASX on Wednesday, 31 July 2013 which is included in Section 3 of this Retail Offer Booklet. You should consider these factors in light of your personal circumstances, including financial and taxation issues, before making a decision to apply for New Shares or Additional New Shares.

5.8 Consents

Neither the Underwriter nor any of its respective related bodies corporate and affiliates, nor any of their respective directors, officers, partners, employees, representatives or agents have authorised or caused the issue of this Retail Offer Booklet and enclosed personalised Entitlement and Acceptance Form (**Information**) and they do not take any responsibility for this Information or any action taken by you on the basis of such information. To the maximum extent permitted by law, the Underwriter and each of its respective related bodies corporate and affiliates and each of their respective directors, officers, partners, employees, representatives or agents exclude and disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer and this Information being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise. Neither the Underwriter nor any of its respective related bodies corporate and affiliates nor any of their respective directors, officers, partners, employees, representatives or agents make any recommendations as to whether you or your related parties should participate in the Entitlement Offer nor do they make any representations or warranties to you concerning this Entitlement Offer, or any such information and you represent, warrant and agree that you have not relied on any statements made by the Underwriter or any of its respective related bodies corporate and affiliates or any of their respective directors, officers, partners, employees, representatives or agents in relation to the New Shares, the Additional New Shares or the Entitlement Offer generally. The engagement of the Underwriter by the Company is not intended to create any agency or other relationship between the Underwriter and the Shareholders.

5.9 ASX listing

The Company has made an application to ASX for official quotation (meaning “quotation” as that term is used in the Listing Rules) of the New Shares. If ASX does not grant quotation for the New Shares (and Additional New Shares, as applicable), the Company will not allot any New Shares (and Additional New Shares, as applicable) and all Application Money will be refunded without interest.

5.10 No Entitlement trading or cooling off rights

Entitlements are non-renounceable and cannot be traded on the ASX or any other exchange, nor can they be privately transferred. Cooling off rights do not apply to an investment in New Shares (or Additional New Shares). You cannot withdraw your Application for New Shares (or Additional New Shares, if applicable to you) once it has been submitted (except as allowed by law).

5.11 Rounding of Entitlements

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

5.12 Ranking of New Shares

New Shares and Additional New Shares will rank equally in all respects with existing Shares.

5.13 ASX Waivers

In order to conduct the Entitlement Offer, ASX has granted Horizon Oil waivers from ASX Listing Rules 3.20, 7.1, 7.40 and 10.11 subject to a number of customary conditions such as:

- all Shareholders are offered their pro-rata share of the Entitlement Offer unless ASX Listing Rule 7.7.1 would permit the shareholder to be excluded from the Entitlement Offer;
- ordinary shares are offered under the Institutional Entitlement Offer and Retail Entitlement Offer at the same price and same ratio; and
- related parties do not participate beyond their pro-rata share other than under bona fide underwriting arrangements that are disclosed in this Retail Offer Booklet. For clarity, the waiver granted with respect to ASX Listing Rule 10.11 does not extend to enable Eligible Retail Shareholders who are related parties of the Company to apply for any Additional New Shares.

The waivers also allow the Company to ignore, for the purposes of determining Entitlements, transactions occurring after the announcement of the trading halt in Shares (other than registrations of ASX Trade transactions which were effected before the announcement) (“**Post Ex-date Transactions**”). Such transactions are to be ignored in determining holders and registered holders, and holdings and registered holdings of existing Shares as at the Record Date, and references to such holders, holdings and registered holdings are to be read accordingly. Therefore, if you have acquired Shares in a Post Ex-date Transaction, you will not receive an Entitlement in respect of those Shares.

5.14 Foreign jurisdictions – restrictions and limitations

This Retail Offer Booklet is being sent to all Eligible Retail Shareholders on the register of the Company on the Record Date with an address on the share register in Australia or New Zealand.

New Zealand

The New Shares and Additional New Shares are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Other jurisdictions

This Retail Offer Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer and no action has been taken to register the New Shares or Additional New Shares or otherwise permit a public offering of the New Shares (or Additional New Shares, as applicable) in any jurisdiction other than Australia and New Zealand. Return of the Entitlement and Acceptance Form or payment via BPAY shall be taken by the Company to constitute a representation by you that there has been no breach of any such laws.

5.15 Notice to Nominees and Custodians

Nominees and custodians who hold Shares as nominees or custodians will have received, or will shortly receive, a letter from the Company in respect of the Entitlement Offer. Nominees and custodians should consider carefully the contents of that letter and note in particular that:

- the Retail Entitlement Offer is not available to Eligible Institutional Shareholders who were successfully invited to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not) and Institutional Investors⁵ who were treated as Ineligible Institutional Shareholders under the Institutional Entitlement Offer;
- they may not send any material relating to the Entitlement Offer to, nor take up any Entitlements or otherwise purchase New Shares or Additional New Shares on behalf of, any person in Canada, the United States or any other jurisdiction outside Australia or New Zealand except to beneficial Shareholders who are institutional or professional investors in the countries (excluding Canada and the United States) listed in, and to the extent permitted under, the “International Entitlement Offer Restrictions” section of the Company’s Capital Raising Presentation that is included in Section 3 of this Retail Offer Booklet; and
- failure to comply with these restrictions could result in violations of applicable securities laws.

Horizon Oil is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of existing Shares or Entitlements. Any person acting as a nominee or custodian for a foreign person must, in dealing with its beneficiary, consider the “International Entitlement Offer Restrictions” section of the Company’s Capital Raising Presentation and assess whether indirect participation in the Entitlement Offer by the beneficiary complies with applicable foreign laws.

⁵ Institutional Investor means a person who the Underwriter reasonably believes to be a person to whom offers of New Shares may lawfully be made without the issue of a prospectus under Chapter 6D of the Corporations Act or any other lodgement, registration or approval with or by a government agency (other than one with which the Company is willing to comply), and subject to the foregoing, may include brokers bidding on behalf of their Australian ‘exempt’ investor clients; or to whom an offer of New Shares may be made outside Australia without registration, lodgement of a formal disclosure document or other formal filing in accordance with the laws of that particular foreign jurisdiction (except to the extent to which the Company is willing to comply with such requirements).

5.16 Taxation

There will be tax implications associated with participating in the Retail Entitlement Offer and receiving shares. The Company considers that it is not appropriate to give advice regarding the tax consequences of subscribing for Shares under this document or the subsequent disposal of any such Shares. The Company recommends that you consult your professional tax adviser in connection with the Retail Entitlement Offer.

5.17 Other information

This Retail Offer Booklet (including the ASX Announcements and Capital Raising Presentation reproduced in it) and enclosed personalised Entitlement and Acceptance Form have been prepared by the Company. The information in this Retail Offer Booklet is dated Friday, 9 August 2013 (other than the ASX Announcements and Capital Raising Presentation reproduced in it).

No party other than the Company has authorised or caused the issue of the information in this Retail Offer Booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in the information in this Retail Offer Booklet.

Any information or representation that is not in this Retail Offer Booklet may not be relied on as having been authorised by the Company, or its related bodies corporate, in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, none of the Company, or any other person, warrants or guarantees the future performance of the Company or any return on any investment made pursuant to the information in this Retail Offer Booklet.

5.18 Privacy

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's shareholding in the Company.

By submitting an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or through the share registry). The Company collects, holds and will use that information to assess your Application. The Company may disclose your personal information for purposes related to your shareholding in the Company, including to its share registry, agents, contractors and third party service providers, and to ASX and regulatory bodies. To make a request for access to your personal information held by (or on behalf of) the Company, please contact the Company through its share registry.



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