



Horizon Oil Limited ABN 51 009 799 455

Level 7, 134 William Street, Woolloomooloo NSW Australia 2011

Tel +61 2 9332 5000, **Fax** +61 2 9332 5050 www.horizonoil.com.au

9 August 2013

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

Dear Sir,

HORIZON OIL LIMITED LETTER TO INELIGIBLE SHAREHOLDERS

Attached is a copy of the letter sent to ineligible shareholders associated with the accelerated non-renounceable pro-rata entitlement offer announced by the company on 31 July 2013.

A printed copy of the letter will be sent to all ineligible shareholders.

Yours faithfully,

A handwritten signature in black ink that reads "Richard Beament". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Richard Beament

Manager - Finance & Commercial/Assistant Company Secretary



For further information please contact:

Mr Richard Beament

Telephone: (+612) 9332 5000

Facsimile: (+612) 9332 5050

Email: exploration@horizonoil.com.au

Or visit www.horizonoil.com.au



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Dear Shareholder

LETTER TO INELIGIBLE SHAREHOLDERS – NON-RENOUCEABLE ENTITLEMENT OFFER

On 31 July 2013, Horizon Oil Limited (**Horizon Oil**) announced that it was conducting a fully underwritten capital raising of \$53.5 million. The offer is in the form of an accelerated non-renounceable entitlement offer (**Entitlement Offer**) comprised of an institutional component (**Institutional Entitlement Offer**) and an offer to Eligible Retail Shareholders (as defined below) to participate on the same terms (**Retail Entitlement Offer**). The Entitlement Offer is being made on the basis of 1 new Horizon Oil ordinary share (**New Shares**) for every 7 Horizon Oil ordinary shares held (**Existing Shares**) at an issue price of \$0.33 (**Issue Price**).

This letter is to inform you about the Entitlement Offer and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. **You are not required to do anything in response to this letter.**

The Entitlement Offer

The Entitlement Offer is being made by Horizon Oil in accordance with section 708AA of the *Corporations Act 2001* (Cth) (**Act**). The Institutional Entitlement Offer has been completed and raised approximately \$33 million. The Retail Entitlement Offer, which is underwritten, is expected to raise approximately \$21 million.

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.

Details of the Retail Entitlement Offer

The Retail Entitlement Offer is being made to Eligible Retail Shareholders, on the basis of 1 New Share for every 7 Existing Shares held at 7.00pm (Sydney time) on Tuesday, 6 August 2013 (**Record Date**). An offer booklet in relation to the Retail Entitlement Offer will be despatched to Eligible Retail Shareholders on or around 9 August 2013.

Further information in relation to the capital raising has been disclosed to the Australian Securities Exchange (**ASX**).

Eligibility criteria

The Retail Entitlement Offer is only available to Eligible Retail Shareholders. Eligible Retail Shareholders are those shareholders who are registered as a holder of Existing Shares as at 7.00pm (Sydney time) on Tuesday, 6 August 2013 and who:

- have a registered address in Australia or New Zealand at that date;
- were not invited to participate (other than as nominee, in respect of other underlying holdings) in the Institutional Entitlement Offer and were not treated as an Ineligible Institutional Shareholder¹ under the Institutional Entitlement Offer;
- are not in the United States and are not acting for the account or benefit of a person in the United States; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Shareholders who are not Eligible Retail Shareholders are Ineligible Retail Shareholders.

¹ Ineligible Institutional Shareholder means a Shareholder as at the Record Date who is not an eligible institutional shareholder and who Horizon Oil and the Underwriter agree that although an institutional investor, 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 Act; or not an institutional investor, to whom offers and issues of New Shares could lawfully be made in Australia without the need for disclosure under Chapter 6D of the 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.

The restrictions upon eligibility to participate in the Retail Entitlement Offer arise because of the legal and regulatory requirements in countries other than Australia or New Zealand and the potential costs to Horizon Oil of complying with these legal and regulatory requirements compared with the relatively small number of shareholders in those countries, the relatively small number of Existing Shares they hold and the relatively low value of New Shares to which they would otherwise be entitled. Horizon Oil determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3) of the Act, that it would be unreasonable to make offers to shareholders in certain countries under the Retail Entitlement Offer.

Horizon Oil may (in its absolute discretion) extend the Retail Entitlement Offer to any shareholder outside Australia, New Zealand and the United States (subject to compliance with applicable laws).

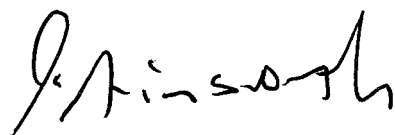
Unfortunately, according to our records, as you do not satisfy the eligibility criteria stated above, you are deemed not to be an Eligible Retail Shareholder for the purposes of the Entitlement Offer and Horizon Oil is unfortunately unable to extend to you the opportunity to participate in the Entitlement Offer. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3) of the Act, Horizon Oil wishes to advise you that you will not be able to subscribe for New Shares under the Retail Entitlement Offer. You will not be sent the documents relating to the Entitlement Offer.

Although the Entitlement Offer is non-renounceable, Horizon Oil will appoint a nominee pursuant to section 615 of the Act for shareholders who are ineligible to participate in the Entitlement Offer and will issue the nominee with rights to subscribe for the shares which would otherwise have been available for subscription by ineligible shareholders had they been eligible to participate in the Entitlement Offer. Those rights will be offered for sale by the nominee to wholesale investors and your proportion of any proceeds of sale that exceed the Issue Price (net of expenses and taxes) will be distributed to you. There is no guarantee that you will receive any value as a result of this process.

You are not required to do anything in response to this letter.

For further information on the Entitlement Offer please contact Boardroom Pty Ltd on +61 2 9290 9600 from 8.30am to 5.00pm (AEST) Monday to Friday during the Retail Entitlement Offer period. For other questions you should contact your stockbroker, accountant or other professional adviser.

Yours faithfully,



Fraser Ainsworth AM
Chairman, Horizon Oil Limited

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Important Information

This letter is issued by Horizon Oil Limited, ACN 009 799 455 (**Horizon Oil**). This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in Horizon Oil in any jurisdiction. This letter does not constitute financial product advice and does not and will not form any part of any contract for the acquisition of Horizon Oil ordinary shares.

This letter does not constitute an offer to sell, or the solicitation to buy, any securities in the United States or any other jurisdiction. No action has been, or will be, taken to register, qualify or otherwise permit a public offering of the New Shares in any jurisdiction outside Australia or New Zealand. In particular, the New Shares have not been, nor will be, registered under the U.S. Securities Act of 1933 (**Securities Act**) or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up by, and the New Shares may not be offered or sold to, persons in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The provision of this document is not, and should not be considered as, financial product advice. The information in this document is general information only, and does not take into account your individual objectives, position, financial situation or needs. Before acting on this information, you should consider the appropriateness of the information, having regard to your objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.