



Horizon Oil Limited ABN 51 009 799 455

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27 August 2013

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

Dear Sir,

HORIZON OIL (HZN) LODGES JUNE 2013 PRELIMINARY FINAL REPORT

In accordance with Listing Rule 4.3A, Horizon Oil Limited lodges the Company's report for the year to 30 June 2013.

The financial results for the period are set out in the attached results announcement and preliminary final report.

Financial Results

- The Group's overall profit before tax for the full year was US\$10.0 million, resulting from gross profit from operations of US\$25.4 million offset by general and administrative expenses of US\$7.0 million and financing costs of US\$8.2 million.
- Cash on hand at 30 June 2013 was US\$19.0 million.

Operational highlights

New Zealand

- During the year, Horizon Oil's working interest share of production from Maari/Manaia field was 320,191 barrels of oil. Sales volume was 302,277 barrels. Cumulative oil production from the field to date is in excess of 22.2 million barrels. Production for the year continued to be hampered by the unreliable performance of the downhole pumps (ESPs) and, to a lesser extent, scale build up in some well completions. These issues are being addressed, and progress was made during the year on extending pump runtimes and in carrying out preventative maintenance on the wells, reconfiguring the downhole completions where necessary to do so.
- Remaining reserves at Maari/Manaia fields, were significantly upgraded during the period following independent certification. Horizon Oil's share of remaining proven and probable reserves in the currently producing zones at Maari and Manaia was increased from 5.2mmbo to 8.8mmbo.
- The field operator has contracted the *ENSCO 107* jack-up rig to carry out the planned multi-well Maari growth projects campaign during 2014. The joint venture has also secured the *Kan Tan IV* semi-submersible rig to drill the Manaia appraisal well and the Whio well in PEP 51313.
- In March 2013, the Maari joint venture exercised its buy out option over the FPSO *Raroa* resulting in a significant reduction in field operating costs.

- In November 2012, Horizon Oil and its joint venture partners farmed out a 30% interest in PEP 51313 to OMV for full carry through the Whio exploration well.

China

- During the year a three well exploration/appraisal program was completed with the *Haiyang* 931 jack-up rig with good results. Five exploration/appraisal targets were evaluated, of which four were found to be productive. The Company advised the results of an independent review and audit of reserves following the exploration drilling program, which indicated a 24% increase in proved reserves and an 18% increase in proved plus probable reserves to 28.3 mmbo gross. These reserves will be produced through two of the exploration wells, A6 and A7, which were cased for production and three additional development wells drilled on the WZ 6-12N structure. The facilities have been designed to provide capacity for increased oil volume from these new discoveries.
- Development of WZ 6-12 and WZ12-8W fields, Beibu Gulf, offshore China is nearing completion with facilities built and commissioned, and with development drilling nearing completion with 13 out of 15 wells completed and on production. Forecast cost to completion remains within the original US\$300 million (gross) development budget, prior to accounting for the cost of additional development wells to produce the newly discovered zones identified during the exploration drilling program.
- Following successful installation, hook-up and commissioning of offshore facilities, first production was achieved from two development wells, A5H and A2, on the WZ 6-12 wellhead platform on 21 March 2013. The ten well development drilling program from the WZ 6-12 wellhead platform has been completed safely and within budget. Production from the WZ 6-12 fields is currently at a rate of 10,000 bopd gross, of which Horizon Oil's share is 2,700 bopd. Oil sales commenced during the second quarter of calendar year 2013 and cumulative production through 22 August 2013 was 1,096,971 barrels of oil.

Papua New Guinea

- On 23 May 2013 the Company advised that it had entered into an agreement to sell 40% of its Papua New Guinea assets to Osaka Gas Co. Ltd. of Japan. The sale price of US\$204 million, includes 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 is exceeded. The sale marks the beginning of a 60/40 strategic alliance between Horizon Oil and Osaka Gas, a leading global gas company and one of Japan's largest utility companies and LNG importers.
- The Petroleum Development Licence (PDL) application was lodged for the Stanley field in PRL 4 during the year. Early development works were initiated in advance of PDL award including tanker build, fabrication of the construction camp and site grading.
- Evaluation of Elevala-2 and Ketu-2 appraisal wells in PRL 21 was finalised during the year with a doubling of contingent resources. This provided the incentive for detailed development planning. As operator of both PRL 4 and PRL 21 joint ventures, Horizon Oil will be using the experience gained in the design of the Stanley field development in PRL 4 to fast track development plans and early production of the liquids in PRL 21 by way of condensate stripping. Pre-FEED (front end engineering and design) development planning was completed during the year and FEED studies are now underway for the Elevala/Ketu condensate recovery project.

- During the year, Horizon Oil materially expanded its acreage holdings in Papua New Guinea, following notice of award of a 50% interest in a new licence PPL 430 and the acquisition of 90% interests in PPLs 372 and 373. These additions, which are part of the Company's strategy of selectively building up its exploration acreage portfolio in and around discovered hydrocarbon accumulations, increased Horizon Oil's gross acreage position in PNG from 3,900 sq km to approximately 7,900 sq km.

Yours faithfully,



Michael Sheridan

Chief Financial Officer / Company Secretary



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Horizon Oil Limited

Preliminary Final Report For the year ended 30 June 2013

ABN 51 009 799 455

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A

Current reporting period:	Financial Year ended 30 June 2013
Previous corresponding period:	Financial Year ended 30 June 2012

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Note: Reports are based on audited accounts.
All figures are presented in United States dollars unless otherwise stated.

**Results for Announcement to the Market
For the Financial year ended 30 June 2013**

		Percentage Change		Amount
				US\$'000
Revenue from continuing operations	Down	4.60%	to	48,071
Profit from ordinary activities after tax	Down	54.57%	to	3,474
Profit for the period attributable to members	Down	54.57%	to	3,474

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Brief explanation of Revenue, Profit from ordinary activities after tax and Net Profit

Revenue

Revenue from operating activities has decreased by US\$2,319,000 to US\$48,071,000, resulting predominately from lower realised oil prices.

Profit from ordinary activities after tax

The profit from ordinary activities after tax for the year amounted to US\$3,474,000 (2012: US\$7,647,000).

The current year profit includes the gross operating profit from the Maari/Manaia and WZ 6-12, Beibu Gulf oil field operations of US\$25,386,000 (2012: US\$33,455,000).

Net Profit

The net profit after tax for the year decreased by US\$4,173,000 to US\$3,474,000 due predominately to the prior year including an additional US\$3,976,000 unrealised gain on the mark to market revaluation of the convertible bond conversion rights.

Preliminary consolidated statement of comprehensive income
For the year ended 30 June 2013

	Note	Consolidated 2013 US\$'000	2012 US\$'000
Revenue from continuing operations	3	48,071	50,390
Cost of sales	3	(22,685)	(16,935)
Gross profit		25,386	33,455
Other income	3	30	72
General and administrative expenses	3	(7,038)	(8,110)
Exploration and development expenses	3	(606)	(303)
Financing costs	3	(8,209)	(5,974)
Unrealised movement in value of convertible bond conversion rights	3	991	4,967
Other expenses	3	(529)	(418)
Profit before income tax expense		10,025	23,689
NZ royalty tax expense		(3,982)	(7,270)
Income tax expense		(2,569)	(8,772)
Profit for the financial year		3,474	7,647
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges		(778)	(77)
<i>Items that will not be reclassified to profit or loss</i>			
		-	-
Total comprehensive income for the year		2,696	7,570
Profit attributable to members of Horizon Oil Limited		3,474	7,647
Total comprehensive income attributable to members of Horizon Oil Limited		2,696	7,570
Earnings per share for profit attributable to the ordinary equity holders of the company:		US Cents	US Cents
Basic earnings per ordinary share	16	0.31	0.68
Diluted earnings per ordinary share	16	0.30	0.68

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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Preliminary consolidated statement of financial position As at 30 June 2013

	Note	Consolidated 2013 US\$'000	2012 US\$'000
Current Assets			
Cash and cash equivalents		19,028	19,287
Receivables		18,956	14,966
Inventories		7,898	7,827
Derivative financial instruments		-	394
Current tax receivable		650	-
Other		832	4,515
Total Current Assets		47,364	46,989
Non-Current Assets			
Deferred tax assets		10,441	11,552
Plant and equipment		8,206	4,700
Exploration phase expenditure		92,538	77,658
Oil and gas assets		317,637	209,950
Total Non-Current Assets		428,822	303,860
Total Assets		476,186	350,849
Current Liabilities			
Payables		40,150	42,683
Derivative financial instruments		1,237	-
Current tax payable		803	4,093
Borrowings		14,735	7,632
Total Current Liabilities		56,925	54,408
Non-Current Liabilities			
Payables		21,253	974
Derivative financial instruments		-	294
Deferred tax liability		17,064	16,109
Borrowings		180,831	93,091
Other financial liabilities		17,436	18,428
Provisions		15,664	5,821
Total Non-Current Liabilities		252,248	134,717
Total Liabilities		309,173	189,125
Net Assets		167,013	161,724
Equity			
Contributed equity		128,038	126,686
Reserves		7,884	7,421
Retained profits	12	31,091	27,617
Total Equity		167,013	161,724

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

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Preliminary consolidated statement of cash flows For the year ended 30 June 2013

	Note	Consolidated 2013 US\$'000	2012 US\$'000
Cash flows from operating activities			
Receipts from customers		43,144	46,174
Payments to suppliers and employees		(11,494)	(12,626)
		31,650	33,548
Interest received		24	64
Interest paid		(7,980)	(5,296)
Income taxes paid		(8,221)	(15,289)
Net cash inflow from operating activities	7	15,473	13,027
Cash flows from investing activities			
Payments for exploration phase expenditure		(29,732)	(53,732)
Payments for oil and gas assets		(94,756)	(25,211)
Payments for plant and equipment		(128)	(174)
Payments for acquisition of exploration assets		(783)	-
Proceeds from deposit on sale of assets		20,400	-
Net cash (outflow) from investing activities		(104,999)	(79,117)
Cash flows from financing activities			
Proceeds from share issues		766	20
Proceeds from issue of convertible bonds (net of transaction costs)		-	(965)
Proceeds from borrowings (net of transaction costs)		104,561	27,667
Repayment of borrowings		(15,877)	(5,867)
Net cash inflow from financing activities		89,450	20,855
Net decrease in cash held		(76)	(45,235)
Cash at the beginning of the financial year		19,287	64,572
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		(183)	(50)
Cash at the end of the financial year		19,028	19,287

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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Notes to the preliminary consolidated financial statements and other information For the year ended 30 June 2013

1. Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2012 annual financial report, other than as detailed below.

2. Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

Strategic Alliance with Osaka Gas

On 23 May 2013 the Company advised that it had entered into an agreement to sell 40% of its Papua New Guinea assets to Osaka Gas Co. Ltd. of Japan. Key aspects of the transaction are:

- Sale price of 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 is exceeded;
- Horizon Oil and Osaka Gas to form a strategic alliance to commercialise Horizon Oil's net certified reserves and contingent resources of 125 mmboe and develop acreage covering 7,900 sq km in Western Province; and
- Horizon Oil to transfer 40% of its interests in PRL 4 (Stanley field), PRL 21 (Elevala and Ketu fields) and PPL 259 and grant Osaka Gas the option to acquire 40% of Horizon Oil's interests in recently-acquired PPLs 372, 373 and 430 by paying a proportionate share of costs incurred.

The sale marks the beginning of a 60/40 strategic alliance between Horizon Oil and Osaka Gas, a leading global gas company and one of Japan's largest utility companies and LNG importers. The principle objective of the partnership is to grow and develop the PNG assets for the purposes of supporting a mid-scale LNG project located on the coast in Western Province, PNG. The companies intend to exploit the full potential of the assets via early condensate production, local gas sales and LPG sales and to market their respective shares of petroleum products, especially LNG, on a combined basis.

Completion of the transaction is conditional upon customary consents, regulatory approvals and grant of the development licence for Stanley field. Due to the conditions required for completion of the transaction, all consideration receivable is recorded as a contingent asset at 30 June 2013.

3. Profit from continuing operations

	Consolidated	
	2013	2012
	US\$'000	US\$'000
Revenue:		
(a) From continuing operations		
Crude oil sales	50,875	50,209
Net realised (loss) / gain on oil hedging derivatives	(2,804)	181
	48,071	50,390
(b) Other income		
Interest received from unrelated corporations	24	64
Rental income received from unrelated corporations	6	8
	30	72

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(c) Gains – Conversion rights on convertible bonds¹

Unrealised movement in value of convertible bond
conversion rights

	991	4,967
	991	4,967

¹The amount shown is the movement during the year of the fair value of the conversion rights relating to the 5.5% convertible bonds issued on 17 June 2011. The conversion rights can be settled in cash or ordinary shares of the parent entity, at the option of the issuer, and the number of shares to be issued at conversion is subject to the conversion price which may reset under certain circumstances. Accordingly, the conversion rights are a derivative financial liability and are marked to market through the profit and loss. Fair value of conversion rights at issuance on 17 June 2011 was US\$20,043,000.

	Consolidated	
	2013	2012
Expenses:	US\$'000	US\$'000
(e) Cost of sales		
Direct production costs	12,072	9,497
Inventory adjustments ¹	(599)	(239)
Amortisation expense	8,579	7,591
Royalties and other levies ²	2,633	86
	22,685	16,935
(f) General and administrative expenses		
Employee benefit expense (net)	4,812	6,186
Corporate office expenses (including insurance)	1,421	1,236
Depreciation expense – plant & equipment	513	469
Rental expense relating to operating leases	292	219
	7,038	8,110
(g) Exploration and development expenses		
Exploration expenditure written off/expensed	606	303
	606	303
(h) Financing costs		
Interest and finance charges	6,227	5,321
Discount unwinding on provision for restoration	234	613
Amortisation of prepaid financing costs	1,748	40
	8,209	5,974
(i) Other expenses		
Net foreign exchange losses	143	276
Other expenses	386	142
	529	418

¹Includes production overlift/underlift and inventory adjustments

²Includes Chinese Special Oil Income levy

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4. Commentary on results

Results

Refer to the commentary on page 2.

Key points – Finance

Cash

Cash on hand at 30 June 2013 - US\$19.0 million (2012: US\$19.3 million).

Working Capital

The Group had a working capital deficit of US\$9.6 million as at 30 June 2013 resulting from timing differences between the expenditure associated with the exploration and development activity during the year and cashflows from the Group's Maari and Beibu oilfields. The Group has access to a reserves based debt facility of up to US\$160 million which was drawn to \$134 million at 30 June 2013. Subsequent to the period end, the Group launched a fully underwritten accelerated non-renounceable pro-rata entitlement offer to raise approximately A\$53.5 million. The Group also advised on 23 May 2013 that it had entered into an agreement to sell 40% of its Papua New Guinea assets to Osaka Gas Co. Ltd. of Japan. Proceeds from the sale process, together with existing cash balances, debt facilities, and surplus revenue from the Group's operations in New Zealand and China are expected to be sufficient to extinguish outstanding current liabilities.

Debt Facilities

On 23 March 2012, the Group finalised and executed the facility documentation for the provision of a reserves based debt facility of up to US\$160 million with a term of six years. The Group achieved financial close on 10 April 2012 with total cash drawdowns of US\$134 million as at 30 June 2013.

The Group's other outstanding debt consists of the US\$80 million in convertible bonds which were issued on 17 June 2011 with a 5 year term. The bonds were issued with an initial conversion price of US\$0.52, equivalent to A\$0.49 based on exchange rates at the time of pricing, and represents a conversion premium of 29% to Horizon Oil's last closing price of A\$0.38 on 2 June 2011. The initial conversion price is subject to adjustment in certain circumstances. Where the arithmetical average of the Volume Weighted Average Prices ("Average VWAP") for the 20 consecutive Dealing Days immediately prior to each of 17 June 2013, 17 June 2014 and 17 June 2015 (each a "Reset Date") converted into US dollars at the Prevailing Rate on each such Dealing Day (each an "Average Market Price") is less than the Conversion Price on the Reset Date, the Conversion Price will be adjusted on the relevant Reset Date to the Average Market Price with respect to such Reset Date. Any adjustment as a result of such provisions is limited so that the Conversion Price can be no lower than 80 per cent of the initial Conversion Price of US\$0.520, that is US\$0.416. The Average VWAP in the relevant period to 17 June 2013 was US\$0.374. Accordingly, the Conversion Price of the convertible bonds has been adjusted to US\$0.416 with effect from 17 June 2013. The issuance of new shares subsequent to year end under the Entitlement Offer discussed later in this report results in a further adjustment to the conversion price from US\$0.416 to US\$0.409. The bonds carry a coupon of 5.5% per annum, payable semi-annually in arrears. The bonds were listed on the Singapore Securities Exchange on 20 June 2011.

Returns to shareholders

No dividends or distributions were made to shareholders during the financial period.

5. Fundamental errors

Nil

6. Extraordinary items

Nil

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7. Notes to cash flow statement

Reconciliation of profit after income tax to net cash flow from operating activities

	Consolidated	
	2013	2012
	US\$'000	US\$'000
Profit for financial year	3,474	7,647
Exploration and development expenditure written off/expensed	606	303
Depreciation expense	513	469
Movement in employee entitlement liabilities	68	29
Non-cash employee share benefit expense	1,241	893
Non-cash share option expense		-
Amortisation expense	8,579	7,591
Amortisation of prepaid financing costs	1,667	737
Provision for restoration	(848)	613
Unrealised movement in value of convertible bond conversion rights	(991)	(4,967)
Non-cash convertible bond interest expense	4,660	3,938
Net unrealised foreign currency losses	183	50
<i>Change in operating assets and liabilities:</i>		
(Increase) in trade debtors	(7,731)	(4,040)
Decrease in other debtors and prepayments	526	15
(Increase) in inventory	(599)	(239)
Decrease in deferred tax assets/liabilities	2,066	3,962
(Decrease) in tax receivable/payable	(3,941)	(3,850)
Increase (decrease) in trade creditors	5,216	(25)
Increase (decrease) in other creditors	784	(99)
Net cash inflow from operating activities	15,473	13,027

8. Segment information

(a) Description of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors.

The operating segments identified are broadly based on the Group's working interest in each individual oil and gas permit, arranged by developmental phase. Discrete pre-tax financial information (including pre-tax operating profit and capital expenditure on exploration and evaluation assets and oil and gas assets) for each oil and gas permit is prepared and provided to the chief operating decision maker on a regular basis. In certain circumstances, individual oil and gas permits are aggregated into a single operating segment where the economic characteristics and long term planning and operational considerations of the individual oil and gas permits are such they are considered interdependent. The Group has identified five operating segments:

- New Zealand development – the Group is currently producing crude oil from the Maari/Manaia fields, located offshore New Zealand;
- New Zealand exploration – the Group is currently involved in the exploration and evaluation of hydrocarbons in two offshore permit areas, PEP 51313; and PMP 38160 Maari/Manaia;
- China exploration and development – the Group is currently involved in developing and producing of crude oil from the Block 22/12 – WZ6-12 and WZ12-8W oil field development and in the exploration and evaluation of hydrocarbons within Block 22/12; and
- PNG exploration and development - the Group is currently involved in the Stanley condensate/gas development (project FID during 2012), and the exploration and evaluation of hydrocarbons in six onshore permit areas, PRL 4, PRL 21, PPL 259, PPL 372, PPL 373 and PPL 430.

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- 'All other segments' include amounts of a corporate nature not specifically attributable to an operating segment.

(b) Segment information provided to the chief operating decision maker

	New Zealand Development	New Zealand Exploration	China Exploration and Development	Papua New Guinea Exploration and Development	All other segments	Total
2013	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment revenue:						
Revenue from external customers	31,852	-	16,219	-	-	48,071
Profit (loss) before tax	13,472	(10)	10,856	(404)	(14,524)	9,390
Depreciation and amortisation	3,700	-	4,652	431	309	9,092
Total segment assets at 30 June 2013	80,158	9,787	206,769	164,122	15,350	476,186
Additions to non-current assets other than financial assets and deferred tax during the year ended:						
Exploration and evaluation phase expenditure:	-	3,916	5,658	13,314	-	22,888
Development and production phase expenditure:	2,279	-	86,291	19,688	-	108,258
Plant and equipment:	-	-	-	3,857	315	4,172
Total segment liabilities at 30 June 2013	87,184	3,100	99,275	33,358	86,256	309,173

	New Zealand Development	New Zealand Exploration	China Exploration and Development	Papua New Guinea Exploration	All other segments	Total
2012	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment revenue:						
Revenue from external customers	50,390	-	-	-	-	50,390
Profit (loss) before tax	26,378	(18)	(335)	(1,481)	(5,618)	18,926
Depreciation and amortisation	7,591	-	-	405	64	8,060
Total segment assets at 30 June 2012	88,230	6,257	111,320	129,932	15,110	350,849
Additions to non-current assets other than financial assets and deferred tax during the year ended:						
Exploration and evaluation phase expenditure:	-	1,330	1,238	49,250	-	51,818
Development and production phase expenditure:	816	-	31,839	(807)	-	31,848
Plant and equipment:	-	-	-	3,636	265	3,901
Total segment liabilities at 30 June 2012	69,815	1,764	11,255	20,484	85,807	189,125

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(c) Other segment information

(i) Segment revenue

Revenue from external customers is derived from the sale of crude oil.

Segment revenue reconciles to total consolidated revenue as follows:

	Consolidated 2013 US\$'000	2012 US\$'000
Total segment revenue	48,071	50,390
Rental income	6	8
Interest income	24	64
Total revenue	48,101	50,462

(ii) Segment profit before tax

The chief operating decision maker assesses the performance of operating segments based on a measure of profit before tax.

Segment profit before tax reconciles to consolidated profit before tax as follows:

	Consolidated 2013 US\$'000	2012 US\$'000
Total segment profit before tax	9,390	18,926
Rental income	6	8
Interest income	24	64
Unrealised movement in value of convertible bond conversion rights	991	4,967
Foreign exchange (loss) (net)	(386)	(276)
Profit before tax	10,025	23,689

(iii) Segment assets

The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that of the financial statements.

Reportable segment assets are equal to consolidated total assets.

(iv) Segment liabilities

The amounts provided to the chief operating decision maker with respect to total liabilities are measured in a manner consistent with that of the financial statements.

Reportable segment liabilities are equal to consolidated total liabilities.

9. Discontinued operations

There were no discontinued operations during the current or prior year.

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10. Events occurring after reporting date

Non-Renounceable Pro-Rata Entitlement Offer

On 31 July 2013, the Company announced a fully underwritten accelerated non-renounceable pro-rata entitlement offer to raise approximately A\$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 comprised a 1 for 7 accelerated non-renounceable Entitlement Offer of new fully paid ordinary shares in Horizon Oil ("New Shares") to raise approximately A\$53.5 million, consisting of:

- an accelerated institutional component completed on 31 July 2013, raising approximately A\$33 million ("Institutional Entitlement Offer"); and
- a retail component which was open from Friday, 9 August 2013 to Friday, 23 August 2013, aimed at raising approximately A\$21 million ("Retail Entitlement Offer").

The 162,180,930 New Shares were 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 volume weighted average price (VWAP); and
- 9.6% discount to the theoretical ex-rights price (TERP) of \$0.365.

The New Shares rank equally with existing Horizon Oil shares from the date of issue. The issuance of new shares under the Entitlement Offer results in an adjustment to the conversion price of the Group's US\$80 million in convertible bonds from US\$0.416 to US\$0.409. The initial conversion price was reduced in June 2013 from US\$0.52 to US\$0.416.

Other than the matters noted above and disclosed in this report, there has not been any matter or circumstance which has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years; or
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

11. Additional dividend/distribution information

No dividends/distributions were declared or paid during or subsequent to the year ended 30 June 2013. There are no dividend/distribution reinvestment plans.

12. Retained profits

	Consolidated	
	2013	2012
	US\$'000	US\$'000
Retained profits at beginning of financial year	27,617	19,970
Profit for financial year	3,474	7,647
Retained profits at end of financial year	31,091	27,617

13. NTA backing

	2013	2012
Net tangible asset backing per ordinary share	41.8 cents	30.9 cents

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14. Controlled entities acquired or disposed of

(a) Summary of acquisition

On 16th April 2013, Horizon Oil PNG Holdings Limited, a wholly owned subsidiary of Horizon Oil Limited, entered into a sale and purchase agreement with Jurassic International Holdings Limited to acquire 90% of Jurassic International Holdings Limited (PNG), a wholly owned subsidiary of Jurassic International Holdings Limited which holds a 100% net working interest in PPL 372 and PPL 373 in PNG. Consideration for the acquisition consisted of US\$803,250 adjusted for working capital balances on hand at the date of acquisition.

Whilst the acquisition involved the purchase of a controlling interest in the legal entity Jurassic International Holdings Limited, the substance of the transaction was the acquisition of assets, being a 90% interest in PPLs 372 and 373. As such, in accordance with the Group's accounting policy, the Group identified and recognised the individual identifiable assets acquired and liabilities assumed at the effective acquisition date. The consideration paid was allocated to the individual identifiable assets and liabilities on the basis of their relative fair values. Transaction costs associated with the acquisition are a component of the consideration transferred.

Details of the purchase consideration and the net assets acquired are as follows:

	2013 US\$'000
Purchase consideration:	
Cash paid	783
Total purchase consideration	<u>783</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	2013 Fair Value US\$'000
Exploration phase expenditure	803
Payables	<u>(20)</u>
Net identifiable assets acquired	<u>783</u>

(b) Purchase consideration – cash outflow

	2013 US\$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	783
Outflow of cash – investing activities	<u>783</u>

No controlled entities were acquired or disposed of during the year ended 30 June 2012.

15. Associates and joint venture entities

Nil

Horizon Oil Limited

16. Earnings per share

	Consolidated 2013 US cents	2012 US cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	0.31	0.68
From discontinued operation	-	-
Total basic earnings per share attributable to the ordinary equity holders of the company	0.31	0.68

(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	0.30	0.68
From discontinued operation	-	-
Total diluted earnings per share attributable to the ordinary equity holders of the company	0.30	0.68

	2013 Number	2012 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,137,155,238	1,132,812,335
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,143,023,825	1,132,895,274