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15 November 2018

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

**HORIZON OIL LIMITED**  
**PDL 10 – INITIATION OF ARBITRATION PROCEEDINGS**

On 9 November 2018, the PDL 10 licensees including global Spanish energy company Repsol (Operator), PNG national oil company, Kumul Petroleum, Horizon Oil and Osaka Gas met with Petroleum Minister Dr Fabian Pok regarding the notices of intention to cancel Petroleum Development Licence 10, Pipeline Licence 10 and notice of termination of the Stanley Gas Agreement (**Purported Notices**).

Despite confidential negotiations continuing this week, the PDL 10 licensees and the Minister were unable to reach a resolution that did not compromise the PDL 10 licensees' existing legal rights. Repsol and Horizon Oil have formed the view, supported by independent legal advice, that each of the Purported Notices is without merit.

On 15 November 2018, Repsol and Horizon Oil issued to the State a notice of intention to refer the disputes arising from the Purported Notices to arbitration under the Stanley Gas Agreement, as required under the *Claims By and Against the State Act 1996 (PNG)*. A notice of arbitration will follow shortly. The notice will stay any action by the Minister to cancel the licenses until the arbitration has completed or the Purported Notices are otherwise withdrawn. Repsol and Horizon Oil intend to take further action to stay the purported termination of the Stanley Gas Agreement.

Horizon Oil, together with the other PDL 10 licensees, will continue to work with the Petroleum Minister and the Department of Petroleum and Energy to resolve the disputes affecting the good standing of PDL 10, PL 10 and the Stanley Gas Agreement.

Yours faithfully,

**Michael Sheridan**  
Chief Executive Officer

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For more information please contact:

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