



Horizon Oil Limited ABN 51 009 799 455

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2 July 2014

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

Key terms of Conditional Convertible Bondholder Offer

Further to the announcement earlier today of a conditional offer to Horizon Oil's convertible bondholders (**Bondholders**), Horizon Oil attaches a notice to Bondholders which contains the key terms of that offer.

Definitive documentation for the Bondholder Offer will be circulated to Bondholders on or about 21 July 2014.

Yours faithfully

Michael Sheridan

Chief Financial Officer and Company Secretary
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THIS NOTICE IS IMPORTANT AND REQUIRES THE ATTENTION OF BONDHOLDERS

HORIZON OIL LIMITED

NOTICE TO BONDHOLDERS

to the holders of the
US\$80,000,000 5.50% Convertible Bonds due 2016
ISIN XS0635397911
(the “**Bonds**”)

2 July 2014

THE MERGER AND SCHEME OF ARRANGEMENT

Horizon Oil Limited (the “**Issuer**”) announced a proposed merger with Roc Oil Company Limited (“**Roc**”) on 29 April 2014, with both companies entering into a Merger Implementation Deed under which they have agreed to merge by means of a Scheme of Arrangement (the “**Scheme**”).

For further details of the Scheme, see the Issuer’s announcements relating to it: www.asx.com.au (ASX: HZN) or www.horizonoil.com.au/investor-centre/asx.php.

Capitalised terms used but not defined in this notice have the meaning given in the terms and conditions of the Bonds (the “**Conditions**”).

THE BONDHOLDER OFFER

In connection with the Scheme, the Issuer intends to: (a) make an offer to Bondholders to purchase any and all of the outstanding Bonds for cash (the “**Tender Offer**”) and (b) seek Bondholder consent through an Extraordinary Resolution to amend the Conditions to include an option for the Issuer to redeem the Bonds early at its option (the “**Consent Solicitation**”, and together with the Tender Offer, the “**Bondholder Offer**”).

Definitive documentation for the Bondholder Offer, including the Tender and Consent Memorandum, is being finalised and will be circulated to Bondholders on or about 21 July 2014. However, details of the Bondholder Offer are as follows:

Tender Offer:	<p>Bondholders who tender their Bonds pursuant to the Tender Offer during the relevant offer period will, subject to the Scheme being implemented, have all, but not some only, of their Bonds redeemed at a premium of 575 basis points above the Early Redemption Amount as determined in accordance with the Conditions plus an additional consent fee of 50 basis points (together, the “Tender Price”) plus interest accrued to the date of redemption.</p> <p><i>The Tender Price is final and has been confirmed by the Issuer’s board. It will not be increased prior to the finalization of the Bondholder Offer.</i></p> <p>The Tender Offer period will be announced in the Tender and Consent Memorandum and will end approximately one week prior to the date of the Issuer’s shareholder meeting to approve the Scheme.</p> <p>Settlement of the Tender Offer will be conditional on the Scheme</p>
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	<p>being implemented. Therefore, payment of the Tender Price will be made following the implementation date of the Scheme (expected to be in late-August 2014).</p>
<p>Consent Solicitation:</p>	<p>The Issuer may also call a meeting of Bondholders to amend the Conditions of the outstanding Bonds by Extraordinary Resolution (75% or more of those attending and voting at the relevant meeting) to include an option for the Issuer to redeem any remaining Bonds at the Early Redemption Amount plus interest accrued to the date of redemption (the "Proposal"). The meeting of Bondholders would be held prior to settlement of the Tender Offer and the Proposal, if approved, will be conditional on the Scheme becoming unconditional.</p> <p>To be eligible for the Tender Price, Bondholders must agree to the Proposal. By tendering their Bonds, Bondholders will automatically provide a proxy to vote in favour of the Proposal at the Bondholder meeting.</p> <p>If the Proposal is approved the Issuer intends to exercise its option to redeem any outstanding Bonds.</p>
<p>Conversion Price Adjustment:</p>	<p>Following the second court hearing, the Scheme will become unconditional and the conversion price of the Bonds will be reduced for a period of 30 days in accordance with Condition 6(b)(x).</p> <p>As the record date for determining which Horizon Oil Limited shareholders may participate in the Scheme will follow shortly after the second court hearing, Bondholders will have a limited opportunity to convert their Bonds into the Issuer's shares at the adjusted conversion price. The Tender and Consent Memorandum will highlight the dates by which Bondholders will have to convert by in order to participate in the Scheme (subject to the terms and conditions of the Scheme).</p> <p>Following the implementation date of the Scheme, the Issuer will be delisted and the Bonds will, if converted, convert into unlisted Horizon Oil shares.</p> <p>The Issuer reserves the right in accordance with the Conditions to settle any conversion in cash rather than in shares.</p>
<p>Timing</p>	<p>A scheme booklet in relation to the Scheme is expected to be despatched to the Issuer's shareholders in early July.</p> <p>The Issuer intends to issue the Tender and Consent Memorandum and notice of meeting to the Bondholders on or about 21 July 2014.</p> <p>The Shareholder Meeting is expected to be held on or about 7 August 2014 with the second court hearing expected on or about 14 August 2014.</p> <p>All of the above timings are subject to change.</p>

The Scheme is subject to certain conditions precedent, including approval by shareholders of the Issuer and by the Australian Federal Court. There is no guarantee that the Scheme will complete or that the Bondholder Offer will proceed. This notice does not constitute an offer to Bondholders. The final terms of the Bondholder Offer, including instructions on how to accept the Bondholder Offer shall be included in the Tender and Consent Memorandum.

In order to assist with the Bondholder Offer process, Bondholders are encouraged to provide their contact details to the Consent Solicitation Agent.

For any questions in relation to the **Bondholder Offer process**, please contact UBS (acting as Consent Solicitation Agent) as set out below:

Richard Saywell Managing Director UBS Sydney Tel: +61-9324-2142 Email: richard.saywell@ubs.com	Chris Gray Managing Director UBS Hong Kong Tel: +852-2971-8140 Email: chris.gray@ubs.com
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The Trustee is not responsible for the accuracy, completeness, validity or correctness of the statements made in this Notice and expresses no view on the contents hereof.

This Notice is given by:

HORIZON OIL LIMITED

Nothing in this Notice constitutes an offer of, an offer to buy, or a solicitation of an offer to sell, securities in the United States or any other jurisdiction in which such offer or solicitation would be unlawful. This Notice is not intended to be distributed to any Bondholder or other person located in the United States. No offer or sale of securities has been or will be registered under the Securities Act or under the applicable securities laws of Australia or any other jurisdiction. There will be no public offer of securities in the United States, Australia or any other jurisdiction.