



Horizon Oil Limited ABN 51 009 799 455
Level 6, 134 William Street, Woolloomooloo NSW Australia 2011
Tel +61 2 9332 5000, Fax +61 2 9332 5050 www.horizonoil.com.au

15 September 2016

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

REFINANCING AND DEBT REDUCTION ARRANGEMENTS FINALISED

Further to shareholder approval of the IMC Financing Proposal at the general meeting of 6 September 2016, Horizon Oil Limited (**Horizon Oil** or the **Company**) advises that it has satisfied all conditions precedent under the US\$50 million secured subordinated debt facility.

The proceeds of the debt have been applied, together with available cash, to redeem the remaining US\$58.8m of convertible bonds issued in 2011 to increase the Company's interest in, and provide the development funding for, the Company's core production asset – Block 22/12, offshore China.

As previously advised, the refinancing arrangements extend the maturities of the Company's senior and subordinated debt to an average of no less than three years at a volume weighted interest rate of LIBOR plus 5% pa. ensuring greater financial stability as the Company continues its progressive reduction of debt with revenue generated from the Company's production assets in China and New Zealand.

In accordance with the terms of the subordinated debt facility and as approved by shareholders at the abovementioned general meeting of 6 September 2016, the Company is to issue 300 million warrants over unissued shares of the Company, which will have the exercise price of A\$0.061 per share. In accordance with section 713 of the Corporations Act, Horizon Oil issues the attached transaction specific Prospectus.

Yours faithfully

A handwritten signature in black ink, appearing to read "Michael Sheridan". The signature is fluid and cursive, written over a light blue horizontal line.

Michael Sheridan

Chief Financial Officer & Company Secretary

For further information please contact:

Mr Michael Sheridan

Telephone: (+612) 9332 5000

Facsimile: (+612) 9332 5050

Email: exploration@horizonoil.com.au

Or visit www.horizonoil.com.au

Prospectus

Horizon Oil Limited (ACN 009 799 455)



This Prospectus has been prepared in relation to the offer of 300,000,000 Options to IMC Investments Limited (or its nominee) and has been prepared in accordance with section 713 of the Corporations Act.

**AN INVESTMENT IN HORIZON OIL LIMITED'S SECURITIES SHOULD BE CONSIDERED
SPECULATIVE**

This Prospectus is an important document and should be read in its entirety. If, after reading this Prospectus, you have any questions about the securities being offered under the Prospectus, then you should consult your professional adviser.

The Options (and any Shares issued on exercise of the Options) offered pursuant to this Prospectus should be considered speculative.

Important information

Regulatory information

This Prospectus is issued by Horizon Oil Limited ACN 009 799 455 (“**Horizon**” or “**Company**”) under section 713 of the *Corporations Act 2001* (Cth) (“**Corporations Act**”) and is dated 15 September 2016.

A copy of this Prospectus was lodged with ASIC on 15 September 2016. Neither ASIC nor ASX, nor their respective officers and directors, take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Options will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus). Securities issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

This Prospectus is being issued for the purpose of ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80, to remove any trading restrictions on the sale of the Options or any Shares issued pursuant to the exercise of the Options issued under this Prospectus.

This Prospectus is a transaction-specific prospectus for an offer of options to acquire continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713(1) of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus.

In preparing this Prospectus, regard has been had to the fact that Horizon is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers to whom investors may consult.

The proposed offer is that IMC Investments Limited (or a nominee appointed by it) (the “**Subscriber**”) will have the right to be issued 300,000,000 Options under the Subscription Deed (the “**Offer**”). No funds will be raised by the Company upon the issue of the Options in accordance with the terms of this Prospectus. The Offer is only available for acceptance by the Subscriber.

Horizon will not apply for quotation of the Options.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by Horizon in connection with the issue of this Prospectus.

Except as required by law, and only then to the extent so required, neither Horizon nor any other person warrants the future performance of Horizon or any return on any investment made in Horizon.

Various statements in this Prospectus constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed in this Prospectus.

Risk Factors

You should consider the key risks that could affect the performance of Horizon or the value of an investment in Horizon (including the Options), some of which are outlined in section 8 of this Prospectus.

The Offer described in this Prospectus does not take into account the investment objectives, financial situation and particular needs of any investor. The Options offered under this Prospectus (and the Shares issued upon any exercise

of the Options) carry no guarantee with respect to return on capital investment, payment of dividends or future value.

Prospectus availability

This Prospectus may be viewed in electronic form online at Horizon's website: www.horizonoil.com.au.

If you access the electronic version of this Prospectus, you should ensure that you download and read the entire Prospectus. The information on Horizon's website (outside the electronic Prospectus) does not form part of this Prospectus. Additional copies of the Prospectus are available at the registered office of Horizon.

Any person may obtain a copy of this Prospectus or any of the documents referred to in section 9.2 free of charge by contacting the Company by telephone on +61 2 9332 5000.

Foreign jurisdictions

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus, you should observe any such restrictions and should seek your own advice on those restrictions. Any non-compliance with the restrictions may contravene applicable securities laws.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and any person into whose possession this Prospectus comes should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Horizon securities have not been, and will not be, registered under the United States Securities Act of 1933 (“**US Securities Act**”) and may not be offered or sold in the United States or to, or for the benefit of, a ‘U.S. person’ (as defined in Regulation S under the US Securities Act), except in a transaction exempt from registration requirements of the US Securities Act and applicable United States state securities laws.

Defined terms

Certain abbreviations and other defined terms are used throughout this Prospectus. Details of the definitions and abbreviations used are set out in Section 10 of this Prospectus.

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1 Corporate Directory

Board of Directors	John Humphrey (Chairman) Brent Emmett (Chief Executive Officer and Managing Director) Gerrit de Nys Sandra Birkenleigh Andrew Stock
Company Secretary	Michael Sheridan
Assistant Company Secretary	Monika Fedorczyk
Australian Registered Office (Principal place of business)	Level 6, 134-138 William St Woolloomooloo NSW 2011 Tel: +61 2 9332 5000 Fax: +61 2 9332 5050 Email: exploration@horizonoil.com.au Website: www.horizonoil.com.au
Domicile and country of incorporation	Australia
Share Registry	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Tel: +61 2 9290 9600
Solicitors	King & Wood Mallesons Level 33, Waterfront Place 1 Eagle Street Brisbane QLD 4000

2 Investment Overview

2.1 Key features, terms and conditions of the Offer

Topic	Summary	Where to find more information
Issuer	Horizon Oil Limited (ACN 009 799 455)	N/A
The Offer	This is an offer of 300 million options over Horizon Shares to the Subscriber (" Options "), in accordance with the terms of the option subscription deed under which Horizon has agreed to issue, and Subscriber has agreed to subscribe for, the Options (" Subscription Deed "). The Options will have an exercise price of A\$0.061 and an expiry date of 5 years from the date of issue.	Section 5 ("Details of the Offer")
Offer Price	No consideration is payable by the Subscriber for the Options.	Section 5 ("Details of the Offer")
Amount to be raised	<p>Horizon will not raise any funds upon the issue of the Options under the Offer and, accordingly, the purpose of this Prospectus is not to raise capital. This Prospectus is being issued in order to comply with provisions of the Corporations Act.</p> <p>However, the Offer comprises part of the IMC Financing Proposal, which is detailed in section 4.1. Horizon will derive proceeds of approximately US\$46 million from the IMC Financing Proposal (after costs in connection with the IMC Financing Proposal). The broader effects of the IMC Financing Proposal are described in detail in the Notice of Meeting and Explanatory Statement dated 1 August 2016.</p>	<p>Section 4.2 ("Purposes")</p> <p>Section 6.4 ("Effect of the Offer on financial position of Horizon")</p>
Effect of the Offer	The principal effect of the Offer on the capital structure of Horizon is to increase the options on issue by 300 million. To the extent that any of the Options issued under the Offer are subsequently exercised, the share capital of Horizon will increase. If all Options are exercised (and there are no other changes to Horizon's capital structure) this will result in the issue of 300 million Shares, being equivalent to 18.7% of Horizon's share capital on a fully-diluted basis (ie including the Shares issued on exercise of the Options).	<p>Section 6.2 ("Effect of the Offer on capital structure")</p> <p>Section 6.3 ("Share capital following the Offer")</p>
Use of funds raised	As noted above, Horizon will not raise any funds upon the issue of the Options under the Offer. The proceeds of the IMC Financing Proposal will, together with existing cash reserves, be applied to fund Horizon's redemption obligation in respect of the US\$80 million of 5.5% convertible bonds issued by Horizon in 2011, of which US\$58.8 million remain outstanding as at the date of this Prospectus.	Section 5 ("Details of the Offer")
Participation	<p>The Offer is made to the Subscriber only. The Subscription Deed obliges the Subscriber to subscribe for the full amount of Options under the Offer.</p> <p>Applications from investors other than the Subscriber will not be accepted, and oversubscriptions will not be accepted.</p>	Section 5.4 ("Application for Options")

Applications	<p>An application for Options must be made by the Subscriber using the Application Form provided by Horizon and accompanying this Prospectus.</p> <p>The application must be received on or before 5.00pm (Sydney time) on the Closing Date, 16 September 2016 and in accordance with the Subscription Deed.</p> <p>The issue of Options under the Offer will take place following receipt of funds drawn by Horizon under the IMC Facility in accordance with the Subscription Deed.</p>	Section 5.4 (“Application for Options”)
Underwriting	The Offer is not underwritten.	N/A
ASX Listing	Horizon does not intend to apply for quotation of the Options on the Official List of the ASX.	Section 5.5 (“ASX Listing”)
Queries	Any queries regarding the Offer should be directed to the Company on +61 2 9332 5000.	Section 5.9 (“Queries”)

2.2 Key risks

Topic	Summary	Where to find more information
Risks associated with an investment in Horizon	<p>An investment in the Options, or a decision to exercise the Options and obtain Shares, should be considered speculative. The Subscriber should carefully consider all of the specific and general risk factors associated with the Offer and Horizon’s business, together with the information contained in this Prospectus, before making a decision to invest in the Options, or to exercise the Options and acquire Shares.</p> <p>There are general risks associated with owning securities in publicly listed companies. The trading price of the Shares may fluctuate due to many factors outside the control of the Company. Such risk factors include general movement in the Australian and international stock markets, investor sentiment, changes in interest rates and the rate of inflation, changes in government regulation and policies, economic outlook and geo-political stability.</p> <p>The specific risks relevant to an investment in Horizon are fully set out in Section 8.2, and include (among others) the volatility of commodity prices, risks associated with petroleum exploration, development and production and the speculative nature of these activities, risks related to resource and reserve estimates, security of tenure, and other risks associated with foreign operations.</p>	Section 8 (“Risk Factors”)

2.3 Interests, benefits and related party transactions

Topic	Summary	Where to find more information
Director’s interests	<p>The Directors of Horizon are John Humphrey (Chairman), Brent Emmett, Gerrit de Nys, Sandra Birkensleigh and Andrew Stock.</p> <p>The relevant interests of each Director in respect of the securities of Horizon, remuneration and insurance and</p>	Section 9.6 (“Directors’ interests”)

	indemnity are set out in section 9.6.	
Benefits are payable to advisers	Horizon estimates that the expenses of the Offer, including legal fees will be approximately A\$50,000 (excluding GST and disbursements).	Section 9.9 (“Legal Costs”)
Who is IMC?	IMC holds 30% of the Shares on issue at the date of this Prospectus. Further details about IMC and its shareholding in Horizon are set out at section 6 of the Notice of Meeting.	Section 6.5 (“Details of substantial shareholdings”) Section 6 of the Notice of Meeting
Shareholder approval obtained, including for related party benefit	The IMC Financing Proposal was subject to shareholder approval obtained at the general meeting of Shareholders held by Horizon on 6 September 2016. Shareholder approval was obtained for the purposes of section 208 and item 7 of section 611 of the Corporations Act, ASX Listing Rule 10.1, ASX Listing Rule 10.11 and for all other purposes. The reasons why shareholder approval was obtained are set out in more detail in section 5 of the Notice of Meeting.	Section 6.6 (“Details of Shareholder Approval obtained”) Section 5 of the Notice of Meeting.

3 Indicative timetable

The indicative timetable* for the Option issue is as follows:

Action	Indicative date
Shareholder Approval for the IMC Financing Proposal, including for the issue of the Options	6 September 2016
Lodgement of this Prospectus with ASIC	15 September 2016
Expected date for issue of the Options	19 September 2016
Expiry of the Options	5.00pm (Sydney time) on 18 September 2021, being 5 years after the proposed date of issue of the Options.

* The above dates are indicative only. Horizon reserves the right, subject to the Corporations Act, ASX Listing Rules and any other applicable laws, to vary the above dates, and the details of the Offer, without prior notice.

4 Background of the Offer

4.1 Background and securities to be issued

As announced on 27 June 2016, the Company's major shareholder, IMC Investments Limited (together with its Associates, "**IMC**") has agreed to provide US\$50 million in financial support through the provision of subordinated, secured debt to fund Horizon's redemption obligation in respect of the US\$80 million of 5.5% convertible bonds issued by Horizon in 2011, of which US\$58.8 million remain outstanding ("**Bonds**") ("**IMC Financing Proposal**").

The IMC Financing Proposal comprises:

- (a) a US\$50 million secured, subordinated, non-amortising facility provided by IMC to Horizon (or one of its subsidiaries) ("**IMC Facility**"); and
- (b) the grant of second-ranking security to IMC over the same assets as are secured under Horizon's existing Senior Facility ("**Security**").

As a requirement under the IMC Facility, Horizon has agreed to issue to IMC 300 million options ("**Options**") over unissued fully-paid ordinary shares in Horizon. This Prospectus relates to the issue of the Options.

Horizon and IMC have entered into the following agreements, as set out in the Notice of Meeting and Explanatory Statement dated 1 August 2016 ("**Notice of Meeting**"):

- (a) a facility agreement under which IMC has agreed to provide the IMC Facility to Horizon ("**Facility Agreement**"); and
- (b) an option subscription deed under which Horizon has agreed to issue and IMC has agreed to subscribe for the Options ("**Subscription Deed**").

The Notice of Meeting is available from the ASX website, and contains further details on the resolution passed. Horizon Shareholder approval ("**Shareholder Approval**") for the IMC Financing Proposal was obtained at the general meeting of Shareholders held on 6 September 2016.

The terms and conditions applicable to the Options are contained in the Option terms in section 7.1 of the Prospectus, and the terms and conditions of the underlying Shares are summarised in section 7.3 of this Prospectus.

4.2 Purposes

Horizon will not raise any funds upon the issue of the Options under the Offer and,

accordingly, the purpose of this Prospectus is not to raise capital.

This Prospectus has been issued to allow the Options to be on-sold within 12 months of their issue without disclosure under Part 6D.2 of the Corporations Act and to allow the Shares that are issued on exercise of the Options to be on-sold within 12 months of their issue without disclosure under Part 6D.2 of the Corporations Act pursuant to ASIC Corporations (*Sale Offers That Do Not Need Disclosure*) Instrument 2016/80.

Horizon does not issue the Options with the purpose of the persons to whom they were issued selling or transferring the Options or underlying Shares issued on exercise of the Options, or granting, issuing or transferring interests in the Options or underlying Shares issued on exercise of the Options within 12 months of the issue, but this Prospectus provides them with the ability to do so should they so wish without the need for disclosure under Part 6D.2 of the Corporations Act.

5 Details of the Offer

The Offer is an offer of 300 million options to acquire new Shares in Horizon with an exercise price of A\$0.061 and an expiry date of 5 years from the date of issue.

The Offer of Options will only be made to the Subscriber in accordance with the Subscription Deed. Horizon will provide an Application Form to the Subscriber.

No funds will be raised directly upon the issue of the Options in accordance with the terms of this Prospectus. However, the proceeds of the IMC Financing Proposal (as detailed in section 4.1), to which the Offer relates, will, together with existing cash reserves of the Company, be applied to fund the redemption of the Bonds.

If all of the Options are exercised, Horizon would be required to issue an aggregate of 300 million new Shares. This equals approximately 23.0% of the current issued share capital of Horizon as at the date of this Prospectus, or 18.7% of Horizon's share capital on a fully diluted basis (ie including the Shares issued on the exercise of the Options). If all the Options are exercised, Horizon will receive A\$18,300,000.

5.1 No exposure period

No exposure period applies to the Options offered under this Prospectus due to the relief granted by ASIC Corporations (*Exposure Period*) Instrument 2016/74. The Company can therefore accept an Application Form from the Subscriber from the date of this Prospectus.

5.2 Opening and Closing dates

The Opening Date of the Offer will be 3.00pm (Sydney time) on 15 September 2016 and the Closing Date for the Offer will be 5.00pm (Sydney time) on 16 September 2016. Horizon reserves the right, subject to the Corporations Act, ASX Listing Rules and any other applicable laws, to vary the details of the Offer, including varying the Closing Date.

5.3 Minimum subscription

There is no minimum subscription in respect of the Offer. The Subscription Deed obliges the Subscriber to subscribe for the full amount of Options under the Offer.

5.4 Application for Options

Applications for Options can only be made by the Subscriber and must be made using the Application Form provided by Horizon to the Subscriber and which will accompany this Prospectus. Applications from investors other than the Subscriber will not be accepted. Oversubscriptions will not be accepted.

The Application Form must be completed on behalf of the Subscriber and returned to Horizon.

5.5 ASX Listing

Horizon does not intend to apply for quotation of the Options on the Official List of the ASX.

5.6 Issue of Options

The issue of Options under the Offer will take place as soon as practicable after the Application Form is received, and is expected to occur shortly following lodgement of the Prospectus.

5.7 Overseas investors

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person whom, it would not be lawful to make such an offer or to issue this Prospectus.

5.8 Rights attaching to Options and Shares

A summary of the important rights attaching to the Options, and the rights attaching to the underlying Shares the subject of the Options as set out in the Company's Constitution, is contained in section 7 of this Prospectus.

5.9 Queries

Any queries regarding the Offer should be directed to the Company on +61 2 9332 5000.

6 Effect and purpose of the Offer

6.1 Effect of the Offer

The principal effects of the Offer on Horizon are as follows:

- (a) Horizon will issue 300,000,000 Options, each with an exercise price of A\$0.061;
- (b) no funds will be raised by the Offer itself, as no consideration is payable by the Subscriber for the Options on their terms; and
- (c) the total estimated expenses of the Offer of approximately A\$50,000 (comprising of legal fees) will be paid by Horizon from its cash reserves.

The broader effects of the IMC Financing Proposal are described in more detail in the Notice of Meeting and Explanatory Statement dated 1 August 2016 that was dispatched to Shareholders, available on the Company's website at www.horizonoil.com.au.

6.2 Effect of the Offer on capital structure

A comparative table of changes in the capital structure of Horizon as a consequence of the issue of the Options is set out below:

Shares

Details	Number of Shares
Shares on issue at date of Prospectus ^{1, 2, 3}	1,301,981,265

Notes:

1. This figure does not include 1,500,000 partly-paid unquoted shares on issue.
2. No Shares are offered under this Prospectus.
3. The rights and liabilities attaching to the Shares are summarised in section 7.3 of this Prospectus.

Other securities

Details	Number of Options
Share Appreciation Rights exercisable at A\$0.31 on or before 5 November 2016. ¹	6,478,276
Unlisted options exercisable at A\$0.26 on or before 28 May 2017. ²	1,666,667
Share Appreciation Rights exercisable at A\$0.27 on or before 13 August 2017. ¹	9,561,936
Unlisted options exercisable at A\$0.29 on or before 17 September 2017. ²	500,000
Unlisted options exercisable at A\$0.43 on or before 20 February 2018. ²	350,000
Unlisted options exercisable at A\$0.40 on or before 16 April 2018. ²	350,000
Share Appreciation Rights exercisable at A\$0.33 on or before 19 August 2018. ¹	8,547,599
Share Appreciation Rights exercisable at A\$0.37 on or before 18 August 2019. ¹	7,402,177
Share Appreciation Rights exercisable at A\$0.09 on or before 13 August 2020. ¹	25,088,617
Unlisted options exercisable at A\$0.20 on or before 2 November 2020. ²	1,500,000
Options offered under this Prospectus:	
New Options ³ exercisable at A\$0.061 on or before the Expiry Date.	300,000,000
Total Options and Share Appreciation Rights on issue after completion of the Offer	361,445,272

Notes:

1. No price is payable by a participant in the Long Term Incentive Plan on the exercise of a Share Appreciation Right.
2. Relates to options issued under Horizon's Long Term Incentive Plan, the terms of which are described in Horizon's 2016 Annual Financial Report.
3. The terms of the Options are set out in section 7.1 of this Prospectus.

Bonds

As noted above, in June 2011, Horizon issued approximately US\$80 million, 5.5% convertible bonds, of which US\$58.8 million remain outstanding as at the date of this Prospectus.

These Bonds were originally due to mature on 17 June 2016 ("**Original Maturity Date**"). On 1 June 2016, Horizon announced that Bondholders had passed a written resolution to amend the terms of the Bonds as follows:

- (a) the maturity date of the Bonds was extended to 19 September 2016 ("**Final Maturity Date**");
- (b) an interest rate of 10% per annum is payable by Horizon between the Original

Maturity Date and the Final Maturity Date; and

- (c) the date for payment of the accrued premium of 8.80% per annum of the principal amount of the Bonds was adjusted so that it would be payable on the Original Maturity Date (this payment has been made by Horizon).

Horizon intends to drawdown on the IMC Facility provided as part of the IMC Financing Proposal, supplemented by Horizon's cash reserves, in order to fund the redemption of the Bonds prior to the Final Maturity Date.

6.3 Share capital following the Offer

To the extent that any Options issued under the Offer are subsequently exercised, the share capital of Horizon will increase.

Assuming that Horizon does not undertake any equity issues or otherwise change its capital structure, the exercise of all of the Options issued under this Prospectus would result in the issue of 300 million Shares, which would be equivalent to 18.7% of Horizon's share capital on a fully-diluted basis (ie including the Shares issued on exercise of the Options).

6.4 Effect of the Offer on financial position of Horizon

As stated above, Horizon will receive no proceeds directly from the issue of the Options. However, Horizon will derive proceeds from the IMC Financing Proposal, to which the Options relate, as illustrated in the pro forma financial information set out below.

If all of the Options were exercised by the Subscriber on or prior to the Expiry Date, Horizon would receive additional capital cash inflows (before any costs associated with the exercise of those Options) of up to A\$18,300,000.

US\$ millions	30 June 2016	IMC Facility	Redemption of Bonds	Pro Forma 30 June 2016 (unaudited)
Cash ¹	16.1	46.2	(58.8)	3.5
Current debt				
Senior Facility ²	18.1			18.1
Bonds ²	58.8		(58.8)	-
Total current debt ⁶	76.9		(58.8)	18.1
Non-current debt				
Senior Facility ²	67.4			67.4
IMC Facility ³	-	46.0	-	46.0
Total non-current debt ⁶	67.4	46.0		113.4
Total debt⁶	144.3	46.0	(58.8)	131.5
Net debt⁴	128.2	0.2	-	128.0

Notes:

1. At 30 June 2016 there is capacity to drawdown approximately US\$8.8 million under the Senior Facility.
2. The Senior Facility and Bonds are presented based on IFRS and as such are shown net of capitalised establishment costs.
3. The face value of the IMC Facility is shown net of estimated transaction costs of US\$4.0 million. In accordance with Australian Accounting Standards, the IMC Facility may be deemed a compound financial instrument to be split into equity, debt and/or derivative components. For the purposes of this pro forma financial information the IMC Facility has been classified solely as debt. Approximately US\$0.2 million of the estimated transaction costs had been paid at 30 June 2016.
4. Net debt includes cash, interest bearing external debt from the Senior Financiers and the debt component of the Bonds.
5. Indicative gross funds are assumed to be applied for the redemption of the Bonds.
6. The classification of debt in the pro forma financial information is shown exclusive of any impact that may result from the intercreditor agreement between IMC and Senior Financiers.
7. The pro forma financial information is unaudited, however the cash and debt balances disclosed above at 30 June 2016 are derived from the 2016 Annual Financial Report which has been subject to audit.

6.5 Details of substantial holders

The following persons have a relevant interest in 5% or more of the Shares on issue at the date of this Prospectus:

Holder	Shares held	Percentage
IMC	390,574,175	30.00%
Colonial First State	95,918,600	7.37%

As at the date of this Prospectus, IMC's shareholding in Horizon is 30%. If IMC exercises some or all of the Options, it will acquire additional Shares and its shareholding in Horizon will increase.

Assuming that Horizon does not undertake any other equity issues or otherwise change its capital structure, and IMC does not increase its shareholding in Horizon prior to exercise of the Options, the maximum shareholding IMC could obtain as a result of acquiring Shares on exercise of the Options is 43.1%.

However, the Options have a 5 year term and it is possible that IMC may increase its voting power in Horizon prior to exercising the Options, without Shareholder approval, by utilising the "3% creep" rule in item 9, section 611 of the Corporations Act. The "3% creep" rule allows IMC to acquire additional Shares without Shareholder approval provided that acquisition does not cause IMC and its Associates to have voting power more than 3% higher than it had 6 months previously.

Accordingly, the maximum extent of the increase in the voting power of IMC and its Associates in Horizon as a result of IMC and its Associates:

- (a) acquiring Shares under the "3% creep" exemption in item 9 of section 611 of the Corporations Act during the term of the Options; and
- (b) acquiring Shares upon exercise of the Options,

is 67.5% in aggregate (reflecting the voting power IMC and its Associates could potentially obtain if it acquires the maximum Shares permitted under the "3% creep" exemption during the term of the Options, and assuming all of the Options are exercised by IMC prior to their expiry).

For clarification, the maximum number of Shares IMC will acquire on exercise of the Options is fixed at 300 million and the Shareholder Approval up to 67.5% described in section 6.6 was only sought to contemplate the possibility that IMC's shareholding may increase beyond its current level in reliance on the "3% creep" exemption prior to the acquisition of Shares on exercise of the Options.

6.6 Details of Shareholder Approval obtained

As set out in the Explanatory Statement to the Notice of Meeting, the IMC Financing Proposal was subject to Shareholder Approval for all purposes, including for the purposes of section 208 and item 7, section 611 of the Corporations Act and ASX Listing Rules 10.1 and 10.11.

If IMC chooses to exercise some or all of the Options, its shareholding in Horizon will increase. Because IMC's shareholding in Horizon is above 20%, Shareholder Approval was obtained under section 611, item 7 of the Corporations Act to permit IMC to acquire the Shares issued on exercise of the Options.

Shareholder Approval was also obtained under section 208 of the Corporations Act for the giving of a "financial benefit" to IMC, on the basis that IMC may be deemed to be a related party under section 228(6) of the Corporations Act on the basis that IMC may become a related party of Horizon at some point in the future.

Shareholder approval was also obtained under:

- (a) ASX Listing Rule 10.1, because the grant of Security to IMC under the IMC Financing Proposal is considered the disposal of a substantial asset to a substantial holder under that rule; and
- (b) ASX Listing Rule 10.11, because the issue of the Options to IMC may be considered an issue of securities to a party whose relationship with Horizon is such that ASX would likely determine that Shareholder Approval is required.

Further information regarding the reasons why Shareholder Approval was required for the IMC Financing Proposal is set out at section 5 of the Notice of Meeting.

7 Rights and liabilities attaching to securities

7.1 Terms and conditions of Options

The material terms and conditions of the Options subject of this Prospectus are as follows:

Issuer	Horizon
Options	Each Option entitles the Optionholder to subscribe for one Share in Horizon.
Option fee	The Options are issued for nil consideration.
Exercise Price per Option	A\$0.061
Expiry Date	5 years from the date of issue.
Exercise Period	The Options may be exercised at any time after the date of issue and before 5.00pm (Sydney time) on the Expiry Date. Options not exercised by this time will automatically lapse.
How to exercise an Option	To exercise, the Optionholder is required to deliver a duly completed notice of exercise, together with a bank cheque drawn on an Australian bank for the Exercise Price per Option or payment in cleared funds into a bank account nominated in advance by Horizon, at any time prior to the Expiry Date.
Issue of Shares	Within 10 Business Days after receipt of both a valid notice of exercise and receipt (or deemed receipt) of payment of the Exercise Price, Horizon will issue the new Shares pursuant to the exercise of the Options.

Nominee	The Optionholder may specify in the notice of exercise that the Shares to be issued on exercise of the Options be issued to a nominee, provided that nominee is a Related Body Corporate of the Optionholder.
Minimum number of Options exercisable	50,000,000 (unless the Optionholder has less than 50,000,000 Options in which event the Optionholder must exercise all of the Options together).
Ranking	Shares issued on exercise of the Options will rank pari passu with all existing ordinary shares of Horizon.
Quotation	Horizon will apply to ASX for official quotation of the Shares issued on exercise of the Options, subject to Horizon being admitted to the Official List of the ASX at the time of issue of Shares on exercise of the Options.
Listing of Options	The Options will be unlisted.
Dividends	No entitlement to participate in dividends of Horizon.
Transferability	Options may be transferred at any time before the Expiry Date provided that the transfer complies with section 707(3) of the Corporations Act and the section of this table headed "Facility Agreement special conditions" below. Options are transferable by any standard form of transfer, provided that notice in writing is given to Horizon.
Effect of corporate restructure following the issue of Options	<p>Following any reconstruction, consolidation, subdivision, reduction (by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled), return or pro rata cancellation of the issued capital of Horizon:</p> <p>a) the number and/or Exercise Price of Options will be adjusted in compliance with the ASX Listing Rules; and</p> <p>b) subject to provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders approving a reconstruction of capital, in all other respects the terms of exercise of the Options will remain unchanged.</p> <p>This provision is subject to the ASX Listing Rules and in the event of an inconsistency, the ASX Listing Rules will prevail.</p>
Pro rata issues	<p>If there is a pro rata issue (other than a bonus issue), the exercise price of an Option will be reduced in accordance with the following formula:</p> $O^n = O - \frac{E [P - (S + D)]}{N + 1}$ <p>Where:</p> <p>O^n = the new exercise price of the Option</p> <p>O = the old exercise price of the Option</p> <p>E = the number of underlying securities into which one Option is exercisable</p> <p>P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date or if there is no such date then the date chosen by the Board</p>

	<p>S = the subscription price for a security under the pro rata issue</p> <p>D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue)</p> <p>N = the number of securities with rights or entitlements that must be held to receive a right to one new security</p>
Bonus issues	If there is a bonus issue to Shareholders of Horizon, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the Optionholder would have received if the Option were exercised before the record date for the bonus issue.
Participation in new issues	The Options do not confer the right to participate in a new issue of Shares in Horizon prior to exercise.
Facility Agreement special conditions	<p><i>Mandatory exercise by Optionholder (other than IMC)</i></p> <p>If:</p> <p>a) a Lender under the Facility Agreement gives notice to Horizon that it requires repayment of the IMC Facility prior to the Maturity Date; and</p> <p>b) evidence of the notice provided by a Lender under paragraph (a) is provided by Horizon to the Optionholder,</p> <p>then Horizon may (by notice in writing to the Optionholder), require the Optionholder to, within 5 Business Days from the date of receipt of the notice from Horizon, exercise all unexercised Options, provided that at the date of the notice, the price of the Shares is greater than or equal to the Exercise Price.</p> <p>A failure by the Optionholder to comply with this particular condition will result in the immediate cancellation of the Options of that Optionholder for no consideration.</p> <p><i>Discretionary offset of Facility balance outstanding</i></p> <p>If the Optionholder exercises any of the Options in accordance with the Option terms and the Optionholder is also the Lender (or is an associate of the Lender) under the Facility Agreement, the Lender under the Facility Agreement will have the right, at its election, to offset the payment of the Exercise Price per Option by the Optionholder against any balance of principal or interest outstanding under the IMC Facility by the Lender.</p> <p><i>Covenant in favour of Horizon</i></p> <p>Before the Optionholder transfers any of the Options, the Optionholder is required to obtain from the transferee a covenant in favour of Horizon to comply with this section of the Option terms headed "Facility Agreement special conditions".</p>
Change in Option terms	<p>Terms may not be changed to:</p> <p>a) reduce the Exercise Price;</p> <p>b) increase the number of securities received on exercise of the Options; or</p> <p>c) increase any period for exercise of the Options.</p> <p>A change to terms which is not otherwise prohibited under this provision may only be changed with the approval of ordinary Shareholders unless it has the effect of cancelling an option for no consideration or is made to comply with the ASX Listing Rules, in which case such change can be made without obtaining the approval of ordinary Shareholders.</p>

7.2 Terms and conditions of Options specific to the Subscriber

Under the Subscription Deed, Horizon and the Subscriber have agreed that, despite the process described in the section headed “Facility Agreement special conditions” in section 7.1 above, IMC is only mandatorily required to exercise the Options, if the payment of the Exercise Price by other Optionholders (who are not members of the IMC Group) is (in aggregate) insufficient for Horizon to satisfy its early repayment obligation.

7.3 Terms and conditions of Shares

The following is a general description of the more significant rights and liabilities attaching to the underlying Shares the subject of the Options. This summary is not exhaustive. Full details of provisions relating to the rights attaching to Shares are contained in the Corporations Act, the ASX Listing Rules and Horizon’s Constitution, a copy of which is available online at www.horizonoil.com.au, or for inspection at Horizon’s registered office during normal business hours.

Voting rights	<p>Subject to any rights or restrictions for the time being attached to or affecting any class or classes of Shares and to the requirements of the ASX Listing Rules:</p> <p>(a) at meetings of Shareholders, each Shareholder entitled to vote may vote in person or by proxy, attorney or representative; and</p> <p>(b) on a show of hands, every Shareholder present in person or by proxy, attorney or representative has one vote. On a poll, every Shareholder present in person or by proxy, attorney or representative has one vote for each Share that Shareholder holds and a person who holds a Share that is partly paid shall be entitled to vote pro rata to the proportion of the total issue price then paid up on each Share.</p>
Dividend rights	<p>While there is no guarantee of any dividends or distributions by Horizon, the Directors may from time to time declare dividends in compliance with the Corporations Act. Subject to the rights of persons entitled to Shares with special rights as to dividends (at present there are none), all dividends are paid in proportion to the number of Shares held by each Shareholder, irrespective of the amount paid up or credited as paid up on the Shares.</p>
Winding up	<p>If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind, all or any of the assets of the Company, and for that purpose, set such value as it considers fair upon any property to be so divided and may determine how the division is to be carried out as between the different classes of Shareholders, but may not compel a Shareholder to accept any Shares or other securities in respect of which there is any liability.</p> <p>If where the Company is wound up, the assets available for distribution among Shareholders are insufficient to repay the whole of the capital paid up as at the commencement of the winding up, the assets shall be distributed among the Shareholders so that the losses shall be borne by the Shareholders as nearly as possible in proportion to the capital paid up or which ought to have been paid up on the Shares held by them as at the commencement of the winding up.</p> <p>If where the Company is wound up, there is a surplus of assets remaining, the surplus must be distributed among the parties entitled to it in proportion to the numbers of Shares held by them irrespective of the amount paid up on the Shares.</p>

Transfer of Shares	Subject to the Constitution, the Corporations Act and any other laws and the ASX Listing Rules, Shares are freely transferable. The Directors may only refuse to register any transfer of Shares where the ASX Listing Rules permit or require the Company to do so and where the transfer is a transfer of “Restricted Securities” which is or might be in breach of the ASX Listing Rules or any escrow agreement relating to the “Restricted Securities”.
Future issues	Subject to the Constitution, the Corporations Act, the ASX Listing Rules and any special rights conferred on the holders of any existing Shares or class of Shares in the Company, the Directors may issue or dispose of Shares to persons on terms and conditions determined by the Directors, and with such preferred, deferred, or special rights or such restrictions as to dividends, voting, return of capital, payment of calls or otherwise. Subject to the Corporations Act and the ASX Listing Rules, the Company may issue preference Shares which are, or at the option of the Company are to be, liable to be redeemed, in such manner and on such terms and conditions as the Directors determine.
Variation of rights	If at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may be varied or cancelled with the consent in writing of the holders of at least 75% of the Shares of that class, or if authorised by at least 75% of Shareholders at a separate general meeting of the holders of the Shares of that class. Any variation of rights shall be subject to section 246B of the Corporations Act. The provisions of the Corporations Act and the Constitution relating to special resolutions and general meetings will, with such modifications as the circumstances require, apply to such special resolution.
Call on Shares	Subject to the Corporations Act, the ASX Listing Rules and any conditions of allotment, the Directors may from time to time make calls on Shareholders in respect of any money which remains unpaid on the Shares held by them. The Directors may require a call to be made in instalments and may differentiate between Shareholders as to the amount of calls to be paid and the times of payment.
Forfeiture of Shares	<p>Any Share upon which a call has been made is forfeited if the call remains unpaid 14 days after the date it was stipulated to be paid by. Where any Share is so forfeited, notice of the forfeiture shall be given to the person in whose name it stood immediately before the forfeiture and an entry of the forfeiture shall be made in the register.</p> <p>The forfeiture of a Share leads to the extinction, at the time of forfeiture, of all interest in and claims and demands against the Company in respect of the Share and all other rights and liabilities incidental to the Share as between the Shareholder and Company, except those rights and liabilities expressly saved by the Constitution or imposed by the Corporations Act on past members.</p>
Sale or buy-back of non-marketable securities	<p>Provided certain procedures are followed, the Directors may cause the Company to:</p> <ul style="list-style-type: none"> (a) sell a Shareholder’s Shares if they hold less than a “Marketable Parcel” of Shares; or (b) buy-back a Shareholder’s Shares, and cancel those Shares, if they hold less than a “Marketable Parcel” of Shares. <p>A “Marketable Parcel” of Shares, as defined in the ASX Operating Rules,</p>

	means a parcel of Shares of not less than A\$500 based on the closing price on the trading platform.
Notice of General Meeting	Subject to the provisions of the Corporations Act as to shorter notice, Shareholders must be given at least 28 days written notice of a general meeting.
Varying or repealing the Constitution	The Company may alter the provisions of the Constitution in accordance with the provisions of the Corporations Act, which state that the Company may modify or repeal its Constitution, or a provision of its Constitution, if authorised by at least 75% of votes cast by Shareholders.

8 Risk Factors

There are numerous risks associated with investing in any form of business and with investing in options and the share market generally. There are also a range of specific risks associated with Horizon's business and its involvement in the petroleum exploration, development and production industry, and an investment in the Options, or a decision to exercise the Options and obtain Shares, should be considered speculative. Many of these risk factors are largely beyond the control of Horizon and its Directors because of the nature and location of the existing and proposed business activities of Horizon.

In considering an investment in the Options, Horizon understands that the Subscriber has engaged its own professional advisers to provide independent legal, tax, accounting and other advice on the merits and risks of making this investment. The terms of the Subscription Deed and the Options were negotiated between the Subscriber and Horizon at arm's length.

Potential investors, including the Subscriber should carefully consider the risks described below before making a decision to invest in the Options, or to exercise the Options and acquire Shares. The risks described below do not necessarily comprise all those faced by Horizon and are not intended to be presented in any assumed order of priority.

8.1 Risks associated with equity capital investments

There are general risks associated with investments in equity capital.

(a) Price of Shares

The trading price of the Shares may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the Shares acquired on exercise of the Options being less or more than the Exercise Price. Generally applicable factors which may affect the market price of shares include:

- general movements in Australian and international stock markets;
- investor sentiment;
- Australian and international economic conditions and outlook;
- changes in interest rates and the rate of inflation;
- change in government regulation and policies;
- announcement of new technologies; and
- geo-political stability, including international hostilities and acts of terrorism.

No assurances can be given that Shares issued on exercise of the Options will trade at or above the Exercise Price. None of Horizon, its board or any other person guarantees the market performance of the Shares.

(b) **Dividends**

Horizon's future dividend payments, if any, will be determined by the board of Horizon, based on operating results and the financial position of Horizon at the time. There is no guarantee that Horizon will pay dividends at any point in the future.

8.2 Risks relating to Horizon's business

The following summary, which is not exhaustive, represents some of the more specific major risk factors for Horizon.

(a) **Economic conditions and capital market conditions**

Economic conditions, both domestic and global, may affect the financial performance and market capitalisation of Horizon. Adverse changes in macroeconomic conditions, including global oil prices, global and country-by-country economic growth, the costs and general availability of credit, broker analyst recommendations, investor perceptions, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary, and regulatory policies), global geopolitical events and hostilities and acts of terrorism, general consumption and consumer spending, employment rates and industrial disruption, amongst others, are outside the control of Horizon and may result in material adverse impacts on Horizon's business and its operating results.

(b) **Liquidity concerns and future financing**

To meet its financial obligations, Horizon is required to maintain sufficient cash and available funding through sufficient committed credit facilities. Horizon aims to maintain flexibility in funding by keeping committed credit lines available and ensuring it has sufficient liquidity. There is no guarantee that Horizon will have sufficient liquidity in the future.

Further exploration and development of the various properties in which Horizon holds interests depend upon Horizon's ability to obtain financing through joint ventures, debt financing, equity financing or other means.

There is no assurance that Horizon will be successful in obtaining financing required as and when needed. Volatile markets for commodities may make it difficult or impossible for Horizon to obtain further debt financing or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause Horizon 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.

(c) **Risks associated with Horizon's debt obligations**

Horizon currently has significant debt obligations, which may impact Horizon's ability to access capital markets in the future.

Horizon's liabilities increase the potential impact of an economic downturn, either generally or in the oil industry, on the performance of Horizon. Adverse changes in economic conditions, in particular global oil prices, may limit Horizon's debt capacity and Horizon's ability to refinance its debt in the future or increase Horizon's cost of capital.

If Horizon is unable to refinance its debt, or is unable to do so on favourable terms, this may impact on Horizon's ability to fund its operations.

Horizon's ability to service its debt is dependent on its future financial performance.

(d) **Breach of restrictive covenants**

Horizon has various restrictive covenants in relation to its credit facilities. Restrictive covenants in the agreements Horizon has with its financiers might lead to an obligation on Horizon to repay the debt immediately if breached. Factors such as increases in base lending rates, increased borrowing amounts or poor financial performance, among others, could lead to Horizon breaching its debt covenants. If Horizon was required to repay any of its debt immediately as a result of a breach of a covenant, there is no guarantee that Horizon would be able to secure alternative financing on commercially acceptable terms or at all.

(e) **Interest rate risk**

Horizon is exposed to interest rate risks from its borrowings. Horizon's hedging policy permits the use of derivative instruments to hedge its interest rate exposure. Although Horizon attempts to manage its interest rate risk to minimise impacts on Horizon's cash flow through increased interest rates, Horizon may still have residual exposure that may result in an adverse effect on its future financial performance and position.

(f) **Horizon's credit rating**

Horizon's credit rating could be affected by a change in the financial performance, position or financial policies of Horizon. An unfavourable change to Horizon's credit ratings may have a detrimental effect on its cost of debt and its ability to access credit facilities.

(g) **Volatility of commodity prices**

The profitability of Horizon'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 Horizon'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\$ 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.

(h) **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 Horizon. 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.

Horizon's activities may be affected by numerous other factors beyond Horizon's control. Mechanical failure of Horizon's operating plant and equipment, and general unanticipated operational and technical difficulties, may adversely affect Horizon's operations. There is limited operating history available from Horizon's sites. Operating risks beyond Horizon'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. Horizon has insurance to protect itself against certain risks of petroleum operations and processing within ranges of coverage consistent with industry practice. However, Horizon 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 Horizon intends to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on Horizon's operations and its financial results.

(i) **Development risk**

Horizon'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 Horizon's investment in these projects.

Development projects to which Horizon 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.

(j) **Speculative nature of petroleum exploration and development**

Development of Horizon'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 Horizon'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 Horizon'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 Horizon.

(k) **Resources and reserves**

No assurance can be given that the hydrocarbon resource and reserves estimates will be recovered during production. The failure of Horizon 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.

(l) **Security of tenure**

All Licences in which Horizon 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 Horizon being successful in obtaining required statutory approvals for proposed activities. While Horizon 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.

(m) **Uninsurable risks**

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

(n) **Political stability**

Horizon's material investments and operations are principally conducted in China, New Zealand and Papua New Guinea. Horizon'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 Horizon's properties.

(o) **Government regulation and tenure**

The impact of actions by governments in the countries in which Horizon operates may affect Horizon's Licence to operate and tenure. Horizon'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 Horizon'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 Horizon.

In the context of environmental permitting, including the approval of reclamation plans, Horizon 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 Horizon's operations. While it is possible that costs and delays associated with compliance with such laws, regulations and permits could become such that Horizon will not proceed with the development or operation of a particular project, Horizon 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.

(p) **General legal and taxation matters**

Future earnings, asset values and the relative attractiveness of the Options, and Shares acquired on exercise of the Options, may be affected by changes in law and government policy in the jurisdictions in which Horizon 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 Horizon operates will impact on the profitability and performance of Horizon.

(q) **Logistics**

Logistical risk relates to long supply lines, and lack of engineering and other support facilities close to Horizon's operating sites. In certain countries in which Horizon operates, the transshipment of commodities through neighbouring countries for export could be subject to disruptions through transshipment licensing delays, political disputes and natural disasters.

(r) **Failures in the supply chain for specialist equipment and materials**

Horizon 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 Horizon's business and results of operations.

(s) **Failure to make or integrate acquisitions**

Horizon may make acquisitions of, or significant investments in, other resource projects or assets, or may increase its interest in its existing projects or assets. While Horizon recognises that benefits may arise from acquisition or investment activities, significant risks exist in both the execution and implementation of such activities.

Business combinations or asset acquisitions 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. Horizon 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.

(t) **Joint Ventures and other strategic partnerships may not be successful**

Horizon participates in several joint venture arrangements and it may enter into further joint ventures. Although Horizon has sought to protect its interests, existing and future joint ventures necessarily involve special risks. Whether or not Horizon 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 Horizon;
- exercise veto rights to block actions that Horizon believes are in its or the joint venture's best interests;
- take action contrary to Horizon'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 Horizon's partners, Horizon may provide expertise and advice 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 Horizon's reputation thereby harming Horizon's other operations and access to new assets.

(u) **Climate change risk**

Increased regulation of greenhouse gas emissions could adversely affect Horizon's costs of operations. Regulatory change by governments in response to greenhouse gas emissions may represent increased costs to Horizon impacting profitability. Increasing regulation of greenhouse gas emissions, including the progressive introduction of a carbon tax in any jurisdiction in which Horizon operates is likely to raise energy costs and costs of production over the next decade. Regulation of greenhouse gas emissions in the jurisdictions of Horizon's customers could also have an adverse effect on the cost of Horizon's production.

(v) **Foreign operations**

Horizon'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 Horizon'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 Horizon's operations or profitability.

(w) **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 Horizon operates could adversely affect production at Horizon's operations.

(x) **Key personnel**

Retaining qualified personnel is critical to Horizon's success. Horizon may face risks

from the loss of key personnel, as it may be difficult to secure and retain candidates with appropriate experience and expertise. Horizon 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 Horizon's key employees could leave their employment and this may adversely affect Horizon's ability to conduct its business and, accordingly, affect the profitability, financial position and performance and prospects of Horizon. Horizon'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 Horizon's business activity grows, it will require additional personnel to meet its growing needs. If Horizon is unable to access and retain the services of a sufficient number of qualified personnel, this could be disruptive to Horizon's development and may materially adversely affect its profitability, financial position and performance and prospects.

(y) **Key contractors**

Horizon'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. Horizon can provide no guarantee that the contractors will fulfil these obligations.

(z) **Litigation**

Horizon 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 respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which Horizon is or may become subject could have a material effect on its financial position, results of operations or Horizon's exploration and project development operations.

(aa) **Labour and employment matters**

While Horizon 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 Horizon's business.

As Horizon'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, Horizon may experience difficulties retaining the requisite skilled employees in the region. It is important for Horizon'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 Horizon 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 Horizon's business could have a material adverse effect on Horizon's business. While Horizon believes that it will be successful in attracting and retaining qualified personnel and employees, there can be no assurance of such success.

(bb) **Subsidiaries**

Horizon 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 Horizon and its subsidiaries could restrict Horizon'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 Horizon's valuation and stock price.

(cc) **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 throughput. Although it is intended to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on Horizon's operations and its financial results should any of these hazards be encountered.

(dd) **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 Horizon's control. The aggregate effect of these factors on commodity prices is impossible to predict. Decreases in commodity prices could adversely affect Horizon's ability to finance the development of its projects as well as its results of its operations.

(ee) **Currency Risk**

Horizon incurs expenditures in the local currencies of various countries from operations and certain other capital and operating costs will primarily be in other than Horizon's functional currency, US dollars. As a result of the use of these different currencies, Horizon is subject to foreign currency fluctuations which may materially affect its financial position and operating results.

(ff) **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, Horizon may be unable to acquire rights to exploit additional attractive petroleum properties on terms it considers acceptable. Accordingly, there can be no assurance that Horizon will acquire any interest in additional operations that would yield reserves or result in commercial petroleum operations.

(gg) **Hedging risk**

Horizon 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 exchange contracts (for currency). If Horizon fails to deliver the required amount of currency 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 Horizon depending upon the market exchange rate at that point in time. Other permitted products under Horizon's hedging policy include USD denominated ICE Brent Crude Oil Swaps, put options, call options, swaps or a combination of the above. Although the risk is managed by Horizon, Horizon cannot guarantee the effectiveness of its hedging policies. Although hedging activities may protect Horizon in certain instances, hedging products may also limit upside where the market price of the hedged item exceeds the hedge contract.

(hh) **Equity dilution**

Horizon may undertake additional offerings of securities in the future. The increase in the number of Shares issued and the possibility of sales of such Shares may have a depressive effect on the price of Shares already on issue.

An investment in the Options carries no right to participate in any future issue of securities (whether equity, hybrid, debt or otherwise) by Horizon (other than conversion of the Options). However, a pro rata issue will affect the Exercise Price of the Options, and a bonus issue will affect the number of Ordinary Shares to be issued upon exercise of the Options, as set out in in the Option terms at section 6.1.

No prediction can be made regarding the effect (if any) such future issue of securities by Horizon may have on the market price or liquidity of the Options and the Shares to be issued upon exercise of the Options.

(ii) **Estimates and assumptions are used in preparing consolidated financial statements**

Preparation of the consolidated financial statements requires Horizon to use estimates and assumptions. Accounting for estimates requires Horizon to use its judgement to determine the amount to be recorded on its financial statements in connection with these estimates. Horizon'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, Horizon could be required to write down the recorded value of its work in progress inventory. On an ongoing basis, Horizon re-evaluates its estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

(jj) **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 Horizon's operating results.

9 Additional information

9.1 Nature of the Prospectus

The Prospectus is a transaction-specific prospectus issued under section 713 of the Corporations Act which allows the issue of a transaction-specific prospectus in relation to offers of continuously quoted securities. The Options are options to acquire new securities of a class of securities that are continuously quoted securities.

9.2 Continuous disclosure

Horizon is listed on the ASX and its Shares are quoted on ASX under code "HZN".

Horizon is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, Horizon is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of Horizon's securities.

This Prospectus is intended to be read in conjunction with the publicly available information in

relation to Horizon which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to Horizon before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, Horizon believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the period from lodgement of Horizon's Annual Financial Report for the financial year ended 30 June 2016 to the issue of this Prospectus which required Horizon to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

Horizon, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to Horizon (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the date for the issue of the Options:
 - (i) the annual financial statements of Horizon for the financial year ended 30 June 2016, being the last financial statements for a financial year of Horizon lodged with ASIC before the issue of this Prospectus;
 - (ii) any half-year financial report for the 6 months ending 31 December 2015 lodged by Horizon with ASIC; and
 - (iii) any continuous disclosure documents used to notify ASX of information relating to Horizon in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act.
- (d) the following documents were used to notify ASX of information relating to Horizon during the period after lodgement of the 2016 Annual Financial Report of Horizon for the period ended 30 June 2016 and before the issue of this Prospectus:

Date	Subject of Announcement
30 August 2016	Annual Report to shareholders
30 August 2016	2016 Financial Results Presentation
30 August 2016	Corporate Governance Statement 2016
6 September 2016	General Meeting Presentation – IMC Financing Proposal
6 September 2016	Results of Meeting

ASX maintains files containing publicly disclosed information about all listed companies. Horizon's file is available for inspection at ASX during normal business hours or from www.asx.com.au.

A substantial amount of information about Horizon is available in electronic form from www.horizonoil.com.au.

9.3 Information excluded from continuous disclosure notices

As at the date of this Prospectus, other than as disclosed in this Prospectus there is no information that has not been disclosed under the continuous disclosure requirements of the ASX Listing Rules and which the Board considers that you or your professional advisers would reasonably require in order to assess Horizon's assets and liabilities, financial position and prospects and the rights and liabilities attaching to the Options.

9.4 Market price of Shares

Horizon is a disclosing entity for the purpose of the Corporations Act and Shares are enhanced disclosure securities quoted on ASX. The highest and lowest market sale price of Shares on ASX during the 6 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest	A\$0.084	8 March 2016
Lowest	A\$0.042	14 September 2016
Last	A\$0.042	14 September 2016

9.5 Litigation

The Directors are aware of one legal claim, which remains outstanding in relation to Horizon's previously held US oil fields. The litigation relates to unspecified environmental claims relating to oil leases at Bayou Choctaw. More than 70 defendants are listed in the litigation. Horizon considers that the claims against Horizon are unlikely to be successful. At the date of this Prospectus, Horizon does not consider there is a probable risk of loss in relation to this matter such that no provision has been recorded, and all legal costs associated with the legal proceedings are being expensed as incurred.

9.6 Directors' interests

The relevant interests of each of the Directors (including their personally-related entities) in the securities of Horizon as at the date of the Prospectus are set out in the table below:

Director	Shares	Direct / Indirect	Options / SARs¹	Direct / Indirect
Brent Emmett	18,902,607 shares	Indirect	Options: Nil SARS: 20,513,645	Direct
John Humphrey	5,112,034 shares	Indirect	Nil	N/A
Gerrit de Nys	912,858 shares	Indirect	Nil	N/A
Andrew Stock	160,000 shares	Indirect	Nil	N/A
Sandra Birkenleigh	Nil	N/A	Nil	N/A

(a) Remuneration

The constitution of Horizon provides that the non-executive Directors may be paid for their services as Directors at a rate set by Horizon in general meeting, or an aggregate sum not exceeding a maximum level determined by Horizon in a general meeting (currently A\$600,000), to be divided among them.

Remuneration received by Directors includes short term benefits (ie cash salary and fees, cash bonuses and non-monetary benefits), superannuation, long services leave accrual and options/Share Appreciation Rights granted as compensation. The Directors are also entitled

¹ Options and share appreciation rights ("SARS") have been granted to eligible employees under various Horizon employee incentive plans. Further information in this respect can be found in the 2016 Annual Financial Report.

to be paid reasonable travelling, accommodation and other expenses incurred by them when travelling to or from and attending meetings of the Directors or when otherwise engaged in the business of Horizon.

Details of remuneration provided to Directors and their associated entities during the financial years ended 30 June 2014 and 30 June 2015 and the most recent financial year ending 30 June 2016 are as follows:

Director	Director's fees year ended 30 June 2014	Director's fees year ended 30 June 2015	Director's fees year ended 30 June 2016
Brent Emmett	US\$1,668,906	US\$1,234,834	US\$1,171,781
John Humphrey	US\$82,041	US\$74,854	US\$104,484
Gerrit de Nys	US\$82,041	US\$74,854	US\$65,043
Andrew Stock	US\$82,041	US\$74,854	US\$65,043
Sandra Birkenleigh	N/A	N/A	US\$26,684

The Company indemnifies all Directors and officers of the Company against all liabilities, including expenses to another person or entity (other than the Company or a Related Body Corporate) that may arise from their position as Directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Company has also paid or agreed to pay premiums in respect of Directors' and officers' liability and legal expenses insurance contracts for the year to 30 November 2016.

(b) Insurance and indemnity

Under the Constitution, Horizon agrees to indemnify all officers of Horizon for any losses, expenses or liabilities incurred or suffered by them in their capacity as an officer, except where the liability arises out of conduct involving a lack of good faith, or any liability owing to Horizon itself or a Related Body Corporate of Horizon. Horizon also paid premiums in respect of an insurance policy for the Directors and secretaries of Horizon for the year to 30 November 2016. The liabilities insured include costs and expenses that may be incurred in litigation brought against the officers of Horizon in that capacity.

(c) Other interests

Other than as set out above or elsewhere in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last two years before the date of lodgement of this Prospectus with ASIC, any interest in:

- (i) the formation or promotion of Horizon; or
- (ii) any property acquired or proposed to be acquired by Horizon in connection with its formation or promotion of Horizon or the Offer; or
- (iii) the Offer.

No amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

- (i) to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or
- (ii) for services provided by a Director or proposed Director in connection with the formation or promotion of Horizon or the Offer.

As outlined in the Notice of Meeting, Mr Gerrit de Nys, a director of Horizon, is a consultant to IMC. Mr de Nys did not give a recommendation to shareholders as to how to vote on the IMC Financing Proposal in the Notice of Meeting and abstained from voting on the resolution to approve the IMC Financing Proposal at the general meeting dated 6 September 2016.

9.7 Interests of advisers

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of Horizon;
- (b) property acquired or proposed to be acquired by Horizon in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus for services rendered by that person in connection with the formation or promotion of Horizon or the Offer.

9.8 Consents

Prior to the lodgement of the Prospectus, the following parties have given and have not withdrawn their written consent to be named in the Prospectus in the form and context in which they are named:

- (a) King & Wood Mallesons as legal adviser to Horizon; and
- (b) Boardroom Pty Limited as the Share Registry.

Boardroom Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as the Share Registry. Boardroom Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

9.9 Legal costs

King & Wood Mallesons has acted as legal adviser in relation to the Offer. In respect to this work, King & Wood Mallesons will be paid approximately A\$50,000 (excluding GST and disbursements) in fees and charges for legal services provided to Horizon up to the date of this Prospectus in connection with the Offer. Further amounts may be paid to King & Wood Mallesons in accordance with its time-based charges.

9.10 Financial Forecasts

The Directors have considered the matters set out in the ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of Horizon are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable estimate forecast or projection.

9.11 Taxation

It is the responsibility of the Subscriber to satisfy itself of the particular taxation treatment that applies by consulting its own professional tax advisers before dealing in the Options or investing in Shares by the exercise of the Options. Taxation consequences will depend on particular circumstances. Neither Horizon, nor any of its officers, accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any

other taxation consequences connected with an investment in Options or Shares in the Company or dealing with an entitlement in this Offer.

9.12 Privacy

By submitting the Application Form, the applicant agrees that Horizon may use the information provided by the applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, Horizon's Related Body Corporates, agents, contractors, and third party service providers, including mailing houses and professional advisers, and to regulatory authorities.

If a person becomes a securityholder of Horizon, the Corporations Act requires Horizon to include information about the person (name, address and details of the securities held) in its public register. This information must remain in the register even if you cease to be a securityholder in Horizon. Information contained in Horizon's registers is also used to facilitate dividend payments and corporate communications (including Horizon's financial results, annual reports and other information that Horizon may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

By subscribing for the Options, the Subscriber agrees that Horizon may use the information provided by the Subscriber for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to Boardroom Pty Limited, Horizon's Related Body Corporates, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

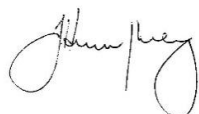
9.13 Consents to lodgement

The Directors have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with ASIC, or to the Directors' knowledge, before any issue of Options pursuant to this Prospectus.

This Prospectus is issued by Horizon and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

Dated: 15 September 2016



John Humphrey
Chairman

For and on behalf of

Horizon Oil Limited

10 Definitions

A\$ means references to dollar amounts in Australian currency.

US\$ means references to dollar amounts in United States currency.

2016 Annual Financial Report means the annual financial report of the Company for the financial year ended 30 June 2016.

Application Form means the personalised application form provided by Horizon to the Subscriber and which will accompany this Prospectus.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term by sections 12 and 16 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 and the financial market that it operates, as the context requires.

ASX Listing Rules means the official Listing Rules of ASX, as amended and waived by ASX from time to time.

ASX Operating Rules means the market operating rules of ASX as amended and waived by ASX from time to time.

Board means the board of Directors of Horizon.

Bondholders means the holders of the Bonds.

Bonds means the US\$80 million of 5.5% convertible bonds issued by Horizon in 2011, of which US\$58.8 million remain outstanding as at the date of this Prospectus.

Business Day means a day on which banks are open for general banking business in New South Wales (not being a Saturday, Sunday or public holiday in that place).

Closing Date means 5.00pm (Sydney time) on 16 September 2016, which is the date by which Horizon must have received the Application Form from the Subscriber.

Constitution means the constitution of Horizon.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a member of the Board.

Exercise Price means the exercise price per Option, which is A\$0.061, which equals 120% of the 30 calendar day volume weighted average price of Shares as at the close of trading on Friday, 24 June 2016 (being the last full trading day prior to the announcement of the IMC Financing Proposal).

Expiry Date means the expiry date for the Options, which is five years from the date of issue.

Facility Agreement means the facility agreement and supporting security documents entered into between IMC and the Loan Obligors to give effect to the IMC Facility.

Final Maturity Date means 19 September 2016, being the extended maturity date for the outstanding Bonds agreed by written resolution of the Bondholders as announced on 1 June 2016.

Horizon or **Company** means Horizon Oil Limited ACN 009 799 455.

IMC means IMC Oil & Gas Investments Ltd (BVI), IMC Investments Limited (BVI) and their respective Associates.

IMC Facility means the secured, subordinated, non-amortising debt facility to be provided by IMC to Horizon in the amount of US\$50 million to give effect to the IMC Financing Proposal.

IMC Financing Proposal means the proposal under which, subject to Shareholder Approval, IMC has agreed to provide the IMC Facility to fund the redemption of the Bonds and Horizon has agreed to grant the Security and issue the Options to IMC on the terms outlined in this Prospectus.

IMC Group means IMC Pan Asia Alliance Corporation and its subsidiaries.

Lender means lenders under the Facility Agreement from time to time.

Licences means the appropriate licences, concessions, leases and regulatory consents necessary to undertake and maintain the Company's exploration and development activities.

Loan Obligors means the Borrower and the Guarantors under the Facility Agreement, as specified in section 3.1 of the Notice of Meeting.

Long Term Incentive Plan means the long term compensation arrangements granted to eligible employees, detailed in the 2016 Annual Financial Report.

Maturity Date means the maturity date for the IMC Facility, which is 5 years from the date of drawdown of the IMC Facility.

Notice of Meeting means the Notice of Meeting and Explanatory Statement dated 1 August 2016.

Offer means the offer of the Options to the Subscriber which is made pursuant to this Prospectus.

Official List means the list of issued securities maintained by ASX.

Opening Date means 3.00pm (Sydney time) on 15 September 2016.

Optionholder means the holder of some or all of the Options from time to time.

Options means the 300 million options to acquire Shares in Horizon which are proposed to be granted to the Subscriber under this Prospectus, having an exercise price of A\$0.061 and an expiry date of five years from the date of issue. The terms of the Options are described in more detail in section 7.1 of this Prospectus.

Original Maturity Date means 17 June 2016, which was the original maturity date of the Bonds prior to the written resolution passed by Bondholders to extend the maturity date to the Final Maturity Date.

Prospectus means this prospectus.

Restricted Securities has the meaning given to that term under the ASX Listing Rules.

Related Body Corporate has the meaning given to it under the Corporations Act.

SARS or Share Appreciation Rights means options issued to eligible employees under Horizon's Long Term Incentive Plan, the terms of which are described in the 2016 Annual Financial Report.

Security means the second-ranking security interest granted to the Subscriber over the same assets as the security provided by Horizon (and its subsidiaries) to the Senior Financiers under the Senior Facility.

Senior Facility means the revolving cash advance facility provided to Horizon by the Senior Financiers.

Senior Financiers means the lenders under the Senior Facility.

Share means a fully paid ordinary share in Horizon.

Share Registry means Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000.

Shareholder means a holder of Shares.

Shareholder Approval means the approval for the IMC Financing Proposal obtained at the general meeting of Shareholders held by Horizon on 6 September 2016.

Subscriber means IMC Investments Limited, the party capable of accepting the Offer under the Subscription Deed, or a nominee appointed by it.

Subscription Deed means the Option Subscription Deed between Horizon and IMC.



APPLICATION FORM - OPTION OFFER

HORIZON OIL LIMITED

ACN 009 799 455

("Company")

TO: Horizon Oil Limited
Level 6, 134-138 William Street
WOOLLOOMOOLOO NSW 2011
Attention: Company Secretary

For all enquiries please contact the Company on (02)
9332 5000

This Application Form relates to the Offer of 300 million new Options over unissued, fully-paid ordinary shares in the Company pursuant to the prospectus dated 15 September 2016 ("**Prospectus**"). An application for the Options may only be made by the party invited to do so by the Company and must be made using this Application Form which accompanies the Prospectus. Capitalised terms used in this Application Form have the same meaning as in the Prospectus, unless a contrary intention appears.

This Application Form must be received by the Company by **5.00pm (Sydney time) on 16 September 2016** (subject to the right of the directors of the Company to close the Offer earlier or to extend this date without notice).

Before completing this Application Form, you should read the Prospectus and the instructions and declarations contained on the reverse of this Application Form. The *Corporations Act 2001* (Cth) ("**Corporations Act**") prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus (whether in paper or electronic form).

APPLICANT

Applicant details (company name, company number, jurisdiction of incorporation):

Contact details

Postal address (Number/street, suburb, state, post code, country):

Contact name:

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Contact telephone number:

--

Contact email address:

--

Option subscription details

Number of Options to be allotted to Applicant:

300,000,000

Return of this Application Form will constitute the Applicant's offer to apply for the Options. The Applicant declares that:

- this Application is completed according to the declaration / appropriate statements on the reverse of this form and the Applicant agrees on the exercise of the Options to be bound by the constitution of the Company; and
- it has received personally a full and unaltered copy of the Prospectus accompanying this Application Form, before applying for Options.

No signature is required



Declaration and statements:

By returning this completed Application Form to the Company the Applicant declares and agrees that:

- this Application Form is completed and lodged in accordance with the Prospectus;
- the Applicant offers to subscribe for the number of Options specified in the Application Form and that no notice of acceptance of the application will be provided;
- the Applicant consents to the Options applied for being issued to it on the terms and conditions set out in the Prospectus;
- the Company may insert its details on any register of option holders which it maintains in respect of the number of Options allotted to the Applicant, and on the register of members in respect of any underlying securities issued upon exercise of the Options;
- if any information on this form is not completed correctly, the Applicant authorises the Company to complete or amend this Application Form where necessary to correct any errors or omissions. The Applicant acknowledges that an incomplete Application Form may still be accepted by the Company, and any decision of the Directors as to whether to accept this Application Form and how to construe, amend or complete it, shall be final;
- the Applicant authorises the Company to complete and execute any document necessary to effect the issue of the Options to the Applicant; and
- all details and statements provided by the Applicant in this Application Form are complete and accurate.

TO MEET THE REQUIREMENTS OF THE CORPORATIONS ACT, THIS FORM MUST NOT BE HANDED TO ANY PERSON UNLESS IT IS ATTACHED TO OR ACCOMPANIED BY THE PROSPECTUS DATED 15 SEPTEMBER 2016.