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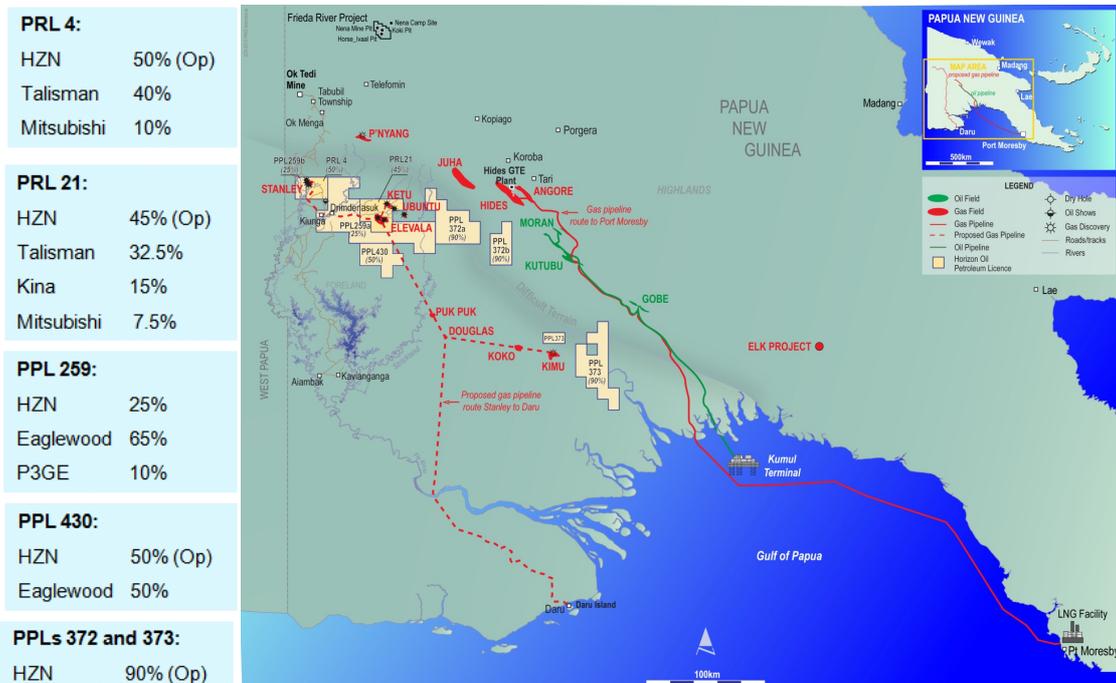
HORIZON OIL (HZN) ANNOUNCES STRATEGIC ALLIANCE WITH OSAKA GAS IN PAPUA NEW GUINEA

Key points

- **Horizon Oil advises that it has today entered into an agreement to sell 40% of its Papua New Guinea assets to Osaka Gas Co. Ltd. of Japan for US\$204 million, including US\$74 million in cash on completion, a further US\$130 million in cash upon FID for an LNG project, plus potential production payments where threshold condensate production is exceeded.**
- **Horizon Oil and Osaka Gas to form a strategic alliance to commercialise Horizon Oil's net certified reserves and contingent resources of 125 mmboe and develop acreage covering 7,900 sq km in Western Province, Papua New Guinea.**
- **Horizon Oil to transfer 40% of its interests in PRL 4 (Stanley field), PRL 21 (Elevala and Ketu fields) and PPL 259 and grant Osaka Gas the option to acquire 40% of Horizon Oil's interests in recently-acquired PPLs 372, 373 and 430 by paying a proportionate share of costs incurred.**
- **Potential profit of approximately US\$153 million, made up of US\$23 million on completion and a further amount of approximately US\$130 million upon achieving the LNG FID milestone.**

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

Completion is conditional upon customary consents, regulatory approvals and grant of the development licence for Stanley field.



Horizon Oil's Papua New Guinea acreage

At Horizon Oil's annual general meeting on 22 November 2012, shareholders were advised of the board's intention to sell part of the Company's PNG position in view of:

- the Company's substantial future growth and development funding requirements, particularly as a result of the recent appreciation of the potential for a large integrated petroleum liquids and LNG project in PNG;
- the relatively high interests held in the PNG licence areas and the board's objective of achieving a sensible weighting of interests within the overall asset portfolio; and
- the firm intention to return part of future cash flow to shareholders, rather than invest it entirely in the future capital program.

RISC/Lazard were hired to conduct the sales process; in which a number of good quality companies participated. For compelling reasons, Osaka Gas, who carried out comprehensive due diligence on the project, was the strongly-preferred bidder:

- the consideration payable by Osaka Gas is fully consistent with the board's view of the significant potential value of the PNG assets;
- Osaka Gas is an experienced participant in LNG projects and has considerable LNG engineering capability; and
- Osaka Gas is an offtaker, transporter and distributor of substantive volumes of LNG.

Horizon Oil's Chief Executive Officer, Brent Emmett, commented:

"We are delighted to welcome Osaka Gas as a strategic co-venturer in the development of our PNG condensate and gas assets. We and our existing joint venture participants have an aligned vision for the aggregation and commercialisation of gas and condensate in Western Province and Osaka Gas shares this vision.

Our upstream expertise is a good fit with Osaka Gas' experience in the LNG business and their ability to offtake the product. They will add significant value to our already strong joint ventures and the strategic relationship will allow Horizon Oil to play its part and participate in a substantive mid-scale LNG development, which will be a large and long term contributor to value. Shareholders will note that the milestone cash payments of the consideration are

structured to provide Horizon Oil with funding at critical stages of the integrated project execution.

Finally, while the potential production payment is a speculative upside for us, we assess it to have material value in the event condensate production from Stanley, Elevela and Ketu is in line with current certified reserves and resources.”

About Osaka Gas

Osaka Gas is the second largest gas company in Japan and has about 7 million natural gas customers in its service area located in the Kansai region.

With its portfolio of diversified energy businesses, Osaka Gas has been developing into a multi-energy services provider of natural gas, electricity, LPG, district heating/cooling and other services. Osaka Gas has also been actively pursuing upstream investment opportunities in gas and oil projects. With its affiliated enterprises, the Osaka Gas Group is also active in various non-energy related business fields.

Osaka Gas imports over 8 million tons of LNG annually (about 10% of Japan's total imports), has interests in six LNG carriers and is the owner and operator of LNG terminals and a 60,000 km pipeline network.

Osaka Gas has been operating for over 100 years, has approximately 130 affiliated companies and around 20,000 employees. For further information please visit: <http://www.osakagas.co.jp/indexe.html>.

Yours faithfully,



Michael Sheridan

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