



Horizon Oil Limited ABN 51 009 799 455

Level 7, 134 William Street, Woolloomooloo NSW Australia 2011

Tel +61 2 9332 5000, Fax +61 2 9332 5050 www.horizonoil.com.au

4 July 2014

PART 1

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

Scheme Booklet

Further to the announcement by the Company on 3 July 2014 that the Federal Court of Australia had ordered a meeting of Horizon Oil shareholders to consider the Scheme (**Scheme Meeting**) and approved the Scheme Booklet for despatch to Horizon Oil shareholders, Horizon Oil attaches the Scheme Booklet.

A copy of the Scheme Booklet will be sent to Horizon Oil shareholders on or about Monday, 7 July 2014.

The Scheme Meeting will be held at The Sydney Boulevard Hotel, 90 William Street, Sydney at 11.00am (Sydney time) on Thursday, 7 August 2014.

Yours faithfully

A handwritten signature in black ink, appearing to read "Michael Sheridan". The signature is fluid and cursive, with a large, stylized "M" and "S".

Michael Sheridan
Chief Financial Officer and Company Secretary

Media:

Ian Pemberton
P&L corporate communications
(+612) 402 256 576

Telephone: (+612) 9332 5000
Facsimile: (+612) 9332 5050
Email: exploration@horizonoil.com.au
Or visit: www.horizonoil.com.au



HORIZON OIL LIMITED (ACN 009 799 455) ("HORIZON OIL")

SCHEME BOOKLET

This Scheme Booklet relates to the proposed implementation of a scheme of arrangement between Horizon Oil Shareholders and Horizon Oil, which if implemented, will result in the transfer of all of the issued share capital of Horizon Oil to Roc Oil Company Limited (ACN 075 965 856) ("Roc").

THE HORIZON OIL DIRECTORS UNANIMOUSLY
RECOMMEND THAT YOU **VOTE IN FAVOUR**
OF THE SCHEME, IN THE ABSENCE OF
A SUPERIOR PROPOSAL

This Scheme Booklet contains important information about the Scheme and it will help you make an informed decision about how to vote.

FINANCIAL ADVISER



LEGAL ADVISER

KING & WOOD
MALLESONS

01. IMPORTANT NOTICES

PURPOSE OF SCHEME BOOKLET

This Scheme Booklet includes the explanatory statement required to be sent to Horizon Oil Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme. A copy of the proposed Scheme is included as Attachment D (*Deed Poll and Scheme of Arrangement*) of this Scheme Booklet.

The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which the Scheme will be considered and implemented (if approved by a Requisite Majority of Horizon Oil Shareholders and by the Court) and to provide information as is prescribed or otherwise material to the decision of Horizon Oil Shareholders whether or not to vote in favour of the Scheme.

READ ENTIRE SCHEME BOOKLET

This Scheme Booklet contains important information that the Horizon Oil Directors believe Horizon Oil Shareholders should consider in deciding whether or not to vote in favour of the Scheme. It has been prepared pursuant to section 412(1) of the Corporations Act to explain the effect of the Scheme.

Horizon Oil Shareholders are encouraged to read this Scheme Booklet carefully and in its entirety before making a decision on whether or not to vote in favour of the Scheme. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

RESPONSIBILITY FOR INFORMATION

The information contained in this Scheme Booklet has been prepared by Horizon Oil and is the responsibility of Horizon Oil, other than the Roc Information, Attachment A (*Independent Expert's Report and Independent Technical Expert's Report*), Attachment B (*Investigating Accountant's Report*). None of Roc, its directors, officers, shareholders or advisers assume any responsibility for the accuracy or completeness of the Horizon Oil Information.

The Roc Information has been provided by Roc and is the responsibility of Roc. None of Horizon Oil, its directors, officers or advisers assume any responsibility for the accuracy or completeness of the Roc Information.

Deloitte Corporate Finance Pty Limited (**Deloitte**) has prepared and is responsible for the Independent Expert's Report in relation to the Scheme contained in Attachment A (*Independent Expert's Report and Independent Technical Expert's Report*) and takes responsibility for that report. RISC has prepared and is responsible for the Independent Technical Expert's Report in relation to the Scheme contained in Attachment A (*Independent Expert's Report and Independent Technical Expert's Report*) and takes responsibility for that report. PricewaterhouseCoopers Securities Ltd has prepared and is responsible for the Investigating Accountant's Report in relation to the Scheme contained in Attachment B (*Investigating Accountant's Report*) and takes responsibility for that report.

Horizon Oil, Roc and their respective directors, officers and advisers do not assume responsibility for the accuracy or completeness of the Independent Expert's Report, Independent Technical Expert's Report or the Investigating Accountant's Report.

ASIC AND ASX

A copy of this Scheme Booklet was provided to ASIC for registration under subsection 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with subsection 411(2) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court on the Second Court Date.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASIC, ASX nor any of their respective

officers take any responsibility for the contents of this Scheme Booklet.

COURT

A copy of this Scheme Booklet has been lodged with the Court to obtain an order of the Court to approve the convening of the Scheme Meeting. The Court has not prepared and is not responsible for the contents of this Scheme Booklet. In ordering that the Scheme Meeting be held pursuant to subsection 411(1) of the Corporations Act, the Court does not in any way indicate that the Court has formed any view as to the merits of the Scheme or as to how members should vote, or in any way approved or will approve the terms of the Scheme. Any order of the Court under section 411(1) of the Corporations Act is not an endorsement of, or any other expression of opinion on, the Scheme.

NO EXTRANEOUS INFORMATION

No person is authorised to give any information or make any representation in connection with the Scheme, which is not contained in this Scheme Booklet. Any information or representation not contained in this Scheme Booklet may not be relied on as having been authorised by Horizon Oil in connection with the Scheme.

HORIZON OIL AND ROC WEBSITES

The content of Horizon Oil's and Roc's respective websites do not form part of this Scheme Booklet and Horizon Oil Shareholders should not rely on their content.

FORWARD-LOOKING STATEMENTS

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Scheme Booklet reflect views only as at the date of this Scheme Booklet, and generally may be identified by the use of forward-looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "could", "predict", "planned", "propose", "may", "estimate", "potential", "target", "outlook", "guidance", "forecast", or other similar words. Similarly, statements that describe Horizon Oil's or Roc's or the Merged Group's objectives, plans, goals or expectations are or may be forward-looking statements.

The statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of Horizon Oil's operations and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, which are expressed, projected or implied by these forward-looking statements.

The operations and financial performance of Horizon Oil, Roc or the Merged Group remain subject to various risks that are summarised in this Scheme Booklet and which may be beyond the control of Horizon Oil, Roc or the Merged Group. Those risks and uncertainties include factors and risks specific to the industry in which Horizon Oil, Roc and the Merged Group operate as well as general economic conditions, prevailing oil and petroleum prices, exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of Horizon Oil, Roc or the Merged Group following implementation of the Scheme (and the actual advantages of the Scheme) may differ significantly from those that are anticipated in respect of timing, amount or nature and may never be achieved.

Section 14 (*Risk factors*) sets out the risks of the Scheme.

Horizon Oil Shareholders should note that the historical financial performance of Horizon Oil is no assurance of future financial performance of Horizon Oil (whether the Scheme is implemented or not).

Likewise, Horizon Oil Shareholders should note that the historical financial performance of Roc is no assurance of future financial performance of Roc (whether the Scheme is implemented or not) and the historical financial performance of either or both of Horizon Oil and Roc is no assurance of future financial performance of the Merged Group (if the Scheme is implemented).

The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Any forward-looking statements included in the Horizon Oil Information have been made on reasonable grounds. Although Horizon Oil believes that the views reflected in any forward-looking statements included in the Horizon Oil Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct. None of Horizon Oil, Roc, Horizon Oil's officers, Roc's officers or any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement in this Scheme Booklet.

All subsequent written and oral forward-looking statements attributable to Horizon Oil or Roc or any person acting on their behalf are qualified by this cautionary statement.

UP TO DATE INFORMATION

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange, Horizon Oil and Roc do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Horizon Oil may issue a supplementary statement in certain circumstances as described in section 17.6 (*Supplementary disclosure*) of this Scheme Booklet.

NOT INVESTMENT ADVICE

The information provided in this Scheme Booklet is not financial product advice or investment advice and is general information only. This Scheme Booklet does not take into account the investment objectives, financial situation or particular needs of individual Horizon Oil Shareholders. Accordingly, nothing in this Scheme Booklet should be construed as a recommendation or statement of opinion by Horizon Oil, its officers, directors or advisers. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or your Horizon Oil Shares. Before making an investment decision in relation to the Scheme or your Horizon Oil Shares (including any decision to vote for or against the Scheme) you should consider, with or without the assistance of a financial adviser, whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should seek independent financial, legal and taxation advice before making any investment decision in relation to the Scheme or your Horizon Oil Shares.

RESERVES AND RESOURCES

The information in this Scheme Booklet that relates to Reserves, Contingent Resources and Prospective Resources for Horizon Oil is based on information, and fairly represents, information and supporting documentation compiled by Alan Fernie (Manager – Exploration and Development and full time employee of Horizon Oil). Mr Fernie B.Sc, who is a member of the American Association of Petroleum Geologists, has more than 38 years relevant experience within the industry and consents in writing to the inclusion of the information in the form and context in which it appears. The Reserve, Contingent Resource and Prospective Resource estimates are consistent with the definitions of proved, probable, and possible hydrocarbon reserves and resources that appear in the ASX Listing Rules. Mr Fernie is qualified as a Competent Person under the JORC Code 2012.

The information in this Scheme Booklet that relates to Reserves, Contingent Resources and Prospective Resources for Roc is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Bill Billingsley (Chief Reservoir Engineer and full time employee of Roc). Mr Billingsley BSc (Chem) MSc (Petroleum Engineering) DIC (Imperial College) is a member of the Society of Petroleum Engineers and has more than 18 years relevant experience within the petroleum industry. The Reserves, Contingent Resources and Prospective Resources information that relates to Roc has been issued with the prior written consent of Mr Billingsley in the form and context in which it appears.

Unless otherwise indicated or contained in information which was prepared by a different party, all references to estimates and derivations of the same in this Scheme Booklet are references to estimates by Horizon Oil and management estimates are based on Horizon Oil's views at the date of this Scheme Booklet. Actual facts or outcomes may be different from those estimates.

FOREIGN HORIZON OIL SHAREHOLDERS

This Scheme Booklet and the Scheme are subject to Australian disclosure requirements. The information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with laws and regulations outside Australia. This Scheme Booklet and the Scheme do not in any way constitute an offer of securities in any place where (or to any person who) it would not be lawful to make such an offer.

A Horizon Oil Shareholder who is recorded in the Horizon Oil Register at the Record Date as having a registered address outside Australia will be a Foreign Horizon Oil Shareholder for the purposes of the Scheme. Foreign Horizon Oil Shareholders should refer to section 8.19 (*Foreign Horizon Oil Shareholders*) of this Scheme Booklet to determine whether they are Ineligible Foreign Shareholders.

Ineligible Foreign Shareholders will not be able to receive New Roc Shares under the Scheme. Instead, Ineligible Foreign Shareholders will receive the net proceeds from the sale of the New Roc Shares which they would have otherwise received. Ineligible Foreign Shareholders should refer to sections 8.19 (*Foreign Horizon Oil Shareholders*) and 8.20 (*Sale Nominee process*) for further information.

Foreign Horizon Oil Shareholders should also note that financial information contained in this Scheme Booklet has been prepared in accordance with AIFRS and is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. Australian disclosure requirements and AIFRS may differ from those applicable in other jurisdictions.

NOTICE TO FOREIGN SHAREHOLDERS

This Scheme Booklet and the Scheme do not constitute an offer of securities in any jurisdiction in which it would be unlawful.

British Virgin Islands

The New Roc Shares may not be offered from within the British Virgin Islands unless Roc or the person offering the New Roc Shares on its behalf is licensed to carry on business in the British Virgin Islands. Neither Roc nor Horizon Oil are licensed to carry on business in the British Virgin Islands. The New Roc Shares may be offered to British Virgin Islands business companies (from outside the British Virgin Islands) without restriction. A British Virgin Islands business company is a company formed under or otherwise governed by the BVI Business Companies Act, 2004 (British Virgin Islands).

France

This Scheme Booklet is not being distributed in the context of a public offering of financial securities (*offre au public de titres financiers*) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (**AMF**). The New Roc Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This Scheme Booklet and any other offering material relating to the Scheme have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed or caused to be distributed, directly or indirectly, to the public in France.

Such offers, sales and distributions have been and shall only be made in France (i) in a transaction that, in accordance with Article L. 411-2-1 of the French Monetary and Financial Code and Article 211-2 of the General Regulation of the AMF, does not constitute a public offering of financial securities and/or (ii) to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2°, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation and/or (iii) to a restricted number of non-qualified investors (*cercle restreint d'investisseurs*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2°, D.411-4, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the New Roc Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Hong Kong

WARNING – The contents of this document have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This document also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this document in Hong Kong, other than to persons who are “professional investors” as defined in the Securities and Futures

Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and no person may issue or have in its possession for the purposes of issue, this document or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this document may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this document, or any offer or an invitation in respect of these securities, to the public in Hong Kong. The document is for the exclusive use of Horizon Oil shareholders in connection with the Scheme, and no steps have been taken to register or seek authorisation for the issue of this document in Hong Kong. Only the person to whom a copy of this document has been issued may take action in response to this document. The offer of these securities is personal to the person to whom this document has been delivered, and a subscription for these securities will only be accepted from such person.

This document is confidential to the person to whom it is addressed and no person to whom a copy of this document is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this document to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with the consideration of the Scheme by the person to whom this document is addressed.

New Zealand

This Scheme Booklet is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (or any other relevant New Zealand law). The offer of New Roc Shares under the Scheme is being made to existing Horizon Oil shareholders in reliance upon the Securities Act (Overseas Companies) Exemption Notice 2013 and accordingly this Scheme Booklet may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Norway

This Scheme Booklet has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Roc Shares may not be offered or sold, directly or indirectly, in Norway except:

- to “professional clients” (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation);
- to fewer than 150 natural or legal persons (other than “professional clients”); or
- in any other circumstances provided that no such offer of New Roc Shares shall result in a requirement for the registration, or the publication by the issuer or an underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

Papua New Guinea

This Scheme Booklet is being distributed only to Horizon Oil shareholders. This document has not been registered as a prospectus in PNG and no notice of the proposed offer will be submitted to the Registrar of Companies. No other documents are being lodged with the Registrar of Companies or the PNG Securities Commission in respect of the proposed offer. The proposed offer is not and should not be construed as an offer of securities to the public in PNG.

Singapore

This Scheme Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the New Roc Shares have not been and will not be registered as a prospectus with the Monetary Authority of Singapore and this offering is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act, Cap. 289 (the **SFA**) will not apply.

This Scheme Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the New Roc Shares may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to the New Roc Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

Neither this document nor any copy of it may be taken or transmitted into any country where the distribution or dissemination is prohibited. This document is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person.

The investments contained or referred to in this document may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Neither Horizon Oil nor Roc is in the business of dealing in securities or hold itself out or purport to hold itself out to be doing so. As such, Horizon Oil and Roc are neither licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

Switzerland

The New Roc Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This Scheme Booklet has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Scheme Booklet nor any other offering or marketing material relating to the New Roc Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Scheme Booklet nor any other offering or marketing material relating to the New Roc Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Scheme Booklet will not be filed with, and the offer of New Roc Shares will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of New Roc Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes (**CISA**). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of New Roc Shares.

This Scheme Booklet is personal to the recipient only and not for general circulation in Switzerland.

United Kingdom

Neither the information in this Scheme Booklet nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the New Roc Shares.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue of the New Roc Shares has only been communicated, and will only be communicated, in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to Horizon Oil. In the United Kingdom, this Scheme Booklet is being distributed only to, and is directed at, persons to whom it may lawfully be distributed or directed within the circumstances described in Article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and/or any other persons to whom it may lawfully be communicated (all such persons being referred to as **Relevant Persons**).

The investments to which this Scheme Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Scheme Booklet or any of its contents.

United States

Horizon Oil and Roc intend to rely on an exemption from the registration requirements of the US Securities Act of 1933 provided by Section 3(a)(10) thereof in connection with the consummation of the Scheme and the issuance of New Roc Shares. Approval of the Scheme by the Court will be relied upon by Horizon Oil and Roc for purposes of qualifying for the Section 3(a)(10) exemption.

US shareholders should note that the Scheme is made for the securities of an Australian company in accordance with the laws of Australia and the listing rules of the ASX. The Scheme is subject to disclosure requirements of Australia that are different from those of the United States.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since Roc is located in Australia and most of its officers and directors are residents of Australia. You may not be able to sue Roc or its officers or directors in Australia for violations of the US securities laws. It may be difficult to compel Roc and its affiliates to subject themselves to a US court's judgment.

You should be aware that Roc may purchase securities otherwise than under the Scheme, such as in open market or privately negotiated purchases.

The Scheme Booklet has not been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of the Scheme Booklet. Any representation to the contrary is a criminal offence.

The New Roc Shares to be issued pursuant to the Scheme have not been, and will not be, registered under the US Securities Act 1933 or the securities laws of any US state or other jurisdiction. The Scheme is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

TAX IMPLICATIONS OF THE SCHEME

Section 15 (*Tax implications*) provides a general outline of the Australian income tax, capital gains tax, GST and stamp duty consequences for Horizon Oil Shareholders who dispose of their Horizon Oil Shares to Roc under the Scheme. It does not purport to be a complete analysis nor to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual Horizon Oil Shareholders.

Horizon Oil Shareholders who are subject to taxation outside Australia should also consult their tax adviser as to the applicable tax consequences of the Scheme in the relevant jurisdiction.

PRIVACY

Horizon Oil and Roc and their respective registries and agents may collect personal information in the process of implementing the Scheme. This information may include the names, contact details and security holdings of Horizon Oil Shareholders and the names of persons appointed by Horizon Oil Shareholders to act as proxy, attorney or corporate representative at the Scheme Meeting.

The primary purpose of collecting this information is to assist Horizon Oil and Roc in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by Horizon Oil in the manner described in this Scheme Booklet. The collection of this personal information is required or authorised by the Corporations Act. Personal information may be disclosed to the Horizon Oil Share Registry, to print and mail services to the extent necessary to conduct the Scheme Meeting and implement the Scheme. If this information is not collected, Horizon Oil may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme effectively or at all.

Horizon Oil Shareholders have the right to access personal information that has been collected. If you wish to exercise this right, you should contact the Horizon Oil Share Registry in the first instance.

Horizon Oil Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of the matters outlined above.

NOTICE OF MEETING

The Notice of Scheme Meeting is set out in Attachment E (*Notice of Scheme Meeting*).

EFFECT OF ROUNDING

Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

GLOSSARY, DEFINITIONS AND INTERPRETATION

A number of terms and abbreviations used in this Scheme Booklet have special meanings. These are listed in section 18 (*Glossary, definitions and interpretation*) of this Scheme Booklet. The documents reproduced in the attachments to this Scheme Booklet may have their own defined terms, which are sometimes different from those in the Glossary.

DATE

This Scheme Booklet is dated 3 July 2014.



TABLE OF CONTENTS

1	Important notices	IFC	15	Tax implications	112
2	Important dates	5	16	Implementing the Scheme	115
3	Action required by Horizon Oil Shareholders	6	17	Additional information	119
4	Letter from the Chairman of Horizon Oil	8	18	Glossary, definitions and interpretation	122
5	Letter from the Chairman of Roc	9	19	Attachment A Independent Expert's Report and Independent Technical Expert's Report	129
6	Summary of reasons to vote for or against the Scheme	10	20	Attachment B Investigating Accountant's Report	317
7	Horizon Oil Directors' recommendation and details of reasons to vote for or against the Scheme	11	21	Attachment C Merger Implementation Deed	324
8	Summary of the Scheme	17	22	Attachment D Deed Poll and Scheme of Arrangement	383
9	Frequently asked questions	25	23	Attachment E Notice of Scheme Meeting	412
10	Profile of Horizon Oil	34	24	Corporate directory	416
11	Profile of Roc	56			
12	Profile of the Merged Group	78			
13	Other matters relevant to the Scheme	92			
14	Risk factors	103			



02. IMPORTANT DATES

DATE	EVENT
Thursday, 3 July 2014	First Court Date
On or about Monday, 7 July 2014	Scheme Booklet and Notice of Meeting dispatched to Horizon Oil Shareholders
11.00am (Sydney time) on Tuesday, 5 August 2014	Latest time and date for receipt of proxy forms for the Scheme Meeting
7.00pm (Sydney time) on Tuesday, 5 August 2014	Time and date for determining eligibility to vote at the Scheme Meeting
11.00am (Sydney time) on Thursday, 7 August 2014	Meeting of Horizon Oil Shareholders to vote on the Scheme (Scheme Meeting)

IF HORIZON OIL SHAREHOLDERS APPROVE THE SCHEME AT THE SCHEME MEETING

DATE	EVENT
Thursday, 14 August 2014	Second Court Date for approval of the Scheme
Friday, 15 August 2014	Court order lodged with ASIC and Scheme takes effect (Effective Date) Last day of trading in Horizon Oil Shares Suspension of Horizon Oil Shares from trading on ASX
Monday, 18 August 2014	New Roc Shares issued as Scheme Consideration, commencing trading on ASX on a deferred settlement basis ¹
5.00pm (Sydney time) on Friday, 22 August 2014	Record Date for determining entitlement to receive Scheme Consideration (Record Date)
Friday, 29 August 2014	Implementation of the Scheme (Implementation Date) Scheme Participants receive the Scheme Consideration
Monday, 1 September 2014	New Roc Shares commence trading on ASX on a normal settlement basis
Friday, 5 September 2014	Expected dispatch of holding statements for New Roc Shares

The exact number of New Roc Shares to be issued to you will not be confirmed until you receive your holding statement following the Implementation Date. It is your responsibility to confirm your holding of New Roc Shares before you trade them to avoid the risk of committing to sell more than will be issued to you.

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other Regulatory Authorities. Any changes to this timetable will be announced through ASX.

¹ See the discussion of risks in section 14.1 (*Scheme specific risks*).

03. ACTION REQUIRED BY HORIZON OIL SHAREHOLDERS

STEP 01 READ THIS SCHEME BOOKLET CAREFULLY AND IN ITS ENTIRETY

You should read this Scheme Booklet carefully and in its entirety before making any decision on how to vote at the Scheme Meeting.

There are answers to some questions you may have in section 9 (*Frequently asked questions*) of this Scheme Booklet. If you have any further questions, you can call the Horizon Oil Shareholder Information Line on 1300 721 637 (within Australia) or on +61 2 8016 2890 (from outside Australia) at any time from 9.00am to 5.00pm (Sydney time) Monday to Friday.

If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

STEP 02 VOTE AT THE SCHEME MEETING

a) Entitlement to vote

Horizon Oil Shareholders who are registered on the Horizon Oil Register at 7.00pm (Sydney time) on Tuesday, 5 August 2014 may vote at the Scheme Meeting.

b) How to vote

Horizon Oil Shareholders may vote at the Scheme Meeting:

- i) **In person** by attending the Scheme Meeting. If you wish to vote in person at the Scheme Meeting, please arrive at least 30 minutes prior to the time designated for the meeting so that we may verify the number of your Horizon Oil Shares for voting and note your attendance.
- ii) **By attorney** appointed to vote on your behalf. Those persons attending as an attorney must bring the original power of attorney, or certified copy, unless Horizon Oil has already noted it. The power of attorney must be returned in the same manner, and at the same time, as outlined for the Proxy Forms below.
- iii) **By corporate representative** appointed to vote on behalf of a Horizon Oil Shareholder that is a company. Those persons attending as a corporate representative must bring evidence of their authority, such as a letter or certificate evidencing their appointment.
- iv) **By proxy:**
 - A) by lodging a proxy online by accessing the following website:
www.boardroomlimited.com.au/vote/horizonscheme2014 and following the instructions;
 - B) by mailing the enclosed Proxy Form to Boardroom Pty Limited at GPO Box 3993, Sydney NSW 2001 Australia;
 - C) by faxing the enclosed Proxy Form to Boardroom Pty Limited to +61 2 9290 9655; or
 - D) by hand delivering the enclosed Proxy Form to Boardroom Pty Limited to Level 7, 207 Kent Street, Sydney NSW 2000.

To be valid, a Proxy Form must be received by Boardroom Pty Limited by 11.00am (Sydney time) on Tuesday, 5 August 2014. For further information on proxy voting, please refer to the detailed instructions contained in the enclosed Proxy Form.

Further information on the procedure for voting at the Scheme Meeting can be found in section 9 (*Frequently asked questions*) and Attachment E (*Notice of Scheme Meeting*) of this Scheme Booklet.

STEP 02 CONTINUED

c) Details of the Scheme Meeting

The details of the Scheme Meeting are as follows:

Date	Thursday, 7 August 2014
Time	11.00am (Sydney time)
Venue	The Sydney Boulevard Hotel 90 William Street Sydney NSW 2011

d) Voting by poll

Voting at the Scheme Meeting will be conducted by way of a poll. You will have one vote for each Horizon Oil Share you hold.

STEP 03

PARTICIPATE IN THE PROPOSAL

If you are eligible and wish to participate in the Scheme you will need to ensure that you do not sell your Horizon Oil Shares prior to 5.00pm (Sydney time) on Friday, 22 August 2014 (the Record Date).

Otherwise, you do not need to do anything to participate in the Scheme. The first day that you can trade the New Roc Shares that you will receive through the Scheme is Monday, 18 August 2014 on a deferred settlement basis. On this day, you will not have received your holding statement which sets out the number of New Roc Shares you hold. If you trade your New Roc Shares on ASX during this period you do so at your own risk. Holding statements are expected to be dispatched by Friday, 5 September 2014 and you should receive your holding statement in the subsequent days.

Note: Ineligible Foreign Shareholders

Restrictions in foreign countries may make it impractical or unlawful for Roc to deliver New Roc Shares to some Foreign Horizon Oil Shareholders (or for those persons to receive New Roc Shares). Accordingly, Ineligible Foreign Shareholders will not be able to receive New Roc Shares under the Scheme.

Instead, Ineligible Foreign Shareholders will receive the net proceeds from the sale of the New Roc Shares which they would have otherwise received. Ineligible Foreign Shareholders should refer to section 8.19 (*Foreign Horizon Oil Shareholders*) and 8.20 (*Sale Nominee process*) for further information.

04. LETTER FROM THE CHAIRMAN OF HORIZON OIL



Thursday, 3 July 2014

Dear Horizon Oil Shareholder,

On 29 April 2014, Horizon Oil announced a proposed merger with Roc to create a leading Asian-focused upstream oil and gas company. I am pleased to provide this Scheme Booklet to you which sets out the detail of the transaction.

Under the terms of the merger that we are proposing with Roc, Horizon Oil Shareholders (other than Ineligible Foreign Shareholders) will receive the Scheme Consideration of 0.724 New Roc Shares for each Horizon Oil Share that they hold on the Record Date. Following implementation of the Scheme, Horizon Oil Shareholders will own approximately 58% of the Merged Group and Roc Shareholders will own approximately 42%.²



This is a transformational and exciting transaction. Horizon Oil has been building a leading portfolio of Asian-focused assets and the opportunity to merge with Roc represents a significant further step towards achieving that objective.

We see a compelling rationale to bring the two companies together to create a leading Asian-focused upstream oil and gas company of substantially greater scale and diversification, providing a platform for significant potential growth and value realisation.

The merger brings together two highly complementary companies. The Horizon Oil Directors and the Roc Directors believe that the Merged Group will be better positioned than either company on a standalone basis. In particular, Roc brings substantial operating capability to the combined leadership team and a robust balance sheet and cash flows from its existing production assets. The merger enhances the financial capacity of the Merged Group to develop its material PNG hydrocarbon assets, which provide the Merged Group with a pipeline of major development projects.

The Horizon Oil Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each Horizon Oil Director intends to vote in favour of the Scheme in relation to Horizon Oil Shares held or controlled by them, in the absence of a Superior Proposal.

However each shareholder must reach their own decision in relation to the Scheme. This Scheme Booklet also discusses reasons why shareholders may consider voting against the Scheme and the risks associated with becoming a member of the Merged Group – see sections 6 (*Summary of reasons to vote for or against the Scheme*) and 14 (*Risk factors*).

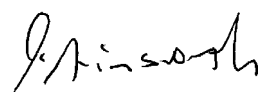
Please read this Scheme Booklet carefully and in its entirety as it contains important information in relation to the Scheme, including the reasons for the Horizon Oil Directors' unanimous recommendation in the absence of a Superior Proposal and the Independent Expert's Report prepared by Deloitte.

Your vote is important regardless of how many Horizon Oil Shares you own. I encourage you to read this Scheme Booklet carefully and cast an informed vote at the Scheme Meeting to be held at The Sydney Boulevard Hotel, 90 William Street, Sydney at 11.00am (Sydney time) on Thursday, 7 August 2014. If you are unable to attend the Scheme Meeting in person, I encourage you to vote by completing your personalised proxy form which is enclosed with this Scheme Booklet and returning it in accordance with the directions on the form so it is received by 11.00am (Sydney time) on Tuesday, 5 August 2014. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

Please call the Horizon Oil Shareholder Information Line on 1300 721 637 (within Australia) or +61 2 8016 2890 (outside Australia) if you require further information or have questions regarding the Scheme.

The Horizon Oil Directors have stated their unanimous support for this merger and I reiterate on behalf of the Horizon Oil Board our conviction in the merits of the merger in delivering value for Horizon Oil Shareholders and our belief in the investment proposition of the Merged Group that we intend to create.

Yours sincerely,



FRASER AINSWORTH AM
Chairman, Horizon Oil Limited

² Based on the total number of New Roc Shares to be issued to Horizon Oil Shareholders as Scheme Consideration having regard to the total number of Horizon Oil Shares on issue as at the date of this Scheme Booklet, as a proportion of the total number of Roc Shares that will be on issue following implementation of the Scheme.

05. LETTER FROM THE CHAIRMAN OF ROC



Thursday, 3 July 2014

Dear Horizon Oil Shareholder

Proposal to create a leading Asian-focused upstream oil and gas company

Roc is pleased to provide Horizon Oil Shareholders with the opportunity to participate in a merger of equals between Roc and Horizon Oil that will see the creation of a leading independent Asian-focused upstream oil and gas company with a pro forma market capitalisation of approximately A\$800 million³.

The Roc Board believes that the merger has a strong strategic rationale and provides a number of benefits to both Roc Shareholders and Horizon Oil Shareholders that are detailed in this Scheme Booklet.

Roc and Horizon Oil have complementary teams and assets in China, Malaysia, PNG, Australia and New Zealand, the combination of which makes this transaction a compelling and unique opportunity for both companies. The Merged Group will have a high quality portfolio of producing assets, a pipeline of major development projects and attractive exploration assets providing a platform for significant potential growth and value realisation for all shareholders.

The Horizon Oil Directors have unanimously recommended that you vote in favour of the Scheme in the absence of a Superior Proposal. I encourage you to read this Scheme Booklet carefully and vote in favour of the Scheme at the Scheme Meeting to be held on Thursday, 7 August 2014.

The Roc Board is also unanimously of the view that the Scheme is in the best interests of all shareholders.

As a Horizon Oil Shareholder, your vote is important to ensure that the Scheme is implemented so that the benefits associated with the merger can be delivered for both Horizon Oil Shareholders and Roc Shareholders.

I look forward to welcoming you as a shareholder in the Merged Group following the successful implementation of the Scheme.

Yours sincerely,

MIKE HARDING

Chairman, Roc Oil Company Limited

³ Based on the combined market capitalisations of each of Horizon Oil and Roc based on the closing share prices on 23 April 2014, the last day Horizon Oil and Roc shares were traded prior to the announcement of the merger.

06. SUMMARY OF REASONS TO VOTE FOR OR AGAINST THE SCHEME

REASONS WHY YOU SHOULD VOTE IN FAVOUR OF THE SCHEME

- ✓ Creates a leading Asian-focused upstream oil and gas company
- ✓ Brings together two highly complementary portfolios
- ✓ The Merged Group will be in a more robust financial position than Horizon Oil as a standalone company
- ✓ Combines the talents and expertise of two experienced leadership teams
- ✓ The merger exchange ratio reflects the relative valuations of the two companies
- ✓ The Independent Expert has concluded that the Scheme is in the best interests of Horizon Oil Shareholders
- ✓ The Horizon Oil Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal

REASONS WHY YOU MAY CHOOSE NOT TO VOTE IN FAVOUR OF THE SCHEME

- ✗ You may disagree with the recommendation of the Horizon Oil Directors and the conclusions of the Independent Expert
- ✗ There are risks associated with an investment in the Merged Group
- ✗ You may consider the investment profile for the Merged Group to be inferior to that of Horizon Oil
- ✗ The exact value of the Scheme Consideration is not certain
- ✗ You may believe that a Superior Proposal will emerge for Horizon Oil

07. Horizon Oil Directors' recommendation and details of reasons to vote for or against the Scheme



7.1 THE HORIZON OIL DIRECTORS' RECOMMENDATION

The Horizon Oil Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each Horizon Oil Director intends to vote in favour of the Scheme in relation to Horizon Oil Shares held or controlled by them, in the absence of a Superior Proposal.

In making their recommendation and determining how to vote on the Scheme, the Horizon Oil Directors have considered the advantages and disadvantages of the Scheme, including the information in:

- i) section 7.2 (*Reasons why you should vote in favour of the Scheme*);
- ii) section 7.3 (*Reasons why you may choose not to vote in favour of the Scheme*);
- iii) section 14 (*Risk factors*); and
- iv) Attachment A (*Independent Expert's Report and Independent Technical Expert's Report*).

In considering whether to vote in favour of the Scheme, the Horizon Oil Directors encourage you to:

- i) read this Scheme Booklet carefully and in its entirety;
- ii) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- iii) obtain financial advice from your broker or financial adviser on the Scheme and obtain taxation advice on the effect of the Scheme becoming effective; and
- iv) consider the current trading prices of Horizon Oil Shares and Roc Shares.

7.2 REASONS WHY YOU SHOULD VOTE IN FAVOUR OF THE SCHEME

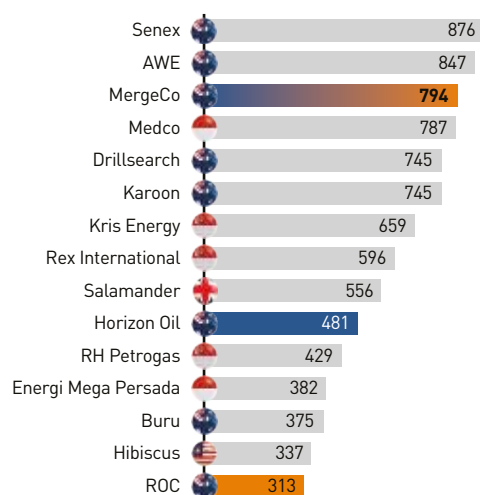
The following is a summary of the reasons why you should vote in favour of the Scheme only and is qualified by the detailed information contained in this Scheme Booklet. You should read this Scheme Booklet carefully and in its entirety.

A) CREATES A LEADING ASIAN-FOCUSED UPSTREAM OIL AND GAS COMPANY

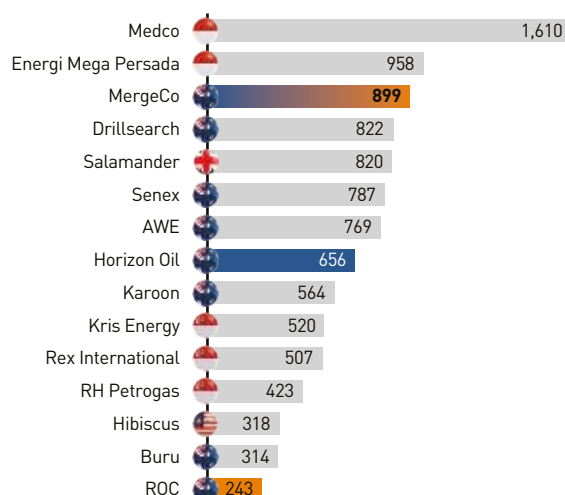
The Scheme will create a leading Asian-focused upstream oil and gas company, providing a platform for significant potential growth and value realisation in the Australasian oil and gas sector.

The Merged Group will have a pro forma market capitalisation of approximately A\$800 million⁴. This compares to Horizon Oil's market capitalisation of approximately A\$480 million⁵.

Market Capitalisation (A\$m)^{5,6}



Enterprise Value (A\$m)^{5,6}



⁴ Based on the combined market capitalisations of each of Horizon Oil and Roc on 23 April 2014, the last day Horizon Oil and Roc Shares were traded prior to the announcement of the merger.

⁵ Based on the market capitalisation of Horizon Oil on 23 April 2014, the last day Horizon Oil Shares were traded prior to the announcement of the merger.

⁶ Australasian-focused oil and gas companies A\$300m–A\$1bn market capitalisation.

⁷ Enterprise Value has been derived by adding the market capitalisation values for each company (based on closing share prices as at 23 April 2014) with net debt figures for each company as at 31 December 2013. Where relevant, foreign currency net debt amounts have been converted using rates as at 23 April 2014 (AUDUSD: 0.926, AUD:MYR: 3.028)

The Merged Group will have net 2P Reserves of 33.3 MMBOE and net 2C Contingent Resources of 113.0 MMBOE. The Merged Group will have a substantial combined CY14 indicative working interest production estimated at 5.5 MMBOE⁸.

The Merged Group will be one of the largest Asian-focused upstream oil and gas companies listed on ASX (by market capitalisation). Its increased scale and market relevance are likely to enhance the level of interest from analysts and investors seeking exposure to the Asian oil and gas sector and will likely facilitate increased liquidity in the after-market for the Merged Group's shares. The scale and market presence of the Merged Group is also likely to provide access to growth opportunities which are unlikely to otherwise be available to Horizon Oil as a standalone company.

B) BRINGS TOGETHER TWO HIGHLY COMPLEMENTARY PORTFOLIOS

Horizon Oil has been focused for a number of years on building a leading portfolio of Asian-focused assets and the opportunity to merge with Roc represents a significant step towards achieving that objective. The Scheme brings together two highly complementary Asian-focused companies with assets across China, PNG, Malaysia, Myanmar, Australia and New Zealand. The companies already hold joint interests in assets in China which will be consolidated as part of the merger.

The merger combines Roc's production-weighted portfolio and cash flow with the growth upside provided by Horizon Oil. The Merged Group will have a well-balanced portfolio with an attractive asset pipeline across all stages of development, with strong cash flows to enable it to execute on these growth plans.

The merger also provides a valuable opportunity for Horizon Oil Shareholders to diversify and potentially reduce the risk of their investment in Horizon Oil Shares through exposure to a broader portfolio of oil and gas assets whilst maintaining their exposure to Horizon Oil's existing projects.

The Horizon Oil Directors believe that the process involved in creating an equivalent set of assets of similar quantum and quality could take a number of years and that an alternative growth path may involve considerably more exploration, development and operating risk.



C) THE MERGED GROUP WILL BE IN A MORE ROBUST FINANCIAL POSITION THAN HORIZON OIL AS A STANDALONE COMPANY

The Merged Group will have a robust balance sheet and greater financial capacity than Horizon Oil has as a standalone company. As at 31 December 2013, Roc had cash and cash equivalents of US\$65 million, no outstanding borrowings and was generating substantial cash flow from its production assets. The merger with Roc significantly enhances Horizon Oil's capacity to execute its planned growth pipeline.

Following the implementation of the Scheme, the Merged Group intends to restructure the companies' existing funding arrangements. It is expected that the greater scale and diversity of the Merged Group will lead to enhanced access to funding on more favourable terms.

⁸ Based on 2P production profile forecasts.

D) COMBINES THE TALENTS AND EXPERTISE OF TWO EXPERIENCED LEADERSHIP TEAMS

The leadership team of the Merged Group will benefit from the combined talents and expertise of two experienced and proven teams. Both Horizon Oil and Roc have management with extensive production, development and exploration experience.

Roc delivers to the Merged Group a substantial level of operating experience and deep relationships with stakeholders in the region, particularly within China and Malaysia. These skills and relationships are expected to significantly enhance the delivery of the Merged Group's portfolio of projects and its access to further growth opportunities.

Further detail on the composition of the Merged Group Board can be found in section 12 (*Profile of the Merged Group*).

E) THE MERGER EXCHANGE RATIO REFLECTS THE RELATIVE VALUATIONS OF THE TWO COMPANIES

If the Scheme is implemented, Horizon Oil Shareholders (other than Ineligible Foreign Shareholders) will receive the Scheme Consideration of 0.724 New Roc Shares in respect of each Horizon Oil Share they hold on the Record Date.

The merger exchange ratio reflects the ratio implied by the 10 day VWAP of Horizon Oil Shares and Roc Shares ended on 23 April 2014, the last day on which Horizon Oil Shares and Roc Shares were traded prior to the announcement of the merger.

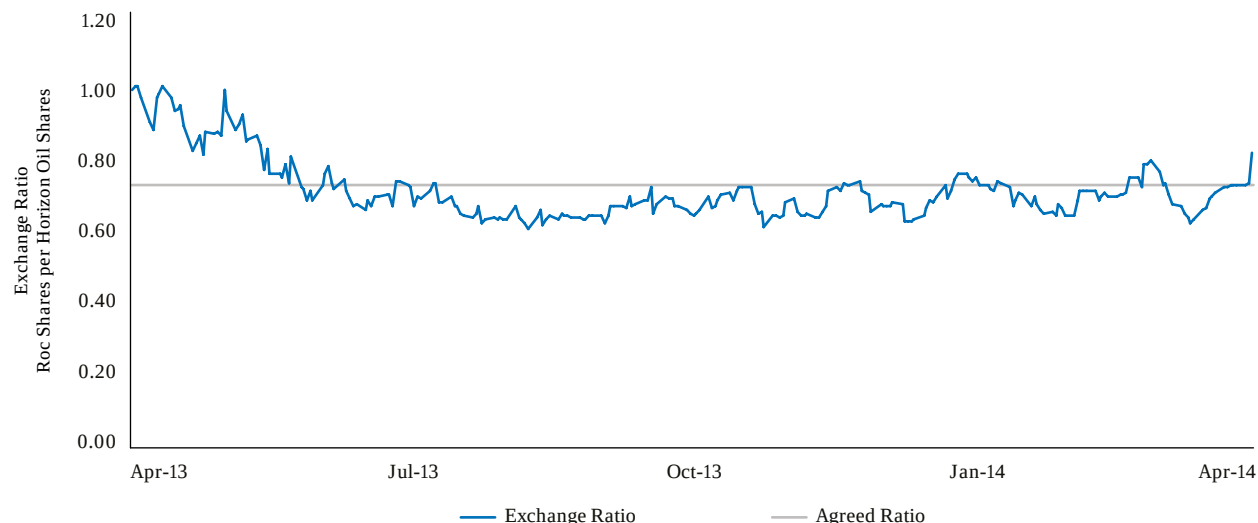
Following implementation of the Scheme, Roc Shareholders will own approximately 42% of the Merged Group and Horizon Oil Shareholders will own approximately 58%⁹.

After undertaking due diligence on the assets and prospects of each company, the merger terms reflected the Horizon Oil and Roc Boards' mutual judgment that the relative market valuations were the appropriate basis to ensure both groups of shareholders have the appropriate level of equity ownership in the Merged Group.

The relative market valuations of the two companies have remained stable for a substantial period of time. The merger exchange ratio of 0.724 is in line with the ratios implied by:

- i) the 1 month VWAP of 0.699;
- ii) the 3 month VWAP of 0.699;
- iii) the 6 month VWAP of 0.693; and
- iv) the 12 month VWAP of 0.709.

The chart below sets out the exchange ratio implied by the relative trading prices of Horizon Oil Shares and Roc Shares over the 12 months prior to the announcement of the merger.



F) THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE SCHEME IS IN THE BEST INTERESTS OF HORIZON OIL SHAREHOLDERS

Deloitte was commissioned by the Horizon Oil Directors to assess the merits of the Scheme. Deloitte has concluded that the Scheme is in the best interests of Horizon Oil Shareholders.

The Independent Expert's view is that:

- i) the Scheme will assist Horizon Oil to fund its substantial development programs;
- ii) the Merged Group will have greater geographic diversification, increased scale and a potentially elongated production profile than Horizon Oil on a standalone basis; and
- iii) the Merged Group may enjoy enhanced liquidity, greater broker coverage and potentially improved access to debt and equity capital markets compared to Horizon Oil on a standalone basis.

⁹ Based on the total number of New Roc Shares to be issued to Horizon Oil Shareholders as Scheme Consideration having regard to the total number of Horizon Oil Shares on issue as at the date of this Scheme Booklet, as a proportion of the total number of Roc Shares that will be on issue following implementation of the Scheme.

The Independent Expert has concluded that the Scheme does not appear to have any significant disadvantages for Horizon Oil Shareholders, when weighed against the associated advantages. The Independent Expert observed that Horizon Oil Shareholders will dilute their participation in the future growth of Horizon Oil's gas prospects in PNG, however it also noted that it may be difficult for Horizon Oil to realise the underlying value of the PNG assets without the diversification benefits and portfolio of cash generating assets which would result from the Scheme.

The Independent Expert has stated that its estimate of the implied value of the Scheme Consideration on a control basis is in the range of A\$0.46 to A\$0.53 per Horizon Oil Share as a result of the Scheme. This compares with the Independent Expert's valuation of each Horizon Oil Share on a control basis of A\$0.41 to A\$0.50. Given that the value of the interest in the Merged Group is above the value of a Horizon Oil Share, the Independent Expert has concluded that the Scheme is fair.

The Independent Expert's Report is contained in Attachment A (*Independent Expert's Report and Independent Technical Expert's Report*) of this Scheme Booklet. You should read the report carefully and in its entirety.

G) THE HORIZON OIL DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME, IN THE ABSENCE OF A SUPERIOR PROPOSAL

The Horizon Oil Directors have formed their conclusion and made their recommendation based on the matters outlined in this section. The Horizon Oil Directors have also had regard to the risks associated with the Scheme outlined in section 14 (*Risk factors*) and the Independent Expert's Report contained in Attachment A (*Independent Expert's Report and Independent Technical Expert's Report*) of this Scheme Booklet.

The Horizon Oil Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each Horizon Oil Director intends to vote in favour of the Scheme in relation to shares held or controlled by them, in the absence of a Superior Proposal.

As at the date of this Scheme Booklet, no Superior Proposal has emerged.

7.3 REASONS WHY YOU MAY CHOOSE NOT TO VOTE IN FAVOUR OF THE SCHEME

The following is a summary of the reasons why you may choose not to vote in favour of the Scheme only and is qualified by the detailed information contained in this Scheme Booklet. You should read this Scheme Booklet carefully and in its entirety.

A) YOU MAY DISAGREE WITH THE RECOMMENDATION OF THE HORIZON OIL DIRECTORS AND THE CONCLUSIONS OF THE INDEPENDENT EXPERT

Notwithstanding the unanimous recommendation of the Horizon Oil Directors and the conclusions of the Independent Expert, you may believe that the Scheme is not in your best interests.

The Horizon Oil Directors and the Independent Expert have made judgements based on future trading conditions and events which are not predictable with certainty and which may prove to be inaccurate (either positively or negatively).

You may hold a different view from, and are not obliged to follow the recommendation of, the Horizon Oil Directors, and may not agree with the Independent Expert's conclusions.

B) THERE ARE RISKS ASSOCIATED WITH AN INVESTMENT IN THE MERGED GROUP

If the Scheme is implemented, there will be a change in the risk profile to which Horizon Oil Shareholders are exposed. You are currently exposed to various risks as a result of your investment in Horizon Oil. If the Scheme is approved, Horizon Oil will merge its business with that of Roc and Horizon Oil Shareholders who hold Horizon Oil Shares as at the Record Date (other than Ineligible Foreign Shareholders) will receive New Roc Shares. As a consequence, Scheme Participants will be exposed to risk factors relating to Roc, and to certain additional risks relating to the Merged Group and the integration of the two companies. These include risks relating to the operation of a broader suite of assets than Horizon Oil currently operates, different geographies to which Horizon Oil is not currently exposed to, and other risks relating to the two companies.

Further details of some of the risks associated with an investment in the Merged Group are set out in section 14 (*Risk factors*). Horizon Oil Shareholders are encouraged to read this section carefully and in its entirety.

C) YOU MAY CONSIDER THE INVESTMENT PROFILE FOR THE MERGED GROUP TO BE INFERIOR TO THAT OF HORIZON OIL

While Horizon Oil is active in a number of the same commodity markets, operations and geographic focus as Roc, the operational profile, capital structure, size and geography of the Merged Group will be different to that of Horizon Oil on a standalone basis. It is possible that you may wish to maintain an interest in Horizon Oil as a standalone company because you are seeking an investment in a publicly listed company with the specific characteristics of Horizon Oil (such as its current operational profile, capital structure, size and geographic focus). You may consider such a change in investment profile to be disadvantageous.

D) THE EXACT VALUE OF THE SCHEME CONSIDERATION IS NOT CERTAIN

If the Scheme is implemented, Horizon Oil Shareholders (other than Ineligible Foreign Shareholders) will receive the Scheme Consideration of 0.724 New Roc Shares in respect of each Horizon Oil Share they hold on the Record Date. The exact value of this Scheme Consideration that would be realised by individual Scheme Participants will be dependent on the price at which the New Roc Shares (being shares in the Merged Group) trade on ASX after the Implementation Date.

Following the implementation of the Scheme, the Merged Group's share price may rise or fall based on market conditions and the Merged Group's financial and operational performance. If the Merged Group's share price falls, the value of those New Roc Shares received by Horizon Oil Shareholders as Scheme Consideration will decline in value.

Further, in circumstances where Roc Shareholders do not intend to continue to hold their Roc Shares, there is a risk that a significant number of Roc Shareholders may seek to sell their Roc Shares, which may adversely impact the price of Roc Shares (including the New Roc Shares which Horizon Oil Shareholders will have received as Scheme Consideration).

In addition, the Sale Nominee will be issued with New Roc Shares attributable to certain Ineligible Foreign Shareholders and will be seeking to sell those shares on ASX as soon as reasonably practicable following the Implementation Date. It is possible that such sales may exert downward pressure on the Merged Group's share price in the period following the Implementation Date.

E) YOU MAY BELIEVE A SUPERIOR PROPOSAL WILL EMERGE FOR HORIZON OIL

It is possible that a Superior Proposal for Horizon Oil, which is more attractive for Horizon Oil Shareholders than the Scheme, may emerge in the future. The implementation of the Scheme may mean that Horizon Oil Shareholders would not obtain the benefit of any such proposal.

The Horizon Oil Directors are not currently aware of any such proposal and note that since Horizon Oil and Roc announced the merger, there has been a significant period of time for an alternative proposal for Horizon Oil to emerge.

If a Superior Proposal emerges, this will be announced to ASX and the Horizon Oil Directors will carefully reconsider the Scheme and advise you of their recommendation.

7.4 OTHER RELEVANT CONSIDERATIONS

There are a range of issues which relate to the Scheme and the Merged Group, which Horizon Oil Shareholders should take into account when deciding whether or not to vote in favour of the Scheme, including (but not limited to) the matters described in section 13 (*Other matters relevant to the Scheme*).

You should read this Scheme Booklet carefully and in its entirety.



08. Summary of the Scheme

8.1 BACKGROUND

On 29 April 2014, Horizon Oil announced that it had entered into the Merger Implementation Deed with Roc, whereby Horizon Oil agreed to propose the Scheme to Horizon Oil Shareholders.

A copy of the Merger Implementation Deed is included as Attachment C (*Merger Implementation Deed*) and a summary of the Merger Implementation Deed is set out in section 16 (*Implementing the Scheme*) of this Scheme Booklet.

8.2 EFFECT OF THE SCHEME

If the Scheme is approved by Horizon Oil Shareholders and the Court:

- i) Roc will acquire all of the Horizon Oil Shares;
- ii) Horizon Oil Shareholders (other than Ineligible Foreign Shareholders) will receive the Scheme Consideration of 0.724 New Roc Shares in respect of each Horizon Oil Share they hold on the Record Date; and
- iii) Horizon Oil will become a subsidiary of Roc and subsequently be de-listed from ASX.

A copy of the Scheme is included as Attachment D (*Deed Poll and Scheme of Arrangement*) of this Scheme Booklet.

8.3 WHAT YOU WILL RECEIVE

If the Scheme is implemented, Horizon Oil Shareholders (other than Ineligible Foreign Shareholders) will receive the Scheme Consideration of 0.724 New Roc Shares in respect of each Horizon Oil Share they hold on the Record Date.

From the date of their issue, the New Roc Shares received as Scheme Consideration will rank equally in all respects with the existing Roc Shares and will be fully paid and free from any encumbrance. The rights and liabilities attaching to the New Roc Shares will be governed by the Roc Constitution, subject to the Corporations Act and the Listing Rules. Section 13.5 (*Rights and liabilities attached to Roc Shares*) includes a summary of the Roc Constitution.

Holding statements detailing your holding of New Roc Shares are expected to be dispatched to you no later than five Business Days after the Implementation Date, therefore expected to be no later than Friday, 5 September 2014.

Ineligible Foreign Shareholders should refer to sections 8.19 (*Foreign Horizon Oil Shareholders*) and 8.20 (*Sale Nominee process*) for details about the timing for payment of the consideration they will receive.

8.4 CONDITIONS OF THE SCHEME

The implementation of the Scheme is subject to the following Conditions Precedent.

The Scheme will not proceed unless all of these conditions are satisfied or waived in accordance with the Merger Implementation Deed. It is important to note that some of these conditions may not be satisfied even if the Scheme is approved by the Requisite Majority of Horizon Oil Shareholders at the Scheme Meeting (for example, the Court may refuse to grant the order referred in condition 4, below). However as at the date of this Scheme Booklet, Horizon Oil and Roc are not aware of any circumstances which would cause these conditions not to be satisfied. However, Horizon Oil Shareholders should note the discussion in section 8.9 (*Roc EGM*) and section 13.1 (*Roc EGM*) of this Scheme Booklet.

The status of each of the Conditions Precedent as at the date of this Scheme Booklet is set out below:

NO.	CONDITION PRECEDENT	STATUS
1	Approvals from all relevant regulatory bodies including ASIC and ASX	ASIC has agreed to grant the relief necessary to implement the Scheme: relief from clause 8302(h), Part 3 of Schedule 8 to the Corporations Regulation. ASX has agreed to grant the waivers and confirmations necessary to implement the Scheme: waiver of Listing Rule 6.23.2. Horizon Oil has made applications to the ATO for the necessary rulings to implement the Scheme.
2	No regulatory authority having issued orders prohibiting the implementation of the Scheme	Horizon Oil is not aware of any restraints or prohibitions.
3	Approval of the Scheme at the Scheme Meeting by the Requisite Majority by Horizon Oil Shareholders	The Scheme Meeting is to be held on Thursday, 7 August 2014 at The Sydney Boulevard Hotel, 90 William Street, Sydney, commencing at 11.00am (Sydney time).
4	Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act	On Thursday, 3 July 2014 the Court made an order to convene the Scheme Meeting. Court approval of the Scheme will be sought on or about Thursday, 14 August 2014.

NO.	CONDITION PRECEDENT	STATUS
5	Receipt of all other approvals, consents or agreements of third parties which Horizon Oil and Roc agree are necessary or desirable to implement the Scheme	All third party consents necessary to implement the Scheme have been obtained. See section 13.2 (Change of Control).
6	Issue of an Independent Expert's Report which concludes that the Scheme is in the best interests of the Scheme Participants prior to the date that this Scheme Booklet was lodged with ASIC	Satisfied.
7	No "Roc Oil Prescribed Event" having occurred as stipulated in the Merger Implementation Deed	Horizon Oil is not aware of any Roc Oil Prescribed Events. However, see section 8.9 (<i>Roc EGM</i>) and 13.1 (<i>Roc EGM</i>). See also the ASX announcements released by Horizon Oil and Roc on 25 June 2014.
8	No "Roc Oil Material Adverse Change" having occurred as stipulated in the Merger Implementation Deed	Horizon Oil is not aware of any Roc Oil Material Adverse Change.
9	No "Horizon Oil Prescribed Event" having occurred as stipulated in the Merger Implementation Deed	Horizon Oil is not aware of any Horizon Oil Prescribed Events.
10	No "Horizon Oil Material Adverse Change" having occurred as stipulated in the Merger Implementation Deed	Horizon Oil is not aware of any Horizon Oil Material Adverse Change.
11	Approval for official quotation on the ASX of the New Roc Shares to be issued under the Scheme	ASX approval to be sought on or before 8.00am (Sydney time) on the Second Court Date.
12	Signing and delivery of the Deed Poll by Roc	Satisfied.
13	The representations and warranties given by Roc under clause 12.1 (<i>Roc Oil's representation and warranties</i>) of the Merger Implementation Deed must be true and correct in all material respects, as described in the Merger Implementation Deed	Horizon Oil is not aware of any material inaccuracies in Roc's representations and warranties.
14	The representations and warranties given by Horizon Oil under clause 12.4 (<i>Horizon Oil's representation and warranties</i>) of the Merger Implementation Deed must be true and correct in all material respects, as described in the Merger Implementation Deed	Horizon Oil is not aware of any material inaccuracies in its representations and warranties.
15	"PRL Completion" (as defined in the Osaka Gas Sale Agreement) having occurred under and in accordance with the Osaka Gas Sale Agreement	Satisfied.
16	The Merger Implementation Deed not being terminated	The Merger Implementation Deed has not been terminated.

8.5 HORIZON OIL SHAREHOLDER AND COURT APPROVALS

As part of the conditions discussed in section 8.4 (Conditions of the Scheme), section 411(4) of the Corporations Act requires a meeting of Horizon Oil Shareholders to be held at which the Scheme must be agreed to by a resolution passed by the following majorities:

- i) (50% of members, by number) a majority by number of Horizon Oil Shareholders present and voting at the Scheme Meeting (either in person or by proxy), unless the Court orders otherwise; and
 - ii) (75% of shares voted, in aggregate) holders of in aggregate at least 75% of the total number of votes cast on the resolution at the Scheme Meeting,
- (together, the Requisite Majority).

The result of the Scheme Meeting must then be provided to the Court, which will consider whether or not to approve the Scheme. On Thursday, 3 July 2014, the Court made the requisite orders that the Scheme Meeting be convened and that this Scheme Booklet be dispatched to Horizon Oil Shareholders.

8.6 HORIZON OIL DIRECTORS' RECOMMENDATION AND VOTING INTENTIONS

The Horizon Oil Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. See section 7 (*Horizon Oil Directors' recommendation and details of reasons to vote for or against the Scheme*).

Each Horizon Oil Director intends to vote in favour of the Scheme in relation to shares held or controlled by them, in the absence of a Superior Proposal. The interests of the Horizon Oil Directors are disclosed in section 10.12 (*Interests of Horizon Oil Directors*).

8.7 INDEPENDENT EXPERT'S CONCLUSIONS

Deloitte was commissioned by the Horizon Oil Directors to assess the merits of the Scheme. Deloitte has concluded that the Scheme is in the best interests of Horizon Oil Shareholders.

In forming this opinion, the Independent Expert has considered:

- a) whether the Scheme consideration being offered for each Horizon Oil Share is fair;
- b) the relative contribution of Horizon Oil and Roc to the Merged Group; and
- c) the advantages and disadvantages relevant to Horizon Oil Shareholders if the Scheme proceeds.

The Independent Expert's Report is included as Attachment A (*Independent Expert's Report and Independent Technical Expert's Report*) of this Scheme Booklet. Horizon Oil Shareholders are encouraged to read the report carefully and in its entirety.

8.8 ALTERNATIVE TRANSACTIONS

Prior to announcing the proposed merger on 29 April 2014, Horizon Oil had engaged in confidential and incomplete discussions to explore various opportunities with different parties, from time to time. However, Horizon Oil did not formally consider any alternative proposals prior to entering into the Merger Implementation Deed with Roc.

It is possible that a Superior Proposal for Horizon Oil, which is more attractive for Horizon Oil Shareholders than the Scheme, may materialise in the future. The implementation of the Scheme would mean that Horizon Oil Shareholders would not obtain the benefit of any such proposal. The Horizon Oil Directors are not currently aware of any such proposal.

If a Superior Proposal emerges, this will be announced to ASX and the Horizon Oil Directors will carefully reconsider the Scheme and advise you of their recommendation.

8.9 ROC EGM

On 15 May 2014, Roc advised ASX that it had received a notice under section 249D of the Corporations Act from shareholders of Roc, requesting a general meeting of Roc Shareholders to consider a special resolution to amend the Roc Constitution. Together, the relevant Roc Shareholders held 45,393,859 Roc Shares (being 6.6% of Roc Shares) as at 15 May 2014.

On Thursday 5 June 2014, Roc released a notice of extraordinary meeting and explanatory statement to facilitate a meeting of Roc Shareholders scheduled for Friday 11 July 2014. In that release, the Roc Directors unanimously recommended that Roc Shareholders vote against the resolution proposed by the Requisitioner, and advised that the Roc Directors would be voting against the resolution.

Any amendment of the Roc Constitution is a "Roc Oil Prescribed Event" under the Merger Implementation Deed, it being a Condition Precedent that no "Roc Oil Prescribed Event" should occur prior to 8.00am on the Second Court Date.

At the date of this Scheme Booklet, Horizon Oil has not formed an intention or view on the course of action which it may take if the proposed resolution is passed by Roc Shareholders and reserves its rights in this regard.

Horizon Oil does not presently intend to consent to the altering of Roc's Constitution (although it reserves its right to do so) and expects that Roc will honour all of its obligations under the Merger Implementation Deed. If Roc's Constitution is amended, Horizon Oil will undertake all steps available to it to preserve its rights pursuant to the Merger Implementation Deed (which may include claiming damages for any breach of the Merger Implementation Deed to the fullest extent possible).

Further details in relation to the Roc EGM and Horizon Oil's rights under the Merger Implementation Deed are set out in section 13.1 (*Roc EGM*).

8.10 CHANGE OF CONTROL

Horizon Oil has reviewed the contracts, licences and permits which are material in the context of its operations and contain change of control or assignment provisions which may be triggered by the implementation of the Scheme.

In relation to its New Zealand assets, Horizon Oil is required to notify the New Zealand Minister for Energy and Resources of the effective change of control in its subsidiary entities which will be deemed to occur as a result of the implementation of the Scheme. At the date of this Scheme Booklet, Horizon Oil has notified the Minister and the administering government department, New Zealand Petroleum and Minerals, of the transaction and provided financial information about the Merged Group.

Horizon Oil has also reviewed its Horizon Oil Facility Agreement for change of control provisions or other undertakings which may be triggered or breached by the implementation of the Scheme. If implemented, the Scheme will:

- i) constitute a “Review Event”; and
 - ii) trigger an “Event of Default”,
- under the Horizon Oil Facility Agreement.

However, Horizon Oil has already notified the ANZ Agent of the possibility of these “Review Events” and “Events of Default” which may result from the Scheme’s implementation. Horizon Oil has obtained the ANZ Agent’s consent to a waiver of these “Review Events” and “Events of Default” as a result of the Scheme’s implementation. To the extent they may occur, the “Review Events” and “Events of Default” ceased to subsist upon receipt by Horizon Oil of such a waiver from the ANZ Agent on Friday, 30 May 2014.

Further details in relation to Horizon Oil’s material contracts, the consequences of a change of control, and the steps taken by Horizon Oil to manage those matters, are set out in section 13.2 (*Change of Control*).

8.11 PARTLY PAID SHARES, HORIZON OIL OPTIONS AND HORIZON OIL SARs

Horizon Oil has granted Horizon Oil Options and Horizon Oil SARs to eligible employees under its various incentive plans. Under the Merger Implementation Deed, Horizon Oil and Roc agreed to use their best endeavours to procure that:

- i) Horizon Oil Options and Horizon Oil SARs are transferred to Roc or cancelled prior to the Record Date; and
- ii) the holders of Horizon Oil Options and Horizon Oil SARs will be provided with consideration for the transfer or cancellation of their Horizon Oil Options and Horizon Oil SARs that is reasonably acceptable to Horizon Oil, the holders and Roc.

Horizon Oil and Roc have agreed that Horizon Oil Options and Horizon Oil SARs should be dealt with in accordance with the principle that holders of Horizon Oil Options and Horizon Oil SARs will be put in a commercially equivalent position.

The details of how each type of security is intended to be dealt with if the Scheme becomes Effective is set out in section 13.3 (*Partly paid shares, Horizon Oil Options and Horizon Oil SARs*).

8.12 HORIZON OIL CONVERTIBLE BONDS

Horizon Oil has 400 Horizon Oil Convertible Bonds on issue. The Horizon Oil Convertible Bonds can be satisfied and discharged by conversion into Horizon Oil Shares or redemption (repayment) on 17 June 2016 (the “Final Maturity Date”).

If implemented, the Scheme will trigger an adjustment event (which results in a reduced conversion price becoming available to Horizon Oil Bondholders) and a redemption right (which results in an early repayment opportunity becoming available to Horizon Oil Bondholders). Horizon Oil Bondholders can elect to action either one of those triggers.

In return for participating in the Horizon Oil CB Early Redemption Offer, Horizon Oil Bondholders agree to redeem their Horizon Oil Convertible Bonds if the Scheme is implemented. The Horizon Oil CB Early Redemption Offer will allow Horizon Oil Bondholders to receive a price for their Horizon Oil Convertible Bonds that is in line with the trading price of the Horizon Oil Convertible Bonds prior to the announcement of the merger.

The purpose of the Horizon Oil CB Early Redemption Offer is to increase the probability of Horizon Oil Bondholders electing to redeem their Horizon Oil Convertible Bonds, with a view to achieving a simpler capital structure for the Merged Group.

Further details in relation to the Horizon Oil Convertible Bonds, the Horizon Oil CB Early Redemption Offer and Roc’s potential rights to compulsorily acquire the outstanding Horizon Oil Convertible Bonds, are set out in section 13.4 (*Treatment of Horizon Oil Convertible Bonds*).

8.13 TAX IMPLICATIONS

While many of the Scheme Participants are expected to be eligible for scrip-for-scrip CGT roll-over relief, the transfer of your Scheme Shares pursuant to the Scheme may be a taxable transaction for you. You should seek your own professional advice regarding the individual tax consequences applicable to you. A summary of the relevant tax implications for Australian residents is contained in section 15 (*Tax implications*) of this Scheme Booklet.

8.14 NO BROKERAGE OR STAMP DUTY

Except for Ineligible Foreign Shareholders, no brokerage or stamp duty will be payable by Scheme Participants on the transfer of their Scheme Shares to Roc under the Scheme or the issue by Roc to them of the New Roc Shares as the Scheme Consideration.

8.15 WARRANTIES AND CONSENTS GIVEN BY SCHEME PARTICIPANTS

Under the terms of the Scheme, each Scheme Participant will be deemed to have warranted to Roc that:

- i) all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) transferred to Roc under the Scheme are, at the date of the transfer, fully paid and free from any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit a prendre, easement or any other security arrangements having the same effect (except to the extent such shares are subject to the arrangements set out in section 13.3(b)(ii)); and

- ii) they have the full power and capacity to sell and transfer their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) to Roc under the Scheme.

Each Scheme Participant will also be deemed to have irrevocably consented to Horizon Oil and Roc doing all things which are necessary or expedient for or incidental to the implementation of the Scheme.

8.16 SCHEME MEETING

The Scheme must be approved by the Requisite Majority of Horizon Oil Shareholders and also by the Court before it can be implemented. In accordance with the orders of the Court dated Thursday, 3 July 2014, Horizon Oil will convene the Scheme Meeting which will be held at 11.00am (Sydney time) at The Sydney Boulevard Hotel, 90 William Street, Sydney on Thursday, 7 August 2014.

8.17 ENTITLEMENT TO VOTE

Horizon Oil Shareholders who are registered on the Horizon Oil Register at 7.00pm (Sydney time) on Tuesday, 5 August 2014 are entitled to vote at the Scheme Meeting. For the avoidance of doubt, this includes a Horizon Oil Shareholder who holds Horizon Oil Shares as a result of the conversion of or exercise of rights attached to other Horizon Oil Securities (including Horizon Oil Options, Horizon Oil SARs or Horizon Oil Convertible Bonds) on or prior to that date.

Details on how to vote at the Scheme Meeting are set out in section 3 (*Action required by Horizon Oil Shareholders*) and in further detail in the Notice of Scheme Meeting in Attachment E (*Notice of Scheme Meeting*).

8.18 WHAT WILL HAPPEN IF THE SCHEME DOES NOT PROCEED

If the Scheme does not proceed:

- i) Horizon Oil will remain listed on ASX;
- ii) Horizon Oil Shareholders will retain their Horizon Oil Shares; and
- iii) Horizon Oil Shareholders will not receive the Scheme Consideration.

As at the date of this Scheme Booklet, the Horizon Oil Directors have not formed any plans to make any significant changes to the business of Horizon Oil, redeploy any of its operating assets or change or affect the future employment of Horizon Oil's present employees, if the Scheme does not proceed. In that circumstance, the Horizon Oil Directors intend to continue to operate Horizon Oil as a listed public company carrying on its business of exploring, developing and producing oil and petroleum in New Zealand, China, PNG and other locations where suitable opportunities are identified, under the leadership of the current senior management.

Before the Scheme Meeting, Horizon Oil estimates that it will have incurred or committed transaction costs of approximately US\$4.3 million in relation to the Scheme. Those costs will be payable by Horizon Oil regardless of whether or not the Scheme is implemented.

8.19 FOREIGN HORIZON OIL SHAREHOLDERS

A) PARTICIPATION IN THE SCHEME

A Horizon Oil Shareholder who is recorded in the Horizon Oil Register at the Record Date as having a registered address outside Australia, or who is (or who is acting on behalf of) a citizen or resident of a jurisdiction other than residents of Australia and its external territories, will be a Foreign Horizon Oil Shareholder for the purposes of the Scheme.

A Foreign Horizon Oil Shareholder may vote at the Scheme Meeting, however, some Foreign Horizon Oil Shareholders may not be able to receive New Roc Shares under the Scheme. Restrictions in foreign countries may make it impractical or unlawful for Roc to deliver New Roc Shares to Foreign Horizon Oil Shareholders (or for those persons to receive New Roc Shares).

Provided they are not an Ineligible Foreign Shareholder (see below), a Foreign Horizon Oil Shareholder may participate in the Scheme and receive New Roc Shares under the Scheme.

Roc is not obliged to issue New Roc Shares to an Ineligible Foreign Shareholder under the Scheme. Instead, the New Roc Shares that would otherwise have been issued to the Ineligible Foreign Shareholder will be issued to the Sale Nominee (or its nominees) and sold on ASX, with the net proceeds of sale to be distributed proportionately among Ineligible Foreign Shareholders.

B) DETERMINE IF YOU ARE AN INELIGIBLE FOREIGN SHAREHOLDER

Subject to the qualifications below, a Foreign Horizon Oil Shareholder whose registered address on the Horizon Oil Register is in any of the following jurisdictions at the Record Date **will be** entitled to participate in the Scheme (and therefore will **not** be an Ineligible Foreign Shareholder):

- i) Australia;
- ii) New Zealand;
- iii) British Virgin Islands;
- iv) France, where (i) the Horizon Oil shareholder is a “qualified investor” (as defined in articles D. 411-1, L. 533-16, L. 533-20, D. 533-11 and D. 533-13 of the French Monetary and Financial Code) or (ii) the number of non-qualified investors is less than 150;
- v) Hong Kong, where (i) the Horizon Oil shareholder is a “professional investor” (as defined in the Securities and Futures Ordinance of Hong Kong) and/or (ii) the number of non-professional investors does not exceed 50;
- vi) Norway, where (i) the Horizon Oil shareholder is a “professional client” (as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876) or (ii) the number of nonprofessional clients is less than 150;
- vii) PNG;
- viii) Singapore;
- ix) Switzerland;
- x) United Kingdom; or
- xi) United States;

All other Foreign Horizon Oil Shareholders will be Ineligible Foreign Shareholders for the purpose of the Scheme, unless Roc (in consultation with Horizon Oil) determines that:

- i) it is lawful and not unduly onerous or unduly impracticable to issue that Foreign Horizon Oil Shareholder with New Roc Shares under the Scheme; and
- ii) it is lawful for that Foreign Horizon Oil Shareholder to participate in the Scheme by the law of the relevant place outside Australia and its external territories.

Roc, in consultation with Horizon Oil, reserves the right to determine whether a Foreign Horizon Oil Shareholder is an Ineligible Foreign Shareholder for the purpose of the Scheme. Roc disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Foreign Horizon Oil Shareholder is an Ineligible Foreign Shareholder. Horizon Oil disclaims all liability to the maximum extent permitted by law in respect of any determination made by Roc relating to Foreign Horizon Oil Shareholders and Ineligible Foreign Shareholders.

C) NOTICE TO NOMINEES

Horizon Oil Shareholders who hold shares on behalf of a beneficial owner should consider the following restrictions on forwarding this Scheme Booklet to the beneficial owner of the shares:

- i) Horizon Oil Shareholders who hold Horizon Oil Shares on behalf of beneficial owners may forward this Scheme Booklet to all beneficial owners in the following jurisdictions:
 - A) Australia;
 - B) New Zealand;
 - C) British Virgin Islands;
 - D) PNG;
 - E) Singapore;
 - F) Switzerland;
 - G) United Kingdom; and
 - H) United States.
- ii) Horizon Oil Shareholders who hold Horizon Oil Shares on behalf of beneficial owners in the following jurisdictions may forward this Scheme Booklet only to the extent provided below:
 - A) France, where (i) the beneficial owner is a “qualified investor” (as defined in articles D. 411-1, L. 533-16, L. 533-20, D. 533-11 and D. 533-13 of the French Monetary and Financial Code) or (ii) the number of non-qualified investors is less than 150;
 - B) Hong Kong, (i) to any beneficial owner who is a “professional investor” or (ii) with the consent of Horizon Oil, to other beneficial owners (to the extent the aggregate number of registered and beneficial owners in Hong Kong, excluding “professional investors”, would not exceed 50); and
 - C) Norway, (i) to any beneficial owner who is a “professional client” (as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876) or (ii) with the consent of Horizon Oil, to other beneficial owners (to the extent the aggregate number of registered and beneficial owners in Norway, excluding “professional clients”, is less than 150); and
- iii) Horizon Oil Shareholders who hold Horizon Oil Shares on behalf of beneficial owners may not forward this Scheme Booklet to any person in any jurisdiction other than those eleven jurisdictions listed, and to the extent permitted, above.

8.20 SALE NOMINEE PROCESS

Ineligible Foreign Shareholders will not receive New Roc Shares under the Scheme. Instead, the New Roc Shares which would otherwise have been issued to Ineligible Foreign Shareholders will be issued to the Sale Nominee (or its nominees).

Roc will procure that as soon as practicable after the Implementation Date, the Sale Nominee will:

- i) sell on ASX those New Roc Shares which would otherwise have been issued to Ineligible Foreign Shareholders; and
- ii) remit the net proceeds of sale to Ineligible Foreign Shareholders.

The Sale Nominee (acting on behalf of and at the risk of the Ineligible Foreign Shareholders) will sell those New Roc Shares which would otherwise have been issued to Ineligible Foreign Shareholders. Such sale will be conducted in a manner, at a price and on such other terms as the Sale Nominee (acting in good faith) shall determine.

The Sale Nominee will distribute the net proceeds of sale proportionately among Ineligible Foreign Shareholders on an averaged basis, such that each Ineligible Foreign Shareholder receives the same price per New Roc Share which they would otherwise have been issued, subject to rounding to the nearest whole cent.

The Sale Nominee will remit the net proceeds of sale to each Ineligible Foreign Shareholder into an account with an Australian bank nominated by the Ineligible Foreign Shareholder with the Horizon Oil Share Registry as at the Record Date or sending a cheque drawn on an Australian bank account in Australian currency.

None of Horizon Oil, Roc or the Sale Nominee give any assurances as to the price, timeframe or terms which will be achieved for the sale of New Roc Shares on behalf of Ineligible Foreign Shareholders. The net proceeds that Ineligible Foreign Shareholders will receive may be more or less than the current market value of Roc Shares.

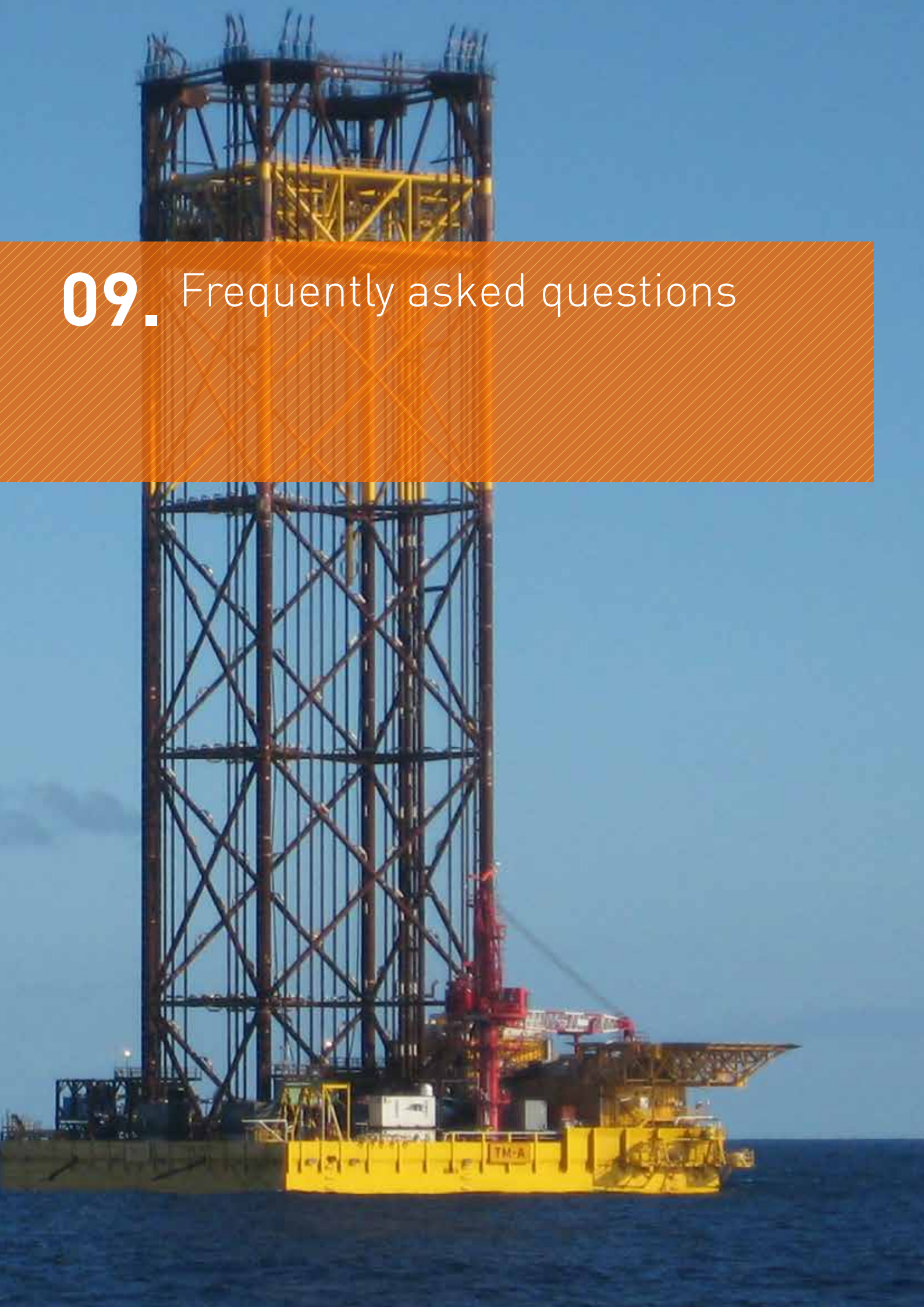
Please note that brokerage, fees, taxes, other costs and charges will be deducted from the proceeds payable to Ineligible Foreign Shareholders. Payments received by Ineligible Foreign Holders will be in full satisfaction of the Ineligible Foreign Shareholders right to receive New Roc Shares under the Scheme. Please also note that the sale of New Roc Shares by the Sale Nominee may result in a number of Roc Shares being offered for sale at the same time, and this may have the effect of depressing the sale price for those shares.

If you are an Ineligible Foreign Shareholder who does not wish to have the Sale Nominee sell the New Roc Shares which you would otherwise have received under the Scheme, you may choose not to participate in the Scheme by selling your Horizon Oil Shares before the Effective Date.

8.21 QUESTIONS

If you have any further questions about the Scheme, please call the Horizon Oil Shareholder Information Line on 1300 721 637 (within Australia) or +61 2 8016 2890 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.

09. Frequently asked questions



The following is a summary only and is qualified by the detailed information contained in this Scheme Booklet. You should read this Scheme Booklet carefully and in its entirety.

QUESTION	ANSWER	MORE INFORMATION
OVERVIEW OF THIS SCHEME BOOKLET		
Why have I received this Scheme Booklet?	This Scheme Booklet has been sent to you because you are a Horizon Oil Shareholder and you are being asked to vote on the Scheme. This Scheme Booklet is intended to help you to consider and decide on how to vote on the Scheme at the Scheme Meeting.	
What is the Scheme I am being asked to consider?	The Scheme is a proposed transaction whereby the businesses of Horizon Oil and Roc are merged to create a single Asian-focused upstream oil and gas company listed on the ASX (the Merged Group). This transaction is proposed to be implemented as a court-ordered scheme of arrangement between Horizon Oil and the Scheme Participants, which is subject to the satisfaction of certain conditions. If the Scheme is implemented, Roc will acquire all Horizon Oil Shares, Horizon Oil will become a subsidiary of Roc and Horizon Oil will be de-listed from ASX.	Section 8 (<i>Summary of the Scheme</i>) and Attachment D (<i>Deed Poll and Scheme of Arrangement</i>)
What should I do?	You should read this Scheme Booklet carefully and in its entirety. Based on this information and any advice you may receive, you should determine how you wish to vote on the Scheme and vote by attending the Scheme Meeting, or by appointing a proxy to vote on your behalf. If you are unsure about what to do, you should consult your legal, financial or other professional adviser.	Section 3 (<i>Action required by Horizon Oil Shareholders</i>)
SCHEME CONSIDERATION		
What will I receive if the Scheme is implemented?	If the Scheme is implemented, Horizon Oil Shareholders (other than Ineligible Foreign Shareholders) will receive the Scheme Consideration of 0.724 New Roc Shares in respect of each Horizon Oil Share they hold on the Record Date. This merger exchange ratio will result in existing Horizon Oil Shareholders owning approximately 58% of the Merged Group and Roc Shareholders owning approximately 42%. ¹⁰	
Can I choose to receive cash instead of New Roc Shares?	No. There is no option for Scheme Participants to elect to receive cash instead of New Roc Shares. However, once you have received the Scheme Consideration, you may sell some or all of your New Roc Shares on the ASX. Alternatively, you may elect to sell your existing Horizon Oil Shares before the Effective Date.	
Can I receive or subscribe for additional New Roc Shares under the Scheme?	No. The Scheme Consideration is fixed at 0.724 New Roc Shares for each Horizon Oil Share you hold on the Record Date. However you may choose to buy additional Roc Shares through normal trading on a securities exchange.	
Do I need to make any payments to participate in the Scheme?	No.	
Do I have to pay brokerage fees to participate in the Scheme?	No, unless you are an Ineligible Foreign Shareholder.	

¹⁰ Based on the total number of New Roc Shares to be issued to Horizon Oil Shareholders as Scheme Consideration having regard to the total number of Horizon Oil Shares on issue as at the date of this Scheme Booklet, as a proportion of the total number of Roc Shares that will be on issue following implementation of the Scheme.

QUESTION	ANSWER	MORE INFORMATION
Do I have to pay stamp duty under the Scheme?	No.	
Do I need to do or sign anything to transfer my Scheme Shares?	No. If the Scheme becomes Effective, Horizon Oil will automatically have authority to sign a transfer document on behalf of Scheme Participants, who will then receive the Scheme Consideration as set out above. You should be aware that, if you are a Scheme Participant, you will be deemed to have warranted to Horizon Oil, and authorised Horizon Oil to warrant to Roc on your behalf, that: i) all of your Scheme Shares are fully paid and free from all encumbrances (except to the extent such shares are subject to the arrangements set out in section 13.3(b)(ii)); and ii) you have full power and capacity to transfer your Scheme Shares to Roc.	Section 3 (<i>Action required by Horizon Oil Shareholders</i>) Section 7 (<i>Horizon Oil Directors' recommendation and details of reasons to vote for or against the Scheme</i>)
Will I be able to trade the New Roc Shares on ASX?	Roc Shares currently trade on ASX and the New Roc Shares will trade on ASX if the merger is implemented. It is expected that you will be able to trade the New Roc Shares on a normal settlement basis commencing on or about Monday, 1 September 2014.	
When will I receive the Scheme Consideration?	The Scheme Participants' names will be entered in Roc's share registry in respect of the New Roc Shares issued as Scheme Consideration on the Implementation Date, expected to be on or about Friday 29 August 2014. You will receive a holding statement in relation to your New Roc Shares no later than five Business Days after the Implementation Date.	
Can I keep my Horizon Oil Shares?	If the Scheme is implemented, your Horizon Oil Shares will be transferred to Roc. This will be the case even if you did not vote or you voted against the Scheme.	Section 7 (<i>Horizon Oil Directors' recommendation and details of reasons to vote for or against the Scheme</i>)
Can I sell my Horizon Oil Shares on ASX?	You can sell your Horizon Oil Shares on ASX prior to the Effective Date. However, you will not be able to do so after the Effective Date. If you sell your Horizon Oil Shares on ASX: i) you may pay brokerage on the sale; ii) you will not share in any potential ongoing benefits of owning shares in the Merged Group; and iii) there may be different tax consequences for you compared to those that would arise under the implementation of the Scheme.	
What if I am a Foreign Horizon Oil Shareholder?	Certain Foreign Horizon Oil Shareholders may be able to receive New Roc Shares under the Scheme. However, Ineligible Foreign Shareholders will not be issued New Roc Shares under the Scheme. Instead, the New Roc Shares which would otherwise have been issued to Ineligible Foreign Shareholders under the Scheme will be issued to the Sale Nominee (or its nominees) and sold on ASX, with the net proceeds of sale then distributed proportionately among Ineligible Foreign Shareholders.	Section 8.19 (<i>Foreign Horizon Oil Shareholders</i>) See section 8.20 (<i>Sale Nominee process</i>)

QUESTION	ANSWER	MORE INFORMATION
REASONS TO VOTE FOR OR AGAINST THE SCHEME AND RISKS ASSOCIATED WITH THE SCHEME		
What are the reasons why I should vote in favour of the Scheme?	The reasons why you should vote in favour of the Scheme are that: i) the Scheme creates a leading Asian-focused upstream oil and gas company; ii) the Scheme brings together two highly complementary portfolios; iii) the Merged Group will be in a more robust financial position than Horizon Oil as a standalone company; iv) the Scheme combines the talents and expertise of two experienced leadership teams; v) the merger exchange ratio reflects the relative valuations of the two companies; vi) the Independent Expert has concluded that the Scheme is in the best interests of Horizon Oil Shareholders; and vii) the Horizon Oil Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.	Section 7.2 (Reasons why you should vote in favour of the Scheme)
What are the reasons why I may choose not to vote in favour of Scheme?	The reasons you may choose not to vote in favour of the Scheme are that: i) you may disagree with the recommendation of the Horizon Oil Directors and the conclusions of the Independent Expert; ii) there are risks associated with an investment in the Merged Group; iii) you may consider the investment profile for the Merged Group to be inferior to that of Horizon Oil; iv) the exact value of the Scheme Consideration is not certain; and v) you may believe that a Superior Proposal will emerge for Horizon Oil.	Section 7.3 (Reasons why you may choose not to vote in favour of the Scheme) Section 14 (Risk factors)
What are the potential risks associated with the Scheme?	Potential risks associated with implementation of the Scheme include: i) the expected advantages of the Scheme may not materialise; ii) the Scheme may not become Effective if certain conditions are not satisfied; and iii) the Scheme is subject to execution risk, including delays, unexpected costs or other separation and integration issues in establishing the Merged Group. Investment in the Merged Group will be subject to a range of risks that may adversely affect its future operating or financial performance, prospects, investment returns or value of its securities.	Section 14 (Risk factors)

QUESTION	ANSWER	MORE INFORMATION
OVERVIEW OF THE MERGED GROUP		
What will the Merged Group look like if the Scheme is implemented?	The merger will create a leading Asian-focused upstream oil and gas company. The Merged Group will have a pro forma market capitalisation of approximately A\$800 million ¹¹ and net 2P Reserves of 33.3 MMBOE and net 2C Contingent Resources of 113.0 MMBOE.	Section 12 (<i>Profile of the Merged Group</i>)
What assets will the Merged Group own?	The Merged Group will have assets across China, PNG, Malaysia, Australia, New Zealand and the United Kingdom, including having an ownership interest in the following assets: i) China: Beibu Gulf (Block 22/12), Bohai Bay (Block 09/05) and Zhao Dong; ii) New Zealand: PMP 38160 (Maari / Manaia Fields) and PEP 51313 (Matariki); iii) PNG: PDL 10 (formerly PRL 4) (Stanley Field), PRL 21 (Elevala and Ketu Fields), PPL 259, PPL 430 and PPL 372 and PPL 373; iv) Malaysia: D35/D21/J4 and Balai Cluster; v) Myanmar: Block M07 ¹² ; vi) United Kingdom: Blane Oil Field and Enoch Oil and Gas Field; and vii) Australia: Cliff Head Oil Field.	Section 12 (<i>Profile of the Merged Group</i>)
What will be the strategy of the Merged Group?	It is the current intention of Horizon Oil and Roc that the Merged Group will continue to operate the business of Horizon Oil and Roc in substantially the same manner as they are currently being conducted. The Merged Group will continue to review all aspects of the assets and operations to identify ways to maximise value for all shareholders.	Section 12 (<i>Profile of the Merged Group</i>)
Who will be on the board of the Merged Group?	The board of the Merged Group will comprise eight directors, including three current non-executive Roc Directors, four current non-executive Horizon Oil Directors and Horizon Oil's current CEO and Managing Director Brent Emmett as CEO and Managing Director of the Merged Group. The current Chairman of Roc, Mike Harding, will be Chairman of the Merged Group. The current Chairman of Horizon Oil, Fraser Ainsworth, will continue as a non-executive director of the Merged Group. One Horizon Oil Director will retire from the board of the Merged Group at or before the annual general meeting of the Merged Group in 2015, as contemplated in the Merger Implementation Deed.	Section 12 (<i>Profile of the Merged Group</i>)
Who will be the senior executive team for the Merged Group?	The current CEO and Managing Director of Horizon Oil, Brent Emmett, will be CEO and Managing Director of the Merged Group. The current CEO and Managing Director of Roc, Alan Linn, will continue with the Merged Group in the role of President of Roc Oil Malaysia until April 2015. Other members of the Merged Group's senior management team will be drawn from the two companies' existing management teams following implementation of the Scheme.	Section 12 (<i>Profile of the Merged Group</i>)

¹¹ Based on the combined market capitalisations of each of Horizon Oil and Roc on 23 April 2014, the last day Horizon Oil and Roc Shares were traded prior to the announcement of the merger.

¹² Subject to signing PSC with MOE and Roc Board approval.

QUESTION	ANSWER	MORE INFORMATION
What will the dividend policy of the Merged Group be?	Following refinancing of the Merged Group's finance facilities, the board of the Merged Group will be looking to pay dividends as soon as it is responsible to do so. In making any determination on dividends, the board of the Merged Group will have regard to, amongst other things, the available profits, its financial position, franking credits and the board of the Merged Group's assessment of the capital required to grow the combined businesses.	Section 12 (<i>Profile of the Merged Group</i>)
What will happen to the Horizon Oil name?	Following implementation of the Scheme, the board of the Merged Group may make a decision on the name of the Merged Group. Any decision to change the name of the listed entity would be subject to shareholder approval of the Merged Group. Until then, the Merged Group intends to use the Roc name, including any associated trade marks and logos in the conduct of its business in China and South East Asia, which will include Malaysia and Myanmar. The Horizon Oil name, including any associated trade marks and logos will be used in the conduct of its business in PNG and New Zealand. The branding of any new operations and projects in countries not specified will be subject to management consideration.	Section 12 (<i>Profile of the Merged Group</i>)
What will be the trading price of the New Roc Shares?	There is no certainty as to the trading price of the New Roc Shares following implementation of the Scheme.	

OVERVIEW OF THE SCHEME

What is a scheme of arrangement?	A scheme of arrangement is a statutory procedure that can be used to enable one company to acquire another company. It requires a vote in favour of the Scheme by a Requisite Majority of Horizon Oil Shareholders at a meeting of shareholders and Court approval.	
Is the Scheme subject to any conditions?	Implementation of the Scheme is subject to a number of conditions. These conditions are summarised in section 8.4 (<i>Conditions of the Scheme</i>) and set out in full in the Merger Implementation Deed.	Section 8.4 (<i>Conditions of the Scheme</i>) Attachment C (<i>Merger Implementation Deed</i>)
Under what scenarios can Horizon Oil or Roc terminate the transaction?	The transaction can be terminated by Horizon Oil or Roc (as applicable) in the circumstances set out in the Merger Implementation Deed including if: i) the Scheme is not implemented by the End Date; ii) the Horizon Oil Directors no longer recommend the Scheme; iii) either Roc or Horizon Oil is in material breach of the Merger Implementation Deed; iv) the Scheme Meeting resolution does not meet the Requisite Majority; v) a Regulatory Authority has issued a final order restraining the Scheme; vi) the Conditions Precedent are not satisfied or waived (including the occurrence of a "Roc Oil Prescribed Event" or "Horizon Oil Prescribed Event"); vii) a Competing Transaction is publicly announced for either Roc or Horizon Oil and is recommended by the Roc Board or Horizon Oil Board (as applicable); viii) failure of an appeal if the Court does not approve the Scheme; ix) either party's insolvency; or x) by agreement.	Section 16.1 (<i>Merger Implementation Deed</i>) Attachment C (<i>Merger Implementation Deed</i>)

QUESTION	ANSWER	MORE INFORMATION
What if the Scheme is not approved by a Requisite Majority of Horizon Oil Shareholders at the Scheme Meeting or it is not approved by the Court?	If the Scheme is not approved by a Requisite Majority of Horizon Oil Shareholders at the Scheme Meeting or it is not approved by the Court: i) Horizon Oil will remain listed on ASX and continue to operate as it does now; ii) Horizon Oil will not merge with Roc, the potential benefits of the Scheme will not be realised and the potential disadvantages of the Scheme will not arise; iii) you will retain your Horizon Oil Shares; and iv) Horizon Oil Shareholders will not receive the Scheme Consideration. It is possible that the price of Horizon Oil Shares may fall if the Scheme is not implemented. Before the Scheme Meeting, Horizon Oil estimates that it will have incurred or committed transaction costs of approximately US\$4.3 million in relation to the Scheme. Those costs will be payable by Horizon Oil regardless of whether or not the Scheme is implemented.	Section 8.18 (<i>What will happen if the Scheme does not proceed</i>) Section 17.5 (<i>Fees and interests of advisers and others</i>)
What are the prospects of a Superior Proposal emerging?	It is possible that a Superior Proposal for Horizon Oil, which is more attractive for Horizon Oil Shareholders than the Scheme, may emerge in the future. The Horizon Oil Directors are not currently aware of any such proposal and note that since Horizon Oil and Roc announced the merger, there has been a significant period of time for an alternative proposal for Horizon Oil to emerge.	
What happens if a Superior Proposal emerges?	If a Superior Proposal emerges, this will be announced to ASX and the Horizon Oil Directors will carefully reconsider the Scheme and advise you of their recommendation.	
HORIZON OIL DIRECTORS' RECOMMENDATION AND THE INDEPENDENT EXPERT'S CONCLUSION		
What do the Horizon Oil Directors recommend?	The Horizon Oil Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.	Section 7 (<i>Horizon Oil Directors' recommendation and details of reasons to vote for or against the Scheme</i>)
How do the Horizon Oil Directors intend to vote?	Each Horizon Oil Director intends to vote in favour of the Scheme in relation to shares held or controlled by them, in the absence of a Superior Proposal.	Section 7 (<i>Horizon Oil Directors' recommendation and details of reasons to vote for or against the Scheme</i>)
What is the Independent Expert's conclusion?	The Independent Expert has concluded that the Scheme is in the best interests of Horizon Oil Shareholders. The Independent Expert has concluded that the Scheme does not appear to have any significant disadvantages for Horizon Oil Shareholders, when weighed against the associated advantages. The Independent Expert has stated that its estimate of the implied value of the Scheme Consideration on a control basis is in the range of A\$0.46 to A\$0.53 per Horizon Oil Share as a result of the Scheme. This compares with the Independent Expert's valuation of each Horizon Oil Share on a control basis of A\$0.41 to A\$0.50.	Attachment A (<i>Independent Expert's Report and Independent Technical Expert's Report</i>)
VOTING		
What choices do I have as a Horizon Oil Shareholder?	As a Horizon Oil Shareholder you have the following choices: i) you can vote in person or by proxy at the Scheme Meeting; ii) you can elect not to vote at the Scheme Meeting; or iii) you can sell your Horizon Oil Shares on ASX prior to the Effective Date. If you sell your Horizon Oil Shares on ASX you may incur brokerage costs.	Section 3 (<i>Action required by Horizon Oil Shareholders</i>)

QUESTION	ANSWER	MORE INFORMATION
Am I entitled to vote?	If you are registered as a Horizon Oil Shareholder on the Horizon Oil Register at 7.00pm (Sydney time) on Tuesday, 5 August 2014, you will be entitled to vote at the Scheme Meeting. For the avoidance of doubt, this includes a Horizon Oil Shareholder who holds Horizon Oil Shares as a result of the conversion of or exercise of rights attached to other Horizon Oil Securities (including Horizon Oil Options, Horizon Oil SARs or Horizon Oil Convertible Bonds) on or prior to that date.	Section 3 (Action required by Horizon Oil Shareholders)
Should I vote?	Voting is not compulsory. However, the Horizon Oil Directors believe that the Scheme is important to Horizon Oil Shareholders. The Horizon Oil Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.	Section 3 (Action required by Horizon Oil Shareholders)
How do I vote?	Horizon Oil Shareholders who are entitled to vote may do so by: i) attending the Scheme Meeting to be held on Thursday, 7 August 2014 at The Sydney Boulevard Hotel, 90 William Street, Sydney, commencing at 11.00am (Sydney time); ii) completing and lodging the proxy form that is enclosed with this Scheme Booklet; iii) by corporate representative appointed to vote on behalf of a Horizon Oil Shareholder that is a company; or iv) by attorney appointed to vote on your behalf.	Section 3 (Action required by Horizon Oil Shareholders) Attachment E (Notice of Scheme Meeting)
What vote is required to approve the Scheme?	For the Scheme to proceed, votes in favour of the resolution to approve the Scheme at the Scheme Meeting must be received from a Requisite Majority of Horizon Oil Shareholders. A Requisite Majority consists of: i) unless the Court orders otherwise, a majority by number (more than 50%) of Horizon Oil Shareholders, who are present and voting either in person or by proxy, attorney or, in the case of corporate Horizon Oil Shareholders, by corporate representative at the Scheme Meeting; and ii) at least 75% of the total number of votes cast on the resolution at the Scheme Meeting. It is also necessary for the Court to approve the Scheme before it can become Effective.	Section 3 (Action required by Horizon Oil Shareholders)
What happens if I do not vote, or I vote against the Scheme?	Even if you do not vote or you vote against the Scheme, but a Requisite Majority of other Horizon Oil Shareholders vote in favour of the Scheme and the Scheme also receives Court approval, the Scheme will become Effective and binding on all Horizon Oil Shareholders. If the Scheme is implemented, on the Implementation Date your Horizon Oil Shares will be transferred to Roc and you will receive the Scheme Consideration for your Horizon Oil Shares. However, if you are not eligible to receive the Scheme Consideration because you are an Ineligible Foreign Shareholder, your existing Horizon Oil Shares will be exchanged for cash through a sale facility. If you do not vote or you vote against the Scheme and a Requisite Majority of other Horizon Oil Shareholders do not vote in favour of the Scheme, the Scheme will not be approved at the Scheme Meeting. If this occurs, the Scheme will not proceed and you will not receive the Scheme Consideration and you will remain a Horizon Oil Shareholder.	Section 3 (Action required by Horizon Oil Shareholders) Section 8.19 (Foreign Horizon Oil Shareholders) Section 8.20 (Sale Nominee process)

QUESTION	ANSWER	MORE INFORMATION
When will the result of the Scheme Meeting be known?	The results of the Scheme Meeting will be made available shortly after the conclusion of the Scheme Meeting and will be announced to ASX as soon as practicable. Even if the Scheme is approved at the Scheme Meeting, it will remain subject to a number of conditions including approval of the Scheme by the Court. The Second Court Hearing is currently anticipated to be held on Thursday, 14 August 2014.	Section 16 (<i>Implementing the Scheme</i>)
What if I want to oppose the Scheme?	If you wish to oppose the Scheme, you may: i) attend the Scheme Meeting in person or by proxy and vote against the Scheme; ii) attend the Second Court Hearing to oppose the Court exercising its discretion to grant orders approving the Scheme; or iii) make a complaint to ASIC about the Scheme. If you wish to attend the Second Court Hearing, you should seek legal advice and note that the Second Court Hearing for the approval of the Scheme is presently scheduled for Thursday, 14 August 2014. You should file and serve a notice of appearance in the Federal Court of Australia Proceedings Number NSD 479 of 2014 together with any affidavit on which you wish to rely at the hearing, at least one day before the hearing. The address for service is that of Horizon Oil's Australian legal adviser as set out in section 24 (<i>Corporate Directory</i>) (to the attention of: Mr Alex Morris).	
AUSTRALIAN TAX IMPLICATIONS		
What are the Australian tax implications of the Scheme for Scheme Participants?	Section 15 (<i>Tax implications</i>) provides a general outline of the Australian income tax, capital gains tax and stamp duty consequences for Scheme Participants who dispose of their Horizon Oil Shares in accordance with the Scheme. You should consult with your own tax adviser regarding the tax consequences of disposing of your Horizon Oil Shares in accordance with the Scheme in light of current tax laws and your particular circumstances.	Section 15 (<i>Tax implications</i>)
Will shareholders be entitled to scrip-for-scrip capital gains tax roll-over relief as part of the transaction?	Based on the summary of taxation implications included in this Scheme Booklet, Australian-resident Horizon Oil Shareholders who hold Horizon Oil Shares on capital account should be entitled to scrip-for-scrip CGT roll-over relief to the extent they would otherwise make a capital gain.	Section 15 (<i>Tax implications</i>)
FURTHER QUESTIONS		
What if I have further questions about the Scheme?	If you have any further questions about the Scheme, please call the Horizon Oil Shareholder Information Line on 1300 721 637 (within Australia) or +61 2 8016 2890 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.	

10. Profile of Horizon Oil



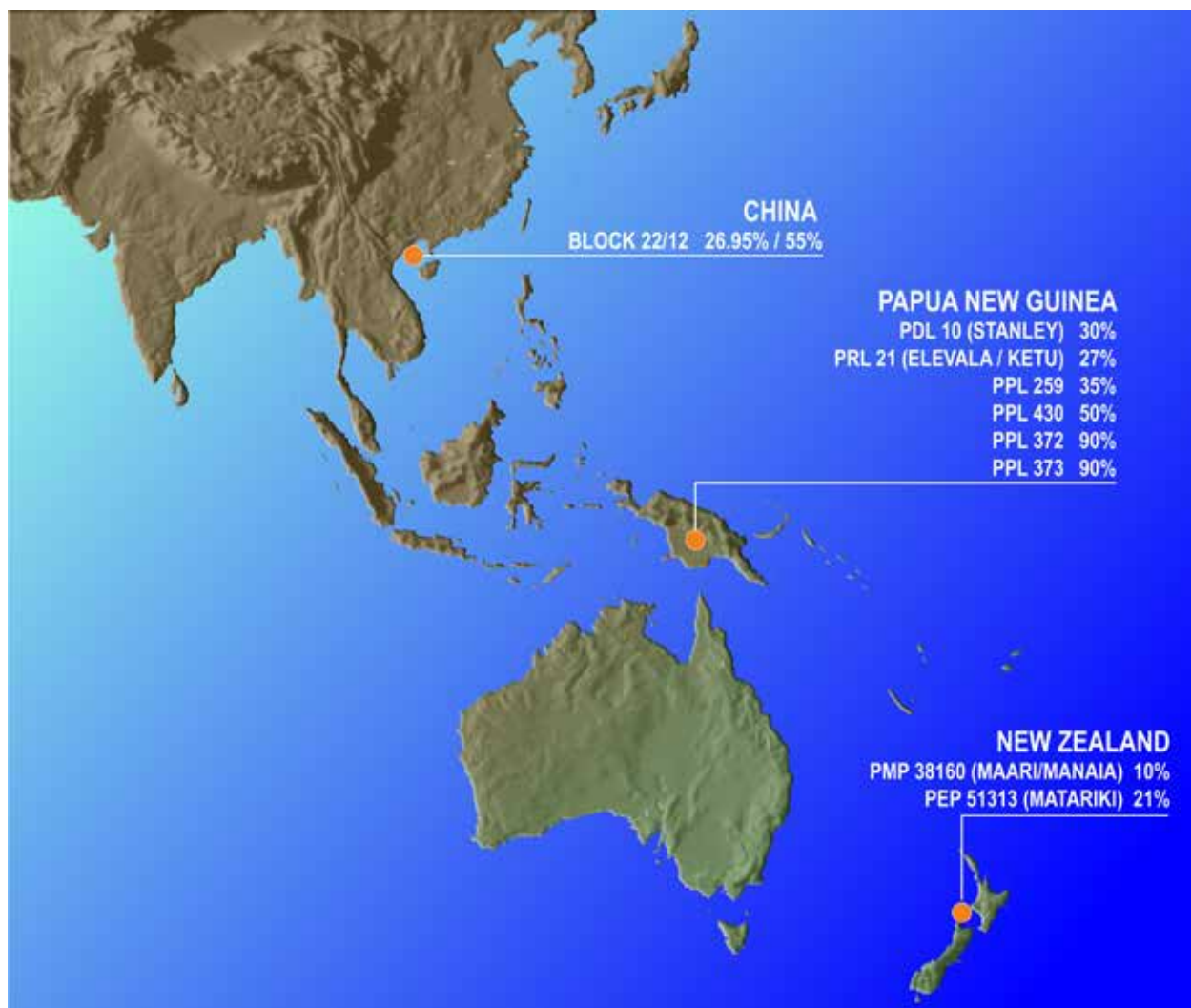
10.1 OVERVIEW OF HORIZON OIL

Horizon Oil is an oil and gas exploration, development and production company, incorporated and domiciled in Australia. Horizon Oil is listed on ASX and was added to the S&P/ASX 200 Index in March 2013. Horizon Oil's portfolio is comprised of petroleum interests in China, New Zealand and PNG and includes producing assets in the Beibu Gulf of China (Block 22/12) and the Maari/Manaia Fields in New Zealand (PMP 38160). Horizon Oil also has substantial exploration acreage in the forelands of the Western Province of PNG with the Stanley Field PDL 10 (formerly PRL 4) currently in development and the Elevala/Tingu and Ketu Fields (PRL 21) currently in appraisal.

Horizon Oil was originally registered as Bligh Oil & Minerals N.L. in 1969. It changed its name to Horizon Oil N.L. on 31 October 2002 and to Horizon Oil Limited, a company limited by shares, on 16 January 2004.

Horizon Oil is one of Australia's leading mid-cap oil and gas companies. As at 30 June 2014, Horizon Oil had 1,301,981,265 fully paid ordinary shares on issue and a market capitalisation of approximately A\$455 million.

Horizon Oil is focused on productive fairways and mature operating areas in south-east Asia and Australasia as summarised in the map and table below:^{13, 14}



¹³ PNG interests are subject to reduction if the PNG State exercises its right to take up to a 22.5% interest in a development licence.

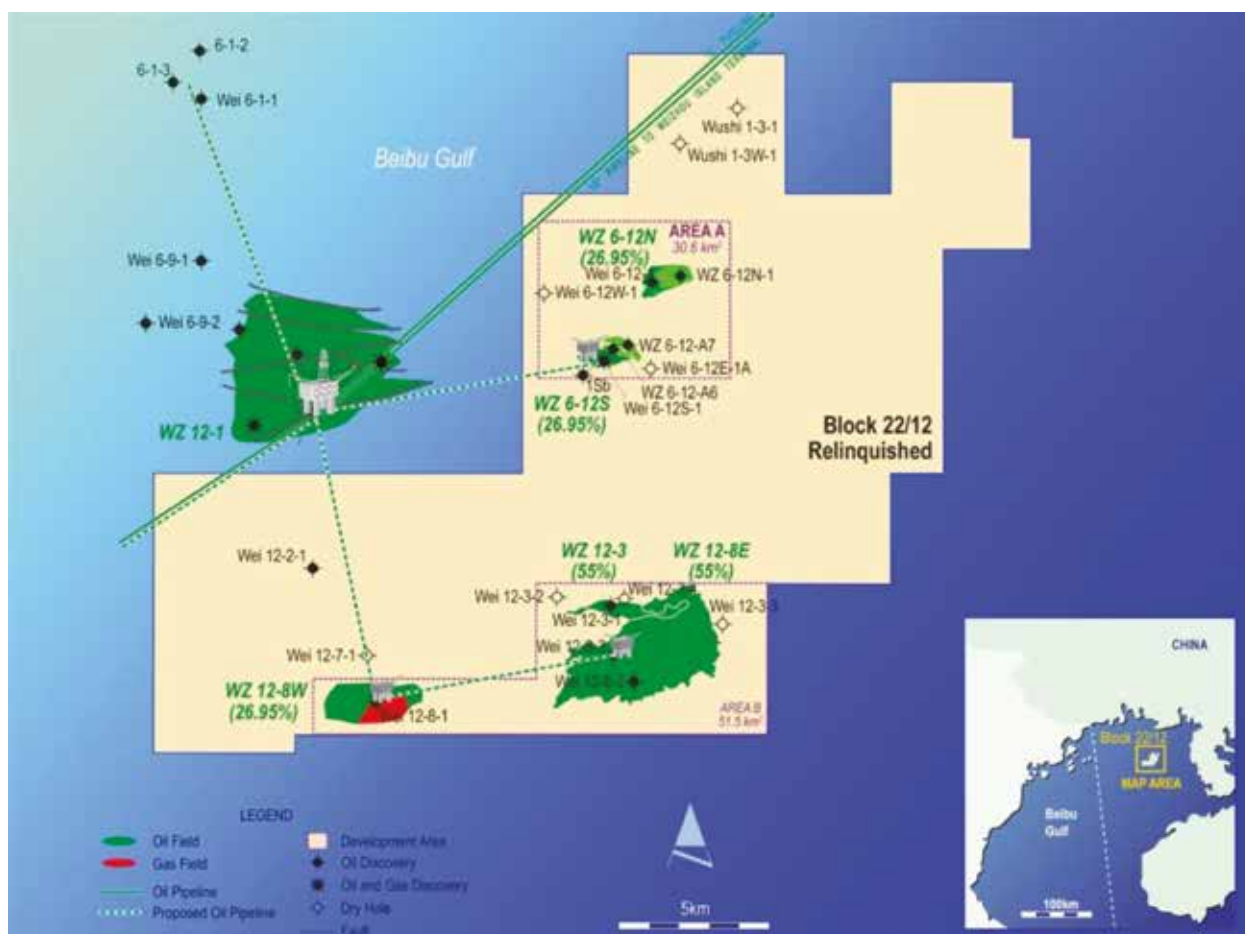
¹⁴ 21% interest in Whio prospect area in New Zealand subject to reduction to 10% in event of a commercial discovery at Whio.

LOCATION	ASSET	FIELD & HORIZON OIL INTEREST	ACTIVITY	OPERATOR STATUS	CY2013 NET PRODUCTION
China	22/12 (Beibu Gulf)	• WZ 6-12 N&S 26.95%	Production	Non-operator	0.8 MMBOE
		• WZ 12-8 W 26.95%	Production	Non-operator	Production commenced March 2013
		• WZ 12-8 E 55% ¹⁵	Appraisal	Non-operator	
New Zealand	PMP 38160	Maari and Manaia 10%	Production	Non-operator	0.2 MMBOE
	PEP 51313	Whio prospect and others 21%/10% ¹⁶	Exploration	Non-operator	–
Papua New Guinea	PDL 10 (formerly PRL 4)	Stanley 30% ^{17,18}	Development	Non-operator	–
	PRL 21	Elevala/Tingu and Ketu 27%	Appraisal	Operator	–
	PPL 259	Nama and other prospects 35%	Exploration	Non-operator	–
	PPL 372	90%	Exploration	Operator	–
	PPL 373	90%	Exploration	Operator	–
	PPL 430	50%	Exploration	Operator	–

10.2 OVERVIEW OF HORIZON OIL'S ASSETS

A) CHINA

i) Block 22/12, Beibu Gulf



¹⁵ Subject to CNOOC participation of 51%.

¹⁶ 21% interest in Whio prospect area subject to reduction to 10% in event of a commercial discovery at Whio.

¹⁷ Subject to reduction if the PNG State exercises its right to take up to a 22.5% interest in the development.

¹⁸ Subject to change following determination by expert (appointed pursuant to a unitisation agreement) of extent to which the Stanley Field extends in to block 1622 (contained in PPL 259).

Block 22/12 is located in the Beibu Gulf offshore China. Production in 6-12 N and 6-12 S commenced at the end of March 2013, followed by 12-8W with all fifteen wells online by August 2013.

Key details of the Beibu Gulf project are contained in the table below:

WZ 6-12 and WZ 12-8, Beibu Gulf, offshore China

Operator	CNOOC Limited (development and production) Roc Oil (China) Company (exploration and appraisal)
Horizon Oil interest	26.95% (development and production); 55% (exploration and appraisal)
Joint venture partners and interests	CNOOC Limited: 51% (development and production) Roc Oil (China) Company: 19.6% (development and production); 40% (exploration and appraisal) Oil Australia Pty Ltd (Majuko): 2.45% (development and production); 5% (exploration and appraisal)
1Q 2014 production rate	Gross: 13,330 BOPD Net to Horizon Oil: 3,592 BOPD
Net 2P Reserves as at 1 January 2014	6.5 MMBBL (see section 10.3(e) (<i>Reserves and resources methodology</i>))
Production start-up	March 2013
Field facilities	Two wellhead platforms and one joint processing platform, which are connected by bridge to the CNOOC WZ 12-1A platform complex and utilise existing water injection and gas export facilities.

The Beibu Gulf development was finalised in 2013 following the successful hook-up and commissioning of the ten well development drilling program on the WZ 6-12 wellhead platform, the five well development drilling program on the WZ 12-8W Field and installation of the PUQB utilities platform heli-deck. The development project was completed safely and within budget.

There are two undeveloped oil accumulations in the retained development areas (WZ 12-8E and WZ 12-3) with development feasibility studies in progress for WZ 12-8E. The development of the WZ12-8E Field will constitute the second phase of an integrated development following completion of the current WZ6-12 and WZ12-8W project.

Gross oil production at December 2013 was 14,501 BOPD (HZN: 3,908 BOPD) with all 15 wells on line for the full period. Five of the 15 wells continue to flow naturally whilst 10 of the wells are being produced with artificial lift by electric submersible pumps. Crude oil sales for the calendar year were 759,628 BBLS at an average realised price (net of hedging) of US\$101.04/BBL. Cumulative gross production from the combined fields was 3.0 MMBOE to 31 December 2013 (0.8 MMBOE net to Horizon Oil). In the quarter ended 31 March 2014, the project produced 1.2 MMBOE (0.3 MMBOE net to Horizon Oil).

ii) Block 09/05, Bohai Bay

In October 2013, Horizon Oil entered into a farm-in option agreement with Roc Oil (Bohai) Company in Block 09/05. Under the terms of the agreement, Horizon Oil had a right to farm into a 40% working interest in Block 09/05. In light of the proposed merger with Roc, Horizon Oil has elected not to exercise the option.

B) NEW ZEALAND

i) PMP 38160, Maari/Manaia



The Maari development, operated by OMV New Zealand Ltd, and the Manaia structure are located in PMP 38160 approximately 80 km offshore Taranaki, New Zealand, in 102 metres of water. Production of the field commenced in February 2009 with production from the three producing reservoirs flowing to a single wellhead platform located adjacent to the Maari Field, before connecting to a floating production storage and offload vessel moored approximately 1.5 km from the wellhead platform.

Key details of the Maari/Manaia Fields are contained in the table below:

PMP 38160, Maari/Manaia Fields, Taranaki Basin, offshore New Zealand

Operator	OMV New Zealand Limited
Horizon Oil interest	10%
Joint venture partners and interests	OMV New Zealand Limited: 69% Todd Maari Limited: 16% Cue Taranaki Pty Ltd: 5%
1Q 2014 production rate	Gross: 9,814 BOPD Net to Horizon Oil: 981 BOPD
Net 2P Reserves as at 1 January 2014	6.0 MMBBL (see section 10.3(e) (<i>Reserves and resources methodology</i>))
Production start-up	February 2009
Field facilities	Six producer wells with two water injectors. The producer wells access three producing reservoirs which tie in to a single wellhead platform. The platform is connected to a floating production storage and offload vessel moored approximately 1.5 km from the wellhead platform.

During the 2013 calendar year, Horizon Oil's working interest share of production from Maari Field was 192,673 BBL of oil. Cumulative oil production from the field through 31 December 2013 was 22.4 million BBL. Crude oil sales were 179,069 BBL at an average realised price (net of hedging) of US\$99.55/BBL. At the end of December 2013, gross oil production was approximately 10,200 BOPD (HZN: 1,020 BOPD). In the quarter ended 31 March 2014, the project produced 0.9 MMBOE (88,340 BBL net to Horizon Oil). The field was developed on the basis of 60 MMBOE recoverable reserves.

The Maari growth program was approved for the 2014 budget and is designed to access untapped oil accumulations and enhance production rate and oil recovery from the Maari and Manaia Fields. The program commenced with the workover of the MR1 well utilising the wellhead platform workover unit to convert the well into a water injector.

After the successful completion of the workover, the Ensco 107 jack up drilling rig arrived and was located alongside and cantilevered over the Maari platform with minimal delays. This enabled the commencement during early April 2014 of the substantive phase of the program, incorporating four infill production wells, one new injection well and a workover of the existing MR2 dual lateral production well.

On 4 November 2013, the Manaia-2/2A well reached total depth of 2,891 metres. The well is located 1.25 km north of Maui-4 (which discovered the Manaia Field) and 6 km to the southwest of the Maari Field well head platform.

The evaluation of the Manaia-2 well has continued with the results assisting in the planning of the upcoming Manaia-3 infill development well, as part of the abovementioned Maari growth project program.

iii) PEP 51313



The PEP 51313 Field is located to the south of PMP 38160 in the offshore Taranaki Basin, New Zealand. The first target to be drilled in the permit is the Whio prospect, which is located approximately 4 km from the Maari installation in 95 metres of water.

Key details of the Whio prospect are contained in the table below:

PEP 51313, Whio prospect, offshore Taranaki Basin, New Zealand

Operator	OMV New Zealand Limited (OMV)
Horizon Oil interest	21%; 10% ¹⁹
Joint venture partners and interests	OMV New Zealand Limited: 30%; 69%
	Todd Exploration Limited: 35%; 16%
	Cue Taranaki Pty Ltd: 14%; 5%

In November 2012, Horizon Oil and its joint venture partners farmed out a 30% interest in PEP 51313 to OMV. The key earning provision of the farm-out agreement is that OMV will fund 100% of the cost (without limitation) of the exploration well targeting the Whio prospect. The well will be drilled in conjunction with appraisal drilling at Manaia with the semi-submersible rig Kan Tan IV, which arrived in New Zealand waters in August 2013.

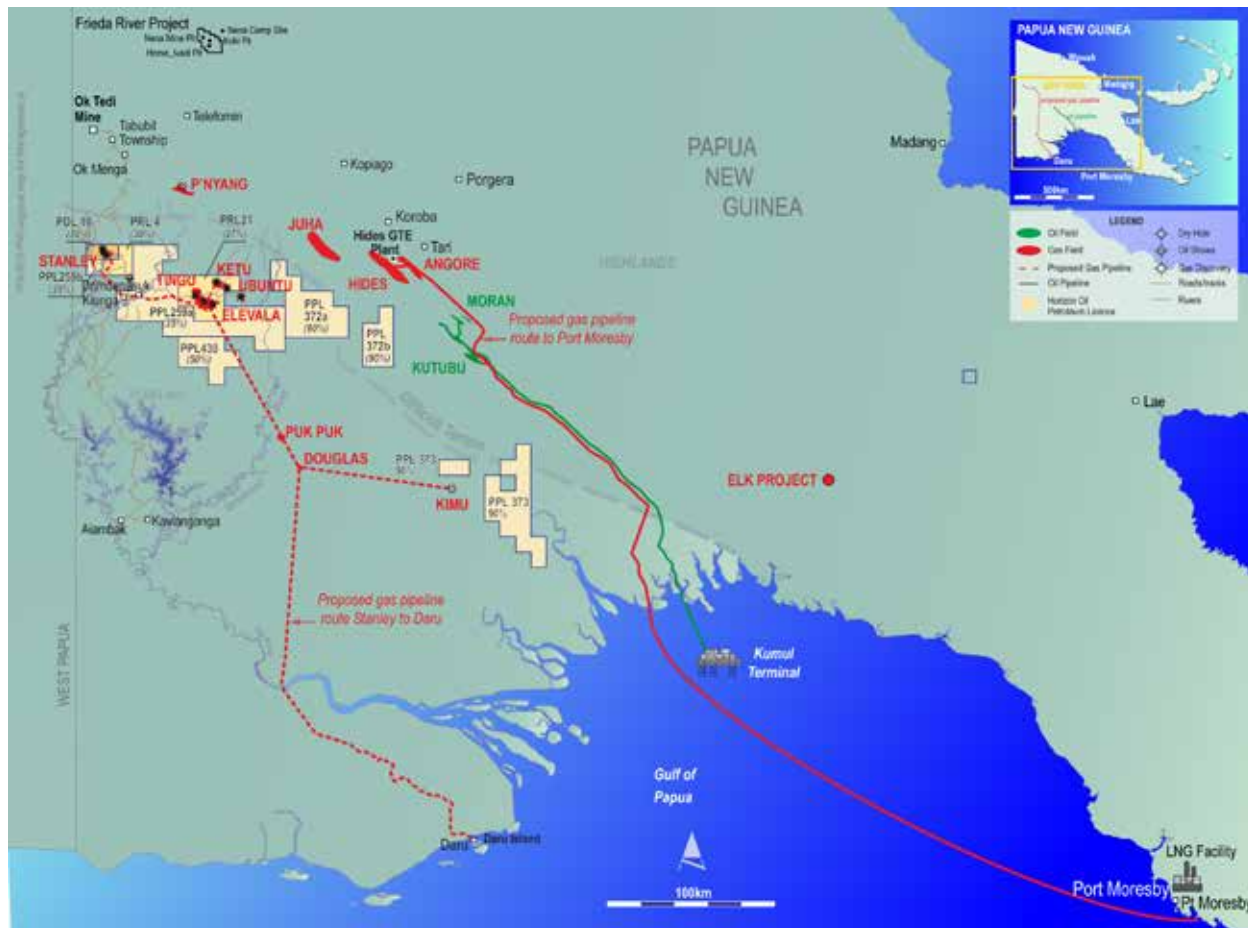
The planning for the drilling of the Whio-1 well has progressed towards an expected spud in Q3 calendar year 2014, following drilling of 3 wells for other joint ventures. The remaining 2014 budget estimate is US\$37 million, the costs of which are fully carried by OMV.

¹⁹ Interest in Whio prospect area if a discovery is made.

Under the farm-out agreement, in the event of a commercial discovery at the Whio prospect, OMV's share in the Whio prospect area alone will increase to 69%. The equity interests over the Whio area in this instance will match those of the Maari licence (PMP 38160) and this will facilitate the development of Whio through the existing Maari facilities.

OMV assumed operatorship over PEP 51313 following completion of a 450 sq km 3D seismic program over the Pukeko and Te Whatu prospects in Q1 calendar year 2013. The original PEP 51313 participants funded this program. In Q1 calendar year 2014, the joint venture made the decision not to commit to the drilling of the Te Whatu well and, as a consequence, relinquished the western area of the licence, retaining the core area containing the Whio, Matariki and Paua prospects.

C) PAPUA NEW GUINEA



i) Strategic alliance with Osaka Gas

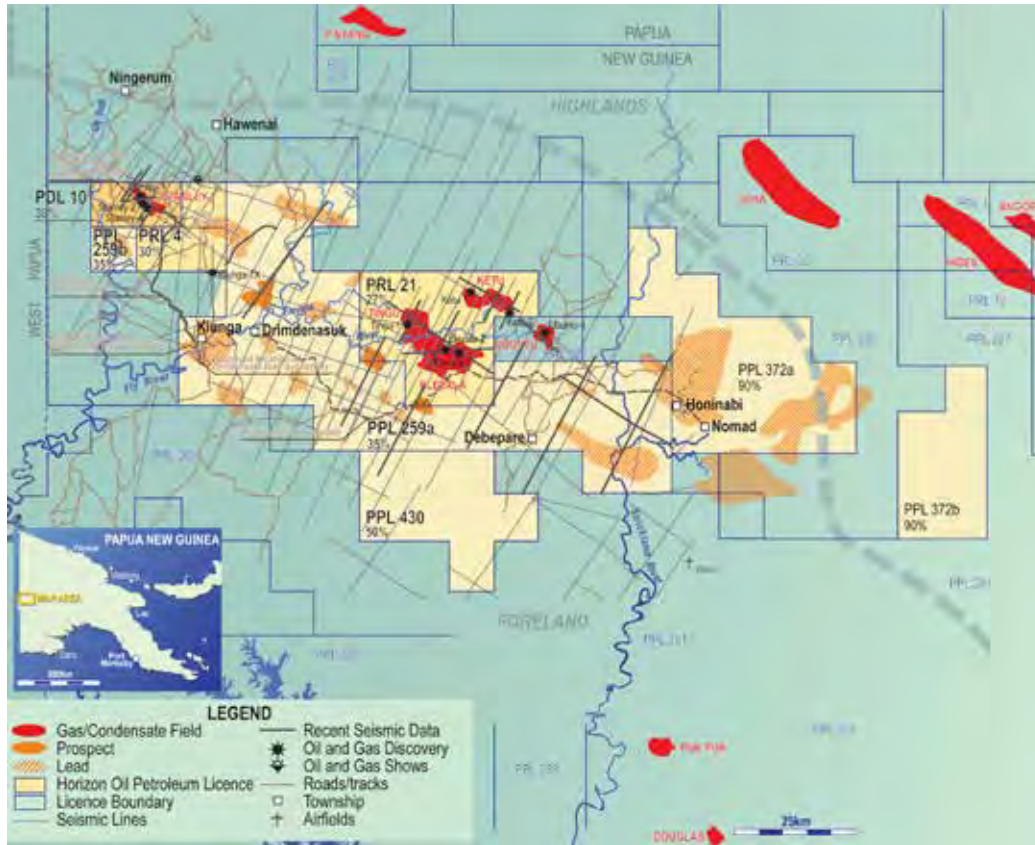
On 23 May 2013, Horizon Oil announced that it had entered into an agreement to sell 40% of its PNG assets to Osaka Gas Niugini Pty Ltd, a subsidiary of Osaka Gas Co. Ltd of Japan (Osaka Gas).

With the grant of the petroleum development licence over the Stanley Field representing the final condition precedent to be satisfied, the transaction completed on Thursday 12 June 2014 resulting in approximately US\$54 million in cash being transferred to Horizon Oil in consideration for the transfer of 40% of Horizon Oil's interests in PDL 10 (formerly PRL 4) (Stanley Field), PRL 21 (Elevala and Ketu Fields) and PPL 259 with an additional US\$24 million in past costs also paid on completion. The remaining US\$130 million of the sale price will be payable to Horizon Oil upon FID for an LNG project (which includes FID on any project in which Osaka Gas is entitled to take its share of LNG in kind on an equity basis utilising the gas from any of the assets), plus potential production payments where threshold condensate production is exceeded.

The sale marked 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 principal objective of the partnership is to commercialise Horizon Oil's and Osaka Gas' net of 135 MBOE certified Reserves and Contingent Resources and develop extensive acreage in Western Province for the purposes of supporting a mid-scale LNG project. 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.

Osaka Gas' experience as a participant in LNG projects, its LNG engineering capability and its role as a large scale off-taker, transporter and distributor of LNG all add credibility to the venture and will enable Horizon Oil to play its part and participate in a mid-scale LNG development, which has the potential to generate strong cash flows.

ii) PDL 10 (formerly PRL 4) Stanley Field



The Stanley Field is located in PDL 10 (formerly PRL 4), approximately 40 km by road from the township of Kiunga in the Western Province of PNG.

Key details of the Stanley Field development are contained in the table below:

PDL 10 (formerly PRL 4), Stanley Field, Western Province, Papua New Guinea

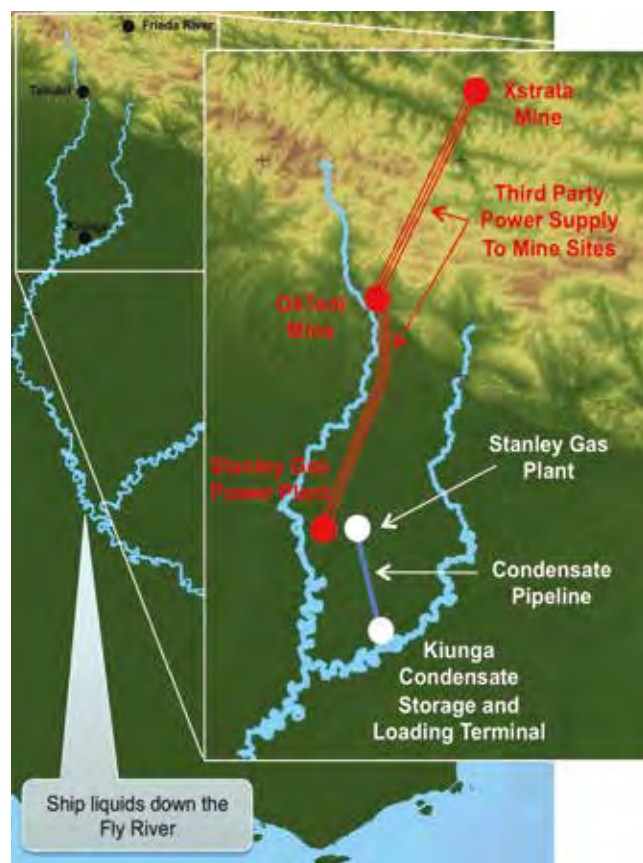
Operator	Talisman Energy Niugini Limited
Horizon Oil interest	30% ^{20,21}
Joint venture partners and interests	Osaka Gas Niugini Pty Ltd: 20% Talisman Energy Niugini Limited: 40% Diamond Gas Niugini B.V. (Mitsubishi): 10%
Net 2P Reserves at 1 January 2014	3.4 MMBBL (see section 10.3(e) (<i>Reserves and resources methodology</i>))
Net 2C Contingent Resources at 1 January 2014	20.4 MMBOE (see section 10.3(e) (<i>Reserves and resources methodology</i>))
Field facilities	Condensate will be transported via a 6 inch 40 km pipeline to a 60,000 BBL storage tank near Kiunga laydown area, before being loaded onto a special purpose 33,000 BBL tanker 1 km downstream of the existing Kiunga wharf.

On 14 April 2014, Horizon Oil announced that the PNG Cabinet had approved the Stanley gas condensate development project and on 17 April 2014, the PDL 10 (formerly PRL 4) licensees and the State executed the Stanley Gas Agreement which prescribes the key rights and obligations of the State and licensees in respect of the Stanley project (including fiscal terms). On Friday, 30 May 2014, Minister Nixon Duban granted the licensees the Stanley development PDL 10 (formerly PRL 4) and pipeline licences.

²⁰ Subject to reduction if the PNG State exercises its right to take up to a 22.5% interest in the development.

²¹ Subject to change following determination by expert (appointed pursuant to a unitisation agreement) of extent to which the Stanley Field extends in to block 1622 (contained in PPL 259).

The Stanley Field will be developed initially as a condensate recovery project, with subsequent and increasing sales of gas as customers are contracted. It is envisaged that these will primarily be domestic and industrial consumers located in the region (see below). The development concept involves producing 140 MMSCFD of wet gas, from which initially 4,000 BBL of condensate per day will be recovered utilising a two train 140 MMCFD gas refrigeration plant located in the field. Any dry gas not sold or used for operations will be re-injected into the reservoir and “banked” until required for sale. The condensate will be transported via a 6 inch 40 km pipeline to a 60,000 BBL storage tank near the Kiunga laydown area and then loaded onto a tanker at a loading facility about 1 km downstream of the existing Kiunga wharf, which is the export point for copper concentrate from the Ok Tedi mine.



A special purpose 33,000 BBL river tanker with ocean going capability has been designed to transport the condensate to market. The tanker has been built under the supervision of P&O Maritime and has completed sea trials.

Negotiations with Ok Tedi Mining Limited for the supply of gas from the Stanley Field have significantly progressed, with indications from the Ok Tedi mine that they will take up to 3 petajoules of gas per annum. Technical and commercial issues in the detailed term sheet have been resolved, subject to final agreement on price. Horizon Oil is exploring other avenues to commercialise the remainder of the gas resources, such as the potential provision of gas to the Frieda River Copper-Gold Project, should the development plan for that project be approved.

The Parker Rig 226 commenced development drilling operations of the Stanley-3 and Stanley-5 development wells on 16 June 2014.

Negotiations with the participants in PPL 259 regarding the formation of a unit to include the small portion of the Stanley Field that possibly encroaches into PPL 259 were concluded in December 2013. The effect on Horizon Oil's interest in the Stanley Field will be immaterial, given Horizon Oil's near equivalent participation in each licence.

iii) PRL 21, Elevala/Ketu Fields



PRL 21 is located approximately 50 km east of the town of Kiunga in the Western Province of PNG. It consists of two fields, Elevala (which includes Tingu) and Ketu. The licence is operated by Horizon Oil.

Key details of the Elevala/Ketu Fields are contained in the table below:

PRL 21, Elevala/Ketu Fields, Western Province, Papua New Guinea

Operator	Horizon Oil (Papua) Limited
Horizon Oil interest	27% ²²
Joint venture partners and interests	Osaka Gas Niugini Pty Ltd: 18% Talisman Energy Niugini Limited: 32.5% Kina Petroleum Limited: 15% Diamond Gas Niugini B.V. (Mitsubishi): 7.5%
Net 2C Contingent Resources as at 1 January 2014	57.4 MMBOE (see section 10.3(e) (<i>Reserves and resources methodology</i>))

On 17 March 2014, Horizon Oil submitted the petroleum development and pipeline applications for the Elevala/Ketu Fields to the PNG Department of Petroleum and Energy.

As a party to both the PDL 10 (formerly PRL 4) and PRL 21 joint ventures, Horizon Oil will be using the experience gained in the design of the Stanley Field development in PDL 10 (formerly PRL 4) to fast track development plans and early production of the liquids in PRL 21 by way of condensate stripping. The combined contingent gas resources of around 1.4 TCF in PDL 10 (formerly PRL 4) and PRL 21 approach the scale required for a mid-scale LNG project and Horizon Oil is advancing its pre-development studies of this opportunity.

The Elevala/ Ketu Fields were appraised in 2012 and were estimated at that time to contain a substantial resource of gross proven and probable contingent resources of 795 BCF of gas and 40 MMBBL of condensate with prospective upside associated with the Tingu structure located some 9.2 km northwest of the Elevala-2 well.

The Tingu-1 appraisal well was spudded on 26 August 2013. Data from logs and pressure measurements confirmed a significant gas-condensate discovery in the primary target Elevala Sandstone. The well encountered a gas water contact in that reservoir consistent with that in the Elevala accumulation to the southeast, implying a connected field. The well was tested and flowed at an average rate of 48 MMSCFD with a stabilised condensate ratio (CGR) of around 50 BBL/MMSCF, similar to Elevala gas.

The Tingu structure is considered to be connected to the Elevala Field and, after evaluation and modelling of the data, the combined resource of the Elevala (including Tingu) and Ketu Fields is now estimated at 980 BCF of gas with 50 MMBBL of condensate and approximately 30 MMBOE of LPG.

The Tingu and Elevala accumulation comprise gross contingent 2C resources of 688 BCF of gas and 35 MMBBL of condensate.

²² Subject to reduction if the PNG State exercises its right to take up to a 22.5% interest in the development.

iv) PPL 259

PPL 259 covers an area of approximately 2,805 sq km in the Western Province of PNG.

Key details of PPL 259 are contained in the table below:

PPL 259, Western Province, Papua New Guinea

Operator	Eaglewood Energy (BVI) Limited
Horizon Oil interest	35%
Joint venture partners and interests	Eaglewood Energy (BVI) Limited: 45%
	Osaka Gas Niugini E&P Pty Ltd: 10%
	Mega Fortune International Limited: 10%

In October 2013, Horizon Oil entered into a farm-in agreement with Eaglewood Energy to acquire a further 20% participating interest in PPL 259. The farm-in is on industry terms, incorporating reimbursement of proportionate past costs and a carry. Under the terms of the farm-in, Horizon Oil will operate the Nama exploration well to be drilled in the licence in 2014. The Nama prospect is located near the Stanley Field with a potential resource size similar to that of the Stanley Field.

In addition, several large prospects have been delineated as drilling targets following interpretation of the 67 km of new 2D seismic data acquired in 2013.

v) PPLs 430, 372 and 373

Horizon Oil materially expanded its acreage holdings in PNG in 2013, with the award of a 50% interest in a new licence PPL 430 and the acquisition of 90% interests in PPLs 372 and 373.

These additions, which are part of Horizon Oil's strategy of selectively building up its exploration acreage portfolio in and around discovered hydrocarbon accumulations, increased Horizon Oil's gross acreage position in PNG. Horizon Oil is the designated operator of the three new licences, as well as existing licence PRL 21.

Data on the new acreage is being collated, with the intent of reprocessing existing seismic ahead of acquiring new seismic data. The acreage will be explored with the objective of confirming sufficient gas reserves, when added to the existing reserves base, to potentially underwrite a mid-scale LNG plant on the coast.

10.3 HORIZON OIL'S RESERVES AND RESOURCES STATEMENT

The Reserve and Contingent Resource estimates used in this Scheme Booklet for Horizon Oil are supported by the Competent Person statement contained in section 1 (*Important notices*).

A) RECONCILIATION OF ECONOMIC INTEREST RESERVES

	1P DEVELOPED AND UNDEVELOPED				2P DEVELOPED AND UNDEVELOPED			
	OIL (MMBBL)	CONDENSATE (MMBBL)	GAS (BCF)	BOE (MMBOE)	OIL (MMBBL)	CONDENSATE (MMBBL)	GAS (BCF)	BOE (MMBOE)
Opening Balance 30 Jun 2013 (WI%)	9.9	2.5	–	12.4	16.1	3.4	–	19.5
Reserve revisions (WI%)	(0.5)	–	–	(0.5)	(2.8)	–	–	(2.8)
Production (WI%)	(0.7)	–	–	(0.7)	(0.7)	–	–	(0.7)
Economic interest adjustment	(0.1)	–	–	(0.1)	(0.1)	–	–	(0.1)
Closing Balance 1 Jan 2014 (economic interest)	8.6	2.5	–	11.1	12.5	3.4	–	15.9

B) ECONOMIC INTEREST RESERVES BY ASSET

	1P DEV OIL (MMBBL)	1P DEV GAS (BCF)	1P DEV CON- DENSATE (MMBBL)	1P UNDEV (MMBBL)	1P TOTAL (MMBOE) ²³	2P DEV OIL (MMBBL)	2P DEV GAS (BCF)	2P DEV CONDEN- SATE (MMBBL)	2P UNDEV (MMBBL)	2P TOTAL (MMBOE) ²³
New Zealand										
PMP 38160 Maari/Manaia ^{24,28}	1.7	—	—	1.6	3.3	2.1	—	—	3.9	6.0
China										
Block 22/12 WZ 6-12										
+ WZ 12-8W ^{25,26,28}	5.3	—	—	—	5.3	6.5	—	—	—	6.5
Papua New Guinea (post Osaka Gas transaction)										
PDL 10 (formerly PRL 4)										
Stanley ^{27,39}	—	—	—	2.5	2.5	—	—	—	3.4	3.4
Closing Balance 1 Jan 2014 (economic interest)	7.0	—	—	4.1	11.1	8.6	—	—	7.3	15.9

C) ECONOMIC INTEREST RESERVES AND RESOURCES BY ASSET

	2P ²⁹		2C ²⁹		BEST ESTIMATE PROSPECTIVE UNRISKED RESOURCE ²⁹			
	(MMBOE)	OIL (MMBBL)	GAS (BCF)	CONDENSATE (MMBBL)	TOTAL (MMBOE)	LIQUIDS (MMBBL)	GAS (BCF)	TOTAL (MMBOE)
New Zealand								
PMP 38160 Maari/Manaia	6.0 ³⁰	—	—	—	—	2	—	2 ³⁷
PEP 51313 ³⁷	—	—	—	—	—	12	—	12
China								
Block 22/12 WZ 6-12 + WZ 12-8W ^{31,32,37}	6.5	—	—	—	—	—	—	—
Block 22/12 WZ 12-8E ³⁷	—	1.5	—	—	1.5	3 ³⁸	—	3
Papua New Guinea (post Osaka Gas transaction)								
PDL 10 (formerly PRL 4) Stanley ^{33,39}	3.4	—	120 ³⁴	0.4	20.4	—	—	—
PRL 21 Elevala ^{33,37}	—	—	186 ³⁵	9.6	40.5	1	17	4
PRL 21 Ketu ^{33,37}	—	—	79 ³⁶	3.8	16.9	—	—	—
PPL 259 ³⁷	—	—	—	—	—	12	295	61
Total Net Reserves and resources (economic interest)	15.9	1.5	385	13.8	79.3	30	312	82

23 Estimated in accordance with SPE-PRMS standard; 6 BCF gas equals 1 BOE; 1 BBL condensate equals 1 BOE.

24 Net of production of 22.0 MMBOE gross through 31 December 2013.

25 Net of production of 3.0 MMBOE gross through 31 December 2013.

26 Reduced to allow for CNOOC participation at 51%.

27 Subject to reduction to allow for PNG State Nominee participation at 22.5%.

28 Revised 1 January 2014.

29 Estimated in accordance with SPE-PRMS standard; 6 BCF gas equals 1 BOE; 1 BBL condensate equals 1 BOE.

30 Net of production of 22.0 MMBOE gross through 31 December 2013.

31 Net of production of 3.0 MMBOE gross through 31 December 2013.

32 Reduced to allow for CNOOC participation at 51%.

33 Subject to reduction to allow for PNG State Nominee participation at 22.5%.

34 Includes 2.6 MMBBL LPG (1 tonne LPG equals 11 BBL).

35 Includes 6.0 MMBBL LPG.

36 Includes 2.5 MMBBL LPG.

37 Revised 1 January 2014.

38 Subject to confirmation of acreage extension.

39 Subject to change following determination by expert (appointed pursuant to a unitisation agreement) of extent to which the Stanley Field extends in to block 1622 (contained in PPL 259).

D) RECONCILIATION OF ECONOMIC INTEREST RESOURCES

	2C BOE (MMBOE)	BEST ESTIMATE PROSPECTIVE UNRISKED RESOURCES (MMBOE)
Opening Balance 30 June 13	71.9	111
Reserve revisions (WI%)	7.4	(65)
WI% adjustment	–	36 ⁴⁰
Economic interest adjustment	–	–
Closing Balance 1 Jan 2014 (economic interest)	79.3	82

The estimated quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

E) RESERVES AND RESOURCES METHODOLOGY

Depending on the asset, either deterministic or probabilistic methods has been used to compile Reserve and Contingent Resource estimates and the probabilistic method has been used to compile Prospective Resource estimates. Due to the portfolio effects of arithmetic summation the aggregate 1P Reserve may be a very conservative estimate and the aggregate 3P Reserve may be a very optimistic estimate. Prospective Resources have not been adjusted for risk i.e. chance of success.

Estimates of Reserves are reported net of lease fuel. The reference point used for the purposes of measuring and assessing the estimated Reserves is the sales point.

The Reserve and resource estimates used in this Scheme Booklet relating to Horizon Oil were, where indicated, compiled by Alan Fernie (Manager – Exploration and Development). Mr Fernie (B.Sc), who is a member of American Association of Petroleum Geologists, has more than 38 years relevant experience within the industry. The Reserve and resource estimates are consistent with the definitions of proved, probable, and possible hydrocarbon Reserves and resources that appear in the ASX Listing Rules. Alan Fernie is qualified in accordance with the requirements of ASX Listing Rule 5.42 and consents to the use of the resource and reserve figures in the form and context in which they appear in this Scheme Booklet.

All audits are undertaken by independent third party resource evaluators and are overseen by the Horizon Oil Manager – Exploration and Development, who is a petroleum reserves and resources evaluator qualified in accordance with ASX Listing Rule requirements. No public reporting of any Reserves or resources estimate is permitted without the sign off by Horizon Oil's Manager – Exploration and Development and the approval of Horizon Oil's Chief Executive Officer. All public reporting of the Reserves or resources estimates is in accordance with the requirements set out in Chapter 5 of the ASX Listing Rules and Horizon Oil's Continuous Disclosure Policy.

The Reserves, Contingent Resources and Prospective Resources estimates used in this section are supported by Alan Fernie (Manager – Exploration and Development and full time employee of Horizon Oil) as per the statement contained in section 1 (*Important notices*) regarding Reserves and resources.

10.4 HORIZON OIL DIRECTORS

Brief profiles of the Horizon Oil Directors as at the date of this Scheme Booklet are set out below:

Fraser Ainsworth AM FAICD

Non-Executive independent Director and Chairman

Director for 13 years

Fraser has had over 28 years of experience in the resource and energy industries. Fraser spent 26 years with CSR Limited, mainly in CSR's resources and energy business, including four years as Managing Director of Adelaide-based Delhi Petroleum Pty Ltd. Fraser left CSR in 1988 to become the Managing Director of the ASX listed SAGASCO Holdings Ltd, a position he held until 1994. Over this period SAGASCO's market capitalisation increased from \$150 million to \$850 million. Previous Chairmanships include Bionomics Limited, the SA Generation Corporation ("SAGC") and SAGC's subsidiary, Synergen Pty Ltd (the SAGC Group comprised the then South Australian Government-owned electricity generators).

Fraser is a Non-Executive Director of Envestra Limited (an ASX listed company with a market capitalisation of over \$2.4 billion), and is Chairman of Tarac Australia Limited. Fraser holds a Bachelor of Commerce (UNSW).

Fraser is Chairman of the Board, Chairman of the Remuneration, Nomination and Disclosure Committees and a member of the Audit and Risk Management Committees.

⁴⁰ In October 2013, Horizon Oil entered into a farm-in agreement with Eaglewood Energy to acquire a further 20% participating interest in PPL 259.

Brent Emmett*Executive Director and Chief Executive Officer*

Director for 14 years

Brent has had over 35 years of experience across the exploration, E&P management, and investment banking industries. Brent holds a Bachelor of Science (Honours) degree. After graduating from Adelaide University with a Bachelor of Science First Class Honours degree, majoring in Physics and Geophysics, Brent Emmett worked from 1974 to 1983 as an explorationist in Australia, PNG and New Zealand for Esso and Elf Aquitaine. Brent joined Ampolex Limited as Exploration Manager in 1983 and filled General Management roles in North and South America, International and Business Development, and was a member of the Executive Committee. During his tenure at Ampolex the market capitalisation of the company increased ten-fold to approximately \$1.6 billion.

From 1997 until 2001 Mr Emmett was Managing Director – Oil & Gas Advisory with the investment banking firm of CIBC World Markets. During this time he advised on acquisitions and divestments of oil and gas assets totalling about US\$900 million in value.

In October 2000 Brent was elected to the board of Bligh Oil and Minerals NL and in 2001 he founded an investor group, Oasis Energy Investments Pty Limited, which took a major stake in Bligh. In January 2002 Brent was appointed as CEO of the company, which subsequently changed its name to Horizon Oil Limited. Since then Brent has been actively engaged in building Horizon Oil's portfolio of international exploration, production and development assets.

Brent is a member of the Risk Management and Disclosure Committees.

John Humphrey*Non-executive independent Director*

Director for 24 years

John Humphrey has over 20 years of legal experience as a commercial lawyer as a partner of King & Wood Mallesons specialising in corporate law. In 2013, John took up a position as the Executive Dean of the Faculty of Law at Queensland University of Technology. As a lawyer, John was ranked by three editions of the national independent commentary "Legal Profiles" as the leading corporate lawyer in Queensland. John has had extensive experience in a wide range of resources projects and commercial matters. John is a regular speaker on the conference circuit and has published numerous papers.

John is a director of Downer EDI Limited and Wide Bay Australia Limited and a former member of the Australian Takeovers Panel (from 2011-2014). John is a past president of the Queensland division of the Securities Institute of Australia and a former national vice-president of that organisation.

He was also a member of the Consultative Group appointed by the Commonwealth Attorney-General in relation to the simplification of the Corporations Law.

John is Chairman of the Audit Committee and a member of the Risk Management Committee.

Gerrit J de Nys*Non-Executive Director*

Director for 7 years

Gerrit has 44 years' experience in civil engineering, construction, oil field contracting and natural resource investment management, mostly whilst based in Asia over a period in excess of 30 years.

Gerrit is an independent non-executive director of SOCAM Development Limited (HKSE stock code 983). Gerrit is the former group managing director-direct investments of the IMC Pan Asia Alliance Group (IMC) (a related party of Austral-Asia Energy Pty Ltd, a substantial shareholder of Horizon Oil) and although now based in Australia has a continuing non-executive involvement including directorships of subsidiaries of IMC and as chair of IMC's Audit Committee.

Gerrit is a former director of Red Sky Energy Limited, View Resources Limited, Ashton Coal Limited and LinQ Capital Limited.

Gerrit is a member of the Risk Management, Remuneration and Nomination Committees.

Andrew Stock*Non-executive independent Director*

Director for 3 years

Andrew has over 36 years of development, operations and commercial experience in energy industries in Australia and overseas.

Andrew is a former Director, Executive Projects and Executive General Manager for Major Development Projects for Origin Energy Limited and is a former non-executive director of Geodynamics Limited. Andrew is a non-executive director of Silex Systems Limited, a Board Member of Alinta Holdings and the Clean Energy Finance Corporation and a member of the Engineering Faculty and Energy Advisory Boards at University of Adelaide.

Andrew is Chairman of the Risk Management Committee and a member of the Audit Committee and Remuneration and Nomination Committees.

10.5 HORIZON OIL HISTORICAL FINANCIAL INFORMATION

The following selected financial information for Horizon Oil is extracted from the audited consolidated financial statements of Horizon Oil for the years ended 30 June 2013 and 30 June 2012, and the reviewed consolidated financial statements of Horizon Oil for the six months ended 31 December 2013.

The financial information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act. The financial information also complies with the recognition and measurement requirements of International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. The audit and review opinions in these financial statements were issued by PricewaterhouseCoopers and were unqualified.

The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. Where appropriate, adjustments have been made to headings and classifications of historical data to provide a consistent basis of presentation.

Except as set out in section 10.7 (*Update on Horizon Oil financial performance and financial position*), in the interval between the end of the half year to 31 December 2013 and the date of this Scheme Booklet, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Horizon Oil Directors, to significantly affect the operations of the Horizon Oil Group, the results of those operations, or the state of affairs of the Horizon Oil Group, in future financial years other than as disclosed in the 31 December 2013 half year financial statements and subsequent filings on ASX.

Horizon Oil Shareholders may view complete copies of the audited consolidated financial statements of Horizon Oil for the years ended 30 June 2013 and 30 June 2012 and the reviewed consolidated financial statements of Horizon Oil for the six months ended 31 December 2013 on the ASX website at www.asx.com.au or on the "Investor Centre" section of the Horizon Oil website at www.horizonoil.com.au.

Alternatively, Horizon Oil will give a copy of the financial report for the half-year ended 31 December 2013 free of charge to any registered Horizon Oil Shareholder who requests a copy prior to the Scheme being approved by the Court.

A) HORIZON OIL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FULL YEAR 30 JUNE 2012 (AUDITED) US\$'000	FULL YEAR 30 JUNE 2013 (AUDITED) US\$'000	HALF YEAR 31 DEC 2013 (REVIEWED) US\$'000
Sales revenue	50,390	48,071	64,769
Cost of sales	(16,935)	(22,685)	(49,710)
Gross profit	33,455	25,386	15,059
Other revenue/other income	72	30	143
General and administrative expenses	(8,110)	(7,038)	(3,203)
Exploration and development expenses	(303)	(606)	(4,176)
Finance costs	(5,974)	(8,209)	(8,584)
Unrealised movement in fair value of convertible bond conversion rights	4,967	991	2,791
Other expenses	(418)	(529)	(234)
Profit before income tax expense	23,689	10,025	1,796
NZ royalty tax (expense)/benefit	(7,270)	(3,982)	426
Income tax expense	(8,772)	(2,569)	(2,269)
Profit/(loss) for the period	7,647	3,474	(47)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges	(77)	(778)	(5,063)
Total comprehensive income for the period	7,570	2,696	(5,110)
Basic earnings per share – cents	0.68	0.31	–
Diluted earnings per share – cents	0.68	0.30	–

B) HORIZON OIL CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 JUNE 2012 (AUDITED) US\$'000	30 JUNE 2013 (AUDITED) US\$'000	31 DEC 2013 (REVIEWED) US\$'000
Current assets			
Cash and cash equivalents	19,287	19,028	37,099
Receivables	14,966	18,956	22,223
Inventories	7,827	7,898	6,376
Derivative financial instruments	394	–	–
Current tax receivable	–	650	1,768
Other assets	4,515	832	567
Total current assets	46,989	47,364	68,033
Non-current assets			
Deferred tax assets	11,552	10,441	7,278
Plant and equipment	4,700	8,206	7,965
Exploration phase expenditure	77,658	92,538	112,761
Oil and gas assets	209,950	317,637	340,046
Total non-current assets	303,860	428,822	468,050
Total assets	350,849	476,186	536,083
Current liabilities			
Payables	42,683	40,150	44,893
Derivative financial instruments	–	1,237	4,915
Current tax payable	4,093	803	2
Borrowings	7,632	14,735	55,135
Restoration provision	–	–	10,689
Total current liabilities	54,408	56,925	115,634
Non-current liabilities			
Payables	974	21,253	21,143
Derivative financial instruments	294	–	1,003
Deferred tax liability	16,109	17,064	15,327
Borrowings	93,091	180,831	143,870
Other financial liabilities	18,428	17,436	14,645
Provisions	5,821	15,664	15,365
Total non-current liabilities	134,717	252,248	211,353
Total liabilities	189,125	309,173	326,987
Net assets	161,724	167,013	209,096
Equity			
Contributed equity	126,686	128,038	174,567
Reserves	7,421	7,884	3,485
Retained profits	27,617	31,091	31,044
Total equity	161,724	167,013	209,096

C) HORIZON OIL CONSOLIDATED STATEMENT OF CASH FLOWS

	FULL YEAR 30 JUNE 2012 (AUDITED) US\$'000	FULL YEAR 30 JUNE 2013 (AUDITED) US\$'000	HALF YEAR 31 DEC 2013 (REVIEWED) US\$'000
Cash flows from operating activities			
Receipts from customers	46,174	43,144	67,950
Payments to suppliers and employees	(12,626)	(11,494)	(32,716)
	33,548	31,650	35,234
Interest received	64	24	140
Interest paid	(5,296)	(7,980)	(5,747)
Income and royalty taxes paid	(15,289)	(8,221)	(2,391)
Net cash inflows from operating activities	13,027	15,473	27,236
Cash flows from investing activities			
Payments for exploration phase expenditure	(53,732)	(29,732)	(26,602)
Payments for oil and gas assets	(25,211)	(94,756)	(28,290)
Payments for plant and equipment	(174)	(128)	(156)
Proceeds from deposit of sale of assets	–	20,400	–
Payments acquisition of exploration assets	–	(783)	–
Net cash (outflows) from investing activities	(79,117)	(104,999)	(55,048)
Cash flows from financing activities			
Proceeds from issue of shares	20	766	48,544
Payments for issue of shares	–	–	(2,269)
Proceeds from issue of Horizon Oil Convertible Bonds (net of transaction costs)	(965)	–	–
Proceeds from borrowings (net of transaction costs)	27,667	104,561	–
Repayment of borrowings	(5,867)	(15,877)	–
Net cash inflows from financing activities	20,855	89,450	46,275
Net (decrease)/increase in cash and cash equivalents	(45,235)	(76)	18,463
Cash and cash equivalents at the beginning of the period	64,572	19,287	19,028
Effects of exchange rate changes on cash and cash equivalents	(50)	(183)	(392)
Cash and cash equivalents at the end of the period	19,287	19,028	37,099

10.6 MANAGEMENT DISCUSSION

During the course of the half year ended 31 December 2013, Horizon Oil reported a loss of US\$47,000 compared with a loss of US\$6,777,000 in the previous corresponding half year. The half year result included a gross profit of US\$15,059,000 from Block 22/12 and Maari operations. During the half year, Horizon Oil's working interest share of production from the Beibu Gulf fields was 636,249 BBL. Crude oil sales were 594,097 BBL at an average price of US\$105.03/BBL. During the half year, Horizon Oil's working interest share of production from Maari and Manaia fields was 35,895 BBL. Crude oil sales were 48,509 BBL at an average effective price of US\$113.67/BBL. Production from Maari and Manaia fields were impacted by the shut-in of the fields from 21 July 2013 to 12 December 2013 to effect interim repair works on the FPSO Raroa.

Non-cash items impacting on the half year result included US\$17,921,000 in amortisation of production phase assets, a deferred income and royalty tax expense of US\$1,186,000, amortisation of the liability portion of the Horizon Oil Convertible Bonds of US\$2,923,000, a net gain of US\$2,791,000 arising from the unrealised movement in the value of Horizon Oil Convertible Bond conversion rights, exploration expenditure written off of US\$3,931,000 and US\$664,000 related to the value of Horizon Oil Options and Horizon Oil SARs granted to Horizon Oil employees.

Cash on hand at the end of the half year ended 31 December 2013 was US\$37,099,000. Cash flow during the half year was driven by proceeds from the US\$53.5 million rights issue completed during the period and operating cash flows from the Beibu and Maari fields which were used to fund the exploration and development expenditure program. Cash from operating activities was higher than the comparative period due predominately to the incremental revenues from the Beibu fields, despite reduced revenues from Maari following the shut-in of the field.

10.7 UPDATE ON HORIZON OIL FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The following selected financial information for Horizon Oil is extracted from the unaudited Report on Third Quarter Activities to 31 March 2014 issued to ASX on 30 April 2014:

- i) Production for the third quarter to 31 March 2014 was 411,664 BBLs, an increase of 6.7% over the prior quarter. This comprised 88,340 BBLs from the Maari and Manaia Fields, offshore New Zealand; and 323,324 BBLs from Block 22/12, offshore China.
- ii) Production revenue for the third quarter to 31 March 2014 was US\$44.1 million (from the sale of 408,091 BBLs), an increase of 23% over the prior quarter.
- iii) Expenditure on exploration and development totalled US\$17.0 million for the third quarter to 31 March 2014.
- iv) Cash on hand at 31 March 2014 was US\$23.2 million following the repayment of US\$15.2 million of borrowings during that quarter. Restricted cash as at 31 March 2014 was US\$14.5 million – these cash balances are only available to the Horizon Oil Group after certain conditions are satisfied.

The following selected financial transactions for Horizon Oil have occurred since 31 March 2014:

- i) **Osaka Gas Sale Agreement**
On Friday 30 May 2014, the PDL 10 (formerly PRL 4) joint venture was awarded Petroleum Development Licence 10. Award of the PDL triggered completion of the Osaka Gas Sale Agreement. The sale resulted in the Horizon Oil Group transferring 40% of its interests in PDL 10 (formerly PRL 4) (Stanley Field), PRL 21 (Elevala and Ketu Fields) and PPL 259 to Osaka Gas Niugini Pty Ltd with the receipt of the remaining sale proceeds (~US\$54 million) and associated capital cost reimbursements (~US\$24 million) to the effective date of transfer (1 January 2013). Completion of the transaction also allowed for the US\$20.4 million letter of credit drawn under the Horizon Oil Facility Agreement to be extinguished, and the associated deposit sale proceeds (recorded in non-current payables as at 31 December 2013) to be recorded as revenue.
- ii) **Horizon Oil Facility Agreement**
Following achievement of financial completion of the Beibu Gulf Project in Block 22/12, China, the Horizon Oil Group renegotiated the terms of the Horizon Oil Facility Agreement (reserves based facility) during April 2014. The key amendments included a reduction in the overall facility limit from US\$160 million to US\$150 million with a deferral of the commencement of amortisation from 30 June 2014 until 31 December 2014 at which time the facility limit will reduce to US\$110 million.

10.8 HORIZON OIL CAPITAL STRUCTURE

A) HORIZON OIL SECURITIES

As at Monday 30 June 2014 (being the last practicable date prior to finalisation of this Scheme Booklet), Horizon Oil has the following securities on issue:

- i) 1,301,981,265 Horizon Oil Shares quoted on ASX.
- ii) 1,500,000 Horizon Oil partly paid shares.
- iii) Horizon Oil Options exercisable over a maximum of 11,441,667 unissued Horizon Oil Shares. The tranches of these options are as follows:

EXERCISE PRICE	EXPIRY DATE	NUMBER OF HORIZON OIL SHARES WHICH OPTIONS CUMULATIVELY CONVERT INTO	VESTED	UNVESTED
A\$0.289	25 Sept 2014	5,525,000	5,525,000	–
A\$0.309	9 Oct 2014	2,700,000	2,700,000	–
A\$0.304	16 Sept 2015	350,000	350,000	–
A\$0.264	28 May 2017	1,666,667	1,000,001	666,666
A\$0.294	17 Sept 2017	500,000	166,667	333,333
A\$0.434	20 Feb 2018	350,000	–	350,000
A\$0.404	20 Feb 2018	350,000	–	350,000

- iv) **General** Horizon Oil Options exercisable over a maximum of 3,500,000 unissued Horizon Oil Shares. The tranches of these general options are as follows:

EXERCISE PRICE	EXPIRY DATE	NUMBER OF HORIZON OIL SHARES WHICH OPTIONS CUMULATIVELY CONVERT INTO	VESTED	UNVESTED
A\$0.344	11 Dec 2014	500,000	500,000	–
A\$0.209	10 Apr 2015	1,000,000	666,667	333,333
A\$0.264	27 Aug 2015	2,000,000	1,333,334	666,666

Note: 15,000,000 unlisted options with an exercise price of A\$0.364 expired on 30 June 2014.

- v) 31,281,639 Horizon Oil SARs, which on vesting, require the payment of cash or issue of Horizon Oil Shares. The maximum number of Horizon Oil Shares that may be issued on the exercise of Horizon Oil SARs is capped at 5% of the total number of Horizon Oil Shares. The tranches of these Horizon Oil SARs are as follows:

EXERCISE PRICE	EXPIRY DATE	NUMBER OF HORIZON OIL SARs	VESTING DATES
A\$0.3046	1 Oct 2015	6,693,828	From 1 Oct 2013
A\$0.3129	5 Aug 2016	6,478,276	From 5 Aug 2014
A\$0.2710	13 Aug 2017	9,561,936	From 13 Aug 2015
A\$0.3326	19 Aug 2018	8,547,599	From 19 Aug 2016

Under the Horizon Oil LTI Plan, the number of Horizon Oil SARs that vest is generally determined by reference to whether Horizon Oil achieves certain performance conditions. The number of Horizon Oil SARs that vest is determined by reference to Horizon Oil's total shareholder return ("TSR") over the relevant period relative to that of the S&P/ASX200 Energy Index ("Energy Index"). The number of Horizon Oil SARs that vest is:

- A) if Horizon Oil's TSR is equal to that of the Energy Index ("Minimum Benchmark"), 50%;
- B) if Horizon Oil's TSR is 14% or more above that of the Energy Index, 100% ("Maximum Benchmark"); and
- C) if Horizon Oil's TSR is more than the Minimum Benchmark but less than the Maximum Benchmark, a percentage between 50% and 100% based on Horizon Oil's TSR performance between the Minimum Benchmark and Maximum Benchmark.

The Maximum Benchmark of 14% above the Energy Index return equates to the performance level likely to exceed the 75th percentile of market returns of companies (weighted by company size) in the Energy Index.

Furthermore, even where these performance conditions are satisfied, the Horizon Oil SARs will not vest unless Horizon Oil achieves a TSR of at least 10% over the relevant period.

The performance conditions are tested on the date that is three years after the "Effective Grant Date" of the Horizon Oil SARs under the Horizon Oil LTI Plan, and are then re-tested every six months after that until the date that is five years after the "Effective Grant Date" of the Horizon Oil SARs (the final retesting date).

- vi) 400 Horizon Oil Convertible Bonds. The Horizon Oil Convertible Bonds are listed on the Singapore Securities Exchange, with BT Globenet Nominees Limited the registered holder of the global certificate for 100% of the Horizon Oil Convertible Bonds.

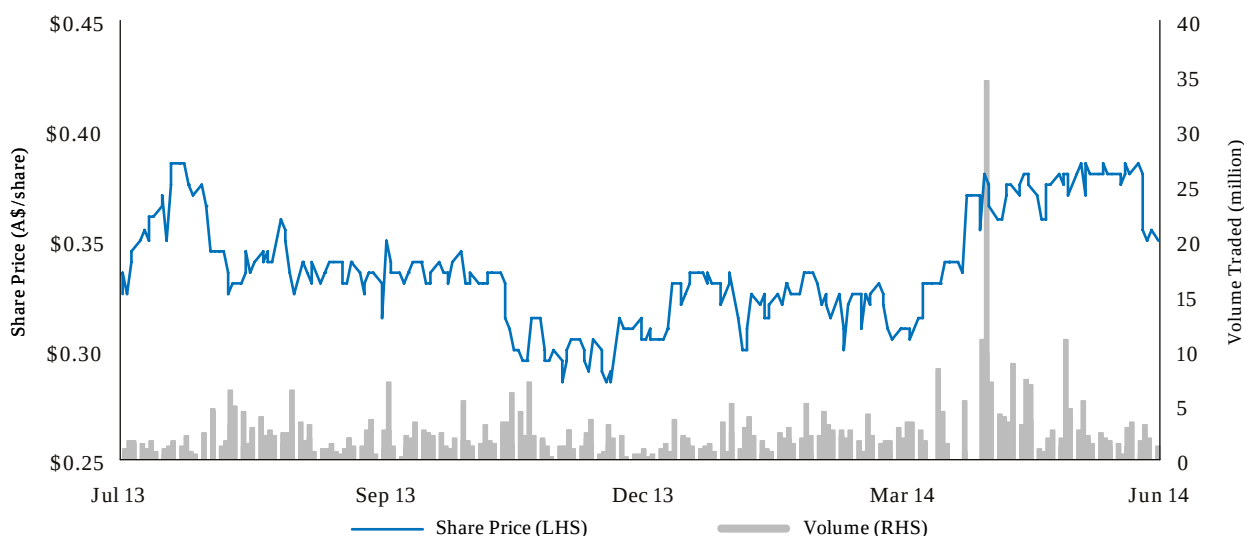
10.9 HORIZON OIL SUBSTANTIAL SHAREHOLDERS

As at Monday, 30 June 2014 (being the last practicable date prior to finalisation of this Scheme Booklet), Horizon Oil has been notified that the following persons hold 5%, or more, of Horizon Oil Shares:

NAME	NO. OF FULLY PAID ORDINARY SHARES HELD	% HELD OF ISSUED ORDINARY SHARES
Austral-Asia Energy Pty Limited as trustee for IMC Oil & Gas Investments Limited (formerly Triplex Global Ventures Limited), IMC Investments Ltd (BVI)	319,695,688	24.55
Commonwealth Bank of Australia	144,984,627	11.14
Tribeca Investment Partners Pty Ltd	68,387,994	5.25
Total	533,068,309	40.94

10.10 RECENT HORIZON OIL SHARE PRICE PERFORMANCE

The graph below shows the Horizon Oil Share price and the volume of Horizon Oil Shares traded for the twelve months to Monday, 30 June 2014 (being the last practicable date prior to finalisation of this Scheme Booklet).



As at Monday, 30 June 2014, being the last practicable date prior to finalisation of this Scheme Booklet:

- the last recorded trading price of Horizon Oil Shares was A\$0.350;
- the 10 day VWAP of Horizon Oil Shares was A\$0.373;
- the highest recorded trading price of Horizon Oil Shares in the previous three months was A\$0.390; and
- the lowest recorded trading price of Horizon Oil Shares in the previous three months was A\$0.300.

As at 23 April 2014, being the being the last day on which Horizon Oil Shares traded prior to announcement of the merger:

- the last recorded trading price of Horizon Oil Shares was A\$0.370;
- the 10 day VWAP of Horizon Oil Shares was A\$0.337;
- the highest recorded trading price of Horizon Oil Shares in the previous three months was A\$0.370; and
- the lowest recorded trading price of Horizon Oil Shares in the previous three months was A\$0.295.

10.11 HORIZON OIL DIVIDEND HISTORY

No dividends were paid or declared during or since the financial year ended 30 June 2013 or the half year ended 31 December 2013. No dividends have been recommended by the Horizon Oil Directors in respect of or since the half year ended 31 December 2013.

10.12 INTERESTS OF HORIZON OIL DIRECTORS

A) INTERESTS IN HORIZON OIL SECURITIES

The Horizon Oil Directors' interests in Horizon Oil Securities as at the date of this Scheme Booklet are detailed in the table below.

DIRECTOR	HORIZON OIL SHARES
Fraser Ainsworth	4,010,375
Brent Emmett	18,902,607
John Humphrey	5,112,034
Andrew Stock	160,000
Gerrit de Nys	912,858

DIRECTOR	UNLISTED HORIZON OIL OPTIONS
Brent Emmett	5,700,000

DIRECTOR	UNLISTED HORIZON OIL SARs
Brent Emmett	12,681,745

Except as expressed in the tables above:

- there are no Horizon Oil Securities held by or on behalf of Horizon Oil Directors as at the date of this Scheme Booklet; and
- other than Gerrit de Nys exercising an option to take 500,000 fully paid ordinary shares on Monday 5 May 2014, there has been no dealing by any Horizon Oil Director in any Horizon Oil Securities or Roc Securities in the four months preceding the date of this Scheme Booklet.

B) RELEVANT INTERESTS IN ROC SECURITIES

As at the date of this Scheme Booklet, no Horizon Oil Director has any Relevant Interests in any Roc Securities.

10.13 HORIZON OIL RELEVANT INTEREST IN ROC SECURITIES

As at the date of this Scheme Booklet, Horizon Oil does not have a Relevant Interest in any Roc Securities.

Horizon Oil has not acquired or disposed of a Relevant Interest in any Roc security in the four months preceding the date of this Scheme Booklet.

10.14 NO PRE-TRANSACTION BENEFITS

During the period of four months before the date of this Scheme Booklet, neither Horizon Oil nor any associate of Horizon Oil gave, or offered to give, or agreed to give, a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- i) vote in favour of the Scheme; or
- ii) dispose of Horizon Oil Shares,

and which will not be provided to all Scheme Participants under the Scheme.

A) BENEFITS IN CONNECTION WITH RETIREMENT FROM OFFICE

No payment or other benefit from Horizon Oil is proposed to be made or given to any director, company secretary or executive officer of Horizon Oil (or its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Horizon Oil or any of its Related Bodies Corporate in connection with the Scheme other than in his or her capacity as a Horizon Oil Shareholder, or holder of a Horizon Oil Option or Horizon Oil SAR (as applicable).

Horizon Oil pays premiums in respect of a directors and officers (D&O) insurance policy for the benefit of the Horizon Oil Directors and executive officers.

B) AGREEMENTS CONNECTED WITH OR CONDITIONAL ON THE SCHEME

Except as disclosed in this Scheme Booklet:

- i) no Horizon Oil Director has any other interests in a contract entered into by Roc;
- ii) there are no contracts or arrangements between a Horizon Oil Director and any person in connection with or conditional upon the outcome of the Scheme; and
- iii) no Horizon Oil Director has a material interest in relation to the Scheme other than in their capacity as a securityholder as outlined in section 10.12 (*Interests of Horizon Oil Directors*).

10.15 FURTHER INFORMATION

A) CONTINUOUSLY DISCLOSING ENTITY

As a company with securities quoted on the ASX and being a disclosing entity under the Corporations Act, Horizon Oil is subject to regular reporting and disclosure obligations. These obligations require Horizon Oil to announce price sensitive information as soon as it becomes aware of the information, subject to the exceptions for certain confidential information. Horizon Oil's recent ASX announcements are available from the Horizon Oil website at www.horizonoil.com.au and the ASX website at www.asx.com.au. It is intended that further announcements concerning developments at Horizon Oil will continue to be made on these websites after the date of this Scheme Booklet. Historical ASX announcements and copies of half-yearly and annual financial results (and accompanying releases) are also available from the Horizon Oil website at www.horizonoil.com.au.

Copies of these documents will also be made available free of charge at any time before the Second Court Date on a request in writing to Horizon Oil's Company Secretary at exploration@horizonoil.com.au.

B) RECENT HORIZON OIL ANNOUNCEMENTS

The following table summarises announcements made to the ASX by Horizon Oil that may have affected share price movements over the period between 1 January 2014 and 2 July 2014:

DATE	EVENT
02/07/2014	Key Terms of Conditional Convertible Bondholder Offer
02/07/2014	Scheme of Arrangement Independent Experts Report
02/07/2014	Notice to Convertible Bondholders
01/07/2014	Lapse of Options
25/06/2014	ROC: ROC Confirms Receipt of Non Binding Indicative Proposal
25/06/2014	Horizon Oil Merger Update
23/06/2014	ROC: Response to Shareholder Queries Relating to the EGM
18/06/2014	Independent Technical Specialist's Report
18/06/2014	Shareholder Update
18/06/2014	UBS Conference Presentation
16/06/2014	ROC: Letter to Shareholders – Independent Expert's Report
16/06/2014	ROC: Independent Expert's Report
02/06/2014	Grant of Stanley Gas Project Development Licence
26/05/2014	Stanley PDL AFR Article
16/05/2014	Appendix 3B
08/05/2014	Macquarie Conference Presentation
08/05/2014	Roc: Letter to Shareholders
05/05/2014	Change of Director's Interest Notice
05/05/2014	Appendix 3B
02/05/2014	Change in substantial holding
02/05/2014	Becoming a substantial holder
30/04/2014	Quarterly Activities Report
29/04/2014	Merger Announcement – Investor Presentation
29/04/2014	Roc and Horizon Proposed Merger Announcement
24/04/2014	Trading Halt
16/04/2014	Ceasing to be a substantial holder
14/04/2014	Stanley Project Approval
10/04/2014	Trading Halt
28/03/2014	EnSCO 107 on its way to Maari
28/02/2014	2014 Half Year Results Presentation
28/02/2014	Half Year Accounts
28/02/2014	Maari Provisions Reserves Revision
10/02/2014	Change in substantial holding from CBA
31/01/2014	Quarterly Activities Report

Copies of the announcements listed above may be obtained from the ASX website at www.asx.com.au.

Further information about Horizon Oil is contained in electronic form on the Horizon Oil website at www.horizonoil.com.au.

11. Profile of Roc



11.1 OVERVIEW OF ROC

Roc is an Australian-incorporated independent upstream oil and gas company with a presence in China, South East Asia, Australia and the United Kingdom. Roc operates across the full range of upstream business activities from exploration and appraisal to development and production delivery.

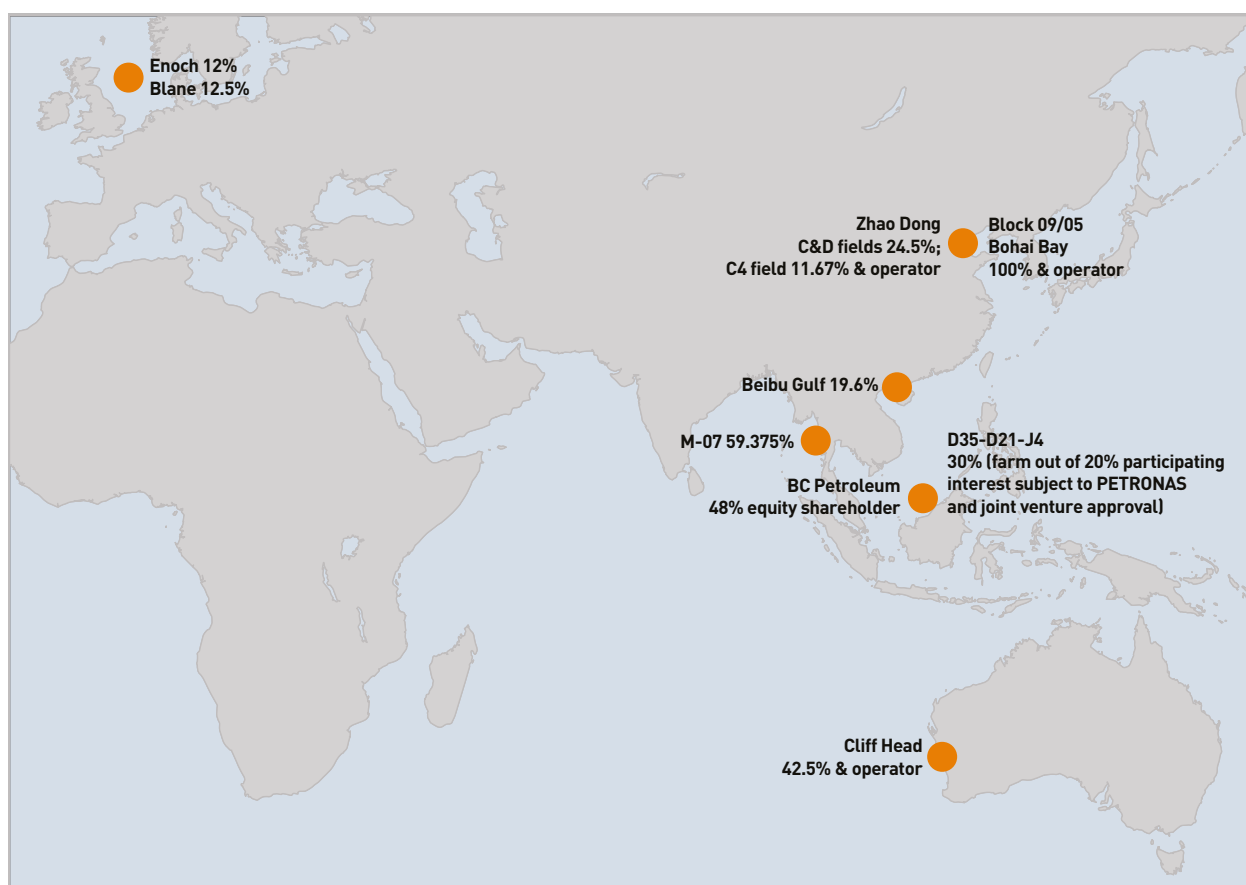
Roc was founded by Dr John Doran as a privately-owned company in late 1996 and was publicly listed on the ASX in 1999. As at the date of lodgement of this Scheme Booklet, Roc had 687,618,400 shares on issue and a market capitalisation of approximately A\$380 million.

Roc's total working interest production was 2.7 MMBOE for 2013 with total net 2P Reserves of 17.4⁴¹ MMBOE. For the 12 month period ending 31 December 2013, Roc's net profit after tax was US\$45.2 million and net cash at 31 December 2013 totalled US\$65.1 million.

Roc's total working interest production for the quarter ended 31 March 2014 was 0.714 MMBOE (7,933 BOEPD) with total sales revenue of US\$75.4 million.

As at 31 December 2013, Roc has offices and facilities in China, Australia and Malaysia.

Roc's core asset portfolio is based in Australia, South East Asia and China and contains a mix of exploration, development and production assets as summarised in the table and map below.



⁴¹ As at 1 January 2014, post D35/D21/J4 farm-in and BMG sale.

LOCATION	ASSET	FIELD & ROC INTEREST	ACTIVITY	OPERATOR STATUS	CY2013 NET PRODUCTION AND WORK PROGRAMME
China	Zhao Dong	• C&D Fields 24.5%; • C4 Fields 11.67%;⁴² • Chenghai and Zhanghai Blocks 39.2%⁴³	Production	Operator ⁴⁴	1.5 MMBOE
	Block 09/05	100% ⁴⁵	Exploration	Operator	162 sq km seismic acquisition
	Beibu Gulf	• WZ 6-12 40%/19.6%⁴⁶ • WZ 12-8 40%/19.6%⁴⁷	Production	Non-operator	0.6 MMBOE Production commenced March 2013
Malaysia	D35/D21/J4	30% ⁴⁸	Production	Non-operator	Roc farm-in effective 1 January 2014
	Balai Cluster	Risk service contractor 48% Balai, Bentara, West Acis, Spaoh	Appraisal, Development	BCP – Operator	–
Myanmar	Block M07 ⁴⁹	59.375%	Exploration	Operator	–
Australia	WA-31-L	Cliff Head 42.5%	Production	Operator	0.4 MMBOE
	L14	Jingemia 0.25%	Shut in	Non-operator	–
UK	Blane Oil Field	Blane 15.24%/12.5% ⁵⁰	Production	Non-operator	0.2 MMBOE
	Enoch Oil and Gas Field	Enoch 15%/12% ⁵¹	Production	Non-operator	Offline during 2013, production expected to recommence mid 2014

11.2 OVERVIEW OF ROC'S ASSETS

A) CHINA



⁴² Unitised interest in producing field (pending final Joint Management Committee approval).

⁴³ Interest in field development post-government back-in.

⁴⁴ Petrochina has notified Roc of its intention to assume operatorship during 2015 subject to PC terms.

⁴⁵ Prior to government back-in.

⁴⁶ Interest in field development post-government back-in.

⁴⁷ Interest in field development post-government back-in.

⁴⁸ Intention to farm-out 20% participating interest subject to PETRONAS and joint venture approval.

⁴⁹ Subject to Roc Board approval and finalisation of terms with the MOE.

⁵⁰ Unitised interest in producing field.

⁵¹ Unitised interest in producing field.

i) Zhao Dong

Roc acquired its interest in the Zhao Dong Block, Bohai Bay in 2006. The asset now comprises three producing fields (the C, D and C4 Fields).

In March 2011, the existing PC covering the Zhao Dong Block was modified to include the adjacent Zhanghai and Chenghai Blocks with the aim of commercialising previous near field discoveries in the area and encouraging further exploration activity.

Key details of the Zhao Dong Block and Zhanghai and Chenghai Blocks are contained in the table below.

Zhao Dong, Bohai Bay, offshore China

Operator ⁵²	Roc Oil (Bohai) Company
Roc Interest	24.5% ⁵³ (C&D Fields); 11.667% ⁵⁴ (C4 Field); 39.2% ⁵⁵ (Zhanghai and Chenghai Blocks)
Joint venture partners and interests	Petrochina Company Limited: 51% ⁵⁶ (C&D Fields); 76.666% ⁵⁷ (C4 Field); 51% ⁵⁸ (Zhanghai and Chenghai Blocks) New XCL-China LLC (Sinochem): 24.5% ⁵⁹ (C&D Fields); 11.667% ⁶⁰ (C4 Field); 9.8% ⁶¹ (Zhanghai and Chenghai Blocks)
1Q 2014 production rate	Gross: 16,492 BOPD Net to Roc: 3,803 BOPD
Net 2P Reserves as at 1 January 2014	3.7 MMBOE (21% of Roc's net 2P Reserves) (see section 11.3(e) (<i>Reserves and resources methodology</i>))
Production start-up	2003 (C&D Fields); 2008 (C4 unitised Field and extended reach area of C&D Fields)
Field facilities	Four bridge-linked platforms, two of which are for drilling and accommodation and two of which are for production and processing. The C4 Field unit facilities comprise a wellhead platform, utility platform and pipelines to the C&D Field platform for oil and gas processing. Oil and gas production is delivered to onshore refinery and gas sales by pipelines.

The C, D and C4 Fields in the Zhao Dong Block are currently producing and undergoing simultaneous continuous development. Since acquiring the asset, the Roc-led joint venture has drilled over 170 development wells in the Block, installed two platforms adjacent to the existing Zhao Dong platforms and installed new facilities at the C4 Field.

In 2013, net production to Roc from Zhao Dong was 1.5 MMBOE (4,017 BOEPD), comprising 55% of Roc's total production for 2013. Revenue from Zhao Dong in 2013 was US\$134.7 million with gross profit of US\$43.7 million net to Roc.

Development expenditure of US\$33.9 million (2012: US\$26.7 million) was incurred during the 2013 financial year and a total of eighteen wells were drilled during the period.

As at the date of this Scheme Booklet, Zhao Dong is Roc's largest operated asset, contributing approximately 48% of first quarter 2014 production, with 16,492 BOEPD (gross).

In 2013, Roc submitted an Incremental Development Plan (IDP) designed to achieve continuous development beyond 2018, being the end of the current licence term for the blocks. The IDP submitted to Petrochina Company Limited offers continuous economic development activities until 2023. The plan requires a licence extension beyond 2018 to 2023, and the IDP proposes a five-year extension and investment in the development facilities and wells required to maximise oil recovery from the fields.

⁵² Petrochina has notified Roc of its intention to assume operatorship during 2015 subject to PC terms.

⁵³ Interest in field development post-government back-in.

⁵⁴ Unitised interest in producing field (pending final Joint Management Committee approval).

⁵⁵ Interest in field development post-government back-in.

⁵⁶ Interest in field development post-government back-in.

⁵⁷ Unitised interest in producing field (pending final Joint Management Committee approval).

⁵⁸ Petrochina Company Limited exercised option to back-in for 51% on any future commercial development following the successful drilling of H-1 effective 12 August 2011.

⁵⁹ Interest in field development post-government back-in.

⁶⁰ Unitised interest in producing field (pending final Joint Management Committee approval).

⁶¹ Interest in field development post-government back-in.

ii) Beibu Gulf

Production in the WZ 6-12 and WZ 12-8 West development areas in the Beibu Gulf in the South China Sea, offshore China commenced in March 2013 and all fifteen wells were online by August 2013.

Key details of the Beibu Gulf project are contained in the table below:

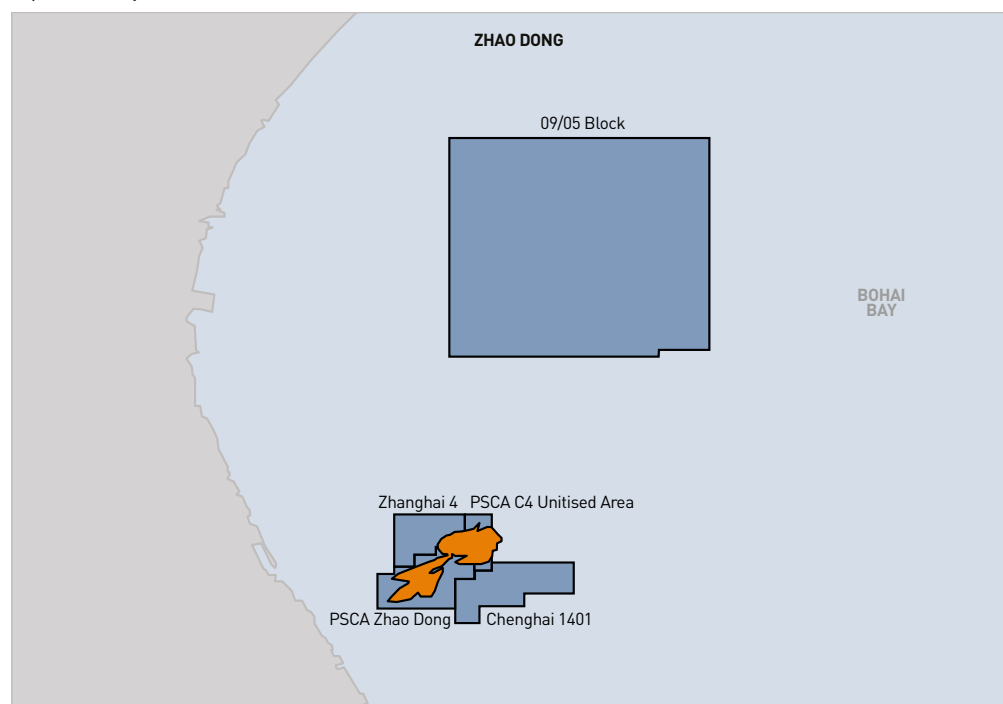
WZ 6-12 and WZ 12-8, Beibu Gulf, offshore China

Operator	CNOOC Limited (development and production) Roc Oil (China) Company (exploration and appraisal)
Roc Interest	19.6% ⁶² (development and production); 40% (exploration and appraisal)
Joint venture partners and interests	CNOOC Limited: 51% (development and production) Horizon Oil (Beibu) Limited & Horizon Oil (Nanhai) Limited: 26.95% (development and production); 55% (exploration and appraisal) Oil Australia Pty Ltd (Majuko): 2.45% (development and production); 5% (exploration and appraisal)
1Q 2014 production rate	Gross: 13,330 BOPD Net to Roc: 2,613 BOPD
Net 2P Reserves as at 1 January 2014	4.7 MMBOE (27% of Roc's net 2P Reserves) (see section 11.3(e) (<i>Reserves and resources methodology</i>))
Production start-up	March 2013
Field facilities	Two wellhead platforms and one joint processing platform, which are connected by bridge to the CNOOC WZ 12-1A platform complex and utilise existing water injection and oil and gas export facilities.

The Beibu Gulf project produced 0.6 MMBOE net to Roc for the period from start-up in March 2013 to 31 December 2013, contributing 22% of total production in 2013. Revenues from the Beibu Gulf project totalled US\$57.2 million in the same period, offset by production costs of US\$10.92/BBL, providing an operating profit of US\$29.0 million. In the quarter ended 31 March 2014, the project produced 13,330 BOEPD (gross) and contributed approximately 33% to Roc's first quarter 2014 production.

There are two undeveloped oil accumulations in the retained development areas (WZ 12-8 E and WZ 12-3) with development feasibility studies in progress for WZ 12-8 E and an overall development plan under preparation. The Beibu team is currently reviewing further near field exploration potential which may lead to an early resumption of drilling within the Beibu Fields development area during 2014.

iii) Block 09/05



⁶² Interest in field development post government back in.

Roc's 100%⁶³ exploration interest in Block 09/05 in the Bohai Bay in offshore China was awarded in May 2012 and offers a series of significant oil exploration opportunities. Block 09/05 has gross acreage of 335 sq km and is located 15 km north of Roc's existing facilities at Zhao Dong.

In October 2013, Horizon Oil entered into a farm-in option agreement with Roc Oil (Bohai) Company in Block 09/05. Under the terms of the agreement, Horizon Oil had a right to farm into a 40% working interest in Block 09/05. Horizon Oil has elected not to exercise the option in light of the proposed merger with Roc.

The minimum work commitment for the first phase of the exploration period includes 3D seismic acquisition and the drilling of two exploration wells. Roc completed acquisition of 3D ocean bottom cable seismic in October 2013 and plans to drill the first exploration well in the second half of 2014.

B) MALAYSIA



i) D35/D21/J4

The D35/D21/J4 Fields are located on the continental shelf in the Sarawak Basin in offshore Eastern Malaysia, in water depths of approximately 50 metres. In April 2014, Roc announced a farm-in for a 50% participating interest in the D35/D21/J4 Fields which were previously 100% held and operated by PETRONAS Carigali Sdn Bhd. The farm-in agreement included amendments to the existing PSC effective from 1 January 2014 until 31 December 2034. The terms of this PSC are designed for field redevelopment and enhanced oil recovery to commercially encourage progressive incremental oil and associated gas development over the full life of the PSC for the project.

D35 is the largest of the three fields with the longest production history and represents a significant brownfield redevelopment project. Within the D35 Field boundary, there is evidence of significant appraisal and near-field exploration potential. J4 and D21 are satellite producing assets.

The Fields, particularly D35, contain material in-place oil and gas volumes, and overall field recovery is expected to benefit significantly from the introduction of secondary and tertiary recovery technologies. The fields provide a portfolio of Reserves plus Contingent and Prospective Resources, which when combined add to and extend the Reserves and resources life of Roc.

In addition, the project also offers exploration opportunities with one exploration well already under consideration for drilling in 2015.

In May 2014, Roc entered into a Letter of Intent to farm-out a 20% participating interest to Dialog Resources Sdn Bhd. The Dialog farm-in will reduce Roc's participating interest to 30%. The farm-out is subject to PETRONAS and joint venture approval and completion of documentation.

⁶³ The Chinese government (CNOOC) has the right to participate in up to 51% of any development.

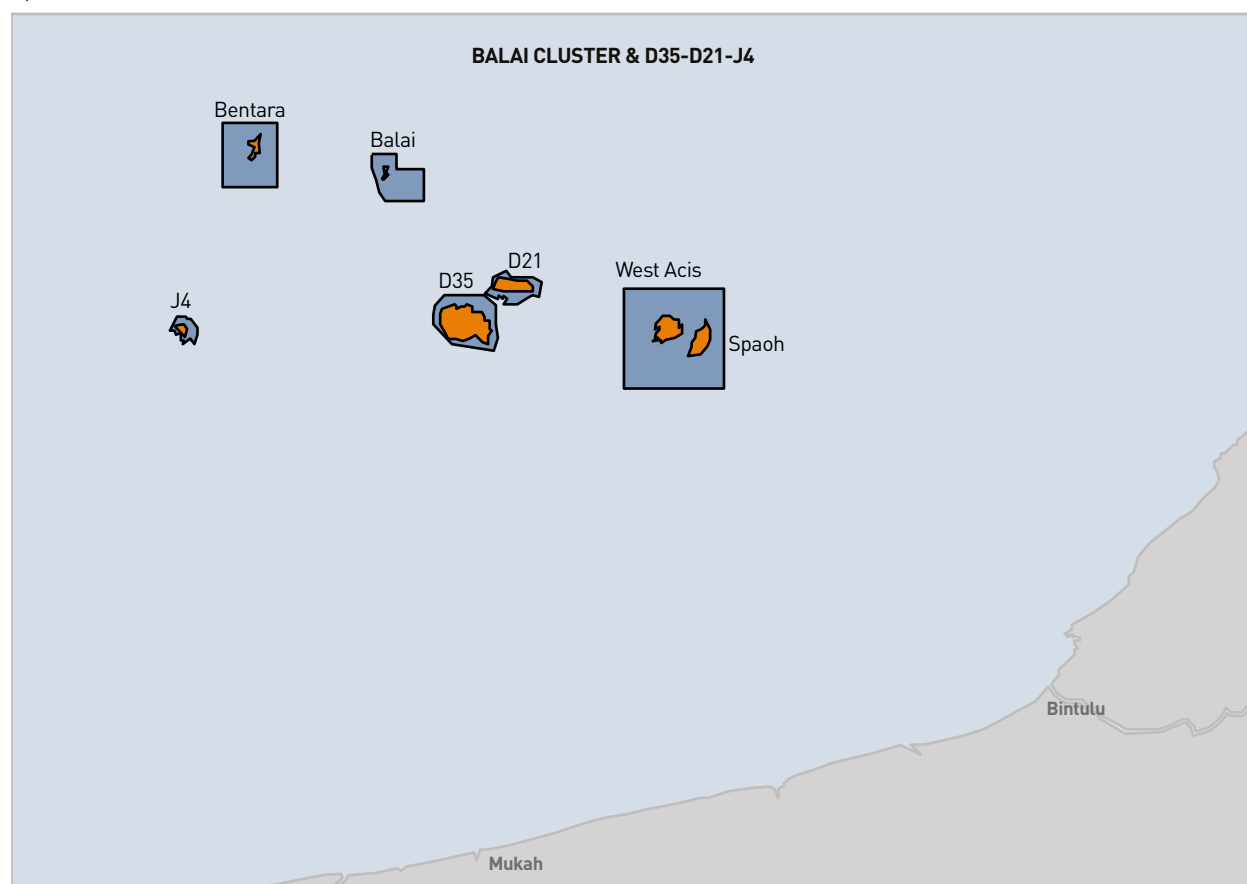
Key details of the D35/D21/J4 Fields are contained in the table below:

D35/D21/J4, offshore Sarawak Basin, Eastern Malaysia

Operator	PETRONAS Carigali Sdn Bhd
Roc Interest	50% ⁶⁴
Joint venture partners and interests	PETRONAS Carigali Sdn Bhd: 40% E&P Malaysia Venture Sdn Bhd: 10%
1Q 2014 production rate	–
Net 2P Reserves as at 1 January 2014	5.2 MMBOE (30% of Roc's net 2P Reserves) (see section 11.3(e) (<i>Reserves and resources methodology</i>))

The project is being delivered by an integrated project team comprising personnel from Roc and PETRONAS Carigali Sdn Bhd. PETRONAS Carigali Sdn Bhd continues to be the operator of the relevant PSC and retains responsibility for operations and maintenance of the facilities. Roc has been appointed project development manager, responsible for subsurface management, well engineering, new facilities projects and redevelopment project execution.

ii) Balai Cluster



The Balai Cluster Risk Service Contract (Balai Cluster RSC) is a cluster of marginal oil and gas fields (Balai, Bentara, West Acis and Spaoh) located in the Sarawak Basin in offshore Malaysia, in water depths of approximately 50-60 metres. PETRONAS entered into the Balai Cluster RSC on 16 August 2011 with a contractor group comprising Roc Oil Malaysia (Holdings) Sdn Bhd, DIALOG Group and PETRONAS Carigali Sdn Bhd. PETRONAS Carigali's interest was subsequently transferred to a wholly owned subsidiary, E&P Malaysia Solutions Co Sdn Bhd. A joint venture company, BC Petroleum Sdn Bhd (BCP), was created to appraise and develop the fields within the RSC.

⁶⁴ Farm-out of 20% participating interest subject to PETRONAS and joint venture approval.

Key details of the Balai Cluster RSC are contained in the table below:

Balai Cluster RSC, offshore Sarawak Basin, Malaysia

Operator	BC Petroleum Sdn Bhd
Roc Interest	48%
Joint venture partners and interests	Dialog D & P Sdn Bhd: 32%
	E&P Malaysia Solutions Co Sdn Bhd: 20%

A FDP for the Bentara Field, within the Balai Cluster RSC, was approved by PETRONAS in March 2014. The FDP is designed to deliver early production utilising the existing wells and facilities established during the pre-development phase, including Bentara-2 and Bentara-3 wells, Bentara well head platform and the early production vessel.

At 31 December 2013, Roc's investment in BCP of \$67 million (net) was assessed as discounted cash flow of the future reimbursements under the RSC over the next two years.

First commercial oil production from the Bentara Field is expected to commence during the second quarter of 2014.

C) AUSTRALIA



Roc's only producing asset in Australia is the Cliff Head Oil Field in production licence WA-31-L in the offshore Perth Basin, approximately 10 km offshore Western Australia. The Cliff Head Oil Field is currently the only commercial oil discovery in the offshore Perth Basin. The Cliff Head Oil Field, which is in 15-20 metres of water, is operated by Roc and was discovered, appraised and developed by Roc as operator, together with its current and former co-venturers.

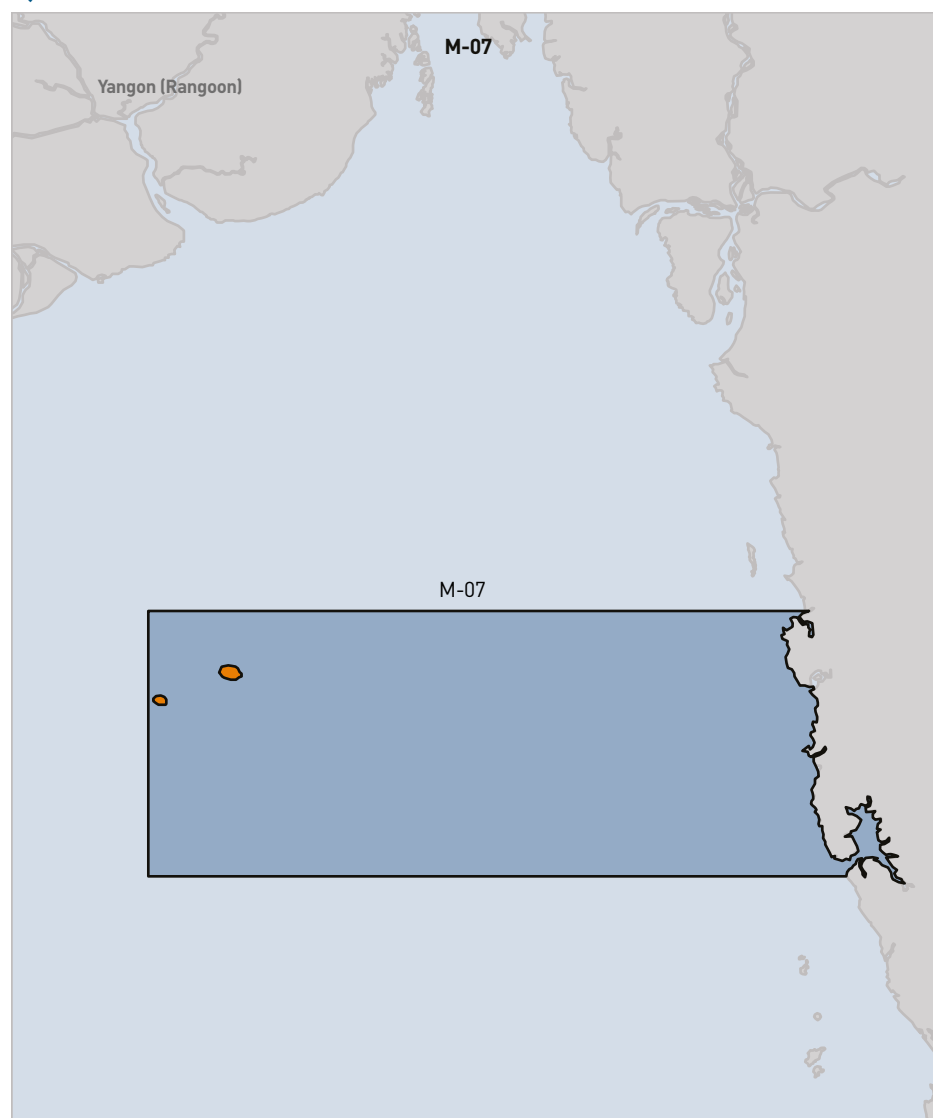
Key details of the Cliff Head Oil Field are contained in the table below:

Cliff Head Oil Field, WA-31-L, offshore Perth Basin, Western Australia

Operator	Roc Oil (WA) Pty Limited
Roc Interest	42.5%
Joint venture partners and interests	AWE Limited (via subsidiaries): 57.5%
1Q 2014 production rate	Gross: 2,224 BOPD Net to Roc: 945 BOPD
Net 2P Reserves as at 1 January 2014	2.2 MMBOE (13% of Roc's net 2P Reserves) (see section 11.3(e) (<i>Reserves and resources methodology</i>))
Production start-up	May 2006
Field facilities	Jack-up installed unmanned platform, connected by two 14 km pipelines to an onshore stabilisation plant at Arrowsmith. Production is processed at the onshore crude stabilisation plant and trucked 350 km to the BP refinery at Kwinana. The oil is sold to BP under a term contract covering the life of the Field at a price linked to regional crude oil prices.

The Cliff Head Oil Field is now considered to be a mature producing asset and continues to perform in line with expectations. The Field produced 0.4 MMBOE (1,061 BOEPD net to Roc) in the 12 months to 31 December 2013. In the same period, revenue from Cliff Head was US\$41.1 million.

D) MYANMAR



Block M07 is located in the gas and condensate prone Moattama Basin, offshore Myanmar in water depths of between 15-50 metres at the mouth of the Irrawaddy Delta. The block is 13,000 sq km in size and is situated 160 km east of the 6.5 TCF Yadana Field and 110 km north east of the 1.5 TCF Zawtika Field.

In 2013, after pre-qualifying for the Myanmar offshore licensing round, Roc submitted bids for two offshore shallow water blocks, including Block M07. In March 2014, Roc was notified by the Myanmar Ministry of Energy (MOE) of the successful award of a PSC for Block M07.

The PSC award is subject to finalisation of terms with the MOE and Roc Board approval which is anticipated to occur in the second half of 2014. Roc will hold a 59.375% interest and operate the licence on behalf of the joint venture participants, Tap Oil Limited and Smart E&P International Co. Ltd. The block award includes a provision for the joint venture to undertake an 18 month Environmental Impact Assessment and Study Period, following which it has an option to proceed into a three year exploration work programme.

E) UNITED KINGDOM

Roc has non-operated interests in the trans-median (UK-Norway) Blane Oil Field and the Enoch Oil and Gas Field in the North Sea.

i) Blane Oil Field

Roc purchased a 15.24% interest in the licence containing the UK portion of the undeveloped Blane Oil Field in 1999 and currently holds a 12.5% interest in the unitised field which extends into the Norwegian sector. Roc's annual working interest in oil production from the Blane Oil Field was 0.2 MMBOE to 31 December 2013. The Blane Oil Field contributed 8% of Roc's total production for 2013 and revenue of US\$18.1 million.

Key details of the Blane Oil Field are contained in the table below:

Blane Oil Field, P111-Block 30/3a (Upper), North Sea

Operator	Talisman Energy Norge AS (Field Operator) Talisman Sinopec Energy (UK) Limited (Wells Operator)
Roc Interest	12.5% unitised; 15.24% un-unitised
Joint venture partners and interests	Talisman Energy Norge AS – Field Operator: 18% Talisman Sinopec Energy (UK) Limited – Wells Operator: 25% Dana Petroleum (BVUK) Limited: 12.5% Faroe Petroleum (UK) Limited: 18% JX Nippon Exploration and Production (UK) Limited: 14%
1Q14 production rate	Gross: 4,385 BOPD Net to Roc: 548 BOPD
Net 2P Reserves as at 1 January 2014	1.3 MMBOE (7% of Roc's net 2P Reserves) (see section 11.3(e) (<i>Reserves and resources methodology</i>))
Production start-up	September 2007
Field facilities	Two horizontal production wells with gas lift and one water injection well tied back to BP-operated Ula platform located in the Norwegian continental shelf (approximately 34 km to the northeast).

ii) Enoch Oil and Gas Field

The Enoch Oil and Gas Field has been shut in since 29 January 2012 due to mechanical issues in subsea equipment. Restoration works were completed in the first quarter of 2014 and production is expected to resume in mid-2014.

Key details of the Enoch Oil and Gas Field are contained in the table below:

Enoch Oil and Gas Field, P219-Block 16/13a&e, North Sea

Operator	Talisman Sinopec North Sea Limited
Roc Interest	12% unitised; 15% un-unitised
Joint venture partners and interests	Talisman Sinopec North Sea Limited – Operator: 25.2% Dana Petroleum (BVUK) Limited: 20.8% Endeavour Energy UK Limited: 8% First Oil Expro Limited: 14% Statoil Petroleum AS: 11.78% Noreco Oil AS: 4.36% DetNorske AS: 2% Faroe Petroleum AS: 1.86%
1Q14 production rate	–
Net 2P Reserves as at 1 January 2014	0.3 MMBOE (2% of Roc's net 2P Reserves) (see section 11.3(e) (<i>Reserves and resources methodology</i>))
Production start-up	May 2007
Field facilities	One subsea production well with gas lift capability tied back to the Marathon Oil Corporation-operated Brae-A platform located on the United Kingdom continental shelf (approximately 15 km to the southwest).

11.3 ROC'S RESERVES AND RESOURCES STATEMENT

A) ECONOMIC INTEREST RESERVES BY ASSET

	1P DEV OIL (MMBBL)	IP UNDEV OIL (MMBBL)	IP DEV GAS (BCF)	IP UNDEV GAS (BCF)	IP TOTAL BOE (MMBOE)	2P DEV OIL (MMBBL)	2P UNDEV OIL (MMBBL)	2P DEV GAS (BCF)	2P UNDEV GAS (BCF)	2P TOTAL BOE (MMBOE)
Zhao Dong	2.2	0.6	0.5	0.2	2.9	2.4	1.2	0.6	0.3	3.7
Beibu	3.9	0.0	0.0	0.0	3.9	4.7	0.0	0.0	0.0	4.7
Cliff Head	1.4	0.0	0.0	0.0	1.4	2.2	0.0	0.0	0.0	2.2
Blane	0.7	0.0	0.1	0.0	0.7	1.3	0.0	0.1	0.0	1.3
Enoch	0.2	0.0	0.0	0.0	0.2	0.3	0.0	0.0	0.0	0.3
D35/D21/J4 ⁶⁵	0.9	2.0	2.7	2.0	3.7	1.4	2.6	3.7	3.2	5.2
Closing Balance 1 Jan 14	9.3	2.6	3.3	2.2	12.8	12.3	3.8	4.4	3.5	17.4

B) ECONOMIC INTEREST RESERVES AND RESOURCES BY REGION

	2P		2C		BEST ESTIMATE PROSPECTIVE RISKED RESOURCE		
	MMBOE	OIL MMBBL	GAS BCF	MMBOE	OIL MMBBL	GAS BCF	MMBOE
Malaysia	5.2	22.1	10.3	23.9	7.2	0.0	7.2
China	8.4	5.5	1.0	5.7	31.5	1.3	31.7
Australia	2.2	2.3	–	2.3	0.5	–	0.5
UK	1.6	0.9	5.6	1.8	0.0	0.0	0.0
Closing Balance 1 Jan 14	17.4	30.8	16.9	33.7	39.2	1.3	39.4

⁶⁵ Assuming Roc has 30% participating interest following farm-out of 20% participating interest (subject to regulatory approval).

The estimated quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

C) RECONCILIATION OF ECONOMIC INTEREST RESERVES

	1P DEVELOPED AND UNDEVELOPED			2P DEVELOPED AND UNDEVELOPED		
	OIL (MMBBL)	GAS (BCF)	BOE (MMBOE)	OIL (MMBBL)	GAS (BCF)	BOE (MMBOE)
Opening Balance 31 Dec 2013 (economic interest)	9.0	0.8	9.1	12.1	1.0	12.2
D35/D21/J4 (economic interest)	2.9	4.7	3.7	4.1	6.9	5.2
Closing Balance 1 Jan 2014 (economic interest)	11.9	5.5	12.8	16.2	7.9	17.4

D) RECONCILIATION OF ECONOMIC INTEREST RESOURCES

	2C BOE (MMBOE)	BEST ESTIMATE PROSPECTIVE RISKED RESOURCES ⁶⁶ (MMBOE)
Opening Balance 31 Dec 13	23.6	37.8
D35/D21/J4 (economic interest)	23.9	7.2
Beibu 12-8 East ⁶⁷	0.8	0.6 ⁶⁸
BMG Sale ⁶⁹	(14.6)	(6.2)
Closing Balance 1 Jan 2014 (economic interest)	33.7	39.4

E) RESERVES AND RESOURCES METHODOLOGY

The deterministic method has been used to compile Reserve and Contingent Resource estimates and the probabilistic method has been used to compile Prospective Resource estimates. The aggregate 1P Reserve may be a very conservative estimate and the aggregate 3P Reserve may be a very optimistic estimate due to the portfolio effects of arithmetic summation. Prospective Resources have been adjusted for risk using the chance of discovery.

Estimates of Reserves are reported net of lease fuel. The reference point used for the purposes of measuring and assessing the estimated Reserves is the sales point.

Roc has put in place an Estimation and *Reporting of Reserves and Resources Guideline* which sets out the governance arrangements and internal controls regarding the reported estimates of petroleum Reserves and resources and the estimation process to apply at Roc. The guideline provides for an annual review of all Reserves and resources by the Roc Chief Reservoir Engineer (Roc CRE) and for an annual audit covering all material assets over a rolling three year period.

All audits are undertaken by independent third party resource evaluators and are overseen by the Roc CRE who is a petroleum Reserves and resources evaluator qualified in accordance with ASX Listing Rule requirements. No public reporting of any Reserves or resources estimate is permitted without the sign off in by the Roc CRE and the approval of the Roc Chief Executive Officer. All public reporting of the Reserves or resources estimates is in accordance with the requirements set out in Chapter 5 of the ASX Listing Rules and the Roc Continuous Disclosure Policy.

The Roc Reserves, Contingent Resources and Prospective Resources reported in this section 11.3 (Roc's Reserves and resources statement) were estimated, reviewed and audited in accordance with the Roc *Estimation and Reporting of Reserves and Resources Guideline*.

The Reserves, Contingent Resources and Prospective Resources estimates used in this section are supported by Bill Billingsley's (CRE and full-time employee of Roc) statement contained in section 1 (*Important notices*).

⁶⁶ This is Roc's initial assessment of estimated prospective risked resources and will be revised during phase 1 & 2.

⁶⁷ Updated as at 30 May 2014.

⁶⁸ Subject to approval of licence boundary extension.

⁶⁹ Subject to regulatory approval.

11.4 CHIEF EXECUTIVE OFFICER

Mr Alan Linn, the current Chief Executive Officer of Roc, has agreed to continue with the Merged Group in the role of President of Roc Oil Malaysia until April 2015. The revised terms of Mr Linn's employment are subject to further negotiation and have not been agreed as at the date of this Scheme Booklet.

11.5 ROC'S DIRECTORS

Brief profiles of the Roc Directors as at the date of this Scheme Booklet are set out below.

Mr Richard ('Mike') Harding

Independent Non-Executive Director and Chairman

Director for 2 years

Mr Harding is the Chairman of Downer EDI Limited and a non-executive Director of Transpacific Industries Group Ltd. Mr Harding is the former Chairman of Clough Limited (2006-2010) and a former non-executive Director of Arc Energy Limited (2003-2007) and Santos Limited (2004-2014). Mr Harding holds a Master of Science degree and had a 25 year career at BP PLC between 1978 and 2003. He held various project and business management positions at BP PLC, which provided upstream sector experience in the United Kingdom, South Korea, Western Australia, former USSR Republics, PNG, Malaysia and Thailand. His final position at BP PLC was as President and General Manager of BP Exploration Australia and Chief Executive Officer of BP Developments Australia Pty Limited. Mr Harding is a former Vice-Chairman and council member of the Australian Petroleum Production and Exploration Association.

During 2013, Mr Harding was the Chair of the Remuneration Committee of Roc and a member of the Nomination Committee and the Audit and Risk Committee. In addition to being Chairman of the Roc Board, Mr Harding is currently the Chair of the Nomination Committee and a member of the Remuneration Committee, the Audit and Risk Committee and the Health, Safety and Environment Committee.

Mr Alan Linn

Executive Director

Director for 2 years

Mr Linn joined Roc in January 2008 as Asset Manager – Africa and in October 2008 was appointed Chief Operating Officer. Mr Linn was appointed as Acting Chief Executive Officer on 29 October 2010 and was appointed as Chief Executive Officer on 23 February 2011. Mr Linn is a chartered chemical engineer with 35 years of international operational and joint venture management experience in both the upstream and downstream oil sectors.

Mr Linn spent 15 years working with ExxonMobil in both downstream and upstream assignments in the UK and USA before moving into the independent E&P oil sector working internationally for LASMO, Cairn Energy and Tullow in senior operational and business management roles. Before joining Roc, Mr Linn was Operations Director for African Arabian Petroleum, a privately owned E&P company headquartered in Dubai. Based in Tunisia, Mr Linn was responsible for all operational and engineering activities within the business' African focused portfolio.

Mr Nigel Hartley

Independent Non-Executive Director

Director for 2 years

Mr Hartley is a non-executive director of High Peak Royalties Limited and a former non-executive director of Austin Exploration Limited. Mr Hartley holds a degree in economics, is a Fellow of the Institute of Chartered Accountants in England and Wales, and had a 20 year career at Oil Search Limited between 1991 and 2011, during which time he held various senior financial and executive general manager positions (including 12 years as Chief Financial Officer). His final position at Oil Search Limited was as Executive General Manager Sustainability. Prior to his career at Oil Search Limited, Mr Hartley held financial positions at Rio Tinto and Niugini Mining and was a manager with the accounting and audit firm Peat, Marwick, Mitchell & Co.

Mr Hartley is Chair of the Audit and Risk Committee and the Remuneration Committee and is a member of the Nomination Committee.

Mr Christopher Hodge

Independent Non-Executive Director

Director for 3 years

Mr Hodge is a qualified geologist and petroleum geophysicist with extensive experience both in Australia and overseas. In addition to a variety of senior technical roles, he has held managerial positions in major petroleum exploration and production companies and played significant roles in substantially growing their asset bases through a mix of exploration and acquisition. Mr Hodge was Managing Director of ASX-listed Adelphi Energy Limited and is currently a director of ASX-listed Xstate Resources Limited and the E&P Advisor to Mitsubishi in Australia. He is a member of the Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists and holds a Graduate Diploma in Applied Finance and Investment.

Mr Hodge is Chair of the Health, Safety and Environment Committee.

Mr Robert Leon*Independent Non-Executive Director*

Director for 5 years

Mr Leon is a French national with over 30 years of experience in business and government administration. From 2002 until the merger with Roc in 2008, Mr Leon was a non-executive director of Anzon Energy Pty Limited (formally Anzon Energy Limited) and from 2006 until the takeover by Roc, he was a non-executive Director of Roc Oil (VIC) Pty Limited (formerly Anzon Australia Pty Limited). In 1996, Mr Leon co-founded Qualis, a diversified industrial group based in France, of which he is a co-manager. He was Chief Executive Officer of Arnault Group between 1986 and 1997, during which time he managed numerous strategic acquisitions, disposals and financial transactions. Prior to a career in business, Mr Leon held several positions in French Government administration. He holds degrees in political science and economics, and is a graduate of Ecole Nationale d'Administration in France. Mr Leon was formerly a Director of the Mandarin Oriental Hotel Group.

Mr Leon is a member of the Audit and Risk Committee.

Mr Graham Mulligan*Independent Non-Executive Director*

Director for over 3 years

Mr Mulligan is the principal of International Infrastructure Ventures Pty Ltd, an independent consulting company which specialises in providing advisory services to major projects in infrastructure, transport, resources and petroleum. He holds both science and accountancy qualifications and has considerable experience as a senior executive in the international petroleum, infrastructure, transport and resources industries. This included over 16 years with the listed New Zealand Oil & Gas Limited Group as both a Director and senior executive. Mr Mulligan has held a number of other senior executive roles, including Chief Executive Officer of Port of Brisbane Corporation and Managing Director of Port Wellington Limited. He is a former Chairman of the Petroleum Exploration Association of New Zealand, is currently a director of Chalmers Limited and has held director roles with other listed companies.

Mr Mulligan is a member of the Remuneration Committee, the Nomination Committee and the Audit and Risk Committee.

11.6 ROC HISTORICAL FINANCIAL INFORMATION

The selected statement of comprehensive income information contained below for Roc is extracted from the audited consolidated financial statements of Roc for the years ended 31 December 2013, 31 December 2012 and 31 December 2011. The selected statement of financial position and statement of cash flows information contained below for Roc is extracted from the audited consolidated financial statements of Roc for the years ended 31 December 2013 and 31 December 2012.

The financial information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act. The financial information also complies with the recognition and measurement requirements of International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. The audit opinions in these financial statements were issued by Ernst & Young and were unqualified.

The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. Where appropriate, adjustments have been made to headings and classifications of historical data to provide a consistent basis of presentation.

Except as set out in section 11.8 (*Update on Roc financial performance and financial position*), in the interval between the end of the year ending 31 December 2013 and the date of this Scheme Booklet, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Roc Directors, to significantly affect the operations of the Roc Group, the results of those operations, or the state of affairs of the Roc Group, in future financial years other than as disclosed in the 31 December 2013 full year financial statements and subsequent filings on ASX.

Roc Shareholders may view complete copies of the audited consolidated financial statements of Roc for the years ending 31 December 2013, 31 December 2012 and 31 December 2011 on ASX's website at www.asx.com.au or on the Roc website at www.rocoil.com.au.

A) ROC CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013 US\$'000	2012 US\$'000	2011 US\$'000
Sales revenue	250,995	242,067	285,831
Operating costs	(154,889)	(135,917)	(177,864)
Gross profit	96,106	106,150	107,967
Other income	189	3,967	193
Gain on sale of exploration and development assets	8,000	10,315	40
Net derivative losses	–	(878)	(13,140)
Exploration expensed and written off	(16,537)	(18,081)	(13,548)
Reversal of prior period impairment of oil and gas assets	–	–	18,633
Provision for restoration	–	(3,379)	–
Impairment of investment in associate company	(6,900)	–	–
Foreign currency translation reserve gain on liquidation of subsidiary	36	4,649	–
Impairment of exploration asset	–	–	(484)
Other costs	(15,346)	(13,413)	(12,987)
Finance costs	(3,839)	(6,595)	(6,003)
Profit before income tax	61,709	82,735	80,671
Income tax expense	(16,520)	(21,781)	(52,924)
Net profit	45,189	60,954	27,747
Other comprehensive income			
Foreign currency translation reserve gain on liquidation of subsidiary	(36)	(4,649)	–
Cash flow hedges transferred to trading profit	–	–	946
Other comprehensive loss net of tax	(36)	(4,649)	946
Total comprehensive profit	45,153	56,305	28,693
Basic earnings per share – cents	6.6	8.9	3.9
Diluted earnings per share – cents	6.5	8.8	3.9

B) ROC CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2013 US\$'000	2012 US\$'000
Current assets		
Cash assets	65,140	56,783
Trade and other receivables	32,361	25,474
Inventories	2,133	658
Total current assets	99,634	82,915
Non-current assets		
Oil and gas assets	227,158	237,292
Exploration and evaluation expenditure	587	1,094
Property, plant and equipment	858	1,080
Deferred tax assets	20,594	13,021
Investments in associate companies	67,203	33,422
Total non-current assets	316,400	285,909
Total assets	416,034	368,824
Current liabilities		
Trade and other payables	42,247	36,088
Current tax liabilities	8,258	9,944
Provisions	14,235	10,868
Total current liabilities	64,740	56,900
Non-current liabilities		
Deferred tax liabilities	21,078	26,406
Provisions	63,961	66,869
Total non-current liabilities	85,039	93,275
Total liabilities	149,779	150,175
Net assets	266,255	218,649
Equity		
Share capital	734,150	734,150
Accumulated losses	(488,833)	(534,022)
Other Reserves	20,938	18,521
Total equity	266,255	218,649

C) ROC CONSOLIDATED STATEMENT OF CASH FLOWS

	INFLOW / (OUTFLOW) 2013 US\$'000	INFLOW / (OUTFLOW) 2012 US\$'000
Cash flows from operating activities		
Cash generated from operations	154,341	190,336
Derivatives received/(paid)	68	(676)
Payments for exploration and evaluation expenses	(16,470)	(5,449)
Interest received	189	3,965
Finance costs paid	(1,579)	(2,866)
Payments made for abandonment costs	(2,299)	–
Payments for non-production phase for BMG	(1,837)	(12,099)
Income taxes and PRRT paid	(30,878)	(46,950)
Net cash generated from operating activities	101,535	126,261
Cash flows from investing activities		
Payments for plant and equipment	(184)	(104)
Payments for development expenditure	(59,561)	(59,401)
Payments for exploration and evaluation expenditure initially capitalised	–	(19,404)
Proceeds from sale of exploration and development assets	7,985	1,779
Payments for acquisition of additional 5% interest in Cliff Head	–	551
Investment in associate company	(40,680)	(17,423)
Net cash used in investing activities	(92,440)	(94,002)
Cash flows from financing activities		
Bank loan repayments	–	(15,000)
Net cash used in financing activities	–	(15,000)
Net increase in cash held	9,095	17,259
Cash at beginning of financial year	56,783	39,624
Effect of exchange rate changes on the balance of cash held in foreign currencies	(738)	(100)
Cash at end of financial year	65,140	56,783

11.7 MANAGEMENT DISCUSSION AND ANALYSIS IN RELATION TO HISTORICAL FINANCIAL INFORMATION

The information in this section has been adapted from Roc's discussion and analysis of financial statements for the year ended 31 December 2013 contained in Roc's 2013 Annual Report.

The Roc Group's net profit after income tax in the 2013 financial year ended 31 December 2013 was US\$45.2 million (2012: US\$61.0 million) and gross profit was US\$96.1 million (2012: US\$106.2 million).

Included in the overall result were items relating to:

- i) after-tax profit on the sale of the Juan de Nova Maritime Profond Block of US\$8.0 million;
- ii) exploration expense of US\$16.5 million; and
- iii) impairment of the investment in BC Petroleum Sdn Bhd of US\$6.9 million.

Basic earnings per share for the year to 31 December 2013 were US6.6 cents based on a weighted average number of fully paid ordinary shares on issue of 683,580,268 shares.

Oil and gas sales revenue of US\$251.0 million (2012: US\$242.1 million) was generated from sale volumes of 2.4 MMBOE (2012: 2.1 MMBOE), which achieved an average realised oil price of US\$104.61/BBL (2012: US\$113.60/BBL).

Operating costs of US\$154.9 million (2012: US\$135.9 million) comprised production costs of US\$51.0 million (US\$19.26/BOE), amortisation costs of US\$70.8 million (US\$26.71/BOE), and Chinese special oil income levy and royalty of US\$35.1 million offset by stock movement of US\$2.0 million.

Exploration and evaluation expenditure of US\$16.0 million (2012: US\$29.0 million) was incurred during the 2013 financial year, attributable to seismic acquisition and processing costs on Block 09/05 and new venture costs. In accordance with Roc's successful efforts accounting policy, US\$16.5 million (2012: US\$18.1 million) in exploration costs were expensed and written-off during the period.

An income tax expense of US\$16.5 million (2012: US\$21.8 million) was incurred during the financial year ended 31 December 2013, which included an income tax expense of US\$18.7 million and current PRRT of US\$11.0 million offset by a prior year over-provision of US\$0.3 million and an income tax credit of US\$12.9 million relating to timing differences.

As at 31 December 2013, Roc's net cash position was US\$65.1 million.

11.8 UPDATE ON ROC FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The following selected financial information for Roc is taken from the unaudited Roc Quarterly Activity Report for the quarter ended 31 March 2014:

- i) key deliverables achieved during the quarter included the divestment of Roc's interest in the BMG assets⁷⁰, resulting in a reversal of Roc's full abandonment obligation and an after tax profit of approximately US\$32 million (subject to working capital adjustment), award of Block MO7 and the FDP approval for the Bentara Field;
- ii) overall production for the quarter was 7,933 BOEPD, a decrease of 10% over the quarter ended 31 December 2013. The decrease was mainly attributable to lower production from Zhao Dong and Beibu through natural decline and Blane oil production following host platform downtime;
- iii) as at 31 March 2014, Roc had net cash of US\$88.1 million;
- iv) total sales revenue of US\$75.4 million for the quarter, an increase of 9% over the quarter ended 31 December 2013;
- v) Roc's core assets continued to produce reliably, providing strong cash flow from operations and underpinning Roc's capacity to fund value growth projects;
- vi) exploration and development expenditure totalled US\$3.9 million plus an additional BCP equity funding of US\$2.9 million for the first quarter;
- vii) work progressed on Roc's Block 09/05 exploration licence ahead of schedule, with planning and procurement for the exploration drilling programme scheduled for the second half of 2014 underway; and
- viii) Roc finalised its exit from non-core assets in Block H Equatorial Guinea and BMG⁷¹.

A copy of the Quarterly Activity Report for the quarter ended 31 March 2014 is available at www.asx.com.au and www.rocoil.com.au.

Roc expects that its Quarterly Activity Report for the quarter ending 30 June 2014 will be disclosed to the ASX on or before 31 July 2014. A copy of this report will be available at www.asx.com.au and www.rocoil.com.au.

11.9 ROC CAPITAL STRUCTURE

A) ROC SECURITIES

As at Monday, 30 June 2014, Roc's issued securities consist of:

- i) 687,618,400 Roc Shares;
- ii) 300,000 Roc Executive Options;
- iii) 10,715,000 Roc Existing LTI Rights;
- iv) 7,527,358 Roc New LTI Rights; and
- v) 1,886,476 Roc Deferred STI Rights.

All issued Roc Shares carry one vote per share and carry the right to dividends.

Roc Executive Options, Roc Existing LTI Rights, Roc New LTI Rights and Roc Deferred STI Rights do not carry any voting rights or rights to dividends.

B) ROC EMPLOYEE SHARE PLANS AND INCENTIVE PLANS

i) Roc Executive Share Option Plan

Roc has one share option plan, the Roc Executive Share Option Plan. This plan was replaced in 2010 by the Roc Existing LTI Plan and no new issues under the option plan will occur.

The outstanding Roc Executive Options are due to lapse during 2014 if unexercised.

ii) Roc Long Term Incentive Plan

The Roc Long Term Incentive Plan is an equity-based incentive plan designed to generate performance-based awards of share rights that may be converted into fully paid ordinary shares in Roc on satisfaction of performance conditions and board approval.

At present, there are two Roc Long Term Incentive Plans in operation:

- i) the first, introduced in 2010, applied up until 2013 (Roc Existing LTI Plan); and
- ii) the second, introduced in 2013, applies to Mr Linn from 2013 onwards and to all other Roc senior executives from 2014 onwards (Roc New LTI Plan).

⁷⁰ Subject to regulatory approval.

⁷¹ BMG sale subject to regulatory approval.

Collectively, in this section 11.9(b)(ii) (*Roc Long Term Incentive Plan*) the Roc New LTI Plan and Roc Existing LTI Plan are referred to as the Roc LTI Plan.

The Roc LTI Plan provides for the grant of rights (Roc LTI Rights) to acquire Roc Shares for nil consideration provided that relevant performance criteria are met. If the performance conditions are met, then subject to the Roc Board's determination as to how many Roc LTI Rights vest, recipients of the rights are entitled to receive one Roc Share for every right vested.

Subject to a number of conditions, the Roc Board may not issue Roc LTI Rights or Roc Deferred STI Rights, if, immediately following the grant, the number of shares the subject of the grant of the Roc LTI Rights when aggregated with all other rights on issue could exceed 5% of the total number of issued shares in Roc at the time of the issue of the Roc LTI Rights.

iii) Roc Short Term Incentive Plan

The Roc Short Term Incentive Plan (Roc STI Plan) is a variable performance-based cash and deferred equity incentive plan designed to reward senior executives and eligible employees for performance, following the end of the financial year.

The deferred equity component of the Roc STI Right is awarded in the form of rights to acquire Roc Shares for nil consideration ("Roc Deferred STI Rights").

As Roc Deferred STI Rights are designed to reward past performance, once granted, no further performance conditions will attach to the Roc Deferred STI Right other than the employee remaining employed with Roc at the time that the Roc Deferred STI Right vests.

C) RIGHTS AND LIABILITIES ATTACHING TO ROC SHARES

Section 13.5 (*Rights and liabilities attached to Roc Shares*) sets out certain information in relation to the rights and liabilities attaching to Roc Shares.

11.10 ROC SUBSTANTIAL SHAREHOLDERS

As at Monday, 30 June 2014, Roc has been notified⁷² that the following persons have a Substantial Holding of 5%, or more, of Roc Shares:

PERSON	PERSON'S VOTES	VOTING POWER (%)
Allan Gray Australia Pty Ltd (formerly known as Orbis Investment Management (Australia) Pty Ltd)	137,906,663	20.06% ⁷²

11.11 RECENT ROC SHARE PRICE PERFORMANCE

The graph below shows the Roc share price and volume of Roc Shares traded for the twelve months to Monday, 30 June 2014.



As at Monday, 30 June 2014:

- the last recorded trading price of Roc Shares was A\$0.600;
- the 10 day VWAP of Roc Shares was A\$0.581;
- the highest recorded trading price of Roc Shares in the previous three months was A\$0.630; and
- the lowest recorded trading price of Roc Shares in the previous three months was A\$0.445.

⁷² See form 604 lodged 9 September 2011 on ASX.

As at 23 April 2014, being the last day on which Roc Shares traded prior to announcement of the merger:

- i) the last recorded trading price of Roc Shares was A\$0.455;
- ii) the 10 day VWAP of Roc Shares was A\$0.466;
- iii) the highest recorded trading price of Roc Shares in the previous three months was A\$0.520; and
- iv) the lowest recorded trading price of Roc Shares in the previous three months was A\$0.4075.

11.12 ROC DIVIDEND HISTORY

No dividends were paid or declared during or since the financial year ended 31 December 2013. No dividends have been recommended by the Roc Directors in respect of or since the financial year ended 31 December 2013.

11.13 INTERESTS OF ROC DIRECTORS

A) INTERESTS IN ROC SECURITIES

Roc Directors' interests in Roc Securities as at the date of this Scheme Booklet are detailed in the table below.

DIRECTOR	ROC SHARES
Mr R M Harding	30,000
Mr N D R Hartley	12,500
Mr C C Hodge	100,000
Mr R C A Leon	1,510,000
Mr G D Mulligan	25,000
Mr A S Linn	2,269,660

DIRECTOR	ROC EXECUTIVE OPTIONS
Mr A S Linn	150,000 with an exercise price of A\$0.73 and an expiry date of 23 December 2014

DIRECTOR	ROC LTI RIGHTS
Mr A S Linn	500,000 granted on 16 December 2011 977,358 granted on 15 May 2013 1,180,851 ⁷³

DIRECTOR	ROC DEFERRED STI RIGHTS
Mr A S Linn	177,700 granted on 15 May 2013 387,209 ⁷⁴

Except as expressed in the table above:

- i) there are no Roc Securities held by or on behalf of Roc Directors as at the date of this Scheme Booklet; and
- ii) there has been no dealing by any Roc Director in any Roc Securities or Horizon Oil Securities in the four months preceding the date of this Scheme Booklet other than:
 - A) 1,050,000 Roc Shares issued to Alan Linn on 8 April 2014 as a result of the vesting of 1,050,000 Roc Existing LTI Rights; and
 - B) 106,660 Roc Shares issued to Alan Linn on 5 March 2014 as a result of the vesting of 106,660 Roc Deferred STI Rights.

B) RELEVANT INTERESTS IN HORIZON OIL SECURITIES

As at the date of this Scheme Booklet, Christopher Hodge has a Relevant Interest in 214,286 Horizon Oil Shares. As at the date of this Scheme Booklet, no other Roc Director has a Relevant Interest in any Horizon Oil Securities.

11.14 ROC RELEVANT INTERESTS IN HORIZON OIL SECURITIES

Roc does not hold any Relevant Interests in any Horizon Oil Securities as at:

- i) the date of this Scheme Booklet; nor
- ii) the date the proposed merger was announced to ASX on 29 April 2014.

During the period of 4 months before the date of this Scheme Booklet, neither Roc nor any associate of Roc provided, or agreed to provide, consideration for any Horizon Oil Securities under a purchase or agreement.

Roc has not acquired or disposed of a Relevant Interest in any Horizon Oil Securities in the four months preceding the date of this Scheme Booklet.

⁷³ Approved at the Roc Annual General Meeting on 27 May 2014 but not granted as at the date of this Scheme Booklet.

⁷⁴ Approved at the Roc Annual General Meeting on 27 May 2014 but not granted as at the date of this Scheme Booklet.

11.15 NO PRE-TRANSACTION BENEFITS

During the period of four months before the date of this Scheme Booklet, neither Roc nor any associate of Roc gave, or offered to give, or agreed to give, a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- i) vote in favour of the Scheme; or
- ii) dispose of Horizon Oil Shares,

and which will not be provided to all Scheme Participants under the Scheme.

11.16 PUBLICLY AVAILABLE INFORMATION ABOUT ROC

A) CONTINUOUSLY DISCLOSING ENTITY

As a company with securities quoted on the ASX and being a disclosing entity under the Corporations Act, Roc is subject to regular reporting and disclosure obligations. These obligations require Roc to announce price sensitive information as soon as it becomes aware of the information, subject to the exceptions for certain confidential information. Roc's recent ASX announcements are available from the Roc website at www.rocoil.com.au and the ASX website at www.asx.com.au. It is intended that further announcements concerning developments at Roc will continue to be made on these websites after the date of this Scheme Booklet. Historical ASX announcements and copies of half-yearly and annual financial results (and accompanying releases) are also available from the Roc website at www.rocoil.com.au.

Copies of these documents will also be made available free of charge at any time before the Second Court Date on a request in writing to Roc's Company Secretary at lnolan@rocoil.com.au.

B) RECENT ROC ANNOUNCEMENTS

The following table summarises announcements made to the ASX by Roc that may have affected share price movements over the period between 1 January 2014 and 2 July 2014:

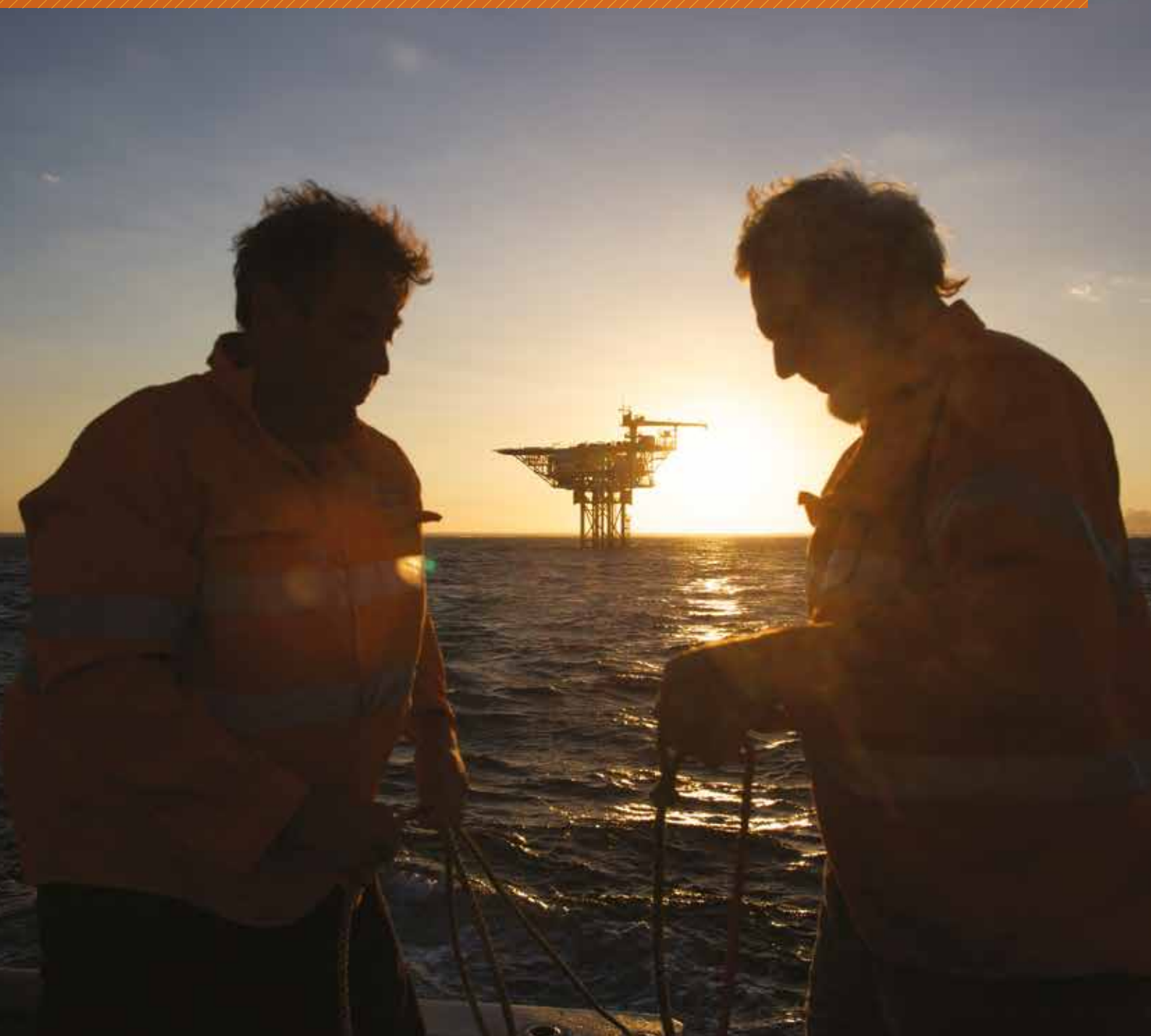
DATE	EVENT
02/07/2014	HZN: Key Terms of Conditional Convertible Bondholder Offer
02/07/2014	HZN: Scheme of Arrangement Independent Experts Report
02/07/2014	HZN: Notice to Convertible Bondholders
25/06/2014	ROC Confirms Receipt of Non Binding Indicative Proposal
25/06/2014	HZN: Horizon Oil Merger Update
23/06/2014	Response to Shareholder Queries Relating to the EGM
18/06/2014	HZN: Independent Technical Specialist's Report
18/06/2014	HZN: Shareholder Update
18/06/2014	UBS Conference Presentation
16/06/2014	Letter to Shareholders – Independent Expert's Report
16/06/2014	Independent Expert's Report
05/06/2014	Notice of EGM and Proxy Form
02/06/2014	HZN: Grant of Stanley Gas Project Development Licence
30/05/2014	Farm-out of Interest in PSC, offshore Malaysia
27/05/2014	Results of Roc Annual General Meeting
27/05/2014	Roc 2014 AGM Presentation
26/05/2014	2014 Annual General Meeting Webcast
15/05/2014	Shareholder Requisition of General Meeting
08/05/2014	Letter to Shareholders
08/05/2014	Macquarie Australia Conference Presentation
29/04/2014	Activities for the First Quarter – Ended 31 March 2014
29/04/2014	Merger Announcement – Investor Presentation
29/04/2014	Roc and Horizon Proposed Merger Announcement
24/04/2014	2013 Annual Report and Sustainability Report
24/04/2014	Notice of Annual General Meeting and Proxy Form
24/04/2014	Trading Halt
08/04/2014	Correction to Appendix 3Y
08/04/2014	Change of Director's Interest Notice

DATE	EVENT
08/04/2014	Appendix 3B
07/04/2014	2014 Annual General Meeting
02/04/2014	Webcast – Roc Farms In to PSC, Offshore Malaysia
01/04/2014	Reserves Statement – Roc 2P Reserves Increase by 71%
01/04/2014	Roc Farms In to PSC, Offshore Malaysia
31/03/2014	COE: COE acquires Gippsland Basin gas and liquids project
31/03/2014	Roc Exits Basker Manta Gummy (BMG)
27/03/2014	TAP: Myanmar, Award of Shallow Water Exploration Block M07
27/03/2014	Myanmar, Award of Shallow Water Exploration Block M07
25/03/2014	Balai Cluster – Bentara Oil Field Development Plan Approval
12/03/2014	Excellence in Oil & Gas Conference
07/03/2014	Change of Director's Interest Notice
07/03/2014	Appendix 3B
06/03/2014	Ceasing to be a substantial holder
26/02/2014	2013 Full Year Financial Results – Presentation and Webcast
26/02/2014	Roc 2013 Full Year Financial Results
26/02/2014	Appendix 4E / Full Year Statutory Accounts
24/02/2014	Webcast – Roc 2013 Full Year Financial Results
29/01/2014	Activities for the Fourth Quarter – Ended 31 December 2013

Copies of the announcements listed above may be obtained from the ASX website at www.asx.com.au.

Further information about Roc is contained in electronic form on the Roc website at www.rocoil.com.au.

12. Profile of the Merged Group



12.1 OVERVIEW OF THE MERGED GROUP

The merger brings together two highly complementary Asian-focused portfolios with assets across China, PNG, Malaysia, Myanmar, Australia, New Zealand and the United Kingdom. The merger will result in a significant increase in scale to create a leading ASX-listed Asian focused upstream oil and gas company with expanded production, reserves and resources.

The Merged Group will have a pro forma market capitalisation of approximately A\$800 million⁷⁵. The complementary portfolios have a strong production base, with a forecast combined CY14 indicative production of 5.5 MMBOE⁷⁶, and a significant development pipeline, with major growth projects in China, PNG and Malaysia. The Merged Group will have net 2P Reserves of 33.3 MMBOE and net 2C Contingent Resources of 113.0 MMBOE.

For further details on the assets of each company, refer to section 10 (*Profile of Horizon Oil*) and section 11 (*Profile of Roc*).

An overview of the assets of the Merged Group is set out in the map and table below.



⁷⁵ Based on the combined market capitalisations of each of Horizon Oil and Roc on 23 April 2014, the last day Horizon Oil and Roc Shares were traded prior to the announcement of the merger.

⁷⁶ Based on 2P production profile forecasts.

ASSET	STAGE OF DEVELOPMENT	HORIZON OIL INTEREST	ROC INTEREST	COMBINED INTEREST
China				
Beibu Gulf (Block 22/12)	Production	26.95% ⁷⁷	19.6% ⁷⁷	46.55% ⁷⁷
Bohai Bay (C&D Fields)	Production		24.5%	24.5%
Bohai Bay (C4 Field)	Production		11.667% ⁷⁸	11.667%
Bohai Bay (Zhanghai/Chenghai)	Production		39.2% ⁷⁹	39.2%
Bohai Bay (Block 09/05)	Exploration		100% ⁸⁰	100%
PNG				
PDL 10 (formerly PRL 4) (Stanley)	Development	30% ^{81, 82}		30% ^{81, 82}
PRL 21 (Eleva/Ketu)	Appraisal	27% ⁸¹		27% ⁸¹
PPL 259	Exploration	35% ⁸¹		35% ⁸¹
PPL 430	Exploration	50% ⁸¹		50% ⁸¹
PPL 372 & 373	Exploration	90% ⁸¹		90% ⁸¹
New Zealand				
PMP 38160 (Maari/Manaia)	Production	10%		10%
PEP 51313 (Matariki)	Exploration	21% ⁸³		21% ⁸³
Malaysia				
Balai Cluster RSC	Development		48%	48%
D35 / J4 / D21 / PSC	Appraisal / Production		30% ⁸⁴	30% ⁸⁴
Myanmar				
Block M07	Exploration		59.375% ⁸⁵	59.375% ⁸⁵
Australia				
Cliff Head	Production		42.5%	42.5%
United Kingdom				
Blane	Production		12.5% ⁸⁶	12.5%
Enoch / J1	Production		12% ⁸⁶	12%

A) RESERVES AND RESOURCES POSITION

Based on the latest published Reserves and resources statements of each company, the Merged Group will have a significant net 2P Reserve position of 33.3 MMBOE and a net 2C Contingent Resource position of 113.0 MMBOE. See section 10.3 (*Horizon Oil's Reserves and resources statement*) for Horizon Oil's statement of Reserves and Contingent Resources and section 11.3 (*Roc's Reserves and resources statement*) for Roc's Reserves and Contingent Resources statement.

The Merged Group's net 2P Reserves position will be strongly leveraged to liquids (96%). The combined group's 2P + 2C position is approximately 53% liquids and 47% gas, driven by the inclusion of Horizon Oil's significant gas resources in PNG.

⁷⁷ Interest in field development post-government back-in.

⁷⁸ Unitised interest in producing field (pending final Joint Management Committee approval).

⁷⁹ Interest in field development post-government back-in.

⁸⁰ Prior to government back-in.

⁸¹ Equity interests shown prior to government back in.

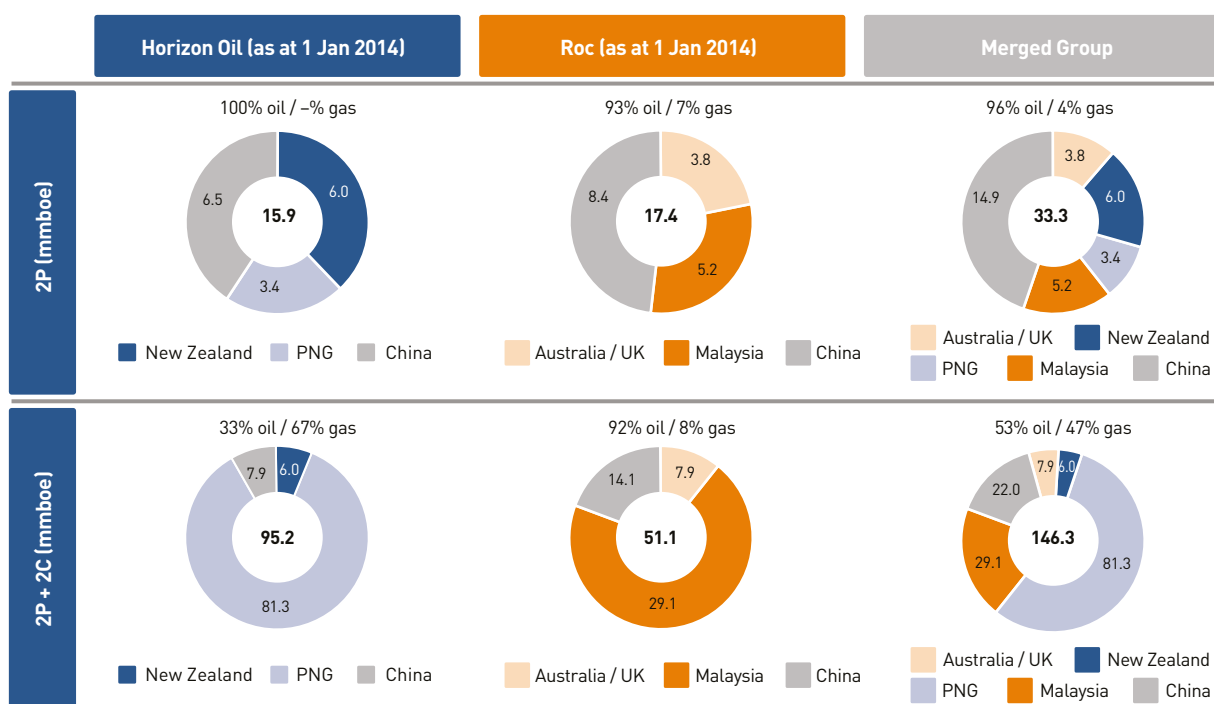
⁸² Subject to change following determination by expert (appointed pursuant to a unitisation agreement) of extent to which the Stanley Field extends in to block 1622 (contained in PPL 259).

⁸³ 21% interest in Whio prospect area subject to reduction to 10% in event of a commercial discovery at Whio.

⁸⁴ Assuming Roc has 30% participating interest following farm-out of 20% participating interest (subject to regulatory approval).

⁸⁵ Subject to Roc Board approval and signing PSC.

⁸⁶ Unitised interest in producing field.



B) PRODUCTION PROFILE

The Merged Group will have production from five main assets, consisting of the Beibu Gulf (China), Bohai Bay (China), Maari / Manaia (New Zealand), Cliff Head (Australia) and Blane (United Kingdom). The combined CY14 indicative combined production of 5.5 MMBOE⁸⁷ consists predominantly of oil, driven by the Bohai Bay and Beibu Gulf projects in China.

The Merged Group also expects to achieve substantial levels of gas production from its PNG assets in the longer term.

12.2 INTENTIONS IN RELATION TO HORIZON OIL AND THE MERGED GROUP

This section sets out the intentions of Horizon Oil and Roc in relation to the Merged Group if the Scheme is implemented.

These statements of intention are formed on the basis of publicly available information as at the date of this Scheme Booklet as well as information made available in the course of due diligence carried out by Horizon Oil on the business of Roc, and due diligence carried out by Roc on the business of Horizon Oil.

The board of the Merged Group intends to explore opportunities to optimise the Merged Group's existing operations and development projects and maximise value for the Merged Group's shareholders.

Final decisions regarding any such matters will be made by the board of the Merged Group in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intentions only, which may vary as new information becomes available or circumstances change and the Merged Group further develops its strategic focus and outlook.

A) CORPORATE MATTERS IN RELATION TO HORIZON OIL

If the Scheme is implemented, it is intended that:

- Horizon Oil be removed from the official list of ASX; and
- as Horizon Oil will be a subsidiary of the Merged Group, the Horizon Oil Board will be reconstituted so that it comprises persons nominated by the board of the Merged Group.

B) CONTINUATION OF HORIZON OIL AND ROC'S BUSINESSES

It is the current intention of Horizon Oil and Roc that the Merged Group will continue to operate the businesses of Horizon Oil and Roc in substantially the same manner as they are currently being conducted. The Merged Group will continue to review all aspects of the assets and operations to identify ways to maximise value for all shareholders.

⁸⁷ Based on 2P production profile forecasts.

C) NAME OF THE MERGED GROUP

Following the implementation of the Scheme, the board of the Merged Group may make a decision on the name of the Merged Group. Any decision to change the name of the listed entity would be subject to shareholder approval of the Merged Group.

The Merged Group intends to use the Roc name, including any associated trade marks and logos in the conduct of its business in China and South East Asia, which will include Malaysia and Myanmar. The Horizon Oil name, including any associated trade marks and logos will be used in the conduct of its business in PNG and New Zealand.

The branding of any new operations and projects in countries not specified will be subject to management consideration.

D) DIVIDEND POLICY

Following refinancing of the Merged Group's finance facilities, the board of the Merged Group will be looking to pay dividends as soon as it is responsible to do so. In making any determination on dividends, the board of the Merged Group will have regard to, amongst other things, the available profits, its financial position, franking credits and the board of the Merged Group's assessment of the capital required to grow the combined businesses.

E) FINANCING

Following the implementation of the Scheme, the Merged Group intends to restructure the companies' existing funding arrangements. It is expected that the greater scale and diversity of the Merged Group will lead to enhanced access to funding on more favourable terms.

12.3 BOARD OF THE MERGED GROUP

The board of the Merged Group will comprise eight directors, including three current non-executive Roc Directors, four current non-executive Horizon Oil Directors and Brent Emmett (current CEO and Managing Director of Horizon Oil) as CEO and Managing Director of the Merged Group.

One Horizon Oil Director will retire from the board of the Merged Group at or before the annual general meeting of the Merged Group in 2015, as contemplated in the Merger Implementation Deed.

The current Chairman of Roc, Mike Harding, will be Chairman of the Merged Group. See section 11.5 (*Roc's Directors*) for details of Mr Harding's qualifications and background.

The current Chairman of Horizon Oil, Fraser Ainsworth, will continue as a non-executive director of the Merged Group. See section 10.4 (*Horizon Oil Directors*) for details of Mr Ainsworth's qualifications and background.

As at the date of this Scheme Booklet, the identities of the two additional Roc Directors that will remain on the board of the Merged Group have not been determined. The remaining non-executive directors will be selected by either by the Roc Board prior to implementation of the Scheme or by the Merged Group Board following implementation of the Scheme.

12.4 MANAGEMENT OF THE MERGED GROUP

The current CEO and Managing Director of Horizon Oil, Brent Emmett, will be CEO and Managing Director of the Merged Group. See section 10.4 (*Horizon Oil Directors*) for details of Mr Emmett's qualifications and background.

The current CEO and Managing Director of Roc, Alan Linn, will continue with the Merged Group in the role of President of Roc Oil Malaysia until April 2015. See section 11.5 (*Roc's Directors*) for details of Mr Linn's qualifications and background.

Other members of the Merged Group's senior management team will be drawn from the two companies' existing management teams following implementation of the Scheme.

12.5 CAPITAL STRUCTURE AND OWNERSHIP

A) SHARE CAPITAL

If the Scheme is implemented, Roc will issue approximately 952.58 million New Roc Shares to Horizon Oil Shareholders.⁸⁸

As a result of the Scheme, the number of Roc Shares on issue will increase from approximately 687.62 million (being the number currently on issue) to approximately 1640.20 million.

	ROC SHARES TO BE ISSUED	CUMULATIVE TOTAL ROC SHARES ON ISSUE
As at the date of this Scheme Booklet		687,618,400
To be issued as Scheme Consideration	952,583,404	1,640,201,804

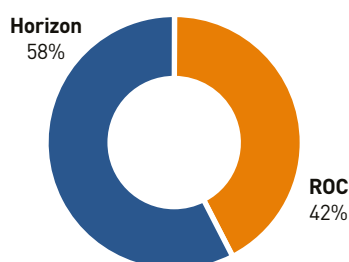
⁸⁸ This figure includes: (1) 1,500,000 partly paid Horizon Oil Shares and (2) 12,241,668 vested Horizon Oil Options which will be exercised upon implementation of the Scheme; and excludes any Horizon Oil Convertible Bonds that may be converted prior to the Record Date.

B) OPTIONS AND PERFORMANCE RIGHTS

If the Scheme is implemented, it is expected that the Merged Group will have the following options and performance rights on issue.

	PERFORMANCE RIGHTS	EQUITY INCENTIVE PLAN	STI RIGHTS	UNLISTED OPTIONS
As at the date of this Scheme Booklet	Roc: 10,715,000	Roc LTI Rights: 7,527,358 ⁸⁹	Roc Deferred STI Rights: 1,886,476 ⁹⁰	Roc Executive Options: 300,000
Number to be issued as a result of the Scheme	25,398,762	nil	nil	1,838,726 ⁹¹
Following implementation of the Scheme	36,113,762	7,527,358	1,886,476	2,138,726 ⁹²

C) MERGED GROUP OWNERSHIP STRUCTURE



12.6 PRO FORMA FINANCIAL INFORMATION

The Merged Group pro forma financial information provided in this Scheme Booklet comprises a pro forma consolidated statement of financial position as at 31 December 2013, which is based upon the:

- Roc Group audited consolidated statement of financial position as at 31 December 2013 (refer to section 11.6 (*Roc historical financial information*));
- Horizon Oil Group reviewed consolidated statement of financial position as at 31 December 2013 (refer to section 10.5 (*Horizon Oil historical financial information*)), (hereafter the **Historical Financial Information**); and
- relevant pro forma adjustments required to present the Merged Group, (collectively, the **Pro Forma Financial Information**).

The information in this section 12.6 is presented on a pro forma basis only, and as a result it is likely that this information will differ from the actual financial information for the Merged Group as at the Effective Date.

During the year ended 31 December 2013, there were a number of events which significantly impacted the financial performance of the Horizon Oil Group and Roc Group and as a result, the financial performance of the Merged Group is not presented within this Scheme Booklet. The Horizon Oil Directors believe that the inclusion of a pro forma consolidated statement of comprehensive income would not be a true reflection of the Merged Group.

Standalone historical consolidated statement of comprehensive income information for both the Horizon Oil Group and the Roc Group is located within section 10.5 (*Horizon Oil historical financial information*) and section 11.6 (*Roc historical financial information*) respectively within the Scheme Booklet.

⁸⁹ This number does not include the 1,180,851 Roc LTI Rights approved at the Roc Annual General Meeting on 27 May 2014 but not granted as at the date of this Scheme Booklet.

⁹⁰ This number does not include the 387,209 Roc Deferred STI Rights approved at the Roc Annual General Meeting on 27 May 2014 but not granted as at the date of this Scheme Booklet.

⁹¹ Unlisted options excludes unvested Horizon Oil Options (out of the money) which may be cancelled via a cash out option. In the event these options are retained, up to an additional 635,513 unlisted Roc options would be issued.

⁹² Unlisted options excludes unvested Horizon Oil Options (out of the money) which may be cancelled via a cash out option. In the event these options are retained, up to an additional 635,513 unlisted Roc Options would be issued.

A) BASIS OF PREPARATION

The Pro Forma Financial Information is provided for illustrative purposes and is prepared in accordance with the recognition and measurement requirements of applicable Australian Accounting Standards on the assumption that the proposed Scheme was implemented on 31 December 2013.

The Pro Forma Financial Information is presented in an abbreviated form insofar as it does not contain all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports usually provided in an annual report prepared in accordance with the Corporations Act.

The accounting policies of the Merged Group used in the compilation of the Pro Forma Financial Information are based on those of Horizon Oil. The Horizon Oil summary of significant accounting policies is disclosed in the audited financial statements of Horizon Oil for the year ended 30 June 2013, available on the ASX website at www.asx.com.au or on the “Investor Centre” section of the Horizon Oil website at www.horizonoil.com.au.

No adjustments have been made in the Pro Forma Financial Information for any expected synergies or integration costs following the implementation of the Scheme. No adjustments have been made in the Pro Forma Financial Information for any one-off or non-recurring costs, other than those set out in the pro forma adjustments.

The Pro Forma Financial Information is presented in United States dollars, the operating and presentation currency of both Horizon Oil and Roc.

The Investigating Accountant has reported on the Pro Forma Financial Information, in an Investigating Accountant’s Report, which has been included as Attachment B (*Investigating Accountant’s Report*). Horizon Oil Shareholders should note the comments made in relation to the scope and limitations of that report.

B) ACCOUNTING UNDER AASB 3 ‘BUSINESS COMBINATIONS’

Under Australian Accounting Standards, the proposed merger will be accounted for as a business combination. Australian Accounting Standards require that where two or more entities combine through an exchange of equity for the purposes of a business combination, one of the entities must be deemed to be the accounting acquirer (accounting parent).

Roc is the legal acquirer (legal parent) in respect of the proposed Scheme (Horizon Oil is the legal subsidiary) and it will issue New Roc Shares to effect the business combination with the Horizon Oil Group. However, in accordance with Australian Accounting Standards, all relevant facts and circumstances must be considered to determine which entity has obtained control in the transaction and is therefore deemed to be the accounting acquirer (accounting parent).

Although the terms of the proposed merger reflect a merger of equals, having regard to the guidance set out in Australian Accounting Standard AASB 3 ‘Business Combinations’ and given the relative voting rights after the business combination, Board and management composition of the Merged Group and other factors, Horizon Oil was determined to be the deemed acquirer (accounting parent) for accounting purposes. This method of accounting is referred to as ‘reverse acquisition accounting’.

For the purposes of the Merged Group, the impact of reverse acquisition accounting is that the net asset value of the Roc Group (reflecting the assets and liabilities deemed to be acquired by Horizon Oil) is restated at fair value, while the assets and liabilities of the Horizon Oil Group are maintained at their historical book values.

The acquisition accounting has been determined on a provisional basis as permitted under AASB 3. The fair value of the consideration deemed transferred, assets acquired and liabilities assumed by the Horizon Oil Group have been determined based on preliminary fair value estimates as at 31 December 2013, which will be different to the ultimate fair values at the Effective Date. The acquisition accounting is expected to be finalised within 12 months of the implementation of the proposed Scheme, as allowed under Australian Accounting Standards.

C) SUMMARY OF ACQUISITION

Under AASB 3, the fair value of the consideration that the Horizon Oil Group is deemed to have transferred to Roc is the market value of Roc's contributed equity at the date of the merger. For the purposes of the Pro Forma Financial Information, a fair value of US\$362.8 million has been calculated.

The difference between the fair value of the consideration deemed transferred and the fair value of the Roc Group's net assets, for the purposes of the Pro Forma Financial Information, is allocated to oil and gas assets.

Following implementation of the Scheme, a detailed valuation of the identifiable assets, liabilities and contingent liabilities of the Roc Group will be undertaken to ascertain the allocation of this difference. The ultimate value of the consideration deemed transferred for accounting purposes as at the Effective Date will differ from that assumed for the purposes of the Pro Forma Financial Information.

The ultimate value of the consideration deemed transferred for accounting purposes will be measured based upon the market capitalisation value of Roc Shares at close of ASX trading on the Effective Date.

As the Scheme, if implemented, will be effected at a future date, the actual impact of the acquisition accounting will differ from that presented below.

The provisional allocation of the fair value of consideration deemed transferred on consolidation is as follows:

	US\$ '000
Fair value of consideration deemed transferred on consolidation:	362,809
Fair value of Roc Group's net assets acquired:	
Existing book value of the Roc Group net assets as at 31 December 2013	266,255
Derecognition of Basker Manta Gummy assets and liabilities	32,662
Adjusted Roc Group net book value	298,917
Fair value adjustments:	
• Inventories	3,016
• Oil and gas assets	62,539
• Deferred tax liability	(1,663)
Total fair value of Roc Group's net assets acquired	362,809

D) PRO FORMA FINANCIAL INFORMATION

This section contains the Pro Forma Financial Information for the Merged Group, reflecting the combined business of the Roc Group and the Horizon Oil Group. The Pro Forma Financial Information is presented to provide Horizon Oil Shareholders with an indication of the Merged Group's consolidated statement of financial position as if the Scheme had been implemented as at 31 December 2013.

As the Scheme, if implemented, will be effected at a future date, the actual consolidated statement of financial position of the Merged Group following implementation of the Scheme will differ from that presented below.

References to notes refer to the notes to pro forma adjustments set out in this section.

MERGED GROUP PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	ROC GROUP AUDITED ACTUAL US\$'000	NOTE	ROC GROUP PRO FORMA ADJUSTMENTS US\$'000	ROC GROUP FAIR VALUES US\$'000	HORIZON OIL GROUP REVIEWED ACTUAL US\$'000	NOTE	PRO FORMA ADJUSTMENTS US\$'000	MERGED GROUP PRO FORMA CONSOLIDATED US\$'000
Current Assets								
Cash and cash equivalents	65,140	II	2,482	67,622	37,099	f, j, k, l	(40,015)	64,706
Receivables	32,361	II	(2,482)	29,879	22,223	g, m	3,418	55,520
Inventories	2,133	IV	3,016	5,149	6,376	l	(2,314)	9,211
Current tax receivable	–		–	–	1,768		–	1,768
Other assets	–		–	–	567		–	567
Total Current Assets	99,634		3,016	102,650	68,033		(38,911)	131,772
Non-Current Assets								
Deferred tax assets	20,594		–	20,594	7,278	e	(6,873)	20,999
Plant and equipment	858		–	858	7,965		–	8,823
Exploration phase expenditure	587		–	587	112,761	h, l	(33,892)	79,456
Oil and gas assets	227,158	III, IV	77,539	304,697	340,046	l	(42,012)	602,731
Investments in associate companies	67,203		–	67,203	–		–	67,203
Total Non-Current Assets	316,400		77,539	393,939	468,050		(82,777)	779,212
Total Assets	416,034		80,555	496,589	536,083		(121,688)	910,984
Current Liabilities								
Payables	42,247	I, III	5,355	47,602	44,893	g, l	(3,842)	88,653
Derivative financial instruments	–		–	–	4,915		–	4,915
Current tax payable	8,258		–	8,258	2		–	8,260
Borrowings	–		–	–	55,135	i, j	(45,970)	9,165
Restoration provision	14,235	I, II	(4,835)	9,400	10,689		–	20,089
Total Current Liabilities	64,740		520	65,260	115,634		(49,812)	131,082
Non-Current Liabilities								
Payables	–	I, III	12,432	12,432	21,143	l	(20,400)	13,175
Derivative financial instruments	–		–	–	1,003		–	1,003
Deferred tax liability	21,078	IV	1,663	22,741	15,327		–	38,068
Borrowings	–		–	–	143,870	i, k	(38,470)	105,400
Other financial liabilities	–		–	–	14,645	k	(14,645)	–
Provisions	63,961	I, II	(30,614)	33,347	15,365		–	48,712
Total Non-Current Liabilities	85,039		(16,519)	68,520	211,353		(73,515)	206,358
Total Liabilities	149,779		(15,999)	133,780	326,987		(123,327)	337,440
Net Assets	266,255		96,554	362,809	209,096		1,639	573,544
Equity								
Contributed equity	734,150		–	734,150	174,567	a, m	(730,636)	178,081
Other contributed equity	–		–	–	–	d	362,809	362,809
Reserves	20,938		–	20,938	3,485	b	(20,938)	3,485
Retained profits/(accumulated losses)	(488,833)	II	32,662	(456,171)	31,044	c, e, f, h, k, l	454,296	29,169
Total Equity	266,255		32,662	298,917	209,096		65,531	573,544

I) NOTES TO PRO FORMA ADJUSTMENTS

The following pro forma adjustments to the Historical Financial Information have been made in the compilation of the Pro Forma Financial Information, including the adjustments to reflect the impact of acquisition accounting and certain material transactions and/or events post 31 December 2013, as follows:

i) Alignment of the Roc Group's accounting policies with those of Horizon Oil

Note I: reclassification of the Roc Group employee provisions from 'provisions' to 'payables', in accordance with Horizon Oil Group accounting policies. There were no other material differences noted between the significant accounting policies of the Horizon Oil Group and the Roc Group.

ii) Pro forma adjustments for certain material transactions and/or events post 31 December 2013

Note II: the Roc Group exited its Basker Manta Gummy Field interest effective 1 January 2014, with transfer of all liabilities and benefits to Cooper Energy Limited from that date, including restoration and abandonment obligations.

Note III: Roc Group's offshore production sharing contract Malaysia D35, D21 and J4 Fields, acquisition cost of US\$15 million payable over 4 years, effective 1 January 2014.

iii) Pro forma adjustments to recognise and measure the Roc Group's assets and liabilities at fair value

Note IV: fair value adjustments to Roc Group net book values.

iv) Pro forma acquisition accounting impact of implementing the proposed Scheme

Notes a,b,c,d: these adjustments represent the pro forma reverse acquisition accounting impact on the Merged Group as at 31 December 2013:

Note a: a decrease in contributed equity of US\$734 million to reflect the elimination of the Roc Group's issued share capital;

Note b: a decrease in other reserves of US\$21 million to reflect the elimination of the Roc Group's pre-acquisition share equity reserve and foreign currency translation reserve;

Note c: a decrease in accumulated losses of US\$456 million to reflect the elimination of the Roc Group's pre-acquisition accumulated losses; and

Note d: an increase in 'other contributed equity' of US\$363 million.

AASB 3 provides guidance on calculating the consideration deemed transferred where there is a reverse acquisition. The cost of acquisition is based on the fair value of the 'notional shares' that would need to be issued by Horizon Oil, as the accounting acquirer, to Roc, the accounting acquiree.

It is considered the fair value of the notional shares that Horizon Oil would have had to issue to Roc would be equal to the fair value of Roc Shares, based on their quoted market price, on issue at the Effective Date. This treatment is based on the following:

- i) the merger ratio for the transaction has been agreed on an arm's length negotiation between the two independent parties;
- ii) the cost of acquisition comprises an exchange of equity interests only; and
- iii) Roc and Horizon Oil are both listed entities trading on the ASX and their shares have a quoted market price.

As a result of reverse acquisition accounting, a new equity account is created as a component of equity. This account, called 'other contributed equity' in the pro forma consolidated statement of financial position, is similar in nature to share capital but is not available for distribution. The balance of the account represents the adjustment for the replacement of the legal parent's contributed equity under reverse acquisition accounting with the fair value of the consideration deemed transferred.

For the purposes of the pro forma consolidated statement of financial position, a fair value of US\$363 million has been calculated for the consideration deemed transferred based on 687,618,400 Roc Shares on issue, the Roc market price of A\$0.560 per fully paid ordinary share and the A\$/US\$ exchange rate of 0.9422 as at 24 June 2014 (being the last trading day prior to Roc's announcement that it had received a nonbinding, indicative and incomplete proposal for the acquisition of all its issued share capital).

Note e: tax losses in respect of the Horizon Oil Group's Australian operations are capitalised in the Horizon Oil Group's consolidated statement of financial position as at 31 December 2013 as deferred tax assets. Following implementation of the Scheme, it is assumed that Horizon Oil forms part of the Roc tax consolidated group under Australian taxation law. Roc is the head entity in the Roc tax consolidated group. Horizon Oil's unused tax losses will be transferred to the head entity. This adjustment removes such capitalised tax losses as it is not considered probable that future taxable amounts will be available to utilise those unused tax losses in the Merged Group following implementation of the Scheme.

Note f: estimated Horizon Oil Group and Roc Group transaction costs associated with the Scheme are expensed as incurred.

Note g: this adjustment eliminates the intercompany balances between the Roc Group and the Horizon Oil Group as at 31 December 2013.

Note h: write-off of costs associated with Horizon Oil's seismic option to farm-in to Bohai Bay (Block 09/05) held by the Roc Group. In light of the proposed merger with Roc, Horizon Oil has elected not to exercise the option.

v) Pro forma adjustments for certain material transactions and/or events post 31 December 2013

- Note i: following completion of the Beibu Gulf Project in Block 22/12, China, the Horizon Oil Group renegotiated the terms of the Horizon Oil Facility Agreement (reserves based facility) during April 2014 resulting in a deferral of the commencement of facility limit reduction until 31 December 2014. Accordingly, US\$31 million has been reclassified from current to non-current borrowings to reflect the adjusted facility limit.
- Note j: Horizon Oil Facility Agreement repayment of US\$15 million by Horizon Oil on 31 January 2014, in accordance with the facility limit reduction schedule.
- Note k: if implemented, the Scheme will trigger an adjustment event and a redemption right under the Horizon Oil Bond Terms, which are set out in more detail in section 13.4 (*Treatment of Horizon Oil Convertible Bonds*). Horizon Oil Bondholders can elect to action either one of those triggers. Horizon Oil has proposed the Horizon Oil CB Early Redemption Offer, as set out in section 8.12 (*Horizon Oil Convertible Bonds*), to Horizon Oil Bondholders to incentivise them (via a premium payable above the “Early Redemption Amount” of US\$84 million which they would be entitled to receive under the Horizon Oil Bond Terms) to redeem all of their Horizon Oil Convertible Bonds following implementation of the Scheme.

For the purposes of the pro forma consolidated statement of financial position, it is assumed the Horizon Oil CB Early Redemption Offer is accepted by all Horizon Oil Bondholders resulting in the payment of US\$89 million, and accordingly prepaid borrowing costs of US\$1.7 million capitalised as at 31 December 2013, related to the Horizon Oil Convertible Bonds, are expensed.

It should be noted that whilst the pro forma adjustment (note k) is based on the assumption that the Horizon Oil CB Early Redemption Offer is accepted by all Horizon Oil Bondholders, other alternatives are available to each Horizon Oil Bondholder including, but not limited to:

- i) conversion: convert some or all of their Horizon Oil Convertible Bonds into Horizon Oil Shares;
- ii) redemption: redeem some or all of their Horizon Oil Convertible Bonds at the “Early Redemption Amount” plus accrued interest;
- iii) trade: trade some or all of their Horizon Oil Convertible Bonds on market; and/or
- iv) hold: continue to hold their Horizon Oil Convertible Bonds to maturity.

Each of these alternatives could have a financial impact on the pro forma consolidated statement of financial position as at 31 December 2013, resulting in a potential increase in cash and cash equivalents, increase in borrowings and/or increase in equity.

- Note l: completion of the Osaka Gas Sale Agreement resulting in the Horizon Oil Group transferring 40% of its interests in PDL 10 (formerly PRL 4) (Stanley Field), PRL 21 (Elevala and Ketu Fields) and PPL 259 to Osaka Gas Niugini Pty Ltd with recognition of sale proceeds of US\$74 million and associated capital cost reimbursements of US\$19.6 million to the effective date of transfer (1 January 2013), and a profit on sale of US\$23 million. Adjustment as if completion had occurred as at 31 December 2013.
- Note m: Horizon Oil Options which have vested but which have not been exercised by the Scheme Meeting will be deemed to have been exercised and a corresponding number of Horizon Oil Shares will be issued to the holder with effect from the day following the Scheme Meeting. A corresponding receivable will be generated against the Horizon Oil Option holder. Adjustment as if the Scheme Meeting had occurred as at 31 December 2013.

Set out below are reconciliations of the pro forma adjustments to cash and cash equivalents, contributed equity and retained profits:

PRO FORMA ADJUSTMENT NOTE REFERENCE AND DESCRIPTION (see above for details)		CASH AND CASH EQUIVALENTS US\$ MILLION	CONTRIBUTED EQUITY US\$ MILLION	RETAINED PROFITS US\$ MILLION
		(40)	(731)	454
Reconciled as:				
Reverse acquisition accounting	a & c	–	(734)	456
Unused tax losses written off, transaction costs expensed, and seismic option written off	e, f & h	(8)	–	(20)
Borrowing repayment	j	(15)	–	–
Horizon Oil CB Early Redemption Offer	k	(89)	–	(5)
Osaka Gas completion	l	72	–	23
Vested Horizon Oil Options	m	–	3	–
		(40)	(731)	454

II) FINANCING

The financing arrangements of the Horizon Oil Group and Roc Group as at the date of the Scheme Booklet are as follows:

FACILITY DETAILS	HORIZON OIL GROUP	ROC GROUP
Type of facility	Amortising reserves based loan (secured)	Amortising reserves based loan (secured)
Size of facility	Up to US\$150 million	Up to US\$80 million
Amount of facility drawn down as at 31 March 2014	US\$119.2 million cash drawn and US\$20.4 million letter of credit drawn in association with a refundable deposit received from Osaka Gas Niugini Pty Ltd in connection with the Osaka Gas Sale Agreement. The US\$20.4 million letter of credit (and the right of Osaka Gas to request refund of the deposit) was extinguished on completion of the Osaka Gas Sale Agreement on 12 June 2014.	Nil
Maturity (unless terminated or cancelled early)	31 March 2018	30 June 2015
Other key terms	Restricted cash as at 31 March 2014 was US\$14.5 million – these cash balances are only available to the Merged Group after certain conditions are satisfied.	Nil

III) HORIZON OIL CONVERTIBLE BONDS

In addition to the above facilities, the Horizon Oil Group has on issue 400 US\$200,000 5.5% Horizon Oil Convertible Bonds totalling US\$80 million. The Horizon Oil Convertible Bonds were issued on 17 June 2011 and have a current conversion price of US\$0.409. No Horizon Oil Convertible Bonds have been converted or redeemed as at the date of this Scheme Booklet. The Horizon Oil Convertible Bonds carry a coupon of 5.5% per annum, payable semi-annually in arrears, and carry a 7% yield to maturity on 17 June 2016 when they will be redeemed at 108.80% of their principal amount, unless redeemed early. Implementation of the Scheme would trigger a right for early redemption or an adjustment to the conversion price. The Merged Group intends to incentivise early redemption of the Horizon Oil Convertible Bonds through the Horizon Oil CB Early Redemption Offer in order to simplify the Merged Group's capital structure. Further details surrounding the treatment of the Horizon Oil Convertible Bonds under this Scheme are included in section 13.4 (*Treatment of Horizon Oil Convertible Bonds*) of this Scheme Booklet.

IV) REFINANCING

Whilst both the Horizon Oil Group and the Roc Group have available borrowings under their existing respective facilities which can supplement operating cash flows, following the implementation of the Scheme, the Merged Group intends to restructure and refinance the Horizon Oil Group's and the Roc Group's existing financing arrangements. It is expected that the greater scale and diversity of the Merged Group will lead to enhanced access to funding on more favourable terms.

V) CONTINGENT ASSETS

On 23 May 2013, the Horizon Oil Group advised ASX that it had entered into an agreement to sell 40% of its PNG assets to Osaka Gas Niugini Pty Ltd a subsidiary of Osaka Gas Co. Ltd. of Japan. In addition to the cash on completion, a further US\$130.0 million in cash is due upon FID for an LNG project, plus potential production payments where threshold condensate production is exceeded.

On 29 August 2013, the operator of the Maari Field, OMV New Zealand Limited, advised that production at the field would be shut-in while major facility repairs and equipment upgrades were undertaken. This involved the floating production storage and offload vessel (FPSO) Raroa being disconnected from its mooring and towed to nearby Port Nelson, New Zealand, to refurbish and upgrade its process equipment and install a new swivel. At the same time the opportunity was taken to repair several of the buoy mooring lines at the field. The upgrade, maintenance and repair works were carried out safely, within budget and the field returned to production on schedule. The Horizon Oil Group's share of the repair costs was approximately US\$8 million. The Merged Group expects to recover a proportion of these amounts through insurance.

On 31 March 2014, the Roc Group advised ASX that it had entered into an agreement to sell its entire 50% interest in the Basker Manta Gummy Field. In addition to the cash on completion, there is an A\$5.0 million contingent consideration, subject to first hydrocarbons from a Basker Manta Gummy Field commercial development.

VI) CONTINGENT LIABILITIES

The Merged Group had the following contingent liabilities as at 31 December 2013 that may become payable:

In accordance with normal oil and gas industry practice, the Merged Group has entered into joint venture and farm-out agreements with other parties for the purpose of exploring and developing its petroleum interests. If a participant to a joint venture defaults and fails to contribute its share of joint venture obligations, the remaining joint venture participants are jointly and severally liable to meet the obligations of the defaulting participant. In this event, the interest in the permit, licence, production sharing contract held by the defaulting participant may be redistributed to the remaining participants. In the event of a default, a contingent liability exists in respect of expenditure commitments due to be met by the Merged Group in respect of defaulting joint venture participants.

No material losses are anticipated in respect of the above contingent liabilities.

VII) OTHER FINANCIAL INFORMATION FOR THE MERGED GROUP

i) Exploration and development commitments

The Merged Group has entered into joint venture arrangements for the purpose of exploring, developing and producing from certain petroleum permits, licences or production sharing contracts. To maintain existing interests or rights to earn interests in those ventures the Merged Group will be expected to make contributions to ongoing exploration and development programs. Since such programs are subject to continual review by operating committees, upon which the Merged Group is represented, the extent of future contributions in accordance with these arrangements is subject to continual renegotiation.

Subject to the above mentioned limitations, the Horizon Oil Directors have prepared the following disclosure of exploration and development expenditure commitments. These are payable as follows, based on current status and knowledge of estimated quantum and timing of such commitments.

Significant commitments for the Merged Group consist of:

	HORIZON OIL GROUP US\$'000	ROC GROUP US\$'000	MERGED GROUP US\$'000
Not longer than one year	117,019	21,065	138,084
Longer than one year but not longer than five years	19,462	80,736	100,198
Total	136,481	101,801	238,282

The above commitments may be deferred or modified with the agreement of the host government, by variations to the terms of individual permits, licences or production sharing contracts, or extensions to the terms thereof. Another factor likely to delay timing of these commitments is the potential lack of availability of suitable drilling rigs in the area of interest.

The commitments may also be reduced by the Merged Group entering into farm-out agreements or working interest trades, both of which are typical of the normal operating activities of the Horizon Oil Group and the Roc Group.

ii) Derivatives

The current hedging arrangements of the Horizon Oil Group and the Roc Group are as follows:

Horizon Oil Group – oil price hedging is undertaken as a risk mitigation measure to ensure the Horizon Oil Group's financial position remains sound and that the Horizon Oil Group is able to meet its financial obligations in the event of low oil prices.

As at 31 March 2014, the Horizon Oil Group had 1.11 million BBLs of crude oil hedged through a mixture of Brent oil price swaps and collars at a weighted average price of US\$100/BBL which represents approximately 7% of its proven and probable reserves.

Roc Group currently has no oil price hedging in place.

E) FORECAST FINANCIAL INFORMATION FOR THE MERGED GROUP

The Horizon Oil Group has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. The Horizon Oil Directors have concluded that, as at the date of this Scheme Booklet, it would be misleading to provide forecast financial information, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

The financial performance of the Merged Group in any period will be influenced by various factors that are outside the control of the Horizon Oil Directors and that cannot, at this time, be predicted with a high level of confidence. In particular, the financial performance of the Merged Group will be materially affected by:

- i) prevailing oil and gas prices which are subject to material change from time to time;
- ii) prevailing exchange rates which are subject to material change from time to time;
- iii) the timing and level of production;
- iv) the timing of individual crude oil liftings, particularly liftings close to the end of the relevant period; and
- v) the costs related to exploration, development and operating activities.

The Horizon Oil Group does not have an established practice of issuing financial forecasts given the potential impact of the considerations shown above.

13. Other matters relevant to the Scheme



There are a range of issues which form part of, or are related to, the Scheme or the Merged Group. Horizon Oil Shareholders should consider the issues outlined below as part of their overall assessment of the Scheme.

13.1 ROC EGM

A) MEETING REQUESTED BY ALLAN GRAY

On 15 May 2014, Roc advised ASX that it had received a notice under section 249D of the Corporations Act from Citicorp Nominees Pty Limited (as nominee for the custodian for the Allan Gray Australian Equity Fund and HOSTPLUS Superannuation Fund (**Requisitioner**), who held 45,393,859 Roc Shares (being 6.6% of Roc Shares) as at 15 May 2014. The notice from the Requisitioner requested Roc to convene a general meeting of Roc Shareholders to consider a resolution to amend the Roc Constitution.

The Requisitioner has requested that Roc Shareholders vote on a resolution to insert a new clause in the Roc Constitution, which would require the prior approval of Roc Shareholders for any issue of securities which would (or any convertible securities which, when converted, would) exceed 30% of the Roc Shares on issue at the time.

Pursuant to section 136(2) of the Corporations Act and the terms of the Roc Constitution, this resolution will require 75% of the votes cast by Roc Shareholders to be in favour of the resolution, in order to be passed.

On Thursday, 5 June 2014, Roc released a notice of extraordinary meeting and explanatory statement to facilitate a meeting of Roc Shareholders scheduled for Friday 11 July 2014. In that release, the Roc Directors unanimously recommended that Roc Shareholders vote against the resolution proposed by the Requisitioner, and advised that the Roc Directors would be voting against the resolution.

Horizon Oil considers that this is a matter for Roc and the Roc Shareholders to determine, and does not make any recommendation or express any view to Horizon Oil Shareholders in relation to the proposed resolution or the likelihood of the proposed resolution being passed (or otherwise) by Roc Shareholders.

B) POTENTIAL EFFECT ON THE SCHEME

If the proposed resolution is passed by the requisite majority of Roc Shareholders, the amendment of the Roc Constitution would qualify as a Roc Oil Prescribed Event (Schedule 2, Item 7) under the Merger Implementation Deed. As described in section 16.1 (*Merger Implementation Deed*) of this Scheme Booklet, it is a Condition Precedent to the implementation of the Scheme that no Roc Oil Prescribed Event should occur prior to 8.00am on the Second Court Date. This Condition Precedent is for the benefit of Horizon Oil.

Accordingly, if the proposed resolution is passed and a Roc Oil Prescribed Event, is taken to have occurred, Roc must immediately give Horizon Oil written notice of the breach or non-fulfilment of the relevant Condition Precedent to Horizon Oil.

C) HORIZON OIL'S INTENTIONS

At the date of this Scheme Booklet, Horizon Oil has not formed an intention or view on the course of action which it may take if the proposed resolution is passed by Roc Shareholders and reserves its rights in this regard.

Horizon Oil does not presently intend to consent to the altering of Roc's Constitution (although it reserves its right to do so) and expects that Roc will honour all of its obligations under the Merger Implementation Deed. If Roc's Constitution is amended, Horizon Oil will undertake all steps available to it to preserve its rights pursuant to the Merger Implementation Deed (which may include claiming damages for any breach of the Merger Implementation Deed to the fullest extent possible).

If those circumstances come to pass, the Horizon Oil Directors will assess Horizon Oil's options carefully and make a considered decision based on the information available to them at that time.

13.2 CHANGE OF CONTROL

A) MATERIAL CONTRACTS, LICENCES AND PERMITS

Horizon Oil has reviewed the contracts, licences and permits which contain change of control or assignment provisions which may be triggered by the implementation of the Scheme and have a material adverse effect on its operations.

i) *Crown Mineral Act 1991* (New Zealand)

Horizon Oil has identified that, in respect of its New Zealand assets (PMP 38160 Fields and PEP 51313), it will be required to notify the New Zealand Minister for Energy and Resources (the Hon Simon Bridges) under the *Crown Minerals Act 1991* (New Zealand) of the change of control in Horizon Oil (New Zealand) Limited and Horizon Oil International Limited which will be deemed to occur as a result of the implementation of the Scheme. Under the relevant legislation, the Minister may revoke the permits within three months of being notified, if he is not satisfied that the permit holder has the financial capability to meet its obligations under the permit following the change of control. The revocation of any New Zealand permit as a result of the Scheme's implementation would have an adverse effect on the Merged Group. The Minister is obliged to act in accordance with the New Zealand Crown Mineral Petroleum Programme which in its applicable parts states that the power to revoke a Permit will be used very sparingly and only if, in the Minister's view, the change in control results in a significant risk that the permit holder will not be able to meet its financial obligations under the permit.

As at the date of this Scheme Booklet, Horizon Oil has notified the Minister and the administering government department, New Zealand Petroleum and Minerals, of the transaction and provided financial information about the Merged Group.

ii) Osaka Gas Sale Agreement – “Option Completion”

In relation to the Osaka Gas Sale Agreement, “PRL Completion” and “PPL Completion” occurred on 12 June 2014 (as per Horizon’s announcements to ASX on 2 June 2014 and 18 June 2014). Under the Osaka Gas Sale Agreement, Osaka Gas Niugini E&P Pty Ltd has a further 90 days to exercise its option to purchase “Additional Assets” by paying a proportionate share of costs incurred – referred to as “Option Completion”.⁹³ If the Scheme becomes Effective during this 90 day option period, it will constitute a “Change of Control” under the Osaka Gas Sale Agreement. It is a condition precedent for “Option Completion” that no “Change of Control” has occurred. This condition precedent is for the benefit of Osaka Gas. In those circumstances, Osaka Gas may choose to either waive this condition precedent and proceed with “Option Completion” or terminate the Osaka Gas Sale Agreement in respect of the “Additional Assets” only.

Given that “PRL Completion” and “PPL Completion” have already occurred and that “Option Completion” was always at the option of Osaka Gas, Horizon Oil does not consider that this “Change of Control” right has a material adverse effect on the Osaka Gas Sale Agreement.

B) FINANCING ARRANGEMENTS

Horizon Oil has entered into the Horizon Oil Facility Agreement dated 16 March 2012 with Australia and New Zealand Banking Group Limited (acting as **ANZ Agent** and **Financier**), Commonwealth Bank of Australia (also a **Financier**) and others, as amended under an Amending Deed dated 9 April 2014 (**Horizon Oil Facility Agreement**).

If implemented, the Scheme will:

- i) constitute a “Review Event”; and
 - ii) trigger an “Event of Default”,
- under the Horizon Oil Facility Agreement.

The following is a description of key covenants under the Horizon Oil Facility Agreement which may be affected by the Scheme and the actions by Horizon Oil taken to address them.

i) Review Event

If the Scheme is implemented, then under clause 25.3 (*Review Event*) of the Horizon Oil Facility Agreement:

- i) Roc acquiring 100% of the Horizon Oil Shares; and
 - ii) Horizon Oil being subsequently de-listed from the ASX,
- will constitute separate “Review Events”.

Upon the occurrence of a “Review Event”, Horizon Oil and the ANZ Agent are required to negotiate in good faith to agree amendments to the finance documents, a restructure of the facility, refinancing plan or any other matters that the ANZ Agent determines in good faith are appropriate as a result of the “Review Event”. If such agreement is not reached within 60 days of the “Review Event”, the ANZ Agent may by notice declare all amounts under the facility due and payable within 30 days of such notice and immediately cancel the facility.

Horizon Oil has notified the ANZ Agent of the possibility of a “Review Event” resulting from the Scheme’s implementation. Horizon Oil has obtained the ANZ Agent’s consent to a waiver of these “Review Events” as a result of the Scheme’s implementation. A “Review Event” ceased to subsist upon receipt by Horizon Oil of that waiver from the ANZ Agent on Friday 30 May 2014.

ii) Event of Default

If the Scheme is implemented and Horizon Oil has received irrevocable acceptances in respect of more than US\$2,000,000 worth of Horizon Oil Convertible Bonds which are committed for early redemption under the Horizon Oil CB Early Redemption Offer, this will result in an “Event of Default” (cross-default) under clause 25.1(c) (*Cross default*) of the Horizon Oil Facility Agreement.

Upon the occurrence of an “Event of Default”, the ANZ Agent may, in the absence of a waiver, by notice to Horizon Oil, declare all amounts immediately due and payable, cancel the facility and take all immediate action.

Horizon Oil has notified the ANZ Agent of the possibility of an “Event of Default” resulting from the implementation of the Scheme and the Horizon Oil CB Early Redemption Offer. Horizon Oil has obtained the ANZ Agent’s consent to a waiver of this “Event of Default” as a result of the Scheme’s implementation. The “Event of Default” ceased to subsist upon receipt by Horizon Oil of that waiver from the ANZ Agent on Friday 30 May 2014.

iii) Other covenants

Under clauses 24.3(m) (*Corporate existence*) and 24.6(d) (*Undertakings relating to structure and corporate matters*) of the Horizon Oil Facility Agreement, Horizon Oil has undertaken not to enter into any merger or consolidation unless otherwise agreed by the ANZ Agent. While the Scheme and its economic benefits are commonly described as a merger, the legal nature of the Scheme is better characterised as the acquisition by Roc of all the Horizon Oil Shares.

Under clause 23.1(x) (*Consolidated group*), Horizon Oil has represented to the Financiers and Agent that it is not part of a consolidated group for tax purposes except as permitted by the Agent. If the Scheme is implemented and Horizon Oil becomes part of Roc’s consolidated group for tax purposes (including entering into a deed of cross-guarantee and other intra-group arrangements), this will result in a breach of that representation.

⁹³ “Additional Assets” comprise up to 36% in Jurassic International Holdings Limited to derive a participating interest in PPL 372 and PPL 373, and up to 20% participating interest in PPL 430.

Horizon Oil has notified the ANZ Agent of the possibility that these other representations and undertakings may be affected by the implementation of the Scheme. To the extent it may be required, Horizon Oil has obtained the ANZ Agent's consent to the implementation of the Scheme for the purposes of these representations and undertakings. Horizon Oil received the relevant waiver on Friday 30 May 2014 and accordingly there will be no breach of these representations and undertakings as a result of implementing the Scheme.

13.3 PARTLY PAID SHARES, HORIZON OIL OPTIONS AND HORIZON OIL SARs

A) BACKGROUND

Horizon Oil has granted Horizon Oil Options and Horizon Oil SARs to eligible employees under the Horizon Oil Employee Performance Incentive Plan (Horizon Oil EPIP), Horizon Oil Option Scheme (Horizon Oil EOS) and Horizon Oil Long Term Incentive Plan (Horizon Oil LTI Plan). These equity-based incentive plans were designed to align Horizon Oil employees (in particular, senior executive staff) with long term shareholder growth targets.

Accordingly, Horizon Oil Options and Horizon Oil SARs have been granted to executive directors and key management personnel in accordance with the terms of the relevant option scheme or plan and have been approved on a case by case basis by shareholders at relevant general meetings.

In April 2010, the Horizon Oil Board determined that no new Horizon Oil Options would be issued under the Horizon Oil EPIP. In place of Horizon Oil Options issued under the Horizon Oil EPIP, Horizon Oil SARs have been granted to executive directors and key management personnel.

Under the terms of the Horizon Oil LTI Plan, Horizon Oil may grant Horizon Oil SARs to any employee however, to date, Horizon Oil has only granted Horizon Oil SARs to current senior executive employees (including executive directors). A Horizon Oil SAR is a right to receive either or both a cash payment or shares in Horizon Oil, as determined by the Horizon Oil Board, subject to Horizon Oil satisfying certain conditions (including performance conditions). No price is payable by the holder on the exercise of a Horizon Oil SAR. The key terms of the Horizon Oil LTI Plan are described on pages 34 and 35 of Horizon Oil's 2013 Annual Report.

B) TREATMENT OF HORIZON OIL OPTIONS AND HORIZON OIL SARs

i) Agreed purpose and intention

Under the Merger Implementation Deed, Horizon Oil and Roc agreed to use their best endeavours to determine the treatment of Horizon Oil Options and Horizon Oil SARs prior to the date of this Scheme Booklet.

Specifically, Horizon Oil and Roc agreed to use best endeavours to procure that:

- i) Horizon Oil Options and Horizon Oil SARs are transferred to Roc or cancelled prior to the Record Date; or
- ii) the holders of Horizon Oil Options and Horizon Oil SARs will be provided with consideration for the transfer or cancellation of their Horizon Oil Options and Horizon Oil SARs that is reasonably acceptable to Horizon Oil, the holders and Roc.

Horizon Oil and Roc have agreed that Horizon Oil Options and Horizon Oil SARs should be dealt with in accordance with the principle that holders of Horizon Oil Options and Horizon Oil SARs will be put in a commercially equivalent position.

To the extent possible, the material terms and conditions of the new options or performance rights over Roc Shares will be consistent with the terms and conditions of the Horizon Oil Options and Horizon Oil SARs, other than the revised exercise prices which will apply and the number of options or other instruments which will remain on issue, given that those aspects of the security holding must necessarily change in order to maintain equivalent value.

These arrangements (described below) are subject to implementation of the Scheme and are also subject to the agreement of Horizon Oil, Roc and the persons holding those instruments (the intention being to reach this agreement prior to the Scheme meeting) and also the grant by ASX of an appropriate waiver.

To the extent that Horizon Oil, Roc and the persons holding those instruments are unable to reach agreement in relation to the treatment of Horizon Oil Options and Horizon Oil SARs by the date of the Scheme Meeting, and the Scheme becomes Effective, those negotiations will continue between Horizon Oil, the Merged Group and the instrument holders with the guidance and involvement of a remuneration expert.

ii) Terms of cancellation and consideration

A) Horizon Oil partly paid shares

Subject to the Scheme becoming Effective, holders of partly paid shares in Horizon Oil will receive the Scheme Consideration of 0.724 fully paid New Roc Shares for each partly paid share and will remain liable to Roc for the residual payments owing on those partly paid shares in Horizon Oil, with the amounts payable on or before the date applicable under the relevant employee incentive scheme under which those partly paid shares were originally acquired. In effect, the residual payments owing on the partly paid shares in Horizon Oil will be a debt obligation owed by that Horizon Oil shareholder to Roc. No interest will be payable on that debt obligation.

B) Vested Horizon Oil Options

Subject to the Scheme becoming Effective, Horizon Oil Options which have vested but which have not been exercised by the Scheme Meeting will be deemed to have been exercised and a corresponding number of Horizon Oil Shares will be issued to the holder as soon as reasonably practicable following the Scheme Meeting (but prior to the Record Date).

Accordingly, holders of vested Horizon Oil Options will receive the Scheme Consideration and remain liable to Roc for the amount equal to the exercise price of such options giving rise to the new Horizon Oil Shares which were issued, with the amount payable on or before the date on which the Horizon Oil Option exercise price would otherwise have been payable.

The table below summarises the vested Horizon Oil Options which will be treated in this way and the number of New Roc Shares which will be issued in respect of those Horizon Oil Options, as at the date of this Scheme Booklet:

PLAN	GRANT DATE	EXPIRY DATE	HZN EX. PRICE AUD	OPTIONS REMAINING	NEW ROC SHARES TO BE ISSUED
EOS	25/09/2009	25/09/2014	0.2890	350,000	253,400
EOS	9/10/2009	9/10/2014	0.3090	2,700,000	1,954,800
EOS	16/09/2010	16/09/2015	0.3040	350,000	253,400
EOS	28/05/2012	28/05/2017	0.2640	1,000,001	724,001
EOS	17/09/2012	17/09/2017	0.2940	166,667	120,667
EPIP	25/09/2009	25/09/2014	0.2890	5,175,000	3,746,700
General	11/12/2009	11/12/2014	0.3440	500,000	362,000
General	10/01/2012	10/04/2015	0.2090	666,667	482,667
General	28/05/2012	27/08/2015	0.2640	1,333,334	965,334
Total				12,241,669	8,862,969

C) Unvested Horizon Oil Options and Horizon Oil SARs

Subject to the Scheme becoming Effective, the treatment of Horizon Oil Options and Horizon Oil SARs which have not vested by the Scheme Meeting will depend on whether the closing price of Horizon Oil Shares on the day following the Scheme Meeting is above the exercise price for that particular Horizon Oil Option or Horizon Oil SAR.

In brief:

- unvested Horizon Oil Options which are in-the-money and all Horizon Oil SARs will be cancelled in exchange for the issue of comparable new Roc Options; and
- unvested Horizon Oil Options which are out-of-the-money will be cancelled in exchange for either the issue of comparable new Roc Options or a cash payment, as determined by the Horizon Oil Board,

on the basis set out below.

D) Unvested Horizon Oil Options (in-the-money) and Horizon Oil SARs

Subject to the Scheme becoming Effective, unvested Horizon Oil Options which are in-the-money and Horizon Oil SARs will be cancelled on the Effective Date and in exchange their holders will be entitled to receive such number of new Roc Options which are equivalent in value to those Horizon Oil Options and Horizon Oil SARs which were cancelled (taking into account a revised strike price based on the merger ratio) as soon as reasonably practicable after the Effective Date.

Those Horizon Oil Options, Horizon Oil SARs and the number of new Roc Options which will be issued in exchange, will be calculated and valued with reference to a Black-Scholes valuation methodology and as agreed by the parties.

The table below summarises the unvested Horizon Oil Options and Horizon Oil SARs which would be treated in this way.

PLAN	GRANT DATE	EXPIRY DATE	HZN EX. PRICE AUD	OPTIONS / SARs REMAINING	NEW ROC OPTIONS TO BE ISSUED	ROC EX. PRICE AUD
EOS	28/05/2012	28/05/2017	0.2640	666,666	594,748	0.3650
EOS	17/09/2012	17/09/2017	0.2940	333,333	296,824	0.4060
General	10/01/2012	10/04/2015	0.2090	333,333	310,272	0.2890
General	28/05/2012	27/08/2015	0.2640	666,666	636,882	0.3650
SARs	1/10/2010	1/10/2015	0.3046	6,693,828	5,790,654	0.4207
SARs	5/08/2011	5/08/2016	0.3129	6,478,276	5,342,158	0.4322
SARs	13/08/2012	13/08/2017	0.2710	9,561,936	7,529,173	0.3743
SARs	19/08/2013	19/08/2018	0.3326	8,547,599	6,736,777	0.4594
Total				33,281,637	27,237,488	

E) Unvested Horizon Oil Options (out-of-the-money)

In respect of Horizon Oil Options which are out-of-the-money on the day following the Scheme Meeting, the Horizon Oil Board may elect (if requested by the optionholder) to cancel those out-of-the-money Horizon Oil Options and pay the cash equivalent value of that cancelled Horizon Oil Option (to be determined no less than 14 days prior to the Scheme Meeting).

If the Horizon Oil Board makes such an election, the cash equivalent value of a cancelled Horizon Oil Option will be calculated on the basis of a Black-Scholes valuation methodology. If the Horizon Oil Board does not make such an election, the Horizon Oil Options will be treated in the same manner as unvested (in-the-money) Horizon Oil Options.

The table below summarises the unvested Horizon Oil Options which would be treated in this way.

PLAN	GRANT DATE	EXPIRY DATE	HZN EX. PRICE AUD	OPTIONS / SARS REMAINING	VALUATION AUD
EOS	20/02/2013	20/02/2018	0.4340	350,000	41,043
EOS	20/02/2013	20/02/2018	0.4040	350,000	43,791
Total				700,000	84,834

i) Valuation methodology

In relation to the cancellation of any Horizon Oil Options, the issue of any equivalent new Roc Options or the payment of any cash equivalent amount as consideration for the cancellation of a Horizon Oil Option, the value of those items will be calculated and determined by using a Black-Scholes model based on the following assumptions:

INPUT	GRANT DATE
HORIZON OIL OPTIONS, HORIZON OIL SARS AND CASH EQUIVALENT AMOUNTS	
Horizon Oil Share price	AUD0.37, being the last traded price of Horizon Oil on ASX prior to the Scheme announcement on 29 April 2014.
Volatility	44.5%, being the observed historical volatility of Horizon Oil.
Time to maturity	The period which elapses at the original expiry date for the particular Horizon Oil Option or Horizon Oil SAR.
Risk-free rate	2.9%.
Dividends	Zero dividends for the period through to expiry.
NEW ROC OPTIONS	
Roc Share price	AUD0.455, being the last traded price of Roc on ASX prior to the Scheme announcement on 29 April 2014.
Volatility	44.5%, consistent with the observed historical volatility used to value Horizon Oil Options and Horizon Oil SARs.
Time to maturity	The period which elapses at the original expiry date for the particular Horizon Oil Option or Horizon Oil SAR.
Risk-free rate	2.9%.
Dividends	Zero dividends for the period through to expiry.
Exercise price	New strike price calculated as the exercise price applicable to the original Horizon Oil Option or Horizon Oil SAR, divided by the merger ratio of 0.724.

In relation to the cancellation of any Horizon Oil SARs, the issue of equivalent new Roc Options has been calculated and determined by using a Black-Scholes model based on the assumptions above, but reduced as agreed with the holders of the Horizon Oil SARs.

13.4 TREATMENT OF HORIZON OIL CONVERTIBLE BONDS

A) BACKGROUND

Horizon Oil issued 400 Horizon Oil Convertible Bonds for US\$80 million on 17 June 2011. The Horizon Oil Convertible Bonds were listed on the Singapore Securities Exchange on 20 June 2011. The Horizon Oil Convertible Bonds are governed by the Horizon Oil Bond Terms. The Horizon Oil Bond Terms and other information relating to the Horizon Oil Convertible Bonds are contained in Horizon Oil's announcement to ASX on 17 June 2011 'Section 708A Cleansing Notice for Horizon Oil Convertible Bonds' available via www.asx.com.au.

The Horizon Oil Convertible Bonds carry a coupon of 5.5% per annum, payable semi-annually in arrears, and carry a 7% yield to maturity on 17 June 2016 when they are due to be redeemed at 108.80% of their principal amount.

The Horizon Oil Convertible Bonds were issued with an initial conversion price of US\$0.52 and have since been adjusted to US\$0.409, in accordance with the Horizon Oil Bond Terms. As at the date of this Scheme Booklet, no Horizon Oil Convertible Bonds had been converted or redeemed.

B) RIGHTS OF HORIZON OIL BONDHOLDERS IN RELATION TO THE SCHEME

Under the Horizon Oil Bond Terms, the Horizon Oil Convertible Bonds can be satisfied and discharged by:

- i) *conversion* – the Horizon Oil Convertible Bonds can, at the option of the Horizon Oil Bondholder, be converted into Horizon Oil Shares prior to the 17 June 2016 (“Final Maturity Date”); or
- ii) *redemption (repayment)* – Horizon Oil Bondholders may elect to redeem the accreted value of their Horizon Oil Convertible Bonds in specific circumstances (the occurrence of a “Relevant Event”) otherwise Horizon Oil must redeem all outstanding Horizon Oil Convertible Bonds at the “Final Maturity Date”.

If the Scheme becomes unconditional (at the Second Court Date), this would constitute a “Change of Control” (as at the Second Court Date) and would be a “Relevant Event” under the Horizon Oil Bond Terms.

Upon becoming unconditional, the Scheme will trigger:

- i) an adjustment event which results in a reduced conversion price becoming available to Horizon Oil Bondholders for a 30-day period; and
- ii) a redemption right becoming available to Horizon Oil Bondholders for a 60-day period.

Horizon Oil Bondholders can elect to action either one of those triggers.

To the extent Horizon Oil Bondholders validly exercise conversion rights and are issued with new Horizon Oil Shares prior to the Record Date, those Horizon Oil Bondholders (who will then be holding Horizon Oil Shares) would be entitled to participate in the Scheme.

The merits of conversion or redemption of the Horizon Oil Convertible Bonds will depend on, among other things, the prevailing price of Horizon Oil and Roc Shares and the US\$/A\$ exchange rate at that time. Under the Horizon Oil Bond Terms, the full process of conversion may take up to 45 days and the full process of redemption of Horizon Oil Convertible Bonds may take up to 88 days from the relevant “Change of Control” or “Relevant Event”.

If Horizon Oil Bondholders elect to convert, Horizon Oil may elect to settle the conversion by making payment of a cash alternative amount to Horizon Oil Bondholders in lieu of issuing new Horizon Oil Shares.

C) TREATMENT OF HORIZON OIL CONVERTIBLE BONDS IN RELATION TO THE SCHEME

i) Horizon Oil CB Early Redemption Offer

Horizon Oil has proposed the Horizon Oil CB Early Redemption Offer to all Horizon Oil Bondholders (details below).

In return for participating in the Horizon Oil CB Early Redemption Offer, Horizon Oil Bondholders agree to redeem their Horizon Oil Convertible Bonds if the Scheme is implemented. The Horizon Oil CB Early Redemption Offer will allow Horizon Oil Bondholders to receive a price for their Horizon Oil Convertible Bonds that is in line with the trading price of the Horizon Oil Convertible Bonds prior to the announcement of the merger.

The purpose of the Horizon Oil CB Early Redemption Offer is to increase the probability of Horizon Oil Bondholders electing to redeem their Horizon Oil Convertible Bonds, with a view to achieving a simpler capital structure for the Merged Group.

The key terms of the Horizon Oil CB Early Redemption Offer are:

- i) the Horizon Oil CB Early Redemption Offer is conditional upon the Scheme becoming Effective and all Conditions Precedent being satisfied or waived;
- ii) the Horizon Oil CB Early Redemption Offer will open on Monday, 21 July 2014 and close on Thursday, 31 July 2014;
- iii) Horizon Oil Bondholders who accept the Horizon Oil CB Early Redemption Offer and redeem their Horizon Oil Convertible Bonds as a result of the Scheme will receive a premium of 625 basis points above the “Early Redemption Amount” which they are entitled to receive under the Horizon Oil Bond Terms;
- iv) the Private Early Redemption Amount will be funded from the available cash balance of the Merged Group and will be paid as soon as practicable following implementation of the Scheme;
- v) Horizon Oil Bondholders who accept the Horizon Oil CB Early Redemption Offer agree to vote in favour of a resolution which may be proposed at a meeting of Horizon Oil Bondholders to consider an amendment to the Bond Terms to include a right for Horizon Oil to redeem any outstanding Horizon Oil Convertible Bonds;
- vi) the Horizon Oil CB Early Redemption Offer must be accepted for all (not some) of the Horizon Oil Convertible Bonds held by the Horizon Oil Bondholder, and such acceptance is irrevocable; and
- vii) once accepted, Horizon Oil Bondholders must not deal with the Horizon Oil Convertible Bonds until redeemed in accordance with the Horizon Oil CB Early Redemption Offer or the offer lapses (whichever occurs first).

ii) Potential for compulsory acquisition of outstanding Horizon Oil Convertible Bonds by Roc

Following implementation of the Scheme, Roc (or Horizon Oil, as applicable) may seek to compulsorily acquire outstanding Horizon Oil Convertible Bonds in several ways.

A) Existing rights under Horizon Oil Bond Terms

Under the Horizon Oil Bond Terms, Horizon Oil has a '90% clean-up call' – being a right to redeem all outstanding Horizon Oil Convertible Bonds if conversion or redemption is effected in respect of 90% or more (by principal amount) of the Horizon Oil Convertible Bonds.

B) Meeting to amend Horizon Oil Bond Terms

Horizon Oil may call a meeting of Horizon Oil Bondholders to amend the Horizon Oil Bond Terms by "Extraordinary Resolution" (75% or more of those attending and voting at the relevant meeting) to include a right for Horizon Oil to redeem any outstanding Horizon Oil Convertible Bonds.

If the "Extraordinary Resolution" is approved, Horizon Oil may exercise its right to redeem any outstanding Horizon Oil Convertible Bonds.

C) General compulsory acquisition under the Corporations Act

If the Scheme is implemented and Roc obtains:

- i) 90% of the voting power in Horizon Oil; and
- ii) (either alone or with a related body corporate) full beneficial interests in at least 90% by value of all the securities of Horizon Oil that are either shares or convertible into shares,

Roc may seek to compulsorily acquire the outstanding Horizon Oil Convertible Bonds in accordance with the Corporations Act.

Whether Roc has acquired 90% by value will depend on multiple variables and will need to be determined by an expert nominated by ASIC.

After taking into account:

- i) the transfer of 100% of Horizon Oil Shares to Roc, which will occur if the Scheme is implemented;
- ii) those Horizon Oil Convertible Bonds which may be redeemed pursuant to the Horizon Oil CB Early Redemption Offer; and
- iii) those Horizon Oil Convertible Bonds which may be converted; and
- iv) the cancellation and conversion of Horizon Oil Options and Horizon Oil SARs proposed in section 13.3 (*Partly paid shares, Horizon Oil Options and Horizon Oil SARs*),

it is possible that Roc will achieve the threshold for general compulsory acquisition (described above) and be in a position to effect compulsory acquisition of the outstanding Horizon Oil Convertible Bonds.

If these thresholds are met, Roc will have six months (from the time it becomes the 90% holder) to lodge a compulsory acquisition notice with ASIC and notify outstanding Horizon Oil Bondholders.

Outstanding Horizon Oil Bondholders may challenge any proposed compulsory acquisition by Roc, but this would require the relevant Horizon Oil Bondholders to establish to the satisfaction of a court that the terms set out in Roc's compulsory acquisition notice do not give a fair value for their Horizon Oil Convertible Bonds. If the Horizon Oil Convertible Bonds are compulsorily acquired by Roc, Horizon Oil Bondholders are not likely to receive payment until at least one month after Roc has sent out the compulsory acquisition notices.

13.5 RIGHTS AND LIABILITIES ATTACHED TO ROC SHARES

The rights and liabilities attaching to New Roc Shares which are issued to Horizon Oil Shareholders as Scheme Consideration will be the same as those attaching to existing Roc Shares. These rights and liabilities are detailed in the Roc Constitution, subject to the Corporations Act and the Listing Rules.

The table below summarises some of the key rules in the Roc Constitution in relation to the rights and liabilities attached to Roc Shares in effect at the date of this Scheme Booklet. This summary does not purport to be exhaustive and must be read subject to the full text of Roc's Constitution, available at the Roc website at www.rocoil.com.au/Responsibility/Corporate-Governance.aspx.

Horizon Oil Shareholders should seek their own independent advice in relation to their rights and liabilities as potential holders of New Roc Shares in specific circumstances.

This summary should be considered with reference to section 13.1 (*Roc EGM*)

Issue of further shares	Subject to the Roc Constitution and the Listing Rules, the Roc Directors have the right to issue shares, or grant options over unissued shares, to any person on the conditions they see fit. These further shares may have preferred, deferred, or other special rights/restrictions placed upon them as the Roc Directors see fit. The Roc Directors are permitted to issue preference shares, which are subject to the specific rights and restrictions set out in the Roc Constitution.
Roc Directors need not issue share certificates	Subject to requirements in the Corporations Act, the Listing Rules and the ASX Operating Rules, the Roc Directors need not issue share certificates. Where a share certificate is not issued, a member is entitled to receive a statement of their holdings.
Calls	The Roc Board may, subject to the Roc Constitution and the terms on which any shares were issued, make calls on the Roc Shareholders for unpaid money on their Roc Shares which is not by the terms of issue of those Roc Shares made payable at fixed times. A Roc Shareholder on whom a call is made will be given at least 30 business days' notice of the call. If a call is made, Roc Shareholders are liable to pay the amount of the call at the time and place specified in the call notice.
Forfeiture and lien	If the sum called on is not paid in full by the time required for payment, the Roc Shareholder may receive a notice from Roc requiring payment of the unpaid amount, together with interest and any cost, expense or damages incurred by Roc by reason of the non-payment or late payment of the sum. The Roc Shareholder will be given at least 14 days' notice of the required payment. The notice must name a place and day for payment and state that the Roc Shares on which the call was made are liable to be forfeited if payment is not made as required. Roc may forfeit the Roc Shares in accordance with the Roc Constitution if the Roc Shareholder does not comply with such a notice. That forfeiture extends to all dividends declared and not paid on the forfeited shares. Roc has a first and paramount lien on each partly paid share for all unpaid calls on that share, and that lien extends to all dividends payable in respect of that share and to the proceeds of sale of the share. Roc may sell a share over which it holds a lien no less than 14 days after issuing a notice to the shareholder demanding payment of the amount due.
Roc Share transfers	Subject to the Roc Constitution and to the rights or restrictions attached to any Roc Shares or class of Roc Shares, Roc Shares may be transferred by a proper transfer in accordance with the Listing Rules or by an instrument in writing in the usual form or in any other form that the Roc Directors approve. The Roc Board may only refuse to register a transfer of Roc Shares as permitted by the Listing Rules or the ASX Operating Rules, or where the transfer is not in registrable form.
Voting	Subject to the Roc Constitution and any rights or restrictions attached to any Roc Shares or class of Roc Shares, at meetings of Roc Shareholders: i) each Roc Shareholder entitled to vote may vote in person or by proxy, attorney or representative; ii) on a show of hands, every person present who is a Roc Shareholder, or a proxy, attorney or representative of a Roc Shareholder, has one vote; and iii) on a poll, every person present who is a Roc Shareholder, or a proxy, attorney or representative of a Roc Shareholder, has one vote for each fully paid share held by the member and has a fraction of a vote equivalent to the proportion of the amount paid up for each partly paid Roc Share held by the Roc Shareholder. Except for resolutions which by law or the Listing Rules require a special majority, questions arising at a general meeting are to be cast by a majority of votes of the Roc Shareholders present at the meeting.
General meetings and notices	Each Roc Shareholder is entitled to receive notice of and to attend at general meetings of Roc subject to Roc's Constitution and the rights or restrictions attached to any Roc Shares or class of Roc Shares. Two Roc Shareholders must be present to constitute a quorum for a general meeting. No business may be transacted at a general meeting, except the election of a chair and the adjournment of the meeting, unless the quorum of shareholders is present.

Dividends	The Roc Board may pay interim and final dividends as, in their judgment, are justified by the financial position of Roc, including any dividends required to be paid under the terms of issue of a Roc Share. Subject to any rights or restrictions attached to a Roc Share or class of Roc Shares, dividends payable will be paid on all Roc Shares proportionate to the amount paid (not credited) on each Roc Share. Roc Directors may direct that a dividend be wholly or partly paid by the distribution of specific assets (including fully paid shares or other securities) or paid out of any particular fund or reserve or the profits derived from a particular source. It is open to the Roc Board to carry forward as much of Roc's profits as they consider ought not to be distributed as dividends or capitalised, without transferring those profits to a reserve or provision. Subject to Roc's Constitution, the Roc Board may set aside, out of the profits of Roc, reserves or provisions for any purpose they think fit. Subject to any rights or restrictions attaching to any shares or class of Roc Shares, the Roc Board have the power to capitalise and distribute among Roc Shareholders entitled to receive dividends amounts which: i) form part of the undivided profits of the company; ii) represent profits arising from an ascertained accretion to capital or from a revaluation of the assets of the company; iii) arise from the realisation of any assets of the company; or iv) are otherwise available for distribution as dividend. Such capitalisation and distribution must be in the same proportions which Roc Shareholders would be entitled to receive if distributed by way of a dividend. It is open to the Roc Board to implement a dividend reinvestment plan on the terms they think fit under which Roc Shareholders can elect that the whole or part of a dividend due to them may be used to subscribe in securities of the company or a related body corporate. The Roc Board may, on the terms they think fit, also implement a dividend selection plan under which Roc Shareholders may elect in respect of all or part of their shareholdings to receive a dividend from Roc paid wholly or partly out of a particular fund or reserve, or profits derived from a particular source, or to forego a dividend from Roc, in place of another form of distribution. The payment of a dividend does not require confirmation by a general meeting of Roc.
Election and remuneration of directors	There must be a minimum of three Roc Directors. The maximum number of directors is to be fixed by the directors but must not be more than 12 unless otherwise determined by the general meeting. At every annual general meeting, subject to the Roc Constitution, one third of the Roc Directors (excluding the managing director and any director appointed to fill a casual vacancy), and any other director who will have been in office for three or more years at the conclusion of the meeting, must retire from office. If no Roc Directors are required to retire at an annual general meeting on this basis, at least one director, excluding the managing director, must retire at each annual general meeting. The Roc Director or Roc Directors that must retire are those who have been in office the longest since their last election. Those directors who retire from office will be eligible for re-election upon a resolution of Roc Shareholders. Roc Directors are entitled to be paid out of the funds of the company as the directors determine, except that the annual amount of remuneration of non-executive directors may not exceed in total in any year the amount fixed by Roc in general meeting. The remuneration of Roc Directors may be either: i) a stated salary and/or a fixed sum for attendance at each meeting of directors; or ii) a share of a fixed sum determined at a general meeting, to be remuneration payable to all directors which is to be divided between the directors in the proportions agreed between them or, failing agreement, equally. A non-executive director of Roc is not entitled to remuneration by way of a commission on, or percentage of, Roc's profits or operating revenue. There is provision for Roc Directors who perform extra services or who make special exertions as a director to receive special remuneration as determined by the Roc Board in addition to or in substitution of the remuneration they would otherwise receive. Roc Directors are also entitled to be paid all travelling and other expenses incurred in connection with the affairs of Roc, including in attending Roc general meetings, Roc Board meetings or meeting of any committee of directors. Any Roc Director may be paid a pension or lump sum payment by the Roc Board, subject to the Listing Rules and the Corporations Act, after the Roc Director ceases to hold office as a Roc Director.

Rights on winding up	Subject to Roc's Constitution and to the rights or restrictions attached to any Roc Shares or class of Roc Shares, if Roc is wound up and there remains a surplus, the liquidator may (with the sanction of a special resolution of Roc) divide among Roc Shareholders the whole or any part of the property of the company, and may determine how that division is to be carried out as between the Roc Shareholders and different classes of Roc Shareholders.
Proportional takeover bids	Roc must not register a transfer giving effect to a proportional takeover bid unless and until a resolution to approve the bid has been passed in accordance with the Roc Constitution.
Indemnity	Roc must indemnify, on a full indemnity basis and to the full extent permitted by law, current and former Roc Directors, alternate directors and executive officers and other former or current officers as determined by the Roc Directors against all losses or liabilities incurred by the person as an officer including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred in connection with court proceedings where the court finds in favour of the officer. The Roc Board may also determine that the same indemnity applies to other officers of the Roc and any auditor or former auditor of Roc.
Insurance	To the extent permitted by law, Roc may also maintain insurance policies for any current and former Roc Directors, alternate directors and executive officers and other former or current officers and auditors as determined by the Roc Directors protecting against liability incurred by an officer of Roc or an auditor including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred in defending court proceedings, whatever their outcome.
Amendments to the Roc Constitution	The Corporations Act provides that the Constitution of a company may be modified or repealed by a special resolution passed by the members of a company. The Roc Constitution does not provide for any further requirements to be complied with to effect a modification of, or repeal to, the Roc Constitution.
Replaceable rules	The replaceable rules contained in the Corporations Act do not apply to Roc.

14. Risk factors



There are a range of factors (which are both specific to the Merged Group and of a general nature) which may, either individually or in combination, affect the future operating performance, financial position, regulation, legal position, implementation of strategy or reputation of the Merged Group, its business, its prospects and/or the value of shares in the Merged Group. A significant number of these risks are, or will be, matters that are already relevant to Horizon Oil whether or not the Scheme is approved. Many of the circumstances giving rise to these risks are beyond the control of the Merged Group, its directors and management.

This section 14 (*Risk factors*) describes certain specific areas that are believed to be the major risks associated with investment in the Merged Group. Readers should note that this section does not contain an exhaustive list of the risks associated with the Merged Group and the information set out here should be considered in conjunction with other information disclosed in this Scheme Booklet.

Horizon Oil Shareholders should have regard to their own investment objectives and financial circumstances and should consider seeking professional guidance from their financial, legal or other independent adviser before deciding whether to vote in favour of the Scheme.

14.1 SCHEME SPECIFIC RISKS

A) IMPLICATIONS FOR HORIZON OIL IF THE SCHEME IS NOT IMPLEMENTED

If the Scheme is not implemented, Horizon Oil will continue to operate its current businesses as a standalone entity. Each Horizon Oil Shareholder will retain their Horizon Oil Shares and will not receive any New Roc Shares. In those circumstances, Horizon Oil management would seek to continue to develop its existing projects and continue to maximise value for Horizon Oil Shareholders. Horizon Oil will still incur a relative proportion of the transaction and other costs of proposing and preparing for the merger with Roc.

Horizon Oil Shares may trade below their current market price (or the value attributed by the Independent Expert) if the Scheme is not implemented. This may occur if, for example, investors consider that Horizon Oil's growth prospects are lower in the absence of the merger.

B) CHANGE IN RISK PROFILE AND RISK OF INVESTMENT IN THE MERGED GROUP

If the Scheme is implemented, there will be a change in the risk profile to which Horizon Oil Shareholders are exposed. Horizon Oil Shareholders are currently exposed to various risks as a result of their investment in Horizon Oil. If the Scheme is implemented, Horizon Oil will merge its business with that of Roc and Horizon Oil Shareholders who hold Horizon Oil Shares as at the Record Date (other than Ineligible Foreign Shareholders) will receive New Roc Shares. As a consequence, Scheme Participants will be exposed to risk factors relating to Roc, and to certain additional risks relating to the Merged Group and the integration of the two companies. These include risks relating to the operation of a broader suite of assets than Horizon Oil currently operates, different geographies that Horizon Oil is not currently exposed to, and other risks relating to the two companies. Many of these risks are described in this section 14 (*Risk Factors*) and are equally applicable to Roc – for example, integration risk, foreign operations risk, customer risks and the risk that joint ventures and other strategic partnerships may not be successful.

C) THE INVESTMENT PROFILE FOR HORIZON OIL SHAREHOLDERS WILL CHANGE

While Horizon Oil is active in a number of the same commodity markets, operations and geographies as Roc, the operational profile, capital structure, size and geographic focus of the Merged Group will be different to that of Horizon Oil on a standalone basis. It is possible that certain Horizon Oil Shareholders may wish to maintain an interest in Horizon Oil as a standalone entity because they are seeking an investment in a publicly listed company with the specific characteristics of Horizon Oil (such as its current operational profile, capital structure, size and geography). The change in investment profile under the merger may be a disincentive to such shareholders.

D) THE EXACT VALUE OF THE SCHEME CONSIDERATION IS NOT CERTAIN

If the Scheme is implemented, Horizon Oil Shareholders (other than Ineligible Foreign Shareholders) will receive the Scheme Consideration of 0.724 New Roc Shares in respect of each Horizon Oil Share they hold on the Record Date. The exact value of this Scheme Consideration that would be realised by individual Scheme Participants will be dependent on the price at which the New Roc Shares (being shares in the Merged Group) trade on ASX after the Effective Date.

Following the implementation of the Scheme, the Merged Group's share price may rise or fall based on market conditions and the Merged Group's financial and operational performance. If the Merged Group's share price falls, the value of those New Roc Shares received by Horizon Oil Shareholders as Scheme Consideration will decline in value.

Further, in circumstances where Roc Shareholders do not intend to continue to hold their Roc Shares, there is a risk that a significant number of Roc Shareholders will seek to sell their Roc Shares, which may adversely impact the price of Roc Shares (including the New Roc Shares which Horizon Oil Shareholders will have received as Scheme Consideration).

In addition, the Sale Nominee will be issued with New Roc Shares attributable to certain Ineligible Foreign Shareholders and will be seeking to sell those shares on ASX as soon as reasonably practicable. It is possible that such sales may exert downward pressure on the Merged Group's share price in the period following the Implementation Date.

E) RISKS OF TRADING DURING DEFERRED SETTLEMENT TRADING PERIOD

Scheme Participants will not necessarily know the exact number of New Roc Shares (due to rounding) that they will receive (if any) as Scheme Consideration until a number of days after those shares can be traded on ASX on a deferred settlement basis. Scheme Participants who trade New Roc Shares on a deferred settlement basis without knowing the number of New Roc Shares they will receive as Scheme Consideration may risk adverse financial consequences if they purport to sell more New Roc Shares than they receive.

F) TRANSACTION AND OTHER COSTS

The cost of the transaction expected to be payable by Horizon Oil is currently estimated to be approximately US\$4.3 million. This includes financial advisory, legal, accounting, independent experts, technical experts, tax and administrative fees, Scheme Booklet design and printing, marketing, Horizon Oil Share Registry and other expenses. The amount does not include transaction costs that may be incurred by Roc. A breakdown of the estimated transaction costs is set out in section 17.5 (*Fees and interests of advisers and others*).

G) TAX CONSEQUENCES FOR SCHEME PARTICIPANTS

If the Scheme proceeds, there may be tax consequences for Scheme Participants which may include tax payable on any gain on the disposal of Scheme Shares. However, Scheme Participants should seek their own professional advice regarding the individual tax consequences applicable to them. Further information on the tax consequence of the Scheme is set out in section 15 (*Tax implications*).

14.2 IMPLEMENTATION RISKS

A) INTEGRATION RISK

The long-term success of the Merged Group will depend, amongst other things, on the success of management in integrating the respective businesses and the strength of management of the Merged Group. There is no guarantee that the businesses of the Merged Group will be able to be integrated successfully or over the expected time period or at the currently anticipated costs. There are risks that any integration of the businesses of Horizon Oil and Roc may take longer than expected and that anticipated benefits of that integration may be less than estimated. These risks include possible differences in the management culture of the two groups, inability to achieve cost savings, and the potential loss of key personnel. Any failure by the Merged Group to ensure implementation costs remain below those anticipated may have a material adverse effect on the financial performance and position, and future prospects, of the Merged Group.

B) CONTRACT RISK AND THIRD PARTY CONSENTS

The Scheme may be deemed under certain material contracts to which members of Horizon Oil and Roc are parties, to result in a change of control or other relevant event in respect of Horizon Oil or Roc that allows the counterparty to review or terminate the contract upon implementation of the Scheme. If the counterparty to any such contract were to validly seek to renegotiate or terminate the contract on that basis, this may have a material adverse effect on the financial performance of the Merged Group, depending on the nature of relevant contracts.

Please see section 13.2 (*Change of control*) for additional details.

C) FINANCING RISKS

Implementation of the Scheme may trigger a change of control, review event or other provisions in Horizon Oil's existing Horizon Oil Facility Agreement and other finance documents, which may in turn give rise to repayment, review or termination rights in favour of the financier. The possibility of repayment, review or termination of those financing arrangements may arise if the Merged Group is not able to:

- i) obtain relevant approvals and consents from the financiers; or
- ii) repay or refinance those facilities.

Please see section 13.2 (*Change of control*) for additional details.

D) ACCOUNTING RISKS

In accounting for the merger, the Merged Group will need to perform a fair value assessment of all of Roc's assets, liabilities and contingent liabilities, which will include the identification and valuation of tangible and intangible assets. As a result of this fair value assessment, the Merged Group's charges (for example, depreciation expense and amortisation expense) may be substantially greater than the relevant charges of Horizon Oil and Roc as separate businesses and to that extent may significantly reduce the future earnings of the Merged Group.

The Merged Group will be subject to the usual business risk that there may be changes in accounting policies which may have an adverse impact on the Merged Group. The impact of changes to AIFRS could adversely affect the Merged Group's reported earnings performance in any given period and its consolidated statement of financial position from time to time.

E) ESTIMATES AND ASSUMPTIONS ARE USED IN PREPARING CONSOLIDATED FINANCIAL STATEMENTS

Preparation of the consolidated financial statements requires the Merged Group to use estimates and assumptions. Accounting for estimates requires the Merged Group to use its judgement to determine the amount to be recorded on its financial statements in connection with these estimates. The Merged Group's estimates and assumptions used in the calculation of the recoverable amount of its inventories, exploration phase expenditure and oil and gas assets include estimates of petroleum reserves, production profiles, costs and the price expected to be realised when the product is recovered. If the estimates and assumptions are inaccurate, the Merged Group could be required to impair the recorded value of its inventories, exploration phase expenditure and oil and gas assets. On an ongoing basis, the Merged Group re-evaluates its estimates and assumptions. However the actual amounts could differ from those based on estimates and assumptions, even after re-evaluation and impairments.

14.3 INVESTMENT RISKS

A) STOCK MARKET FLUCTUATIONS AND ECONOMIC CONDITIONS

The New Roc Shares issued under this Scheme carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on ASX. The value of the New Roc Shares will be determined by the share market and will be subject to a range of factors beyond the control of Horizon Oil, Roc, the Merged Group or any of their directors or management.

Such factors include, but are not limited to, the demand for and availability of Roc Shares, movements in domestic interest rates, exchange rates, fluctuations in the Australian and international share markets and general domestic and economic activity. Returns from an investment in the New Roc Shares may also depend on general share market conditions as well as the performance of the Merged Group.

B) GENERAL ECONOMIC CONDITIONS

Economic conditions, both domestic and global, may affect the performance of the Merged Group. Adverse changes in macroeconomic conditions, including global and country-by-country economic growth, the costs and general availability of credit, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary, and regulatory policies), general consumption and consumer spending and sentiment, employment levels and industrial disruption, amongst others, are outside the control of the Merged Group and may result in material adverse impacts on the Merged Group's business and its operating results.

C) CURRENCY RISK

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

D) DIVIDENDS

Future dividends will be assessed subject to the available profits, any franking credits, cash flow and capital requirements of the Merged Group. There can be no guarantee as to the likelihood, timing, franking or quantum of future dividends from the Merged Group, if the Scheme is implemented.

E) LIQUIDITY CONCERNS AND FUTURE FINANCING

Further exploration and development of the various properties in which the Merged Group holds interests depend upon the Merged Group's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that the Merged Group will be able to secure the financing required as and when needed and on terms acceptable to the Merged Group. Volatile markets for commodities may make it difficult or impossible for the Merged Group to obtain debt financing or equity financing on favourable terms or at all.

If adequate funds are not available on acceptable terms, the Merged Group may not be able to take advantage of opportunities or otherwise respond to competitive pressures. Failure to obtain additional financing on a timely basis may also cause the Merged Group 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.

F) FAILURE TO MAKE OR INTEGRATE ACQUISITIONS

Any future acquisitions or business combinations will 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. The Merged Group 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.

G) EQUITY DILUTION

The Merged Group may undertake offerings of securities in the future. The increase in the number of fully paid shares issued and the possibility of sales of such shares may have a depressive effect on the price of fully paid shares already on issue. In addition, as a result of the issue of such additional fully paid shares, the voting power of the Merged Group's existing shareholders would be diluted.

To the extent Horizon Oil Bondholders exercise any rights of conversion and are issued Horizon Oil Shares prior to the Record Date, those persons may be able to participate in the Scheme and receive New Roc Shares. This will result in the issue of additional New Roc Shares and therefore will increase the dilutive impact of the Scheme.

H) WHOLLY OWNED SUBSIDIARY BENEFITS MAY NOT BE ACHIEVED

To the extent that:

- i) Horizon Oil Bondholders elect to convert their Horizon Oil Convertible Bonds *after* the Scheme is implemented and Horizon Oil does not elect to pay a cash alternative amount to Horizon Oil Bondholders in satisfaction of its obligation to issue new Horizon Oil Shares; or
- ii) Horizon Oil, Roc and the persons holding Horizon Oil Options or Horizon Oil SARs are unable to reach binding agreement on the treatment and terms for the cancellation of those instruments as described in section 13.3 (*Partly paid shares, Horizon Oil Options and Horizon Oil SARs*),

Horizon Oil will be obliged to issue new Horizon Oil Shares to satisfy its obligations under the terms of the Horizon Oil Convertible Bonds, the Horizon Oil Options or Horizon Oil SARs (as applicable). This would result in Horizon Oil having one or more minority shareholders following implementation of the Scheme. Depending on the number of new Horizon Oil Shares which may be issued in those circumstances, it may or may not be open to Roc to subsequently undertake a compulsory acquisition process under the Corporations Act, to compulsorily acquire those minority shareholdings. If Horizon Oil is not a wholly owned subsidiary of Roc at any time following implementation of the Scheme, then the Merged Group may not be able to obtain the full accounting, legal, tax and other benefits that would have resulted from the consolidation of Horizon Oil as wholly owned subsidiary of Roc.

14.4 OPERATING RISKS

A) INDUSTRY RISKS

i) Exploration risk

Development of the Merged Group'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 the Merged Group's properties are in the exploration phase as opposed to the development phase. There is no assurance that commercial quantities of petroleum will be discovered on the Merged Group'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. The drilling of oil and gas wells involves a high degree of risk, especially the risk of a dry hole or of a well that is not sufficiently productive to provide economic return of the capital expended to drill the well. No assurances can be given that if resources are discovered by the Merged Group, it will be able to commercialise any such resources as intended. 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 the Merged Group.

ii) Development risk

The Merged Group'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 the Merged Group's investment in these projects.

Development projects to which the Merged Group 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.

iii) 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 certain circumstances, these potential delays or difficulties may necessitate additional funding which could lead to additional equity or debt requirements for the Merged Group. 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 also lead to additional funding requirements.

The Merged Group's activities may be affected by numerous other factors beyond the Merged Group's control. Mechanical failure of the Merged Group's operating plant and equipment, and general unanticipated operational and technical difficulties, may adversely affect the Merged Group's operations. Operating risks beyond the Merged Group'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. The Merged Group has insurance to protect itself against certain risks of petroleum operations and processing within ranges of coverage consistent with industry practice. However, the Merged Group 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 the financial condition and results of operations of the Merged Group.

iv) Commodity price risk

The profitability of the Merged Group's current operations is directly related to the market price of commodities, in particular oil. Commodity prices may substantially impact on the economics of projects and, hence, on exploration and development programs.

Commodities and other resource prices fluctuate widely and are affected by numerous factors beyond the Merged Group'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 dollar to other currencies, interest rates, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, forward selling by producers, central bank sales and purchases, production and cost levels in major producing regions, global or regional. The aggregate effect of these factors on commodity prices is impossible to predict. Decreases in commodity prices could adversely affect the Merged Group, including its ability to finance the development of its projects.

v) Drilling risk

Drilling operations are high-risk and 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 the Merged Group's operations and its financial results should any of these hazards be encountered.

B) RESERVES AND RESOURCES

Estimates of Reserves and Contingent Resources and Prospective Resources are not precise and no assurance can be given that Reserves, Contingent Resources and Prospective Resource estimates will be recovered during production.

Production estimates are dependent on, among other things, the accuracy of Reserves, Contingent Resources and Prospective Resources estimates, the accuracy of assumptions regarding the resource calculations and recovery rates. Reserves, Contingent Resources and Prospective Resources estimates are based on limited sampling. The failure of the Merged Group 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.

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.

C) FOREIGN OPERATIONS

The Merged Group's foreign operations are exposed to various levels of political, economic and other risks and uncertainties associated with operating in foreign jurisdictions such as China, PNG, Malaysia, Myanmar, New Zealand and the United Kingdom. International operations may expose the Merged Group to risk which may not exist for domestic operations. These risks and uncertainties vary from country to country and include, but are not limited to, currency exchange rates, high rates of inflation, labour unrest, renegotiation or nullification of existing concessions, licences, 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.

In the event of a dispute arising in connection with its operations, the Merged Group may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of the courts of the Merged Group's home jurisdiction or enforcing judgements obtained in its home jurisdiction in such other jurisdictions.

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 the Merged Group'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.

Contracts with host country governments can contain provisions that may give governments contractual rights to assume ownership of property and/or become the operator of the field and which limit crude oil entitlements or profit which in turn can impact on the Merged Group's revenue. If any foreign government or jurisdiction revises existing partnership agreements or laws or fails to meet its obligations under contracts including production sharing contracts, joint venture agreements and/or applicable laws, this may delay or otherwise impact on the progress of a project or restrict production from a project. In some circumstances the Merged Group may not be able to influence or determine the outcome of this decision which may have an adverse impact on its profitability and cash flow.

The occurrence of these factors adds uncertainties which cannot be accurately predicted and could have an adverse effect on the Merged Group's operations or profitability.

D) COMPETITION AND SUBSTITUTION

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

E) CUSTOMER RISKS

In some regions in which the Merged Group operates there are limited or illiquid markets in which to sell oil or gas. The presence of limited options creates customer concentration risk. The cancellation or breach of contracts with specific customers may impact on the ability of the Merged Group to sell oil or gas.

F) KEY PERSONNEL

Retaining qualified personnel is critical to the Merged Group's success. The Merged Group may face risks from the loss of key personnel, as it may be difficult to secure and retain candidates with appropriate experience and expertise. The Merged Group 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 the Merged Group's key employees could leave their employment and this may adversely affect the Merged Group's ability to conduct its business and, accordingly, affect the profitability, financial position and performance and prospects of the Merged Group.

The Merged Group'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 the Merged Group's business activity grows, it will require additional personnel to meet its growing needs. If the Merged Group is unable to access and retain the services of a sufficient number of qualified personnel, this could be disruptive to the Merged Group's development and may materially adversely affect its profitability, financial position and performance and prospects.

G) LABOUR AND EMPLOYMENT MATTERS

While the Merged Group 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 the Merged Group's business.

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

H) KEY CONTRACTORS

The Merged Group'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. The Merged Group can provide no guarantee that the contractors will fulfil these obligations.

I) JOINT VENTURES AND OTHER STRATEGIC PARTNERSHIPS MAY NOT BE SUCCESSFUL

The Merged Group participates in several joint venture arrangements and it may enter into further joint ventures. Although the Merged Group has sought to protect its interests, existing and future joint ventures necessarily involve special risks. Whether or not the Merged Group holds majority interests or maintains operational control in its joint ventures, its partners may:

- i) have economic or business interests or goals that are inconsistent with, or opposed to, those of the Merged Group;
- ii) exercise veto rights to block actions that the Merged Group believes are in its or the joint venture's best interests;
- iii) take action contrary to the Merged Group's policies or objectives with respect to its investments; or
- iv) 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 the Merged Group's partners, the Merged Group 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 the Merged Group's reputation thereby harming the Merged Group's other operations and access to new assets.

While the Merged Group may seek contractual indemnities from any such partner, no assurance can be given that such indemnities would provide sufficient coverage in the event that a particular project did not meet the Merged Group's expectations.

J) FAILURE OF BASIC INFRASTRUCTURE

In some developing countries, infrastructure for utilities such as electricity and water supply is under strain and underdeveloped. A serious failure of basic infrastructure or occurrences of power outages in the regions in which the Merged Group operates could adversely affect production at the Merged Group's operations.

K) FAILURES IN THE SUPPLY CHAIN FOR SPECIALIST EQUIPMENT AND MATERIALS

The Merged Group 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 the Merged Group's business and results of operations.

L) SUBSIDIARIES

The Merged Group 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 the Merged Group and its subsidiaries could restrict the Merged Group'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 the Merged Group's valuation and share price.

M) HEDGING RISK

Both Horizon Oil and Roc have historically sought to ameliorate the potential adverse consequences of exchange rate fluctuations and changes in commodity prices by entering into hedging arrangements. Hedging against currencies, interest rates and various commodities aims to minimise potential adverse effects on revenue while still allowing medium to longer term exposure to commodity prices. However, there can be no assurance that the Merged Group will be able to hedge its exchange rate exposure successfully or that it will be able to hedge such exposure at a satisfactory cost.

The Merged Group's hedging program may include forward contracts. If the Merged Group fails to deliver the required product 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 the Merged Group depending upon the market price of commodities or the US\$/A\$ exchange rate at that point in time. Although the risk is managed by the Merged Group, the Merged Group cannot guarantee the effectiveness of its hedging policies. Although hedging activities may protect the Merged Group in certain instances, forward contracts may also limit upside benefits where the market price exceeds the hedge contract.

N) UNINSURABLE RISKS

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

14.5 LEGAL RISKS

A) LITIGATION

The Merged Group is subject to litigation risks. All industries, including the petroleum industry, are subject to legal claims, which 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 the Merged Group is or may become subject could have a material effect on its financial position, results of operations or the Merged Group's exploration and project development operations, through increased costs, payment of damages and damage to its reputation.

B) SECURITY OF TENURE

All licences and permits in which the Merged Group 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 and permits, obtaining renewals, or getting licences and permits granted, often depends on the Merged Group being successful in obtaining required statutory approvals for proposed activities. While the Merged Group anticipates that subsequent renewals or licence and permit 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.

C) COMPENSATION

The Merged Group may also incur costs and liabilities resulting from claims for damages to property or injury to persons arising from the Merged Group's operations. The Merged Group must compensate employees for work-related injuries. If the Merged Group does not make adequate provisions or is otherwise not adequately insured for its workers' compensation liabilities and is pursued for such sanctions, costs and liabilities, the Merged Group's business, financial condition and results of operations could be adversely affected.

14.6 REGULATORY RISKS

A) GOVERNMENT REGULATIONS AND TENURE

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

Introduction of new legislation or regulations, amendments to existing legislation or regulations, the application of developments in existing common law or the interpretation of those laws, could also have a material adverse effect on the Merged Group. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of the Merged Group'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 the Merged Group.

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

B) ENVIRONMENTAL RISK

Oil and gas exploration, development and production can be hazardous to the environment. If it is responsible for environmental damage, the Merged Group may incur substantial costs for environmental rehabilitation, damage control and losses by third parties resulting from its operations.

The Merged Group will be subject to relevant environmental laws and regulations in connection with its operations, and intends to conduct its activities in an environmentally responsible manner. However, the Merged Group could be subject to liability due to risks inherent in its activities, such as accidental spills, leakages or other unforeseen circumstances.

C) CLIMATE CHANGE RISK

The potential impact from climate change, both physical and as a result of new related legislation and regulation, may have an adverse impact on the Merged Group's operations or financial performance. For instance, significant liability could be imposed on the Merged Group for damages, clean-up costs or penalties in the event of certain discharges in the environment, environmental damage caused by previous owners of property acquired by the Merged Group or non-compliance with environmental laws or regulations. At present, the Merged Group minimises these risks by taking steps to ensure compliance with environmental laws and regulations in the countries in which it operates and, where possible, by carrying appropriate insurance.

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

14.7 OTHER RISKS

Additional risks and uncertainties not currently known to Horizon Oil or Roc may also have a material adverse effect on Horizon Oil, Roc or the Merged Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Horizon Oil, Roc or the Merged Group.

15. Tax implications



15.1 WHAT THIS SECTION COVERS

This outline provides an overview of the general Australian taxation implications that should arise for certain Scheme Participants as a result of the implementation of the Scheme.

The information provided below is not applicable to all Scheme Participants. In particular, it does not apply to Scheme Participants:

- i) who hold their Scheme Shares on revenue account, such as banks and share trading entities;
- ii) who are temporary residents of Australia for Australian taxation purposes;
- iii) who hold their Scheme Shares in connection with a business carried on through a permanent establishment outside their country of residence;
- iv) in respect of any options or share appreciation rights in Horizon Oil. Such Shareholders will be separately advised on the taxation implications of the treatment of their options or share appreciation rights in connection with the Scheme; or
- v) are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cwlth) (**1997 Act**) in relation to gains and losses on their Scheme Shares.

The information below takes into account legislation enacted and administrative guidance available as at date of this Scheme Booklet. It does not purport to be a complete analysis or identify all potential tax consequences of the Scheme and any associated arrangements.

The information below does not constitute tax advice and should not be relied upon as such.

All Horizon Oil Shareholders are advised to obtain independent professional taxation advice in respect of the Scheme which takes into account their personal circumstances. This taxation advice should specifically consider whether the Shareholder is entitled to CGT scrip-for-scrip rollover relief in connection with the Scheme.

Horizon Oil has applied for a Class Ruling from the Australian Taxation Office (**ATO**) in respect of certain aspects of the likely Australian tax consequences for Scheme Participants of participating in the Scheme, including the availability of CGT scrip-for-scrip rollover relief in relation to the Scheme.

The information provided below is consistent with Horizon Oil's application for a Class Ruling. Horizon Oil Shareholders should follow the ATO's Class Ruling once it is published. Horizon Oil will make the ATO's Class Ruling available on its website at www.horizonoil.com.au.

15.2 AUSTRALIAN TAX CONSEQUENCES OF PARTICIPATING IN THE SCHEME

A) DISPOSAL OF SCHEME SHARES RESULTS IN CGT EVENT

The transfer of Scheme Shares by Scheme Participants under the Scheme should result in a CGT event for Scheme Participants. This CGT event should occur on the Implementation Date.

The occurrence of this CGT event for Scheme Participants should result in Scheme Participants:

- i) making a capital gain if the capital proceeds from the disposal of their Scheme Shares exceeds the cost base of their Scheme Shares (the availability of CGT scrip-for-scrip rollover relief is discussed below); or
- ii) making a capital loss if the capital proceeds are less than their reduced cost base of the Scheme Shares.

B) IMPLICATIONS FOR AUSTRALIAN RESIDENT SCHEME PARTICIPANTS

i) Determination of capital proceeds and cost base

If the Scheme is implemented, Scheme Participants will receive the Scheme Consideration of 0.724 New Roc Shares for each Scheme Share they dispose of under the Scheme. This means that a Scheme Participant's capital proceeds for the CGT event that should occur on the disposal of their Scheme Shares under the Scheme should include the market value of the New Roc Shares received by the Scheme Participant under the Scheme for Australian tax purposes.

The cost base of the Scheme Shares will generally include the original or deemed cost of acquisition of the Scheme Shares for the Scheme Participant, plus any incidental costs incurred in relation to the acquisition or disposal.

The reduced cost base is determined in a similar manner, although the incidental costs which may be included are different.

ii) CGT discount

Australian resident Scheme Participants who are individuals, complying superannuation entities, trustees or life insurance companies may be entitled to reduce the amount of any capital gain made on the disposal of their Scheme Shares if they have held their Scheme Shares for at least 12 months before the Implementation Date (this reduction is referred to as the **CGT discount**). The CGT discount, if it is available, is applied only after the available capital losses have been applied to reduce the capital gain.

The discount rate is 50% for individuals and trustees, and 33.3% for complying superannuation entities and life insurance companies (where the life insurance company qualifies for the CGT discount).

The CGT discount is not available to Scheme Participants:

- i) that are companies; or
- ii) who acquired their Scheme Shares before 21 September 1999 where the Scheme Participant chose to index the cost base of their Scheme Shares for CGT purposes.

Capital gains and capital losses made by a Scheme Participant in a year of income from all sources are aggregate to determine whether they make a net capital gain or capital loss for the year of income. A net capital loss is not deductible from the assessable income for a Scheme Participant. However, a net capital loss may be able to be carried forward to offset capital gains made by the Scheme Participant in future years of income, subject to various requirements being met.

iii) CGT roll-over relief

Australian resident Scheme Participants who participate in the Scheme should be eligible for CGT scrip-for-scrip rollover relief.

In broad terms, eligible Scheme Participants who choose to obtain CGT scrip-for-scrip rollover relief disregard the CGT consequences of disposing of their Scheme Shares under the Scheme, including the capital gain or loss that arises.

Scheme Participants will generally need to choose CGT scrip-for-scrip rollover relief before lodging their income tax return for the year of income in which the CGT event happens. This should, as discussed above, be the year of income in which the Implementation Date occurs.

Choosing to obtain CGT rollover relief can simply be evidenced by excluding the relevant capital gain in respect of which the CGT rollover relief is chosen from the Scheme Participant's tax return.

iv) Disposal of Roc Shares

A Scheme Participant may wish to dispose of any New Roc Shares acquired under the Scheme at a later time. If the Scheme Participant chose to obtain CGT rollover relief on the disposal of their Scheme Shares under the Scheme, the cost base and acquisition date of the New Roc Shares they acquired under the Scheme may be impacted by the cost base and acquisition date of the Scheme Shares they disposed of under the Scheme.

In particular, for those Scheme Participants who were eligible for and chose to obtain CGT rollover relief in respect of their Scheme Shares, the CGT rollover relief rules will determine the cost base of any New Roc Shares and their time of acquisition.

In general terms, where CGT rollover relief is chosen, the cost base of the New Roc Shares will be equal to the existing cost base of the Scheme Shares exchanged under the Scheme.

Each New Roc Share should also be deemed to have been acquired by the relevant Scheme Participant on the same date as the date the original Scheme Share which gave rise to the entitlement to the New Roc Share was acquired. This deemed acquisition date will be relevant for indexation or the availability of the CGT discount concession. For all other CGT purposes, Scheme Participants should be taken to have acquired their New Roc Shares at the time they are issued, which should be the Implementation Date.

Where CGT rollover relief is not chosen or is not available, the cost base of the New Roc Shares should be equal to the market value of the Scheme Shares exchanged under the Scheme. In this case, the New Roc Shares should be taken to have been acquired at the time they are issued, which should be the Implementation Date.

C) IMPLICATIONS FOR FOREIGN HORIZON OIL SHAREHOLDERS

Foreign Horizon Oil Shareholders on the Horizon Oil Register at 5.00pm (Sydney time) on the Record Date should not be subject to Australian CGT in respect of the transfer of their Scheme Shares to Roc under the Scheme, provided they hold less than 10% of the total number of shares on issue by Horizon Oil.

In any event, Foreign Horizon Oil Shareholders participating in the Scheme should not be eligible for CGT rollover relief.

The cost base of the New Roc Shares for Foreign Horizon Oil Shareholders participating in the Scheme should be equal to the market value of the Scheme Shares exchanged under the Scheme. The New Roc Shares should be taken to have been acquired at the time they are issued, which will be the Implementation Date.