

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Horizon Oil Limited

ABN

51 009 799 455

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | Senior, direct, unconditional, unsubordinated and unsecured convertible bonds due 2016 (" Bonds ") |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 400 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | <p>The Initial Conversion Price of the Bonds is A\$0.49.</p> <p>Unless previously redeemed or purchased and cancelled, Bond holders will have the right to convert their Bonds into Ordinary Shares at the then applicable Conversion Price.</p> <p>The Conversion Right attaching to any Bond may be exercised, at the option of the holder:</p> <p>(a) at any time on or after the 41st day after Closing Date (being 28 July 2011) up to and including the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the 7th day prior to the Maturity Date (being 10 June 2016) or,</p> <p>(b) if such Bond has been called for redemption by Horizon before the Maturity Date, then up to the</p> |

+ See chapter 19 for defined terms.

	<p>close of business (at the place aforesaid) on the 7th day prior to the date fixed for redemption thereof. If such final date for the exercise of Conversion Rights is not a business day at the place aforesaid, then the period for exercise of Conversion Rights by Bondholders shall end on the immediately preceding business day at the place aforesaid.</p> <p>Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed on 17 June 2016 at their principal amount together with accrued but unpaid interest to the date of redemption.</p> <p>The Ordinary Shares are in the same class as those listed on the ASX.</p> <p>For further information please refer to the Offering Circular to be released to ASX in accordance with ASIC Class Order [CO 10/322].</p>
<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>The Bonds will rank pari passu without any preference among themselves and equally with all other existing and future unsecured and unsubordinated obligations of Horizon except for such obligations that may be preferred by provisions of law that are mandatory and of general application.</p>
<p>5 Issue price or consideration</p>	<p>US\$200,000 per Bond and integral multiples thereof</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The net proceeds will be used by the Company to fund the acquisition by one of its Subsidiaries of Petsec Petroleum LLC (the “Petsec Acquisition”), pay fees and transaction costs associated with the acquisition and the issue of the Bonds, and to further advance the Issuer’s exploration and development objectives.</p> <p>For further details on the Petsec Acquisition see the Offering Circular to be released to ASX in accordance with ASIC Class Order [CO 10/322].</p>
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>On or around 17 June 2011</p>

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8	Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 2 if applicable)	Number	+Class
		1,130,811,515	Ordinary shares
9	Number and +class of all +securities not quoted on ASX (<i>including</i> the securities in clause 2 if applicable)	Number	+Class
		1,500,000	Partly paid shares
		38,356,000	Options issued under Company's employee incentive schemes
		1,000,000	General options
		6,693,828	Share appreciation rights
		400	Convertible bonds
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Before conversion the Bonds do not carry any rights to participate in dividends.	

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	<input type="text"/>
12	Is the issue renounceable or non-renounceable?	<input type="text"/>
13	Ratio in which the +securities will be offered	<input type="text"/>
14	+Class of +securities to which the offer relates	<input type="text"/>
15	+Record date to determine entitlements	<input type="text"/>
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	<input type="text"/>
17	Policy for deciding entitlements in relation to fractions	<input type="text"/>
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	<input type="text"/>

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19	Closing date for receipt of acceptances or renunciations	
20	Names of any underwriters	
21	Amount of any underwriting fee or commission	
22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	
25	If the issue is contingent on +security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	
33	+Despatch date	

Part 3 - Quotation of securities

+ See chapter 19 for defined terms.

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

39 Class of +securities for which quotation is sought

⁺ See chapter 19 for defined terms.

40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now
Example: In the case of restricted securities, end of restriction period
(if issued upon conversion of another security, clearly identify that other security)

42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)

Number	+Class

Quotation agreement

1 +Quotation of our additional +securities is in ASX’s absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

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- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: 
(Director/Company secretary)

Date: 3 June 2011

Print name: **Michael Sheridan**

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