Horizon Oil

Horizon Oil Limited ABN 51 009 799 155
Level 7, 134 William Street, Woolloomooloo NSW Australia 2011
Tel +61 2 9332 5000, Fax +61 2 9332 5050 www.horizonoil.com.au

14 April 2009

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

HORIZON OIL (HZN) FINANCING ARRANGEMENTS

The purpose of this release is to put today's announcement regarding a capital raising into the broader context of the various steps that have been taken by the board and management to ensure that Horizon Oil is in a sound financial position to develop and to bring into production its considerable inventory of undeveloped reserves and resources. The inventory of proven and probable reserves and resources, excluding those reserves already under development at Maari, comprises 34 million barrels of oil and condensate and 486 bcf of gas. The severe downturn in debt and equity capital markets and the fall in oil prices, all of which began in the last quarter of 2008 and persist today, coupled with a 6 month delay in bringing the Maari field onstream, necessitated a disciplined, multi-pronged approach to put the Company into a financially stable position.

The outstanding financial obligations of the Company are bank debt consisting of a US$19.3 million corporate facility and the US$46 million Maari project facility. Both facilities, with Bank of Scotland International (BOSI), are fully drawn. Subject to BOSI credit committee approval of re-negotiated terms for the corporate facility, part payment of US$9.6 million is due in May 2009, with the unpaid balance repayable by 31 December 2009. From an operational perspective, required funding for the remainder of calendar 2009 is forecast to be about US$4 million, being primarily pre-development expenditure for Stanley (Papua New Guinea) and Block 22/12 (China). The remaining development drilling expenditure for Maari, scheduled to be completed in August 2009, is to be funded from Maari production revenues. Forecast 2009 net operating cashflow for Maari, net of estimated remaining development expenditure, is around US$17 million assuming a price for Brent oil of US$50 per barrel. This surplus will be applied to fully pay down the residual corporate debt and part of the project debt.

The various elements to the financing approach, most of which have been referred to in announcements to shareholders over the last 6 months, and their status are summarised as follows:

Measures taken	Status
Minimising cost outlays at the corporate and joint venture levels to extend cash reserves.	Significant deferral of expenditure and reductions achieved in all joint ventures.
Reduction in exploration expenditure.	Thai exploration acreage divested, eliminating a US$22 – 30 million drilling obligation. Matariki exploration well (New Zealand) deferred.
Sell 25 – 50% interest in Papua New Guinea acreage.	Sales process underway.

Bring Maari onstream.	Field currently producing 32,000 bopd (Horizon Oil share 3,200 bopd) from first 3 production wells. First cargo of about 480,000 barrels of oil sold in early April. Arrangements in place for accelerated payment of production proceeds. Maari now cashflow positive, inclusive of ongoing development drilling costs.
Raise A$22 million in new equity to repay debt and meet PNG and China pre-development costs.	A$18.5 million raised in Share Placement, with Share Purchase Plan to follow.
Reschedule BOSI US$19.3 million corporate facility due on 30 June 2009.	Agreement reached with BOSI to rollover half of the Company's US$19.3 million corporate facility until 31 December 2009. The agreement is subject to the bank's formal credit approval process, which is anticipated to be finalised before 30 April 2009 Under the restructured arrangements: - US$9.6 million of the US$19.3 million corporate facility will be repaid before 30 June 2009 and the remaining balance will be repaid by 31 December 2009; - In addition, the Company plans to refinance the Maari project facility before 31 December 2009 and repay BOSI the remaining balance of that facility. At 31 December 2009 the BOSI corporate facility will be fully paid down and the estimated balance of the Maari project facility is expected to be approximately US$40 million, after the application of surplus Maari project revenues. Refinancing of the outstanding balance will be facilitated by the expected strong cashflows from a fully-developed Maari field. Should the debt restructure arrangements not be endorsed under BOSI's credit approval process, the corporate facility will be repayable on or before 30 June 2009, however there would be no change to the terms of the Maari project facility.
Establish back-up financing in the event that credit approval for part rollover of BOSI facility is not granted and in case of other unforseen financial requirements.	Market-tested and expressions of interest received for convertible note and bond financings.

Comments from Horizon Oil's Chief Executive Officer, Brent Emmett:

"Horizon Oil's board believes that the above-described approach to financing the Company's obligations and work program is robust and minimises risk in rather difficult market conditions. The decision to raise new equity by way of a Share Placement combined with a Share Purchase Plan was taken to provide the highest chance of success, while offering shareholders the opportunity to reduce the resultant dilution.

We see the progress made to date in renegotiation of bank debt terms and raising new capital as putting Horizon Oil firmly on track to deliver on its objective of utilising Maari production revenues to bring into production the Company's considerable inventory of undeveloped reserves and resources."

Yours faithfully,

Michael Sheridan
Chief Financial Officer / Company Secretary

For further information please contact:
Mr Brent Emmett
Telephone: (+612) 9332 5000
Facsimile: (+612) 9332 5050
Email: exploration@horizonoil.com.au
Or visit www.horizonoil.com.au