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HD **Independent expert deems ROC merger to be in Horizon shareholders' interest**

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The independent expert commissioned by Australia's Horizon Oil to review its proposed A$800 million ($757 million) "merger of equals" with ROC Oil has concluded the plan is in the best interest of Horizon shareholders.

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"In our opinion the proposed scheme is fair and reasonable," Deloitte said in its report, released by Horizon Wednesday.

The proposed merger, agreed by the two companies on April 29, has been opposed by ROC's largest shareholder, funds management company Allan Gray. It could also be thwarted by the emergence of a third party, who approached ROC on June 25 with a "confidential, unsolicited and incomplete" takeover offer.

Under the terms of the merger, Horizon shareholders would receive 0.724 of a share in ROC, which would retain its identity as the operator of the expanded group's assets in Malaysia, China and PNG. ROC's existing shareholders would hold around 42% of the merged company, with Horizon shareholders owning about 58%.

ROC and Horizon are partners in an oil field which is currently producing around 13,000 b/d in China's Beibu Gulf.

The expanded company's key growth asset in Malaysia would be its 50% stake in Petronas Carigali's D35, D21 and J4 oil fields, offshore Sarawak. The fields, currently producing 10,000 b/d of oil and 17,000 Mcf/d of gas, are to be redeveloped at a cost of $250 million.

Horizon's major contribution to the merged group would be its 30%-held Stanley and 27%-held Elevala/Ketu projects in PNG. A $300 million development of the Stanley field has been approved by the PNG government and is expected to be completed in 2016, producing 4,000 b/d of condensate and 140,000 Mcf/day of gas. In the longer term, Horizon's PNG assets are expected to form the basis of a mid-scale LNG project.

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