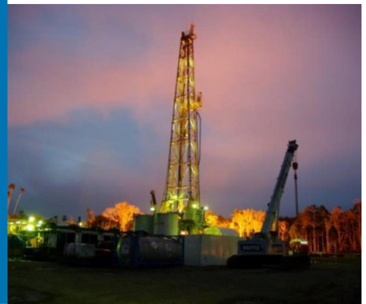


# Half-Year FY2017 Financial Results
27 February 2017

HORIZON OIL LIMITED
ABN 51 009 799 455

# Disclaimer

*Statements contained in this material, particularly those regarding the possible or assumed future performance, costs, dividends, returns, production levels or rates, prices, reserves, potential growth of Horizon Oil Limited, industry growth or other trend projections and any estimated company earnings are or may be forward looking statements. Such statements relate to future events and expectations and as such involve known and unknown risks and uncertainties. Actual results, actions and developments may differ materially from those expressed or implied by these forward looking statements depending on a variety of factors.*

*While every effort is made to provide accurate and complete information, Horizon Oil accepts no responsibility for any loss, damage, cost or expense incurred by you as a result of any error, omission or misrepresentation in information in this presentation.*

*The reserve and resource information contained in this announcement is based on information compiled by Alan Fernie (Manager – Exploration and Development). Mr Fernie (B.Sc), who is a member of AAPG, has more than 38 years relevant experience within the industry and consents to the information in the form and context in which it appears.*

*All dollars in the presentation are United States dollars unless otherwise noted.*

## Half-year highlights

| | |
|---|---|
| Profit & Loss | Gross profit of US$8.8 million<br>Statutory loss after tax of US$5.1 million |
| | EBITDAX of US$18.4 million |
| Cash | Net cash from operating activities of US$19.7 million<br><br>US$18.3 million cash on hand at 31 December 2016 |
| Debt | Repayment of US$58.8 million convertible bonds with cash reserves, supplemented by long-term non-amortising debt facility, reducing overall debt levels |
| | Net debt reduced to US$120.8 million and continued reduction planned in CY 2017 |
| Hedging | ~50% of CY 2017 forecast sales volumes hedged at ~US$54/bbl, underwriting base of ~US$39 million revenue, with unhedged volumes providing material exposure to rising oil prices and capacity for further hedging under rolling hedge program |
| Production | Current working interest production rate of Beibu Gulf field is ~2,275 bopd (1H 2017: ~2,173 bopd) and Maari field is ~970 bopd (1H 2017: ~812 bopd). Current combined production, including Beibu Gulf cost recovery entitlement, is ~4,000 bopd net to Horizon Oil<br><br>Oil sales of 694,085 bbls (1H 2016: 694,245 barrels), generating revenue of US$31.6 million |
| Capex | Capex of US$4.2 million, reduced by ~73% from 1H 16<br><br>Low capex profile will be maintained over the course of CY 2017 |

# Operational results

| | |
|---|---|
| HSSE | Lost Time Injury Frequency Rate (LTIFR) of 0.0, Total Reportable Injury Frequency Rate (TRIFR) of 0.0 at 31 December 2016 over a 12 month rolling period (~25,000 manhours) |
| China | Continued strong production during the period from combined WZ 6-12 and WZ 12-8W fields in the Beibu Gulf producing above budget at 1.48 mmbo (~400,000 bbl net to HZN) |
| | Horizon Oil's share of crude oil sales was 523,960 barrels - approximately 35% of field production (additional 124,159 barrels over net working interest share of 26.95%) due to preferential cost recovery entitlement |
| | Progress of Overall Development Plan for the WZ 12-8E field continues, with completion scheduled in early 2017 |
| New Zealand | Production during the period of ~1.49 mmbo (~150,000 bbl net to HZN). |
| | Production for the period was affected by the scheduled maintenance and repair shutdown period from 24 November 2016. Production recommenced on 12 January 2017; water reinjection system successfully reinstated on 29 January 2017. The Company anticipates that a material proportion of the cost of these works will be recovered from insurance |
| Papua New Guinea | Progressed development concept for a Western Province-based greenfield mid-scale LNG project, through collaboration of the PDL 10 and PRL 21 joint ventures, and the formation of a Joint Working Team (JWT). Cornerstone gas volumes for the proposed "Western LNG" project to be provided by PDL 10 (Stanley) and PRL 21 (Elevala/Ketu) |
| | HZN acquired strategic 50% interest and operatorship of Ubuntu gas/condensate field in PRL 28 (adjacent to PRL 21) via acquisition of Eaglewood Energy (BVI) Limited in January 2017 |

## Profit and loss

| (US$ million) | 1H 2017 | 1H 2016 | Δ | Δ (%) |
|---|---|---|---|---|
| Production volume (bbl) | 549,199 | 681,900 | (132,701) | (19%) |
| Sales volume (bbl) | 694,085 | 694,245 | (160) | - |
| Realised Oil Price | 45.5 | 59.4 | (13.9) | (23%) |
| **Revenue** | **31.6** | **41.2** | **(9.6)** | **(23%)** |
| *Sales revenue* | *31.2* | *31.4* | *(0.2)* | *(1%)* |
| *Hedging* | *0.4* | *9.9* | *(9.5)* | *(96%)* |
| **EBITDAX *** | **18.4** | **31.9** | **(13.5)** | **(42%)** |
| Depreciation & Amortisation | (12.8) | (19.6) | 6.8 | 35% |
| Exploration (incl impairments) | (0.8) | (38.7) | 37.9 | 98% |
| **EBIT** | **4.8** | **(26.4)** | **31.2** | **118%** |
| Interest and Tax | (9.9) | (15.6) | 5.7 | 37% |
| **Net profit/(loss) after tax** | **(5.1)** | **(42.0)** | **36.9** | **88%** |

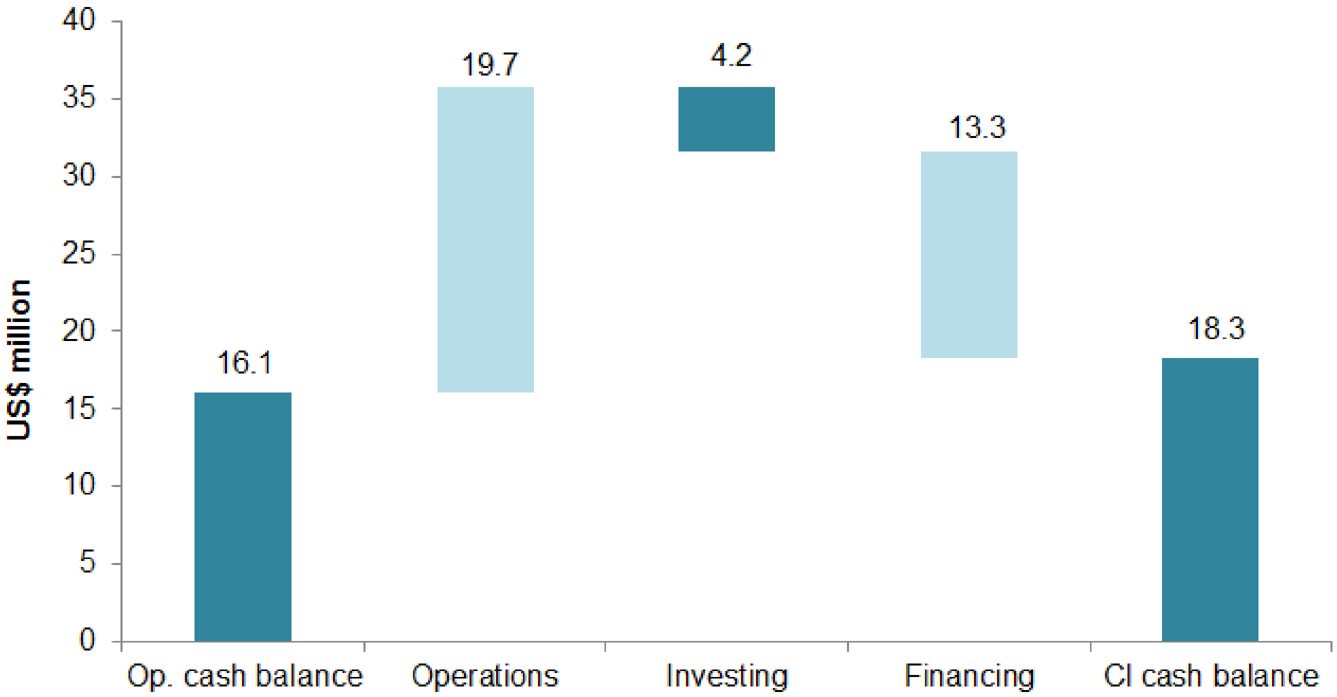
**Note - EBITDAX and EBIT are financial measures which are not prescribed by Australian Accounting Standards and represent the profit under Australian Accounting Standards adjusted for interest expense, taxation expense, depreciation, amortisation, and exploration expenditure (including non-cash impairments)*

- Production affected by Maari scheduled water injection and platform repairs and natural decline
- Strong sales volumes maintained demonstrating substantial benefit of preferential cost recovery oil entitlement in Beibu Gulf, offsetting impact of natural production decline
- Benefit from cost recovery oil (net balance of US$105 million) derived over next 4 years, with in-built hedge as entitlement is an escalating dollar amount
- Robust and stable EBITDAX , taking into account material hedge gains (~US$10m) in 1H 2016

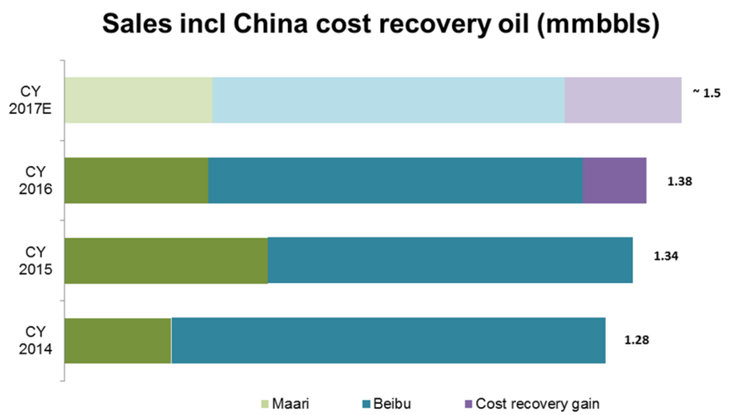
# Cash flow

| (US$ million) | 1H 2017 | 1H 2016 | Δ | Δ (%) |
|---|---|---|---|---|
| Operating cashflow | 19.7 | 28.6 | (8.9) | (31%) |
| Investment Activities | (4.2) | (15.6) | 11.4 | 73% |
| Repayment of borrowings | (13.3) | (22.3) | 9.0 | 40% |
| **Net cashflow** | **2.3** | **(9.3)** | **11.5** | **124%** |

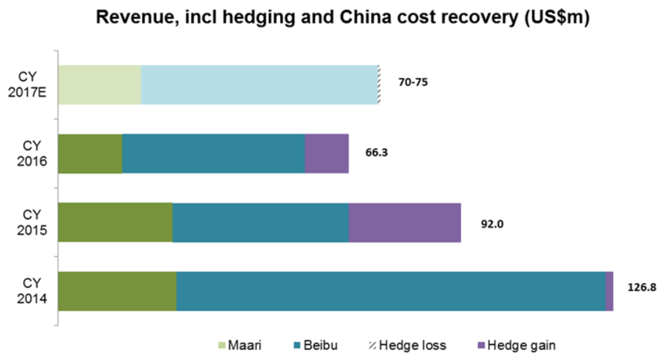
- Strong operating cashflows have enabled further debt reduction
- Disciplined and focused approach to exploration and development spend with 73% reduction in capex



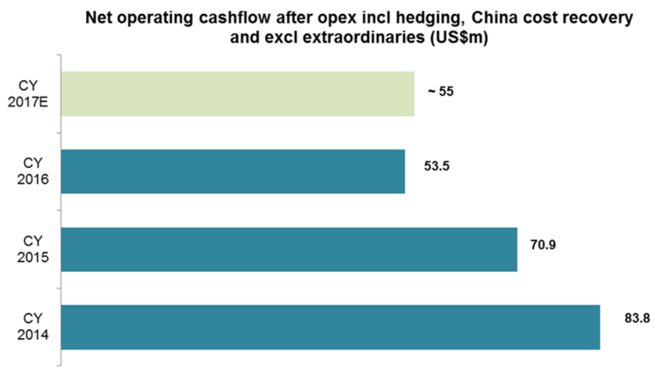
# Production and income – stable production and operating income to continue




- Continued increase in sales volumes, despite deep cuts to E&D capex
- Sales, including benefit of China cost recovery and WZ12-8E development, expected to continue around current level through CY2022

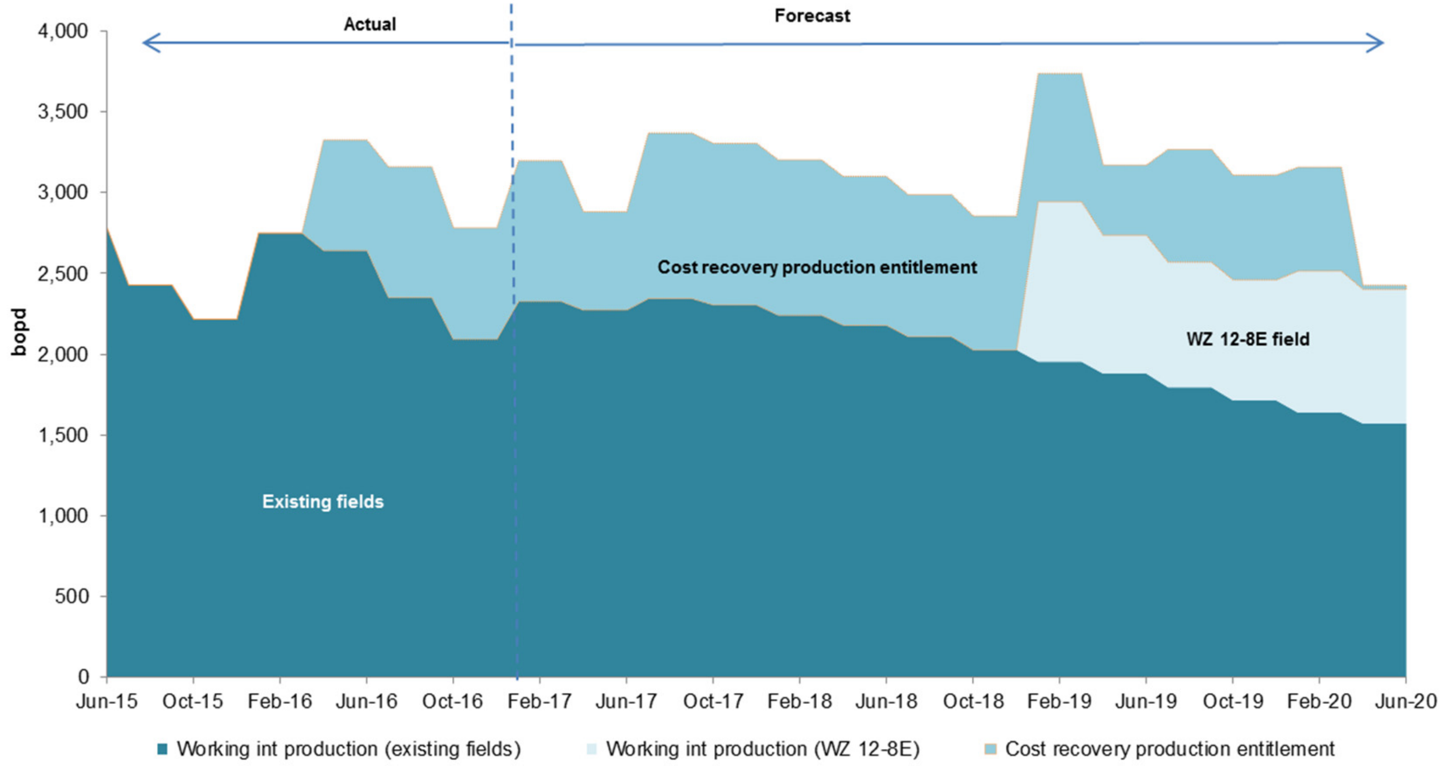



- Revenue forecast to increase in 2017, including China preferential cost recovery entitlement




- Net operating cashflow forecast at US$50 – 60m for calendar years 2017 – 2022, assuming development of WZ 12-8E and with consensus oil price assumption

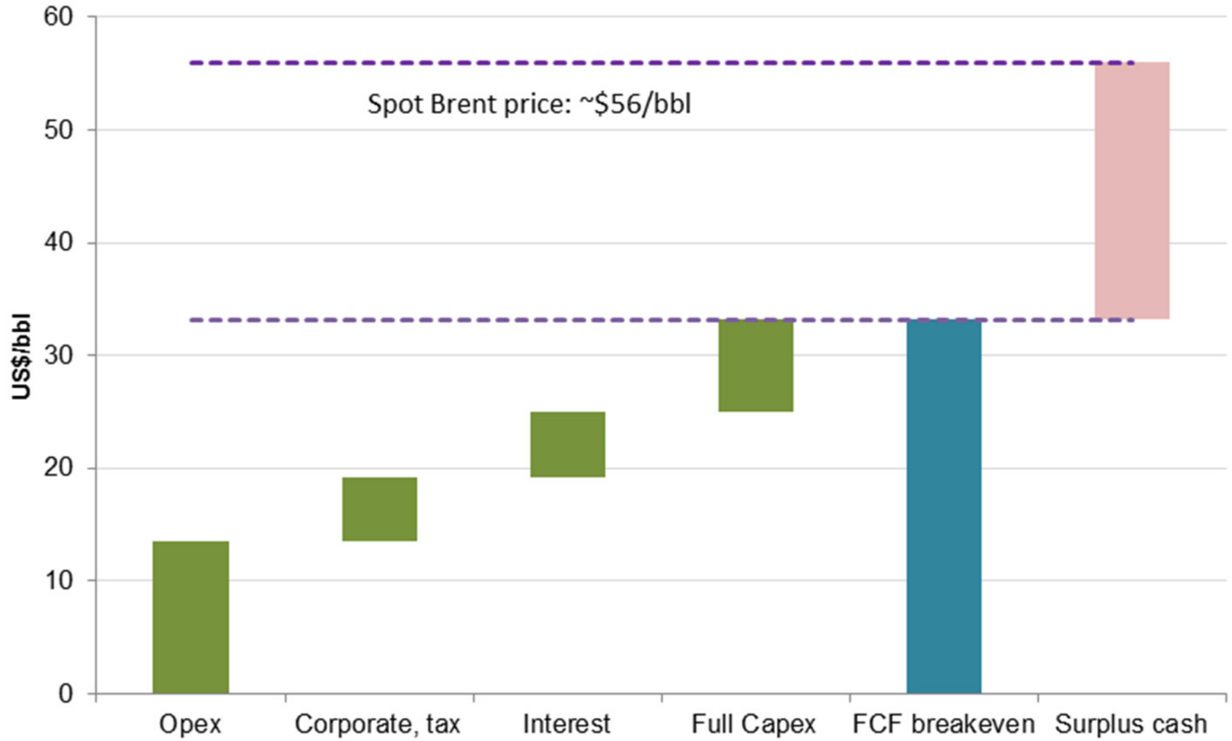
# Block 22/12 production and cost recovery is driving cash generation




- Horizon Oil's Block 22/12 production entitlement increased from 26.95% to ~35% of production, following the commencement of its entitlement to preferential cost recovery
- Horizon Oil's unrecovered cost recovery balance at 31 December 2016 was US$105 million. Unrecovered entitlement is escalated at 9% p.a.

*Note: Forecast cost recovery based on Brent forward curve as at 8-Feb and production forecasts included in Independent Technical Specialists' Report (RISC) – 2016 July*

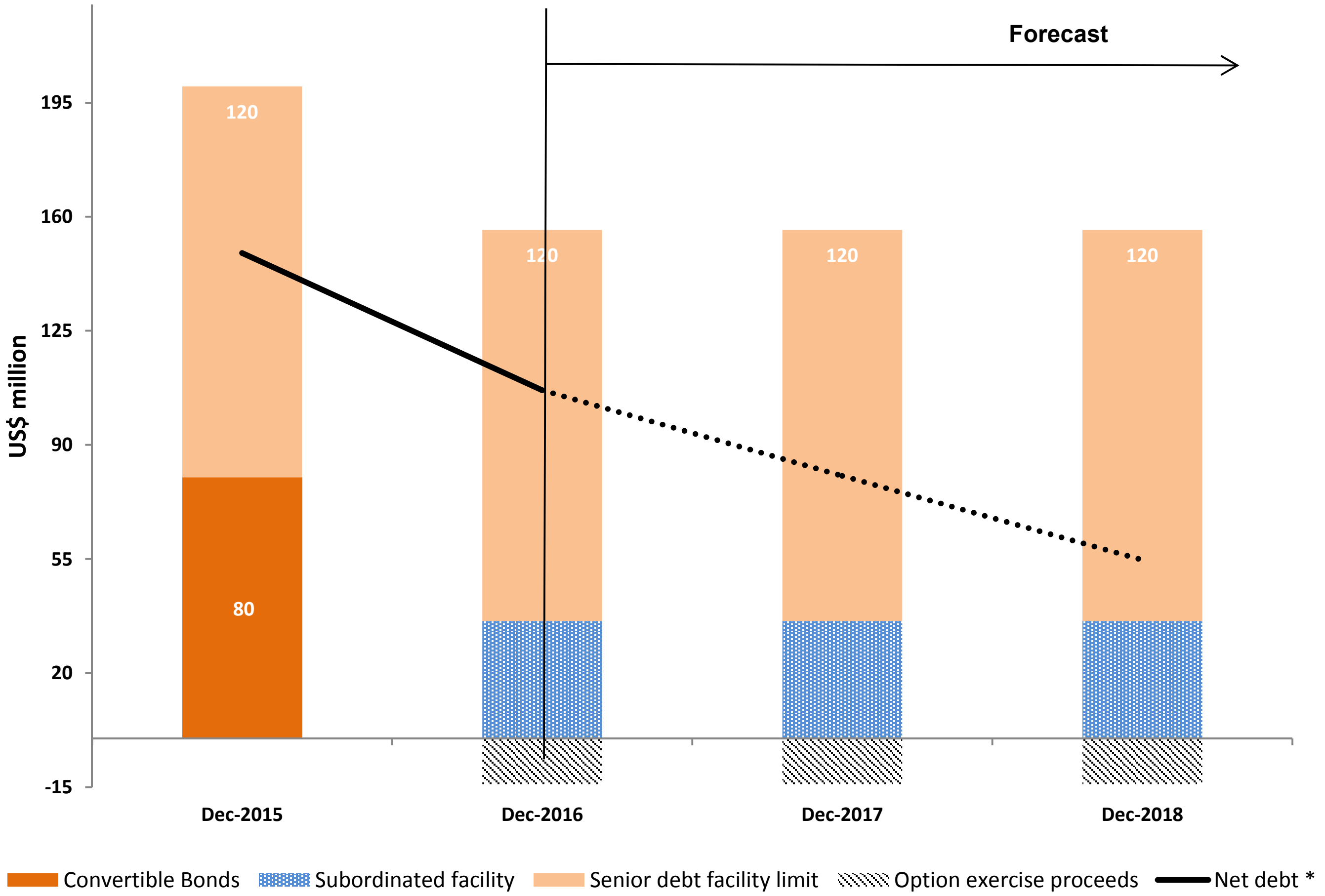
# 2017 Free Cash Flow breakeven at ~$33/bbl provides capacity for debt repayment




- Continued focus on cost reduction and low opex in China drives down the break even price
- Low break even price mitigates against potential oil price volatility, particularly in low oil price environment
- Hedges lower 2017 FCF breakeven to ~$28/bbl

**Note – FCF breakeven includes the full capex and excludes impact of hedges*

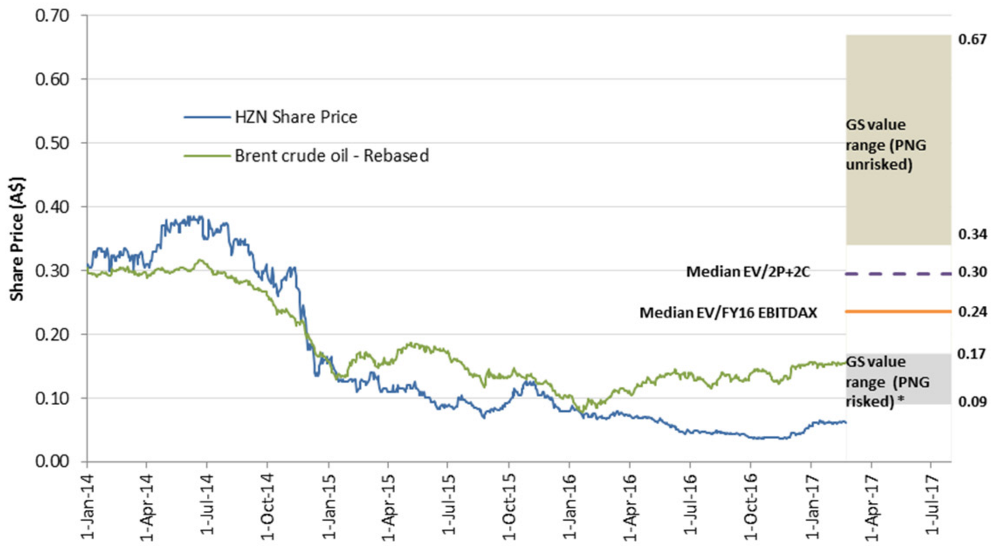
# Continued debt reduction in low oil price environment



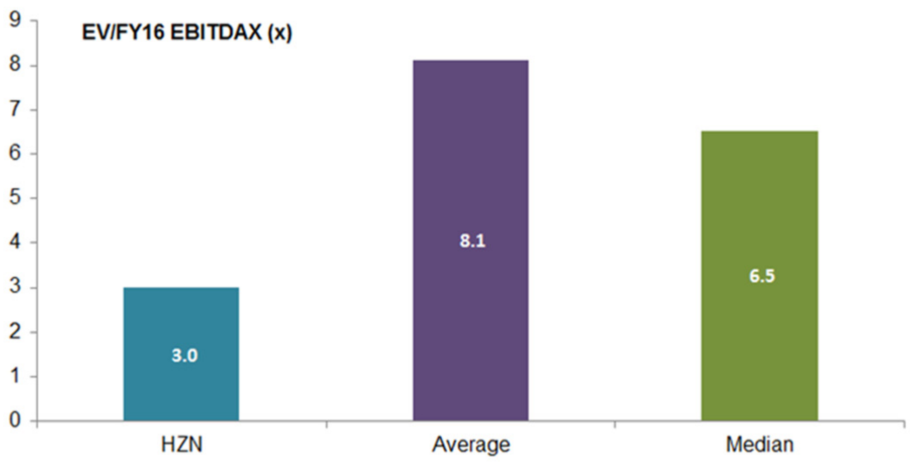

- Horizon Oil's proven, developed and producing Beibu Gulf and Maari fields provide substantial existing debt capacity in a challenging environment for small and mid-cap companies to access debt from commercial lenders
- Horizon Oil refinanced the outstanding US$58.8 million convertible bonds with cash and a 5 year non amortising subordinated debt facility of US$50 million
- Net debt reduced to US$120.8 million at 31 December 2016, with US$18.3 million cash on hand

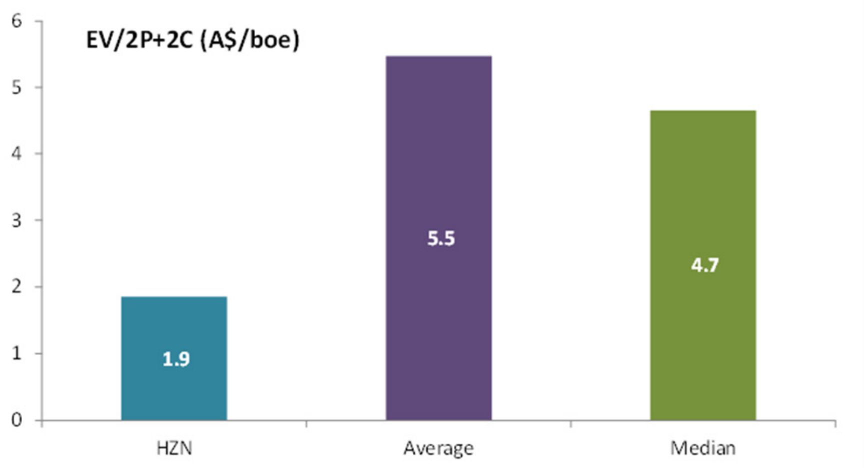
**Note: Factoring in proceeds from exercise of options attached to the subordinated facility (US$14million) reduces the net debt to US$106.8 million at 31 Dec 2016*

# Independent valuation points to HZN value




- HZN shares are undervalued with respect to Grant Samuel independent valuation report and peer multiples
- With improving oil market fundamentals, lower gearing and with PNG moving to FID stage, HZN share price is expected to fill the valuation gap




*Note 1: Grant Samuel independent valuation report was produced in July 2016 as part of the debt refinancing*
*Note 2: Multiples based on a peer group of 12 ASX E&P companies, excl HZN*
*Source: Company filings, broker reports as at 15 Nov 2016*

# Outlook for the next 12 months

**Corporate Outlook**

- Operating cashflows expected to increase as a result of additional revenues earned from China production entitlement through cost recovery of remaining US$105 million (net to Horizon Oil)
- Continued focus on reduction of overall gearing levels
- ~50% of CY 2017 sales hedged at an average price ~US$54/bbl
- Maintenance of low capex profile and G&A over the course of FY17

**Maari/Manaia, offshore New Zealand**

- Further optimisation of oil production through workover program and installation of multiphase pumps
- Finalise insurance recoveries in relation to facility repairs and equipment upgrades associated with the FPSO *Raroa's* mooring system and water injection line

**Block 22/12, offshore China**

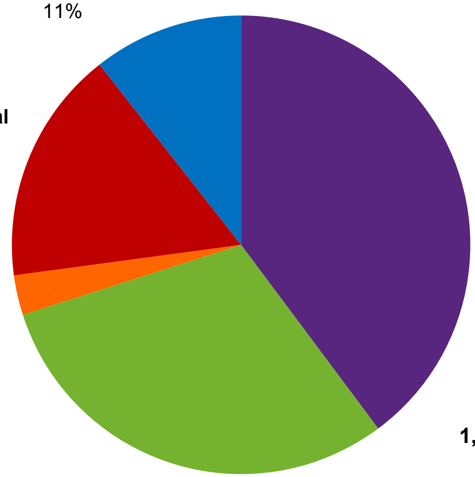
- Preparation of the Overall Development Plan for the WZ 12-8E field continues, with completion scheduled in early 2017. The audited gross 2C resources for the field (including WZ 12-10-1 and WZ 12-3-1) are 11.1 mmbo

**PDL 10 (Stanley), PRL 21 (Elevala/Tingu/Ketu) and onshore Papua New Guinea**

- Progress the development concept for the Western Province gas aggregation scheme, through collaboration of the PDL 10 and PRL 21 joint ventures, and the formation of a Joint Working Team
- Subsequent to the half-year period end, HZN acquired Eaglewood Energy (BVI) Limited, which holds a strategic 50% interest in the discovered Ubuntu gas and condensate field in PRL 28 (adjacent to PRL 21), in addition to some smaller exploration interests in PNG

# Corporate information as at 31 January 2017

## Shareholders




## Board of Directors

| | |
|---|---|
| John Humphrey | Chairman |
| Brent Emmett | Chief Executive Officer / Managing Director |
| Gerrit de Nys | Director |
| Sandra Birkensleigh | Director |
| Andrew Stock | Director |

## Senior Management

| | |
|---|---|
| Brent Emmett | Chief Executive Officer / Managing Director |
| Michael Sheridan | Chief Financial Officer / Company Secretary |
| Alan Fernie | General Manager – Exploration and Development |

## Contact


Brent Emmett
Email: exploration@horizonoil.com.au
Tel: +612 9332 5000
Web: www.horizonoil.com.au


## Share trading

| | |
|---|---|
| ASX Listed | **HZN** |
| Fully Paid Shares | **1,301,981,265** |
| Employee Options | **3,866,667**[1] |
| Share Appreciation Rights | **91,590,246**[2] |
| IMC Options | **300,000,000**[3] |
| Number of Shareholders | **6,052** |
| Market Capitalisation | **A$81m** |
| Top 20 / Issued Capital | **57.3%** |
| **12 Months** | |
| Last | **A$0.062** |
| High | **A$0.084** |
| Low | **A$0.036** |
| Volume | **379m** |

[1] Options – issue price ranging from A$0.20 - A$0.43

[2] Share Appreciation Rights – exercise price ranging from A$0.048 - A$0.37.

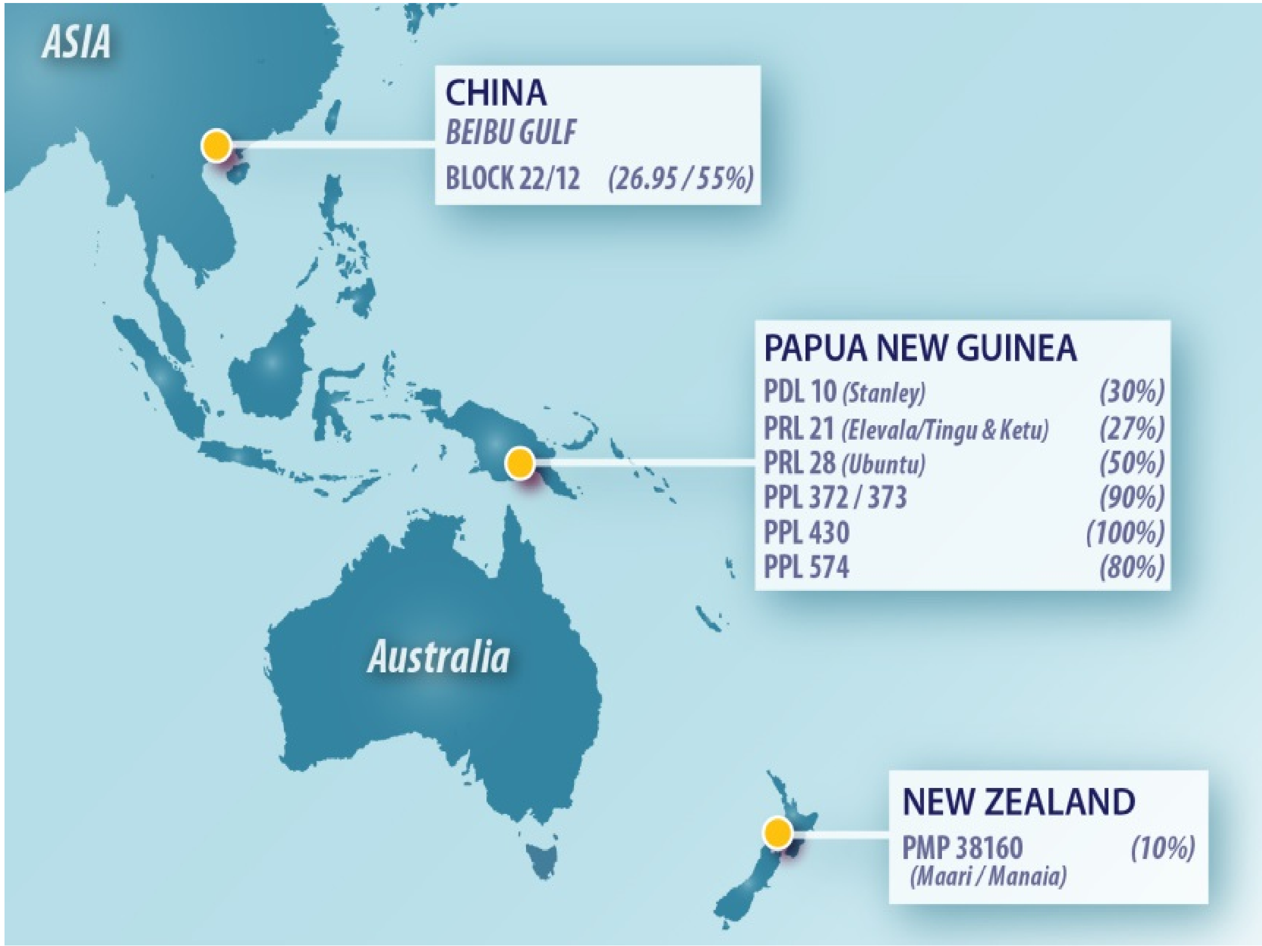
[3] IMC Options - exercisable at A$0.061 on or before 14 September 2021.

* Company currently holds 1,500,000 forfeited partly paid shares on trust.


# Appendix –

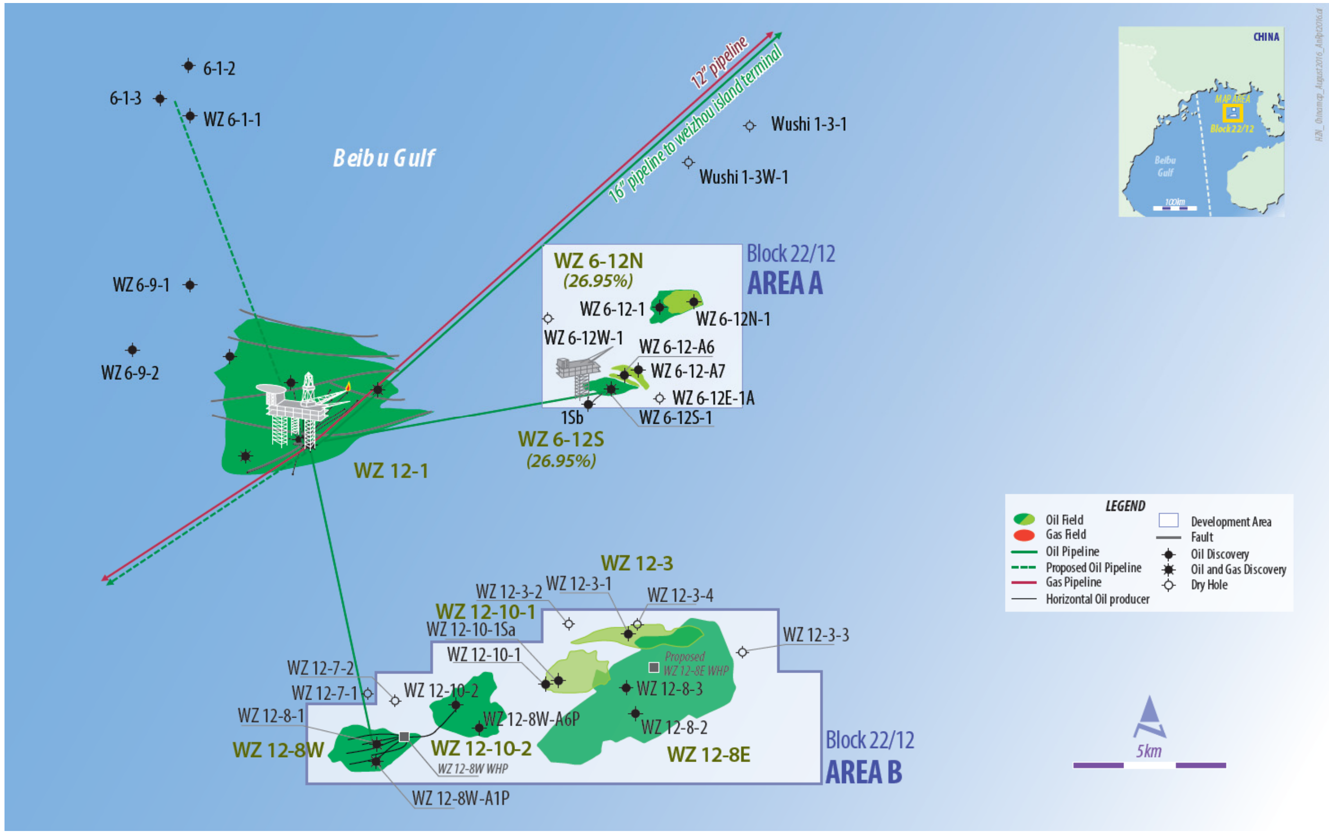
# Asset Review

# Asset review




- Focus remains on Asia-Pacific region and existing asset areas
- These are proven, conventional plays with scale, upside and manageable risk
- Working with experienced partners such as CNOOC, OMV, Repsol and Osaka Gas
- Horizon Oil currently producing oil but will have a diversified oil and gas production base in the future
- Potential exists for gas export project into Asian market

# Beibu Gulf field production and future development areas – China



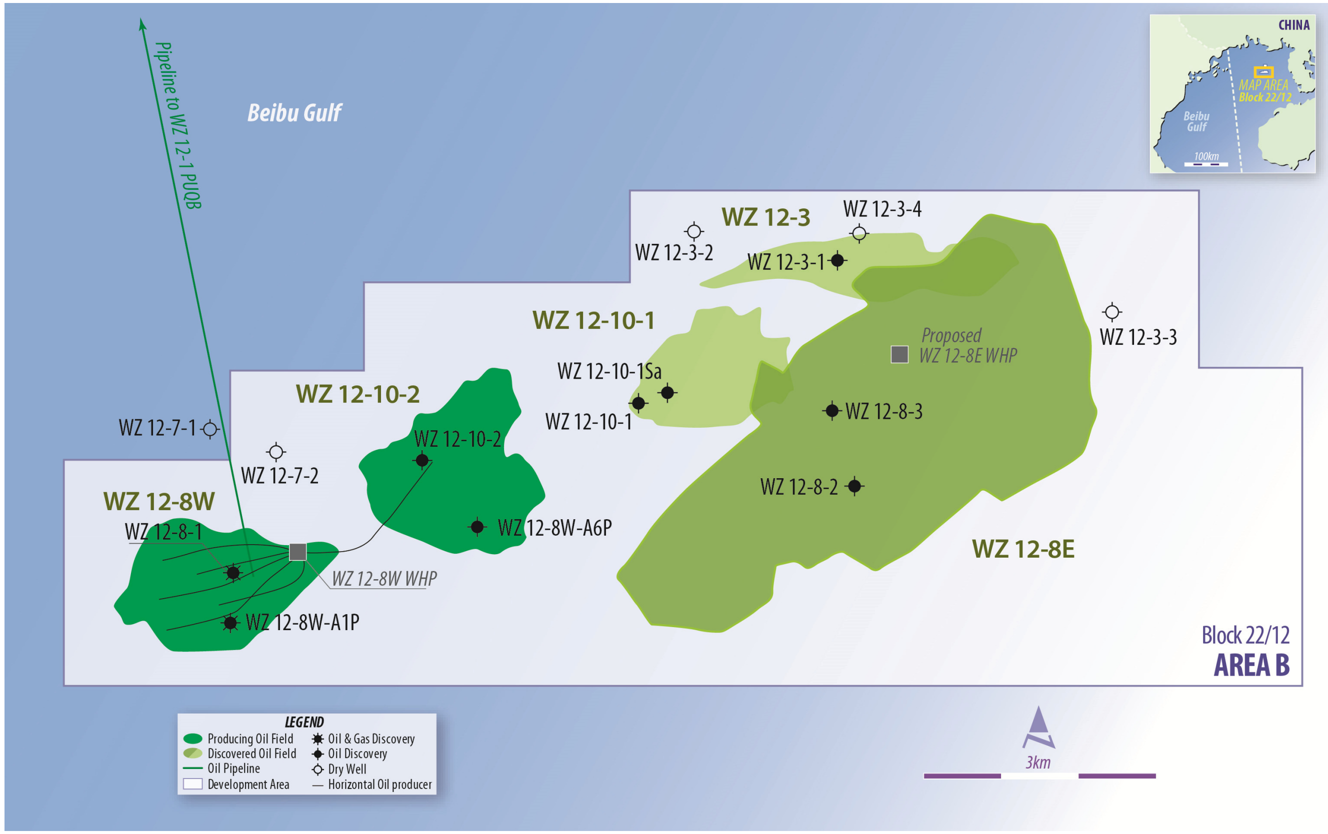

- WZ 6-12N and WZ 12-8W fields continue producing above forecast, currently ~8,300 bopd
- Remaining cost recovery oil entitlement of US$105m to be received over CY 2017 – 20, unrecovered balance escalates at 9% pa
- Fixed operating tariff recently reduced from US$4.75 to US$0.50/barrel
- WZ 12-8E complex with 11.1 mmbo gross potential has entered FEED and ODP process commenced; 2 stage development with target first production January 2019

**Block 22/12 Post-CNOOC Back-in:**

| | |
|---|---|
| HZN | 26.95% |
| CNOOC | 51.00% (Op) |
| ROC | 19.60% |
| Majuko Corp | 2.45% |

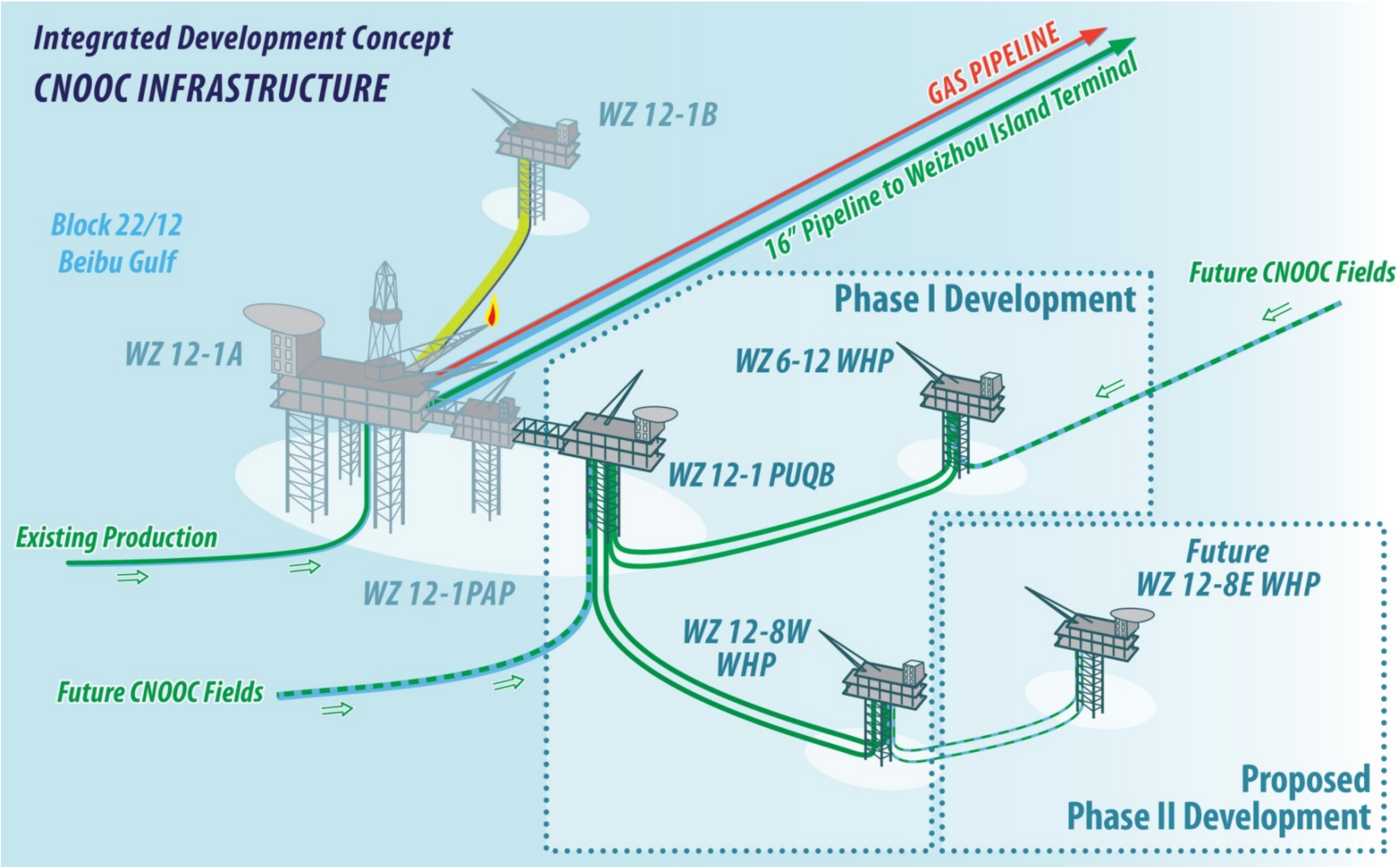
| Gross reserves and resources at 30/06/16 (mmbo) | 2P | 2C |
|---|---|---|
| Produced | 12.3 | |
| Remaining | 21.4 | 11.1 |

# Beibu Gulf future development projects – WZ 12-8 Development Area



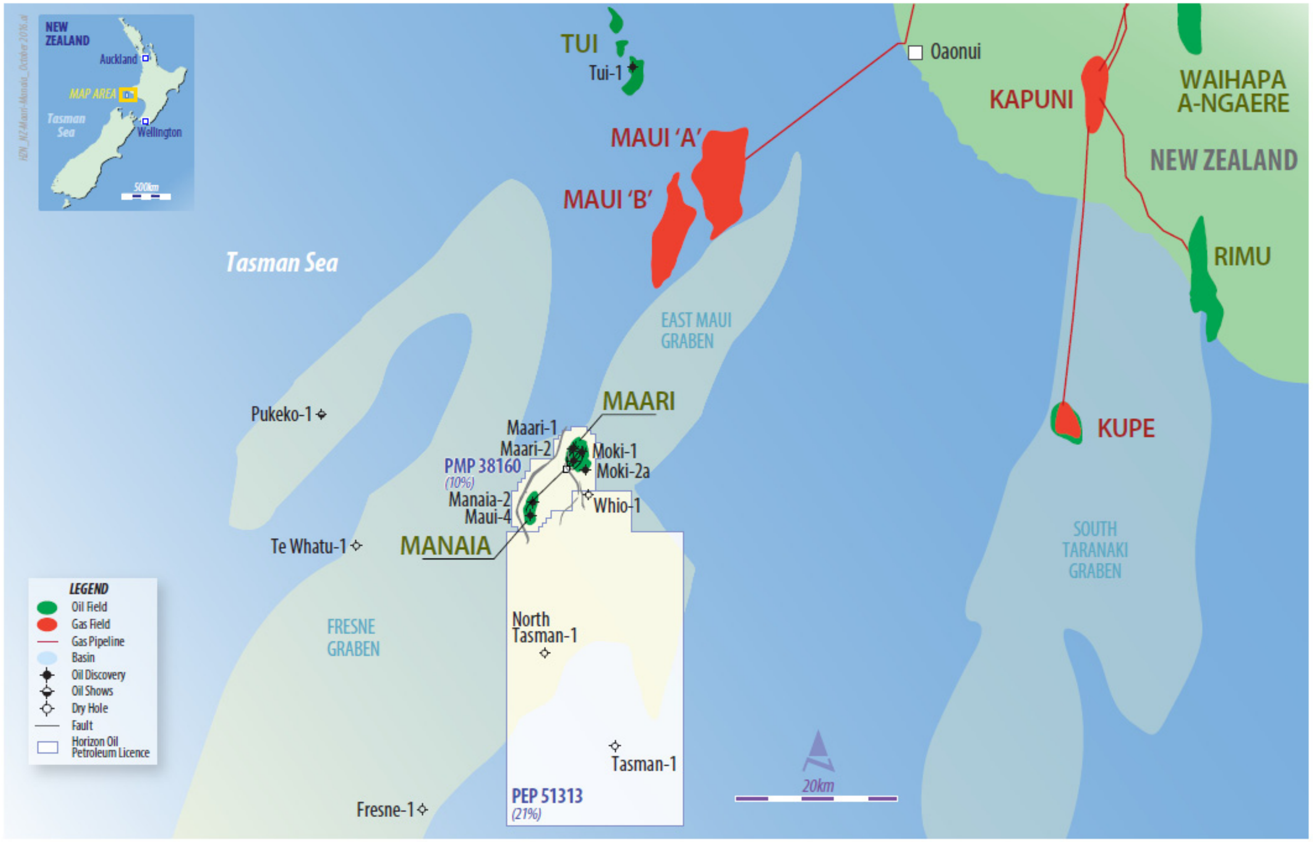

- Integrated development of WZ 12-8E and WZ 12-3 fields (audited gross 2C resources 11.1 mmbo) envisaged; development plan (ODP) to be submitted for Government approval in 2017
- Platform on WZ 12-8E will be a leased, mobile production unit to minimise capex
- Flexible flowlines to tie the platform back to the WZ 12-8W platform

# Beibu Gulf fields – phased development scheme




- Phased approach to development of new reserves – use of existing infrastructure:-
  - reduces costs and engineering risk
  - accelerates timeline
  - enhances economics of fields already on stream

# Maari /Manaia fields – New Zealand

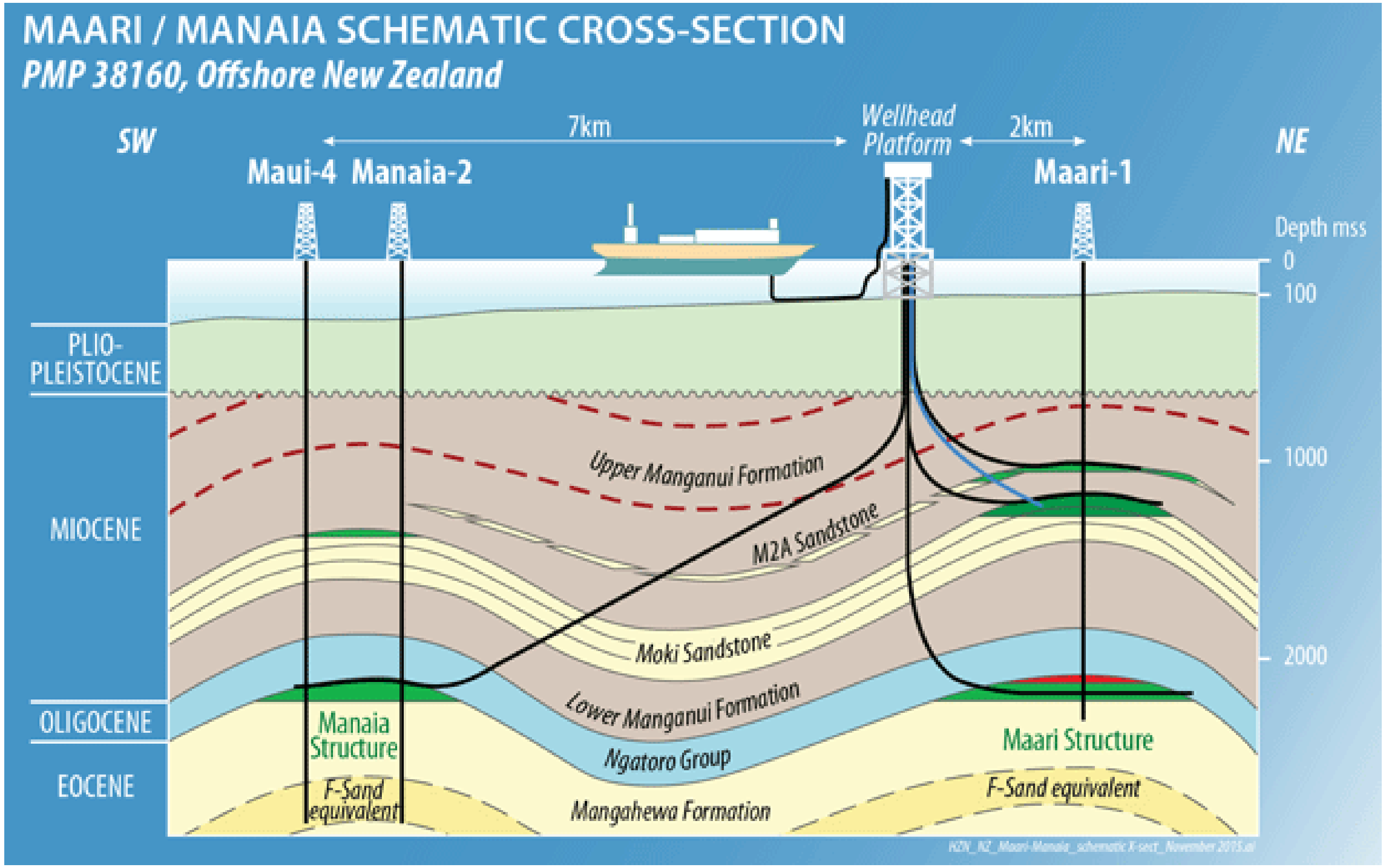



- Maari Growth Projects Program successfully completed in July 2015
- Field production currently ~10,000 bopd
- Regular workover program to replace ESPs, clean scale and add perforations has successfully enhanced production
- Water injection (WI) repairs and temporary repair to platform strut completed in January 2017
- 2017 production improvement projects include 3 workovers, WI enhancement and platform de-bottlenecking
- Further infill wells and Manaia Moki development under consideration

| Gross reserves and resources at 30/6/16 (mmbo) | 2P | 2C |
|---|---|---|
| Produced | 31.6 | |
| Remaining | 23.7 | 29.2 |

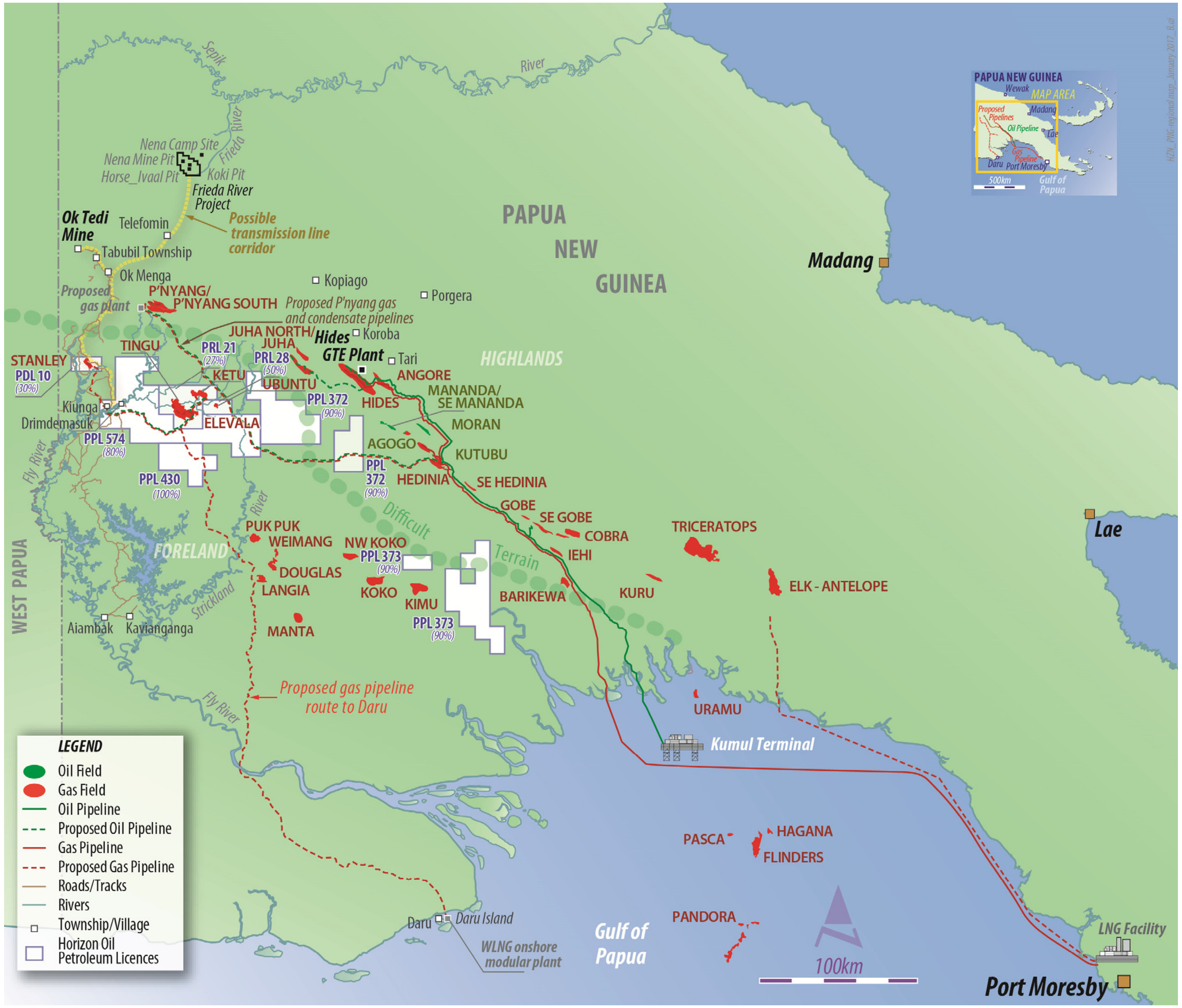
| PMP 38160: | |
|---|---|
| HZN | 10% |
| OMV | 69% (Op) |
| Todd | 21% |
| CUE | 5% |

# Manaia – Maari schematic cross-section



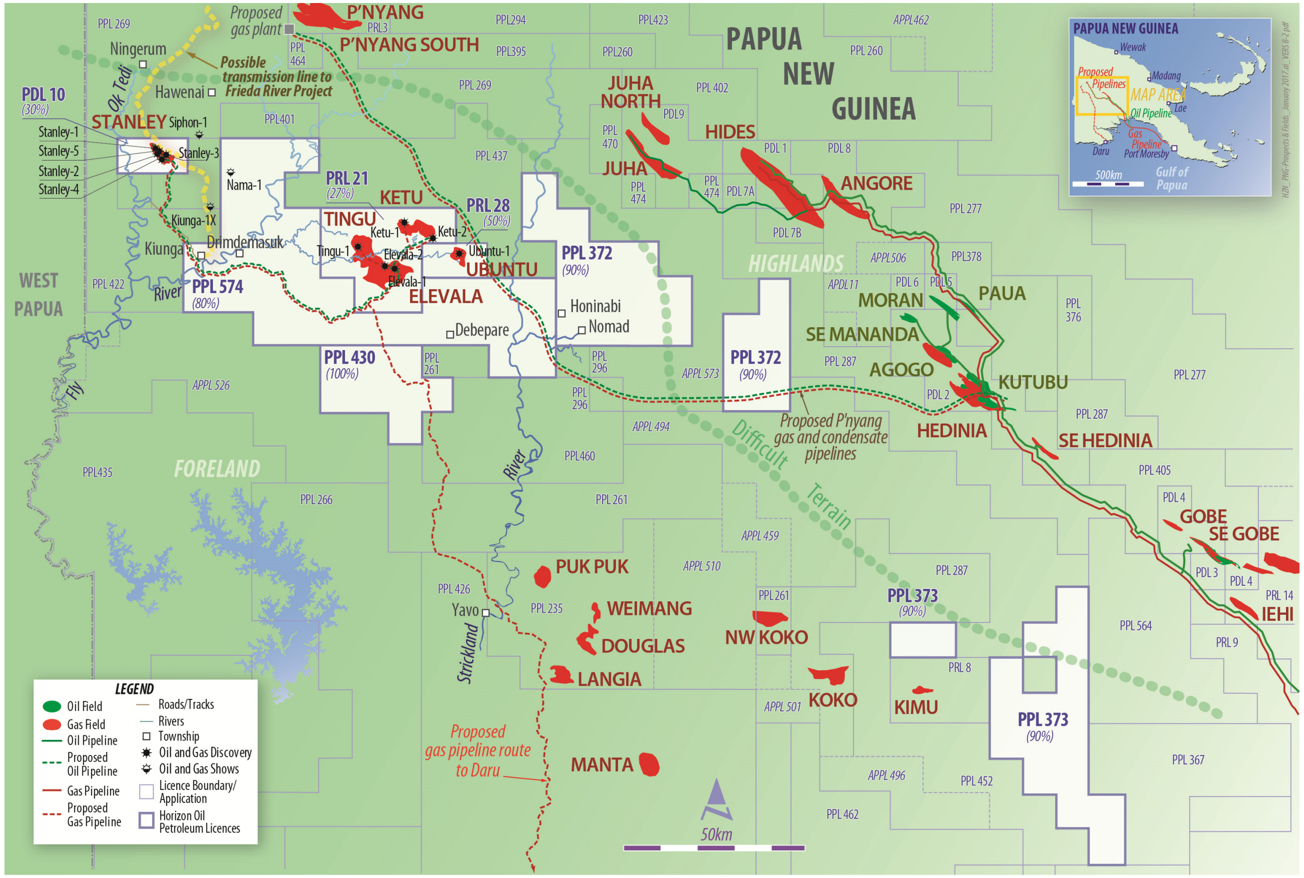

- Multiple oil accumulations on production
- Potential to develop Moki zone at Manaia in future

# Papua New Guinea




- PNG is rich in oil, gas and minerals with track record of successful large-scale development projects, notably the Kutubu oil project and the 8 mtpa PNG LNG project
- Stable fiscal regime and succession of "pro-development" governments
- Jurisdiction well-supported by lenders
- Horizon Oil acreage position ~8,000 sq km in foreland terrain, primarily in wet gas "sweet spot"

# Horizon Oil acreage and JV partners – resource development overview




- Development of Stanley field (PDL 10) to be coordinated with PRL 21
  - Phase 1: gas-to-power for domestic customers
  - Phase 2: aggregation with PRL 21
- PDL 10 and PRL 21 gas to be the foundation supply for a Western Province gas aggregation scheme
- Mid-scale LNG (~1.5 mtpa) ("Western LNG") is the base case concept for gas monetisation
- Alternative concept is gas export via proposed open access "Western Pipeline"

**PDL 10 (Stanley):**

| | |
|---|---|
| HZN | 30% |
| Repsol | 40%(Op) |
| Osaka Gas | 20% |
| Mitsubishi | 10% |

**PRL 21 (Elevala/Ketu):**

| | |
|---|---|
| HZN | 27.0%(Op) |
| Repsol | 32.5% |
| Osaka Gas | 18.0% |
| Kina | 15.0% |
| Mitsubishi | 7.5% |

**PRL 28 (Ubuntu):**

| | |
|---|---|
| HZN | 50% (Op) |
| Repsol | 40% |
| P3GE | 10% |

**PPLs 372 and 373:**

| | |
|---|---|
| HZN | 90% (Op) |
| Jurassic | 10% |

**PPL 430:**

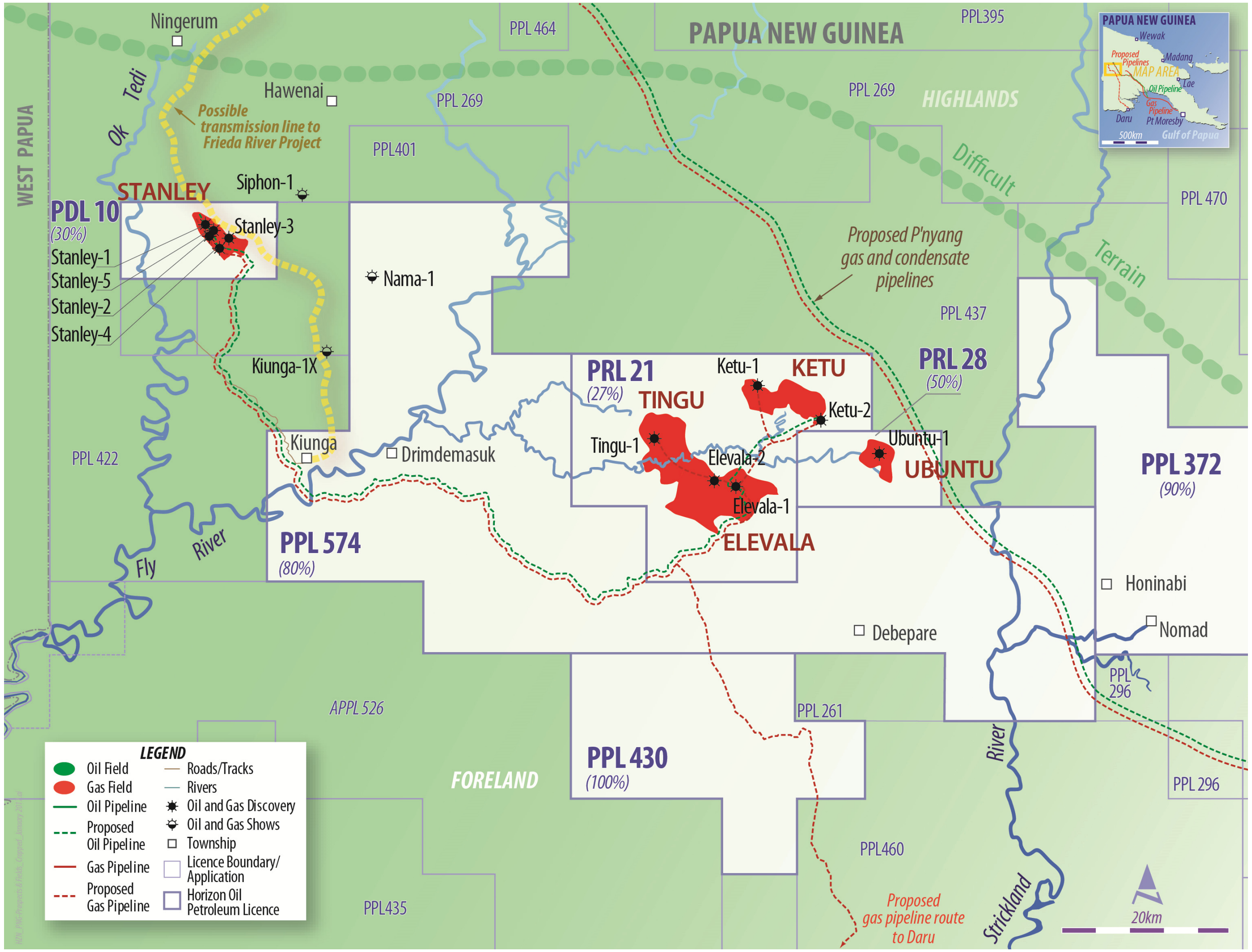
| | |
|---|---|
| HZN | 100%(Op) |

**PPL 574:**

| | |
|---|---|
| HZN | 80%(Op) |
| Osaka Gas | 10% |
| P3GE | 10% |

| Gross resources at 30/6/16 | 2C |
|---|---|
| Condensate (mmbbl) | 68.4 |
| Raw gas (bcf) | 1,830 |

# Stanley and Elevala/Ketu field development planning progress




- PDL 10 JV continued its optimisation review of project design, execution and timing prior to entering into contracts for fabrication and construction of the project facilities
- PRL 21 JV progressed the feasibility study for a Western Province based mid-scale LNG development concept, the cornerstone volumes of which are the condensate rich Elevala/Tingu, and Ketu fields
- Development application for Elevala/Tingu/Ketu fields in PRL 21 progressing
- Environmental permitting near completion


**Please visit the Horizon Oil website [www.horizonoil.com.au](http://www.horizonoil.com.au) to see:-**

**Detailed Investor Presentation**

**Latest Quarterly Report**

**Analyst reports on HZN**

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