



**HORIZON OIL LIMITED**

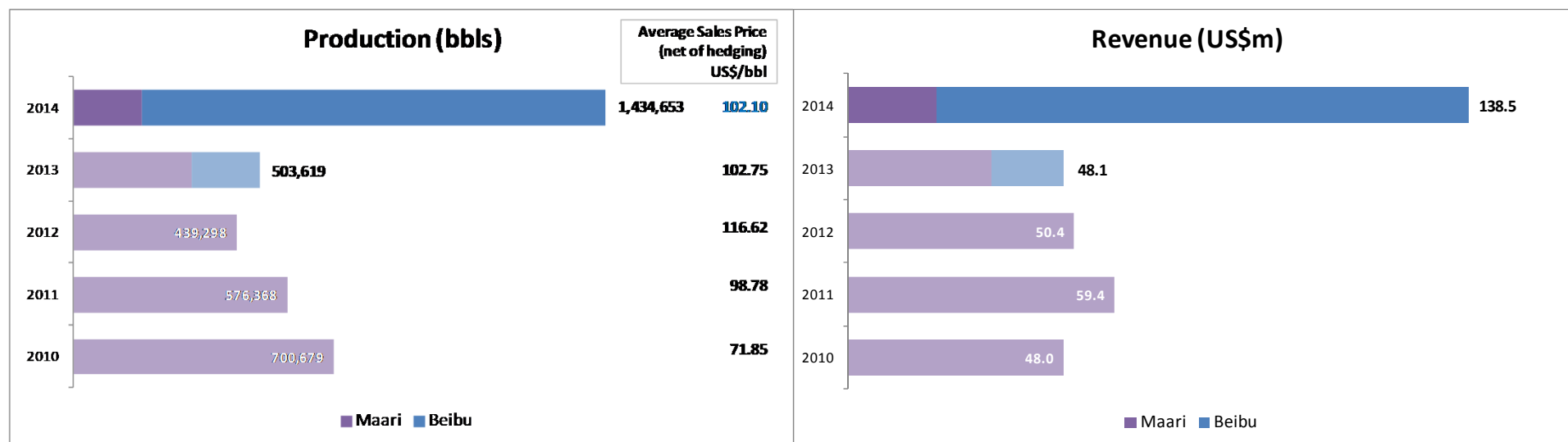
ABN 51 009 799 455

# Financial Year FY2014 Financial Results 27 August 2014



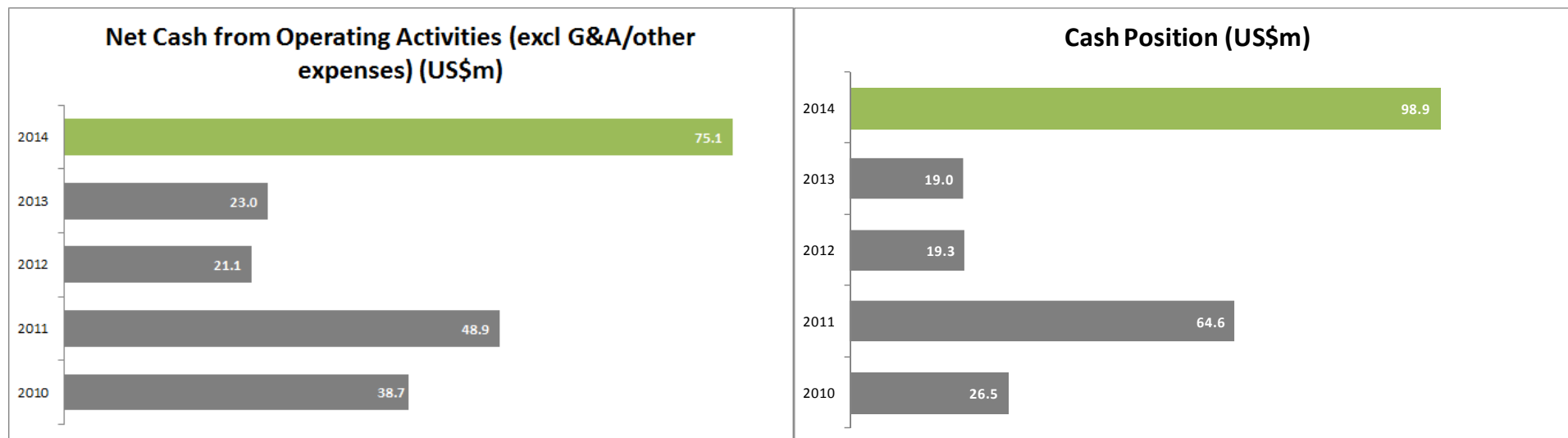
*Stanley-5, August 2014*

## Five Year Performance and Outlook



Completion of Maari Growth Projects is expected to increase production to operator forecast levels of ~20,000 bopd gross, more than double current levels

Revenue from the Beibu Gulf will be substantially maintained through 2015, despite field decline, due to increased share of production through cost recovery and entitlement



Despite Maari field shut-in for 5 months for major field upgrade and maintenance, net cash from operating activities increased significantly

Cash on hand increased US\$79.9m from prior year, due to completion of partial sale of PNG assets to Osaka Gas in June 2014

## 2014 Financial Year Highlights



|                          |                                                                                                                                                                                                                                                                      |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Performance</b>       | 1.36 million barrels of oil sales, at an average realised price (net of hedging) of US\$102.1 per barrel, generating revenue of US\$138.5 million, and operating cashflows (excl G&A/other expenses) of US\$75.1 million                                             |
| <b>Cash</b>              | US\$98.9 million cash on hand at 30 June 2014 following completion of partial sale of PNG assets to Osaka Gas in June 2014, resulting in completion payment of US\$78 million                                                                                        |
| <b>Production</b>        | Combined production rate of Maari and Beibu Gulf fields ~3,900 bopd net to Horizon during the year                                                                                                                                                                   |
|                          | Cumulative gross oil production since commencement, as at 30 June 2014: Maari field 23.9 million barrels; Beibu Gulf fields 5.3 million barrels                                                                                                                      |
| <b>Reserves</b>          | Reserves and contingent resources increased to 95 mmboe following successful Tingu-1 drilling results                                                                                                                                                                |
| <b>Profit &amp; Loss</b> | EBITDAX of US\$99.5 million resulting from gross profit from operations of US\$45.7million and profit from partial sale of PNG assets                                                                                                                                |
|                          | Profit before tax of US\$30.0 million, an increase of 200% to comparable period last year                                                                                                                                                                            |
| <b>Capex</b>             | US\$92.4 million exploration and development expenditure program executed, driving production growth from China, improving future Maari performance, and reserves and resources growth in PNG                                                                        |
| <b>Debt</b>              | US\$150.0 million reserves based debt facility paid down by \$15.2 million to US\$119.2 million at 30 June 2014                                                                                                                                                      |
| <b>Funding Strategy</b>  | Existing cash balances together with available debt capacity of existing and potential future debt facilities, combined with surplus revenue from the Group's operations in New Zealand and China are expected to be sufficient to pursue the current Group strategy |

## Operational Results



|                         |                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>HSSE</b>             | LTIFR of 2.8 (Lost Time Injury Frequency Rate), TRIFR of 7.0 (Total reportable injury frequency rate)                                                                                                                                                                                                                                                                                   |
|                         | No significant loss of containment incidents (<1 barrel of oil equivalent)                                                                                                                                                                                                                                                                                                              |
| <b>China</b>            | Development of WZ 12-8W field completed and on stream in August 2013; combined with WZ 6-12 fields producing ~11,300 bopd gross at year end (HZN share 3,045 bopd)                                                                                                                                                                                                                      |
|                         | 4.63 million bbls gross produced during FY 2014 (1.25 million bbls net to HZN)                                                                                                                                                                                                                                                                                                          |
| <b>New Zealand</b>      | Maari Growth Projects program designed to enhance production rates and oil recovery commenced, incorporating four infill production wells, one new injection well and a workover of the existing MR2 dual lateral production well                                                                                                                                                       |
|                         | Fields shut in for a five month period for major equipment upgrade and maintenance, which was successfully completed within budget. Production recommenced in December 2013 at a rate of approximately 11,600 bopd (HZN share 1,200 bopd). Certain costs are expected to be recovered through insurance. 1.86 million bbls gross produced during FY 2014 (0.19 million bbls net to HZN) |
| <b>Papua New Guinea</b> | Completion of the Asset Sale Agreement with Osaka Gas occurred on 12 June 2014 following customary consents, regulatory approvals and grant of the development licence for the Stanley field                                                                                                                                                                                            |
|                         | Significant gas/condensate discovery made with Tingu-1 exploration well in PRL 21, adding ~10.8 mmboe to net contingent resources in PRL 21. The application for PDL was submitted in March 2014, and FEED studies continued (incorporating Tingu-1), towards scheduled Final Investment Decision in early 2015                                                                         |
|                         | Farmed in to an additional 20% in PPL 259, and will operate the drilling of the Nama well in the second half of calendar year 2014                                                                                                                                                                                                                                                      |
|                         | Stanley-5, the third of the four production and injection wells of the Stanley field, spudded on 16 June 2014, and is completed ready for production                                                                                                                                                                                                                                    |

## Profit and Loss

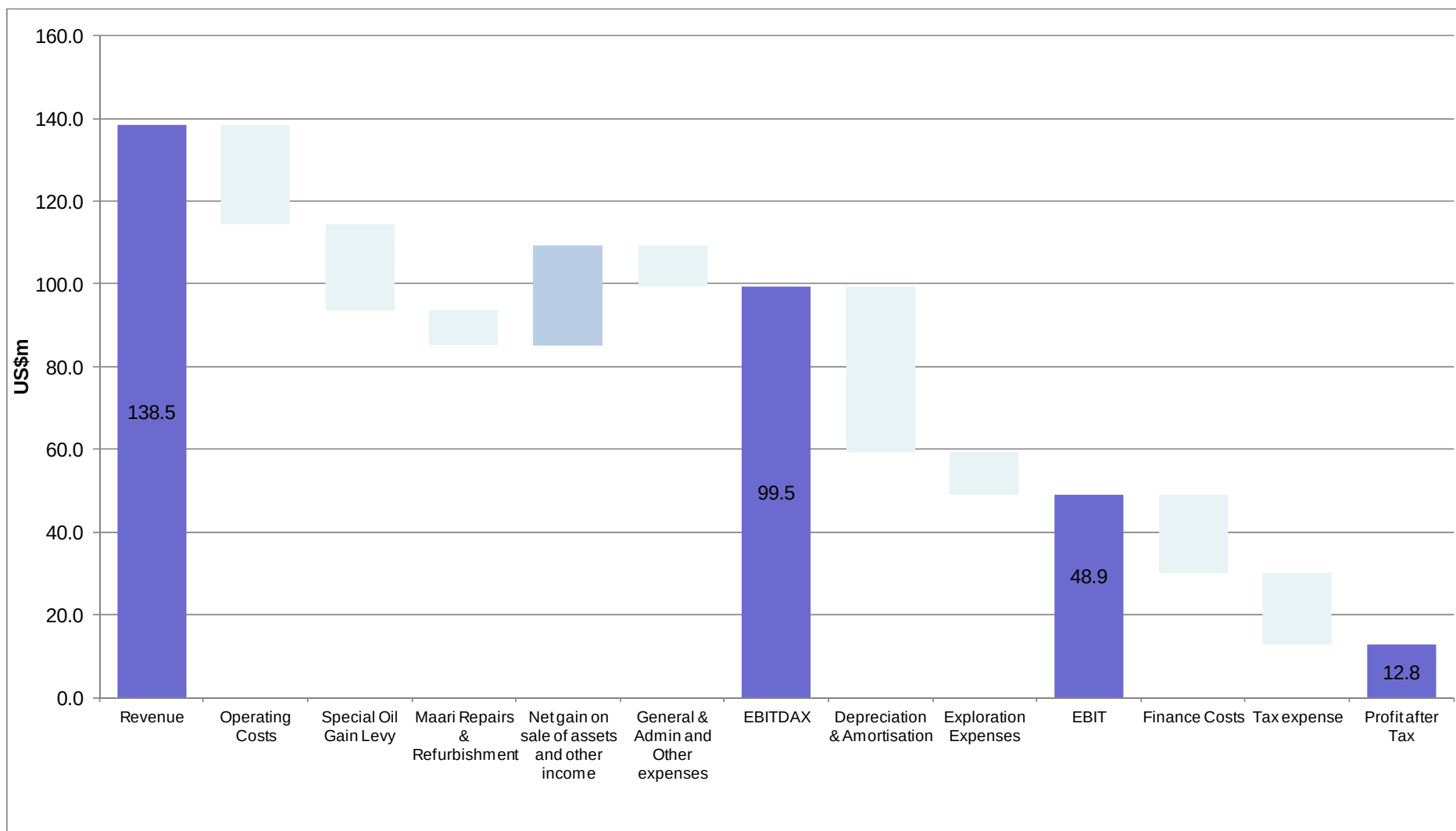


|                           | 12 Months to<br>Jun 2014<br>(US\$ million) | 12 Months to<br>Jun 2013<br>(US\$ million) | Change<br>(US\$ million) | Change<br>(%) |
|---------------------------|--------------------------------------------|--------------------------------------------|--------------------------|---------------|
| Production                | 1.43 mmbbls                                | 0.50 mmbbls                                | 0.93 mmbbls              | 185%          |
| Sales                     | 1.36 mmbbls                                | 0.47 mmbbls                                | 0.89 mmbbls              | 190%          |
| Realised Oil Price        | US\$102.10/bbl                             | US\$102.76/bbl                             | (US\$0.66)/bbl           | -             |
| Sales Revenue             | 138.5                                      | 48.1                                       | 90.4                     | 188%          |
| Gross Profit on Oil Sales | 45.7                                       | 25.4                                       | 20.3                     | 80%           |
| Profit on sale of assets  | 23.8                                       | -                                          | 23.8                     | -             |
| <b>EBITDAX*</b>           | <b>99.5</b>                                | <b>27.9</b>                                | <b>71.6</b>              | <b>256%</b>   |
| <b>EBIT*</b>              | <b>48.9</b>                                | <b>18.2</b>                                | <b>30.7</b>              | <b>168%</b>   |
| Profit before Tax         | 30.0                                       | 10.0                                       | 20.0                     | 200%          |
| Net Profit after Tax      | 12.8                                       | 3.5                                        | 9.3                      | 269%          |

- Increased sales revenue and results driven by production from Beibu Gulf oil fields
- Completion of sale to Osaka Gas occurred in June 2014 with significant impact on EBITDAX & EBIT

\*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. The Directors consider EBITDAX and EBIT to be useful measures of performance as they are widely used by the oil and gas industry. EBITDAX and EBIT information have not been subject to any specific audit procedures by the Group's auditor but have been extracted from the audited financial report for the year ended 30 June 2014.

## Profit and Loss Analysis



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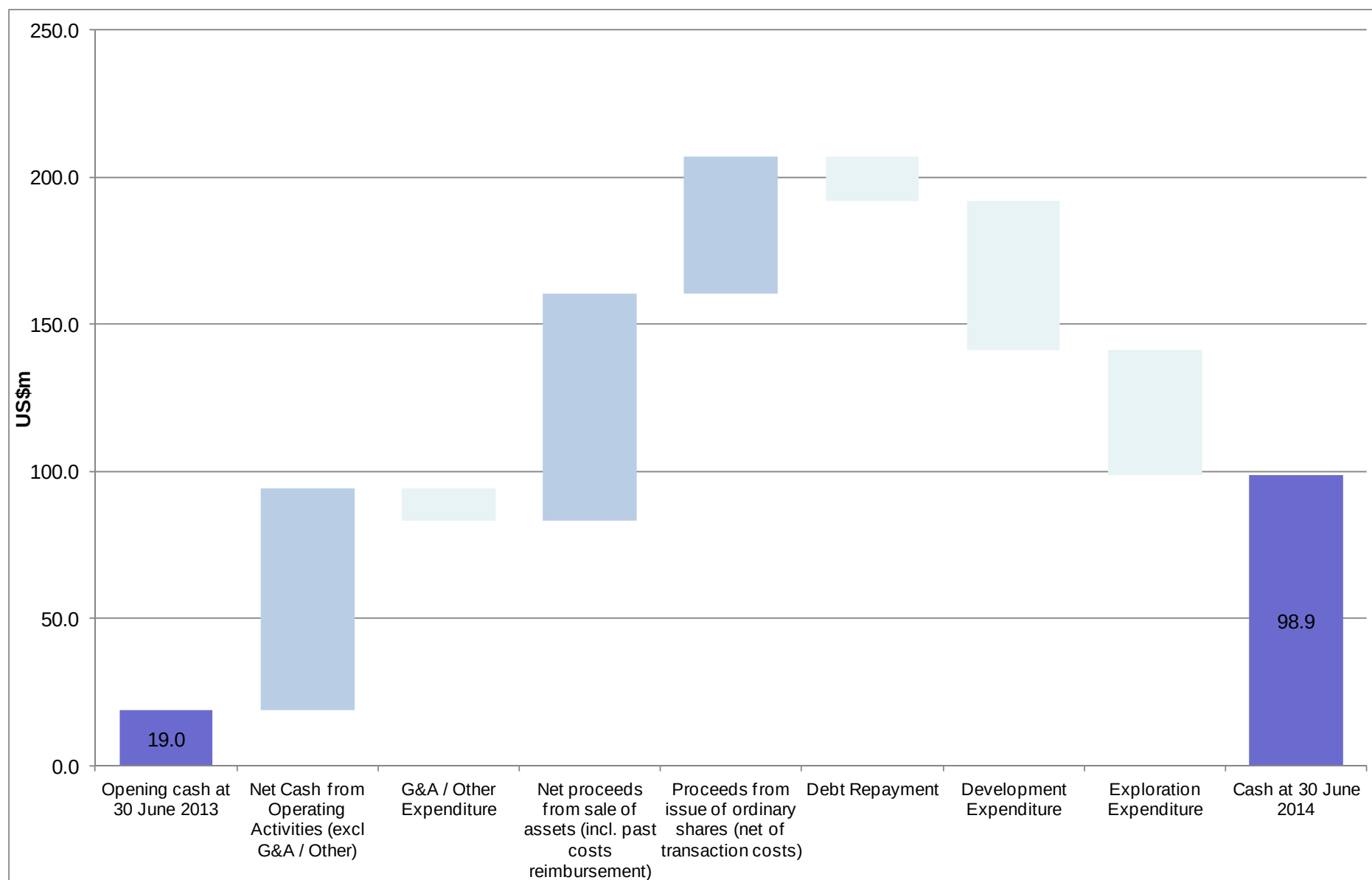
## Cash Flow



|                                                                       | 12 Months<br>to Jun 2014<br>(US\$<br>million) | 12 Months<br>to Jun 2013<br>(US\$<br>million) | Change<br>(US\$<br>million) | Change<br>(%) |
|-----------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------|---------------|
| Opening Cash                                                          | <b>19.0</b>                                   | <b>19.3</b>                                   | <b>(0.3)</b>                | <b>(2%)</b>   |
| Net Cash from Operating Activities<br>(excl G&A/Other)                | 75.1                                          | 23.0                                          | 49.7                        | 225%          |
| General & Administrative/Other<br>Expenditure                         | (10.8)                                        | (7.8)                                         | (1.1)                       | 15%           |
| Net Proceeds/(repayments) relating to<br>Reserves Based Debt Facility | (15.1)                                        | 96.3                                          | (111.4)                     | 116%          |
| Repayment of Finance Lease on FPSO<br><i>Raroa</i>                    | -                                             | (7.6)                                         | -                           | -             |
| Proceeds from issue of shares (net of<br>transaction costs)           | 46.8                                          | 0.8                                           | 46                          | -             |
| <b>Investment Activities</b>                                          |                                               |                                               |                             |               |
| Development Expenditure                                               | (50.5)                                        | (94.9)                                        | 44.9                        | (47%)         |
| Exploration Expenditure                                               | (42.4)                                        | (30.5)                                        | (11.9)                      | 39%           |
| Reimbursement of past expenditure                                     | 23.2                                          | -                                             | 23.2                        | -             |
| Proceeds from sale of assets                                          | 53.6                                          | 20.4                                          | 33.2                        | -             |
| Closing Cash                                                          | <b>98.9</b>                                   | <b>19.0</b>                                   | <b>79.9</b>                 | <b>421%</b>   |

- Significant increase in net cash from operating activities despite 5 month Maari shut-in for field upgrade
- 12 months of strong Beibu Gulf production
- Proceeds from the rights issue used to fund the successful exploration and development program
- Completion of sale to Osaka Gas in June 2014

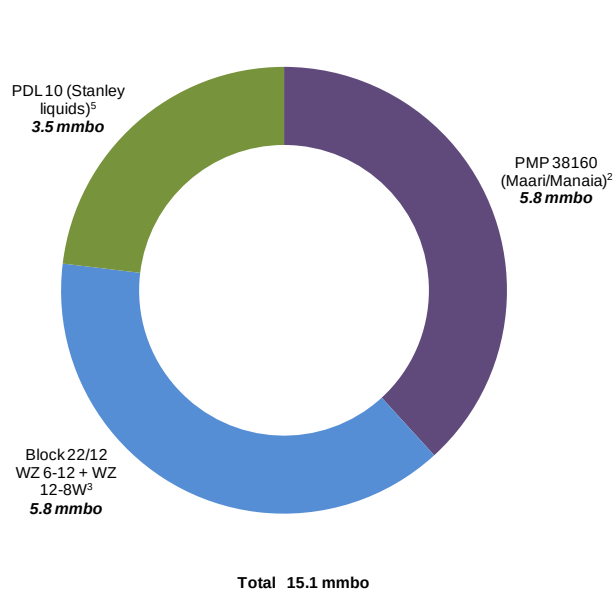
## Cash Flow Analysis



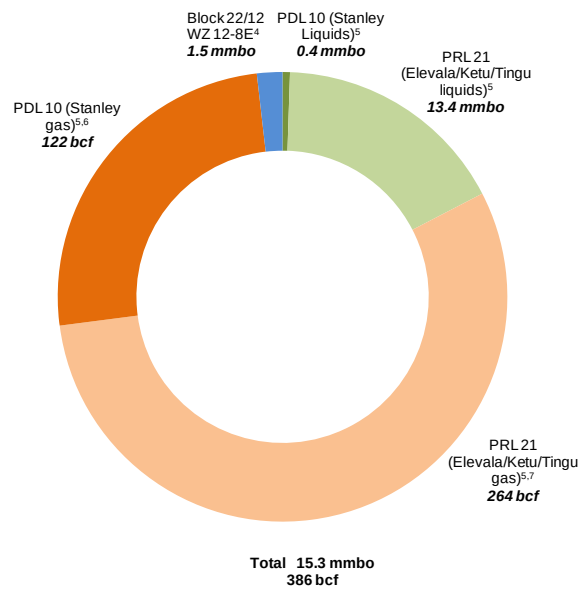
# Net Reserves<sup>1</sup>, Contingent Resources<sup>1</sup> and Prospective Resources<sup>1</sup> as at 30 June 2014



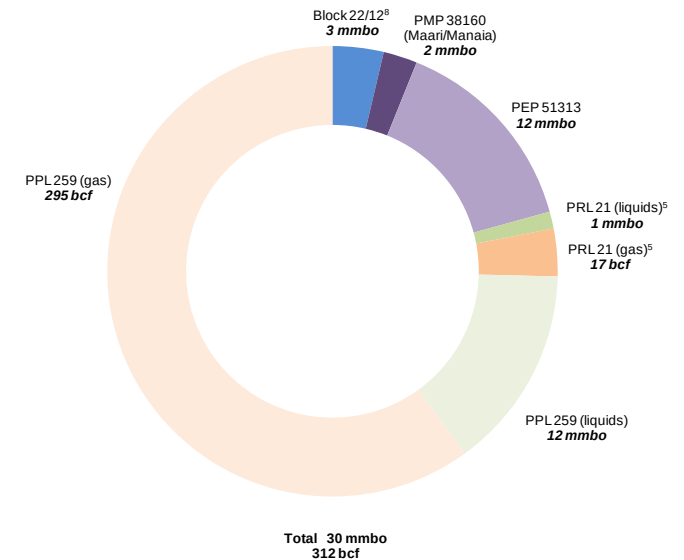
## RESERVES Proven + Probable



## CONTINGENT RESOURCES Proven + Probable



## PROSPECTIVE RESOURCES Best Estimate



<sup>1</sup> Estimated in accordance with SPE-PRMS standard; 6 bcf gas equals 1 boe; 1 bbl condensate equals 1 boe

<sup>2</sup> Net of production of 23.9 mmbo gross through 30 June 2014

<sup>3</sup> Net of production of 5.3 mmbo gross through 30 June 2014

<sup>4</sup> Reduced to allow for CNOOC participation at 51%

<sup>5</sup> Subject to reduction to allow for PNG State Nominee participation at 22.5%

<sup>6</sup> Includes 2.6 mmmbbl LPG (1 tonne LPG equals 11 bbl)

<sup>7</sup> Includes 8.5 mmmbbl LPG

<sup>8</sup> Subject to confirmation of acreage extension

**Total reserves and contingent resources – 95 mmboe**  
**Liquids 32%; Gas 68%**

**Prospective resources – 82 mmboe**



## Outlook for 2015



### Corporate Outlook

- Operating cashflows expected to increase significantly following Maari Growth Projects and sustained China production, barring unforeseen events

### Maari/Manaia and PEP 51313, offshore New Zealand

- Complete Maari Growth Projects drilling campaign utilising the *Ensco107* jack-up rig to access undeveloped reserves and increase Maari production to operator forecast levels of ~20,000 bopd gross, double current production levels

### Block 22/12, offshore China

- Maintain revenue generation, despite field decline, due to increased share of production through cost recovery under Petroleum Contract terms
- Optimise of oil production at Beibu Gulf fields
- Progress Beibu Gulf fields Phase II development plan for the WZ 12-8E field

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

- Complete development drilling program at Stanley and continue execution of field development
- Progress arrangements for sales of Stanley gas to regional PNG industrial consumers
- Shoot additional seismic and complete FEED study for Eleva/Tingu/Ketu condensate recovery project in PRL 21 to progress towards Final Investment Decision
- Continue and finalise negotiations with the PNG government to obtain a Gas Agreement (project agreement) for PRL 21
- Operate the drilling of the exploration well on the Nama prospect in PPL 259
- Continue analysis of options for aggregation and large scale export of Western Province gas resources



## Financial Year Results Presentation Information



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The reserve and resource information contained in this presentation is based upon information compiled, reviewed and signed off by Mr Alan Fernie (B.Sc), Manager – Exploration and Development, Horizon Oil Limited. Mr Fernie, who is a member of the American Association of Petroleum Geologists, has more than thirty eight years relevant experience within the industry and consents to the information in the form and context to which it appears.