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14 September 2017

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

HORIZON OIL (HZN)
RIU - GOOD OIL CONFERENCE PRESENTATION

Attached is Horizon Oil's presentation to the RIU - Good Oil Conference held at Hyatt Regency Hotel, Perth today.

Yours faithfully,

Kylie Quinlivan
Corporate Counsel & Assistant Company Secretary

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Horizon Oil



HORIZON OIL LIMITED / ABN 51 009 799 455

RIU – Good Oil Conference

Brent Emmett CEO

13 & 14 September 2017

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In this presentation, estimates of petroleum resources may be reported in units of equivalency between gas to oil (reported as barrels of oil equivalent (boe)). A conversion factor of 6 cubic feet of gas to 1 barrel of oil has been applied.

The reserve and resource information contained in this presentation 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.

Horizon Oil (ASX:HZN) snapshot

- Sydney-based public company listed on Australian Securities Exchange (ASX)

- Portfolio of exploration, development and producing assets in Asia-Pacific region, with **net production of ~4,000 bopd**, with **free cash flow breakeven after all-in costs of less than US$32/barrel of oil**:
  - 26.95% interest in Beibu Gulf fields offshore China, producing ~3,200 bopd net (including cost recovery production)
  - 10% interest in Maari/Manaia fields offshore New Zealand, producing ~800 bopd net
  - Large gas and condensate resources onshore Papua New Guinea, with development plan firming

- **Net operating cash flow after cash opex of US$51.7m** in FY 2017

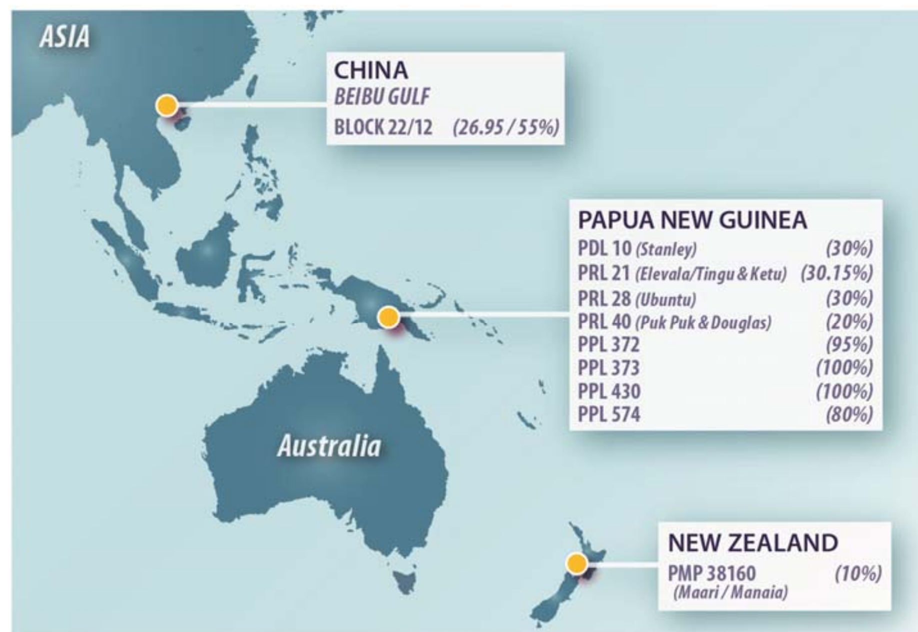
- 2P reserves at end FY 2017* of 8 mmbo and 2C contingent resources of 29 mmbo and 603 bcf gas

- Beibu Gulf – **remaining cost recovery oil entitlement at 30 June 2017 of US$89.6m**, escalating at 9% pa

- **Milestone payment of US$130m** from Osaka Gas, payable on FID of LNG project in PNG

- At 30 June 2017:-

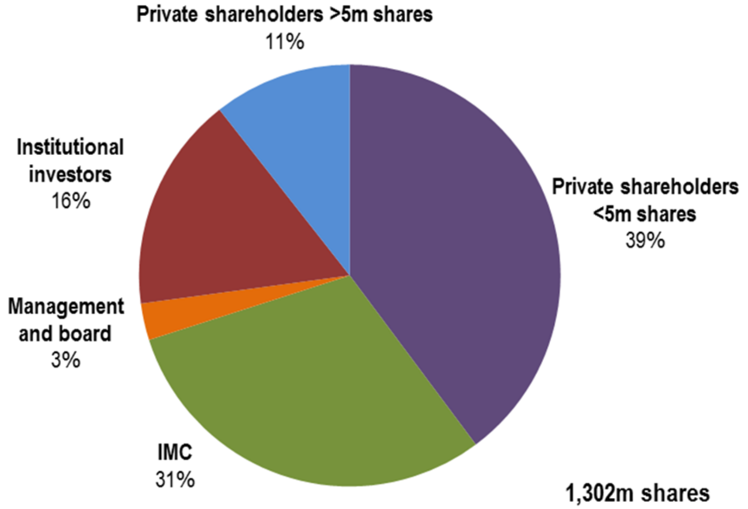
Cash on hand	US$24.5m
Drawdown on US$120m bank facility	US$88.0m
Subordinated debt	US$45.0m
Net debt	US$108.5m



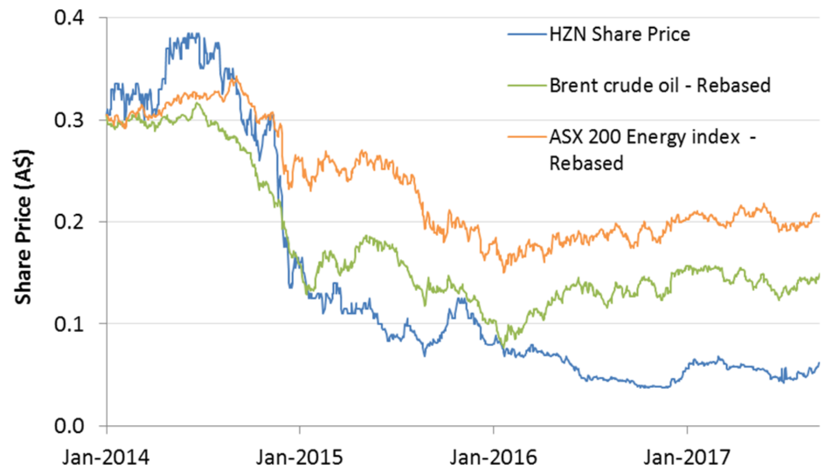
** Note: Includes PRL 40 resources, the subject of customary Government approvals*

Corporate summary

Shareholders



Share Price vs Brent Crude vs ASX 200 Energy Index - Rebased



HZN share capital (as at 8 Sept 2017)	
ASX Listed	HZN
Fully Paid Shares	1,301,981,265
Employee Options	2,200,000[1]
Share Appreciation Rights	82,028,310[2]
IMC Options	300,000,000[3]
Number of Shareholders	5,638
Market Capitalisation	A$81m
Top 20 / Issued Capital	59.98%
12 Months	
Last (8 Sep 2017)	A$0.06
High	A$0.07
Low	A$0.04
Volume	267m

[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

Board of Directors

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

Senior Management

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

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Horizon Oil as an investment proposition

Strong, long-lived production profile and cash flow

- Best-of-peer-group net operating cash flow from China and New Zealand, to average US$50 – 60 million pa over the period 2017 – 2022, with modest future capital spend
- Free cash flow breakeven of US$32/bbl resulting from ongoing tight control over field operating expense, exploration and development expenditure and administrative expenses
- Stable financial position, with steadily decreasing debt – downside further protected with oil price hedging and loss-of-production insurance

Strategic stake in large oil and gas development project in Papua New Guinea

- Material upside potential attached to large, appraised gas-condensate resource in Papua New Guinea; development planning for a 1.5 mtpa mid-scale LNG scheme, Western LNG (WLNG), at an advanced stage

Share price

- HZN significantly undervalued with respect to peer group on net operating cash flow alone
- Long-lived oil production and balance sheet gearing provides good exposure to oil price upside
- Announcements on progress on Western LNG, including triggering of US$130 million milestone payment on FID, potential catalysts to share price appreciation

Horizon Oil leads its peer group on net cash flow generation and profit margin

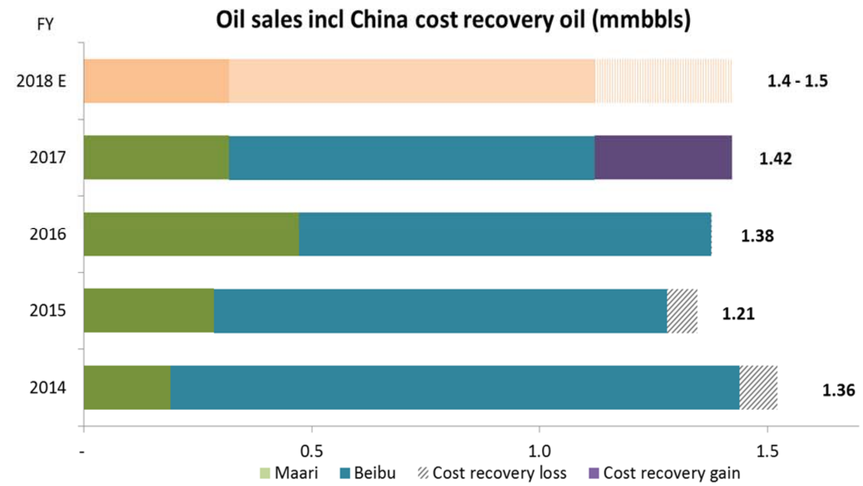
Horizon Oil

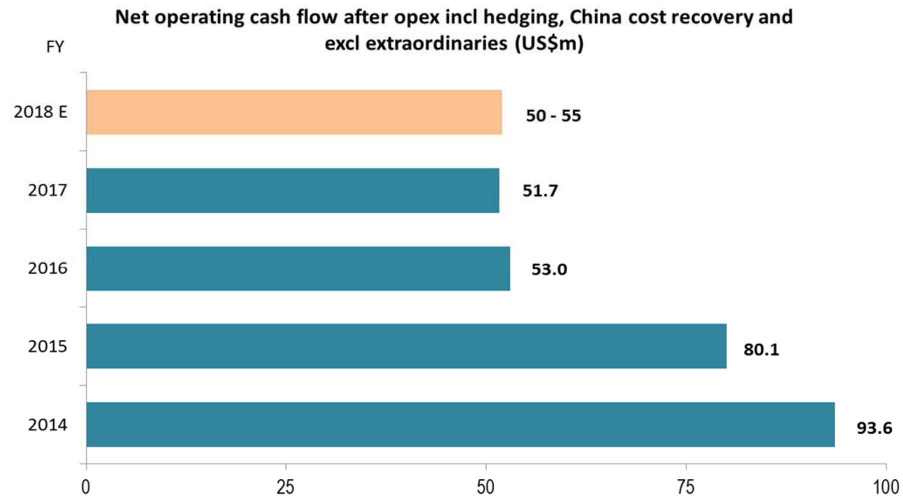
Company	Market cap (A$m)	Net debt/(cash) (A$m)	Enterprise value (A$m)	2017 revenue (A$m)	2017 EBITDAX (A$m)	EV/EBITDAX multiple	EBITDAX margin
Peer 1	492	-135	357	44	7	48.9	17%
Peer 2	246	54	300	104	41	7.3	40%
Peer 3	426	-144	282	39	5	53.1	14%
HZN	**79**	**145**	**224**	**91**	**60**	**3.7**	**66%**
Peer 4	169	-31	138	20	7	20.0	35%

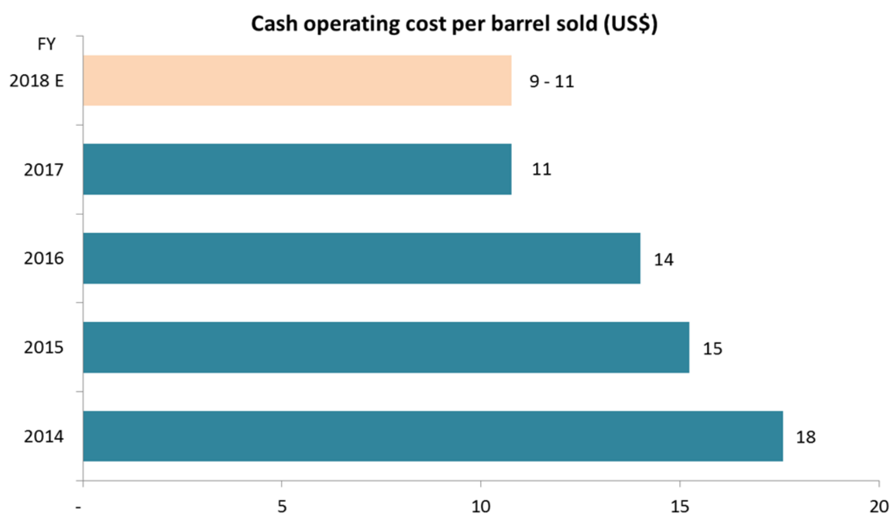
Peer companies are comparable, ASX- listed, producing E&P companies, with enterprise values (EV) in the range A$100 – 400 million

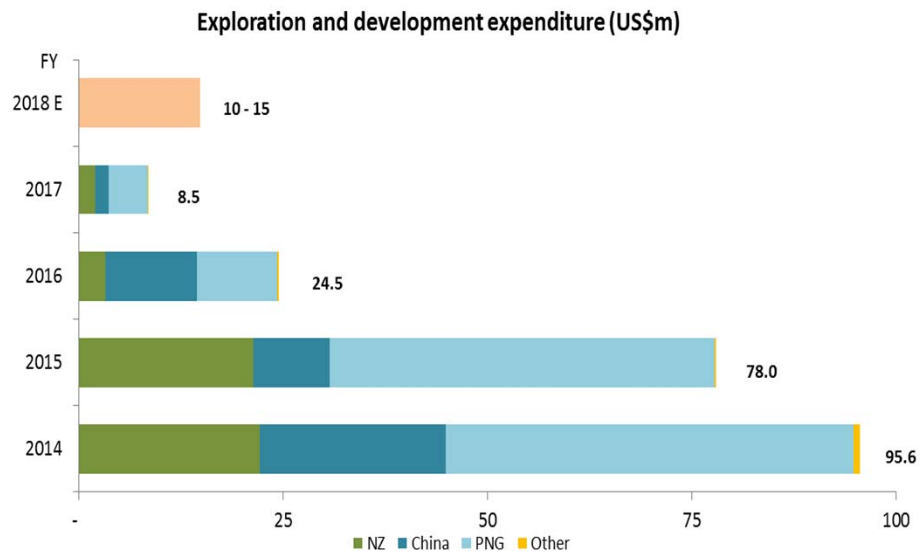
Data sources: Market capitalisation as at 8 September 2017; June 2017 quarterly, half yearly and full year financial reports; analysts reports; USD/AUD exchange rate 0.75

Five year performance – solid track record

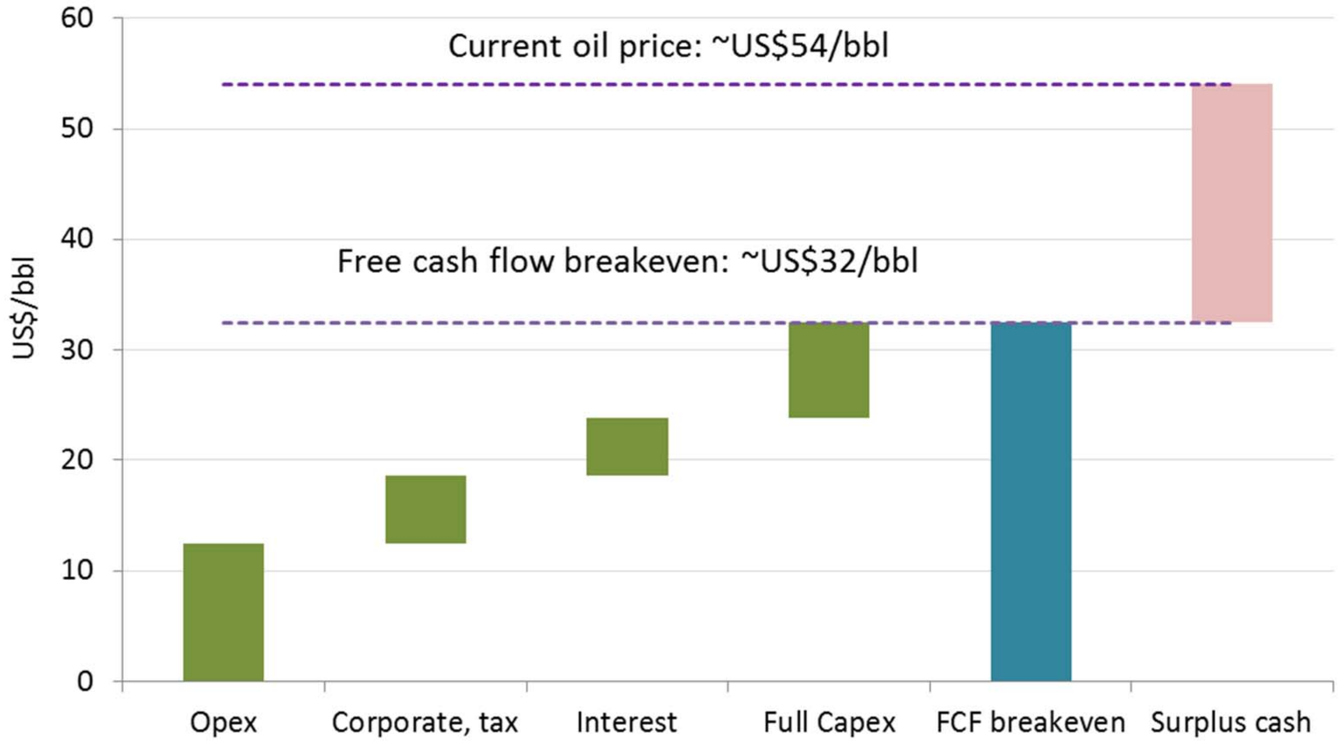








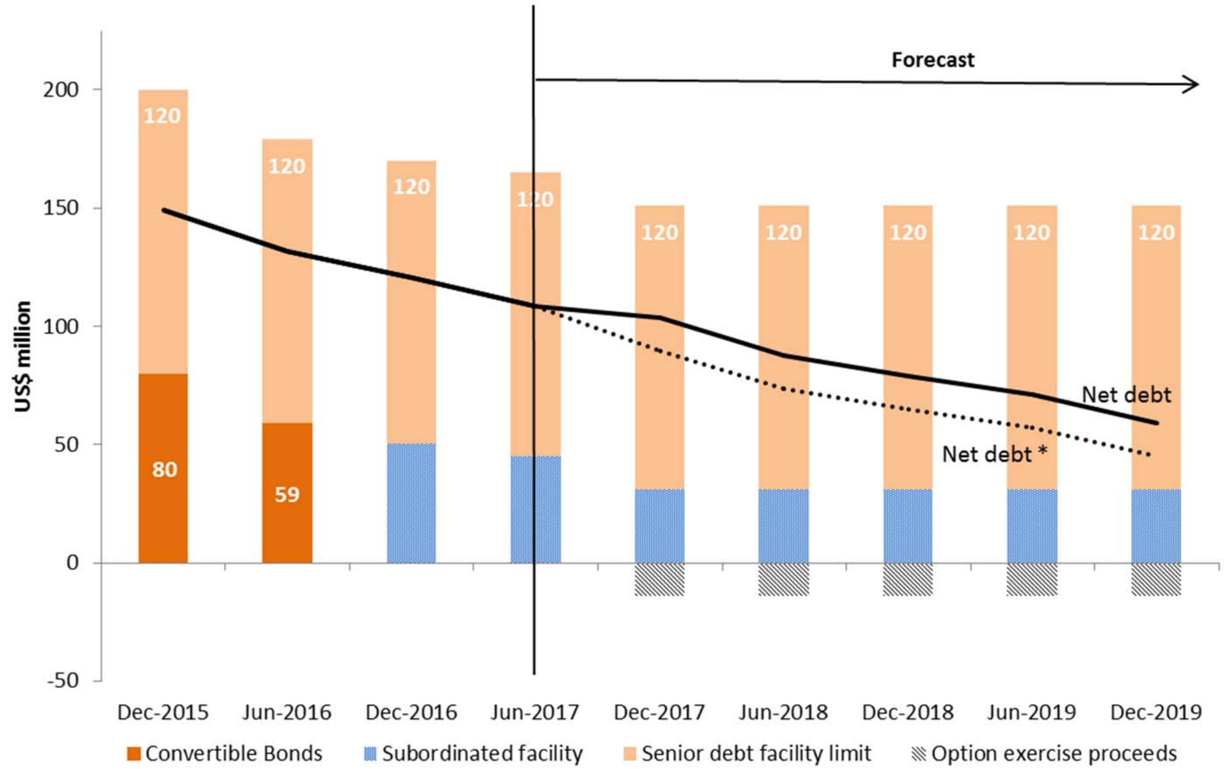
FY 2017 free cash flow (FCF) breakeven of US$32/barrel provides capacity for debt repayment



- Continued focus on cost reduction and low opex in China drives down the breakeven price
- Low breakeven price provides stability in low oil price environment and capacity for debt repayment
- FCF breakeven expected to remain at current level through FY 2018

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

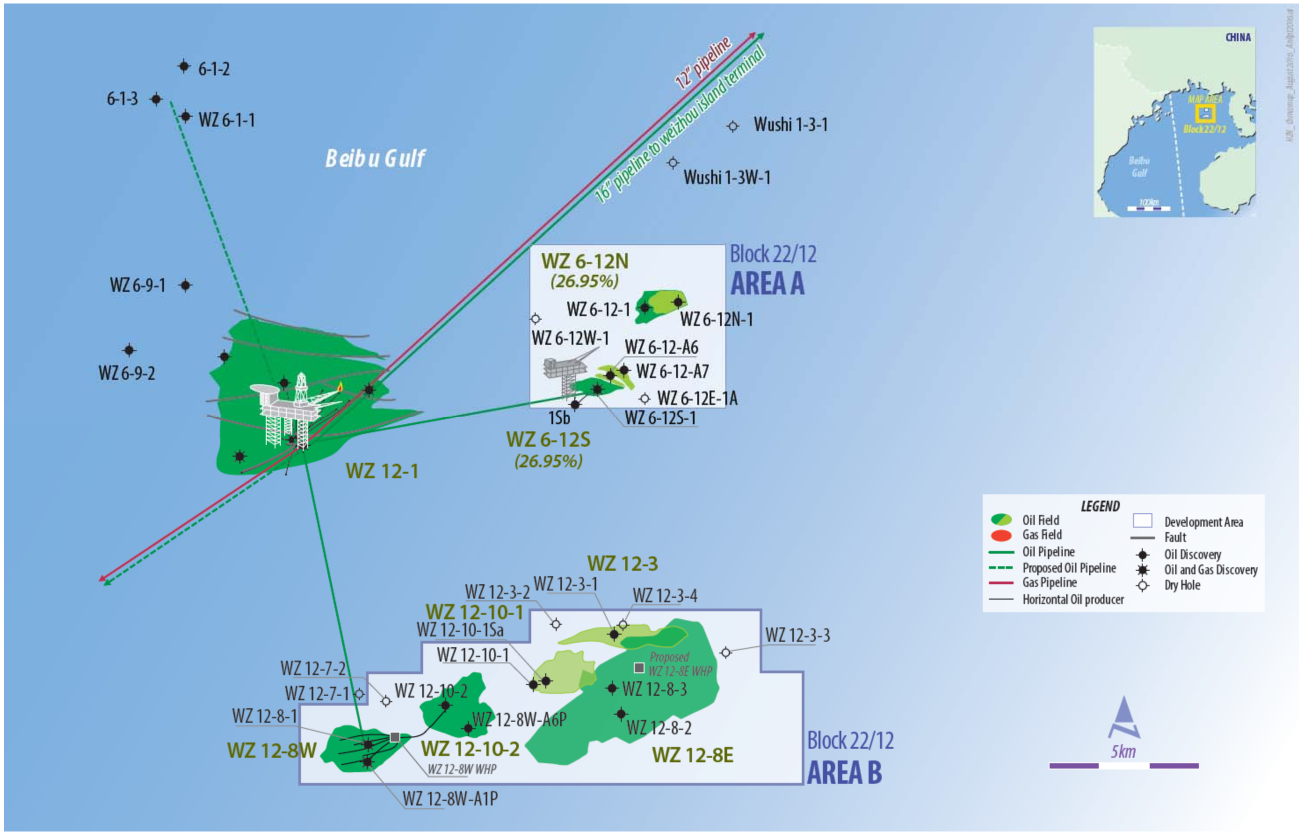
Debt reduction trajectory continuing



**Note: Forecast net debt factors in proceeds from exercise of options attached to the subordinated facility (US$14 million)*

- Horizon Oil's proven, developed and producing Beibu Gulf and Maari fields provide substantial debt security in a challenging environment for small and mid-cap companies to access debt
- The Company refinanced the outstanding US$58.8 million convertible bonds with cash and a 5 year non-amortising subordinated debt facility of US$50 million
- Horizon Oil commenced repayment of the subordinated debt facility through a voluntary prepayment of US$5 million in mid 2017
- Net debt reduced to US$108.5 million at 30 June 2017, with US$24.5 million cash on hand

Beibu Gulf producing fields and future development targets

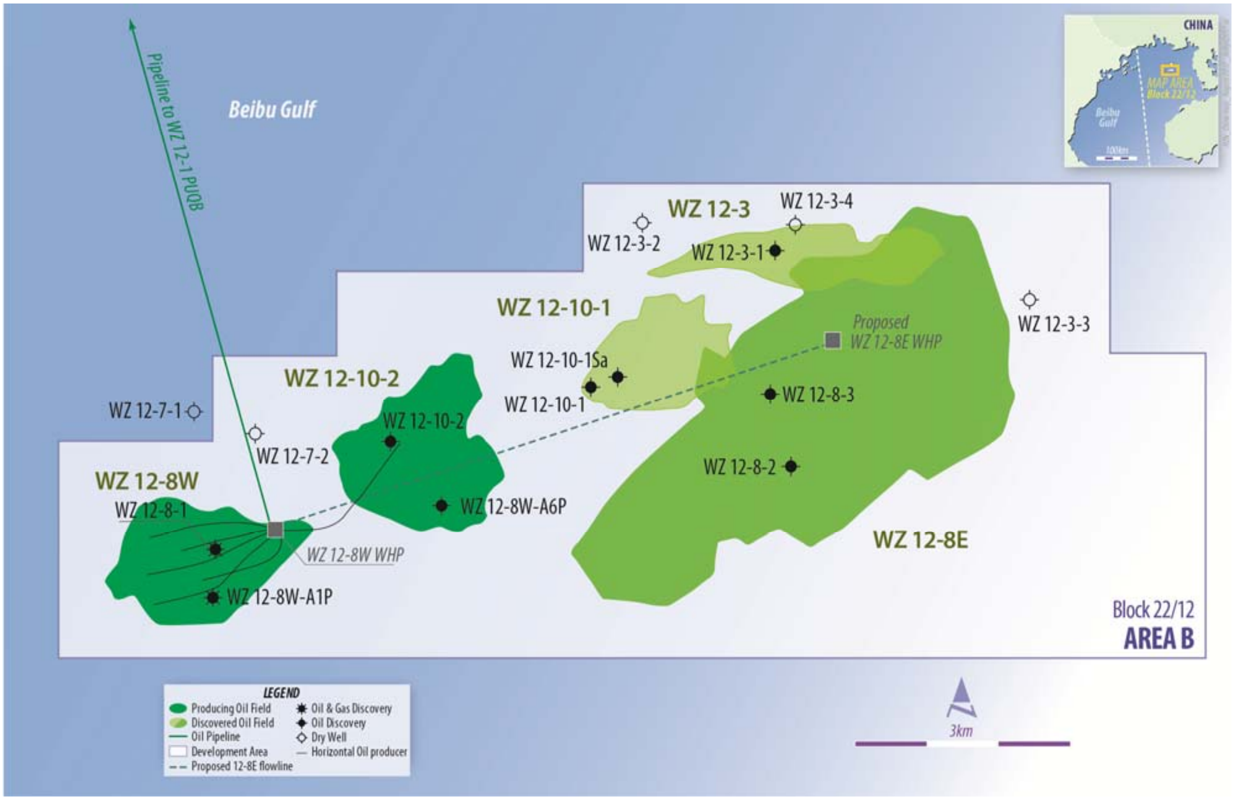


Block 22/12 Post-CNOOC Back-in:	
HZN	26.95%
CNOOC	51.00% (Op)
Fosun	19.60%
Majuko Corp	2.45%

Gross reserves and resources at 30/6/17 (mmbo)	2P	2C
Produced	15.3	
Remaining	19.4	11.8

- WZ 6-12N and WZ 12-8W fields continue producing above forecast, currently ~8,400 bopd
- Remaining cost recovery oil entitlement of US$89.6m to be received over 2017 – 20, unrecovered balance escalates at 9% pa
- Fixed operating tariff reduced from US$4.75 to US$0.50/barrel in Q1 2017
- Six well workover program currently underway and 2 infill wells expected to boost production at relatively low cost

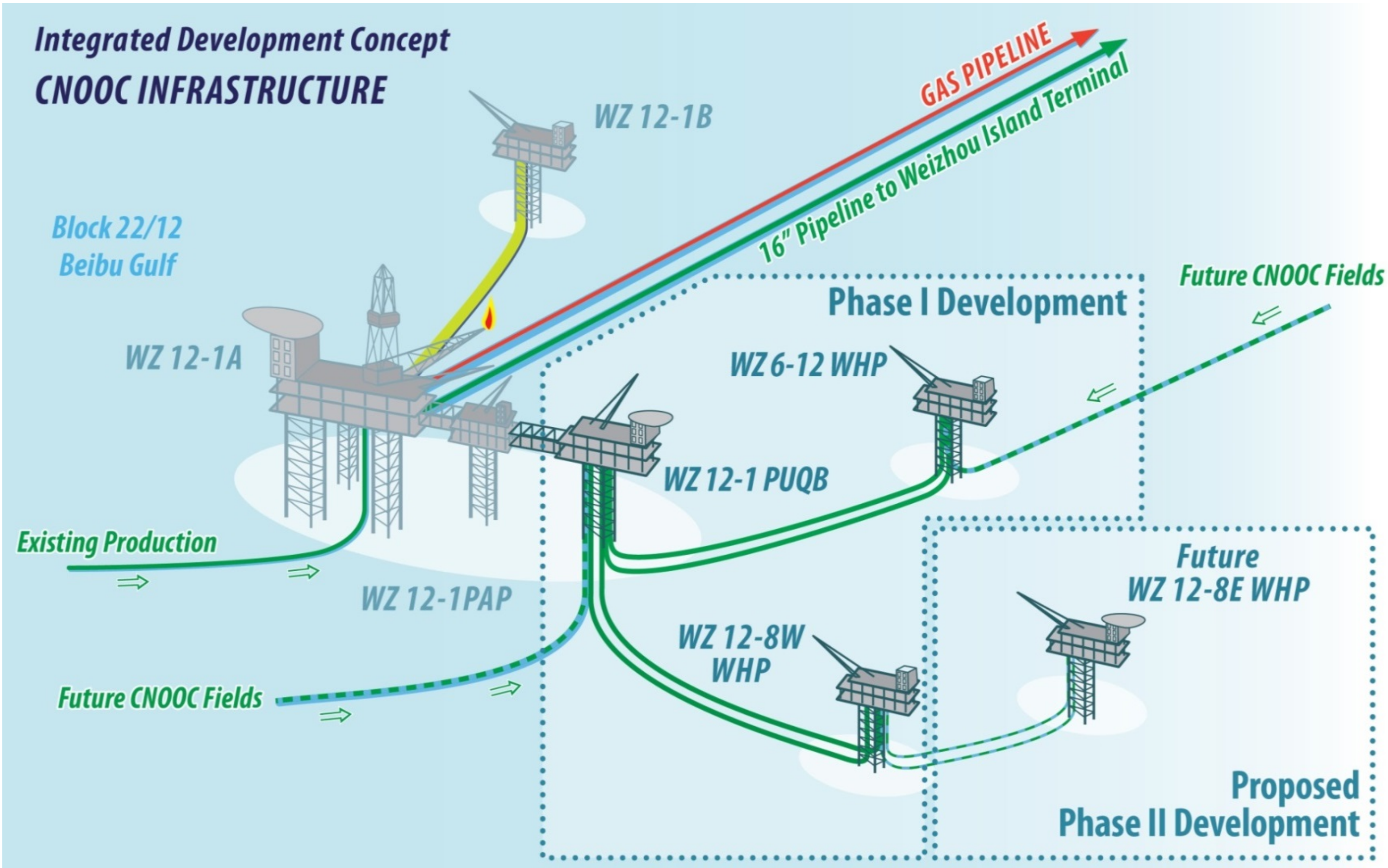
Beibu Gulf future development projects – WZ 12-8E and associated fields



Leased mobile production platform (MOPU)

- Development plan (ODP) for integrated development of WZ 12-8E and associated fields (audited gross 2C resources 11.1 mmbo) to be submitted for Government approval in 2017; 2 stage development with target first production Q1 2019
- 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

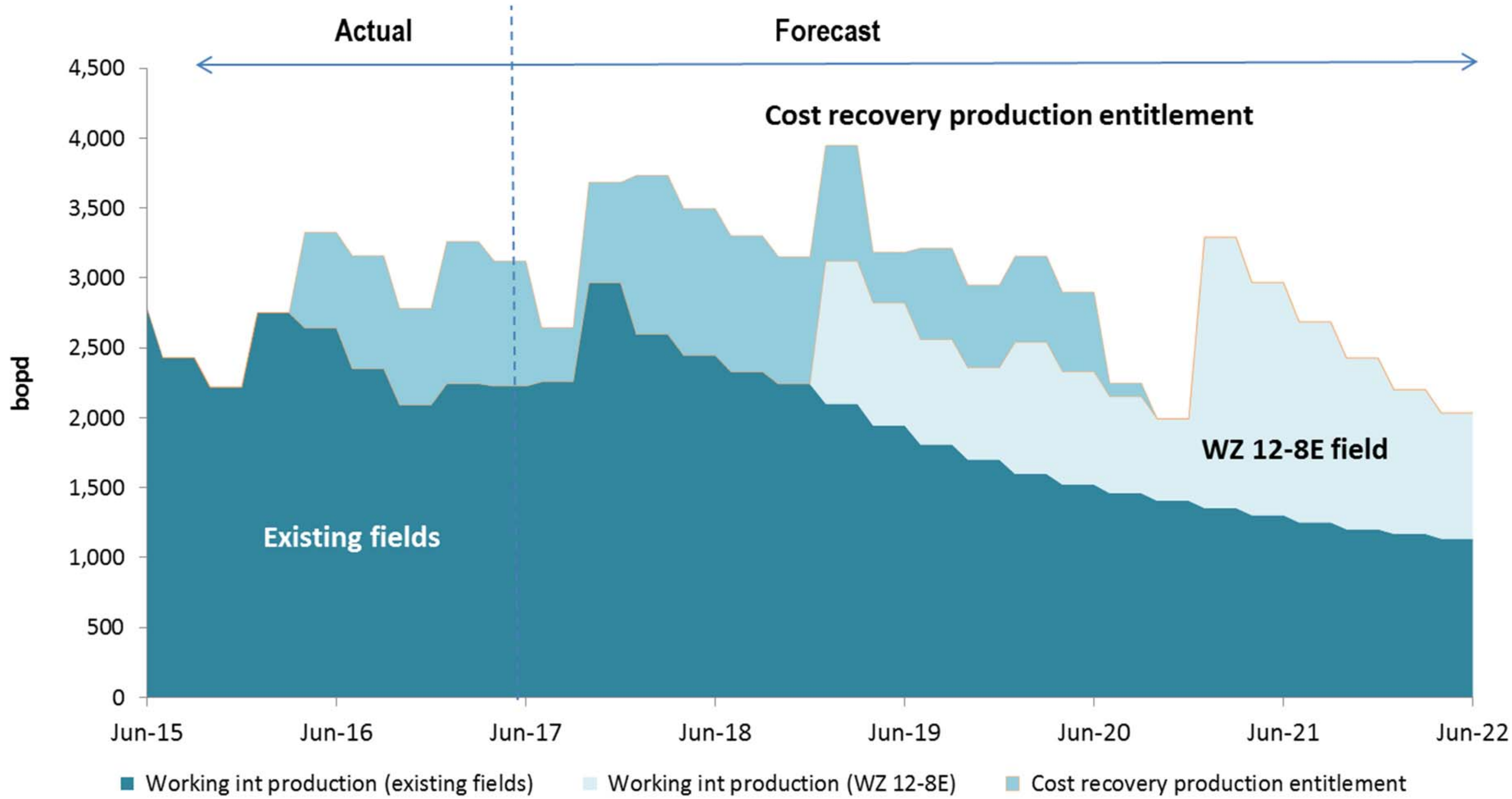
Beibu Gulf fields – phased development approach



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

Beibu Gulf production and cost recovery driving cash generation through 2022

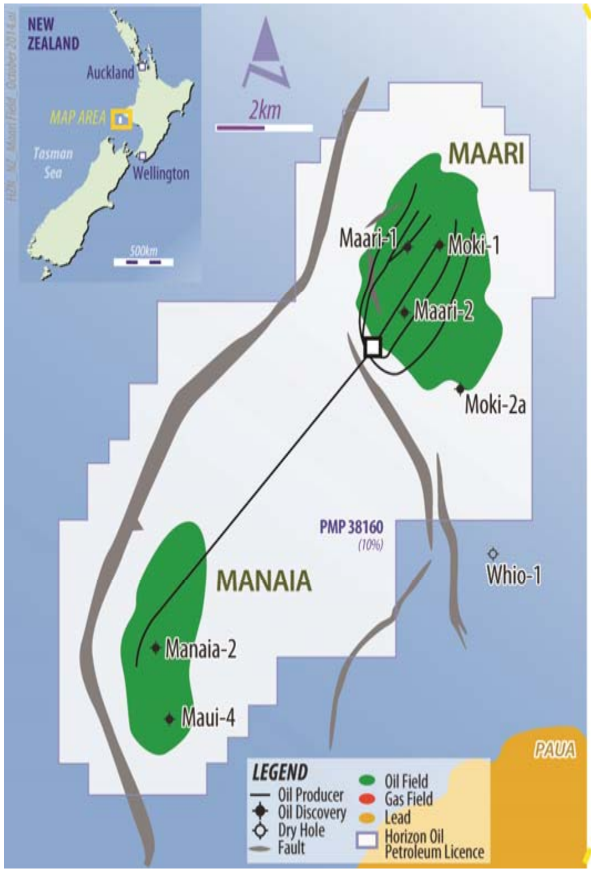


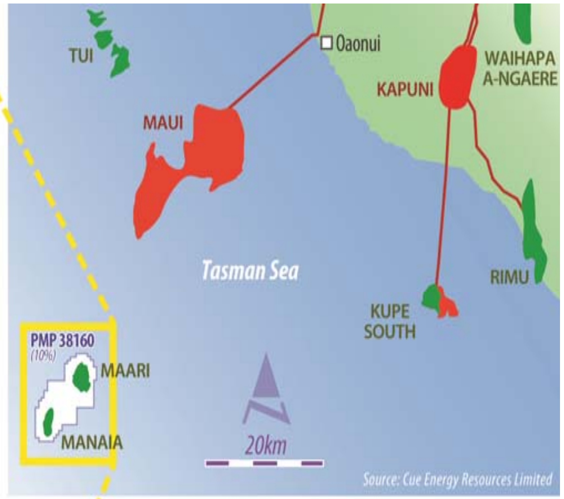
- Horizon Oil's Block 22/12 production entitlement increased from 26.95% to ~37% of production, following the commencement of its entitlement to preferential cost recovery in 2016
- The company's unrecovered cost recovery balance at 30 June 2017 was US$89.6 million, escalating at 9% pa

Note: Forecast cost recovery based on Brent forward curve as at 8 August 2017 and production forecasts included in Independent Technical Specialists' Report (RISC) – April 2017

Maari / Manaia fields – New Zealand

Horizon Oil



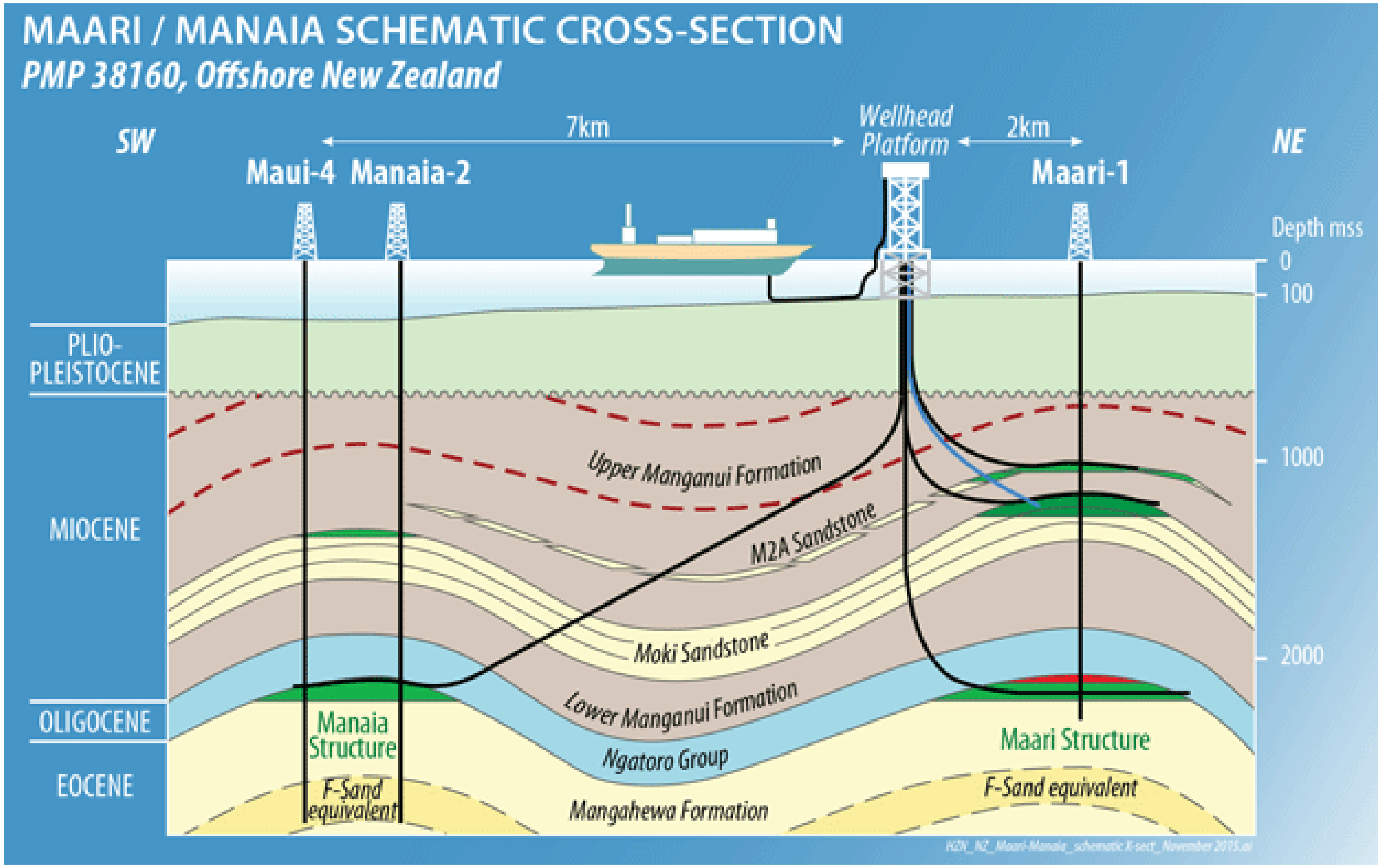


- Field production currently ~8,000 bopd
- Regular workover program to replace ESPs, clean scale and add perforations has successfully enhanced production
- Water injection (WI) repairs and temporary repair to platform strut completed in January 2017; permanent repair to WHP completed mid 2017
- 2017 production improvement projects include workovers, re-perforations, WI enhancement and installation of surface pumps to reduce well back pressure
- Further infill wells and Manaia Moki development under consideration

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

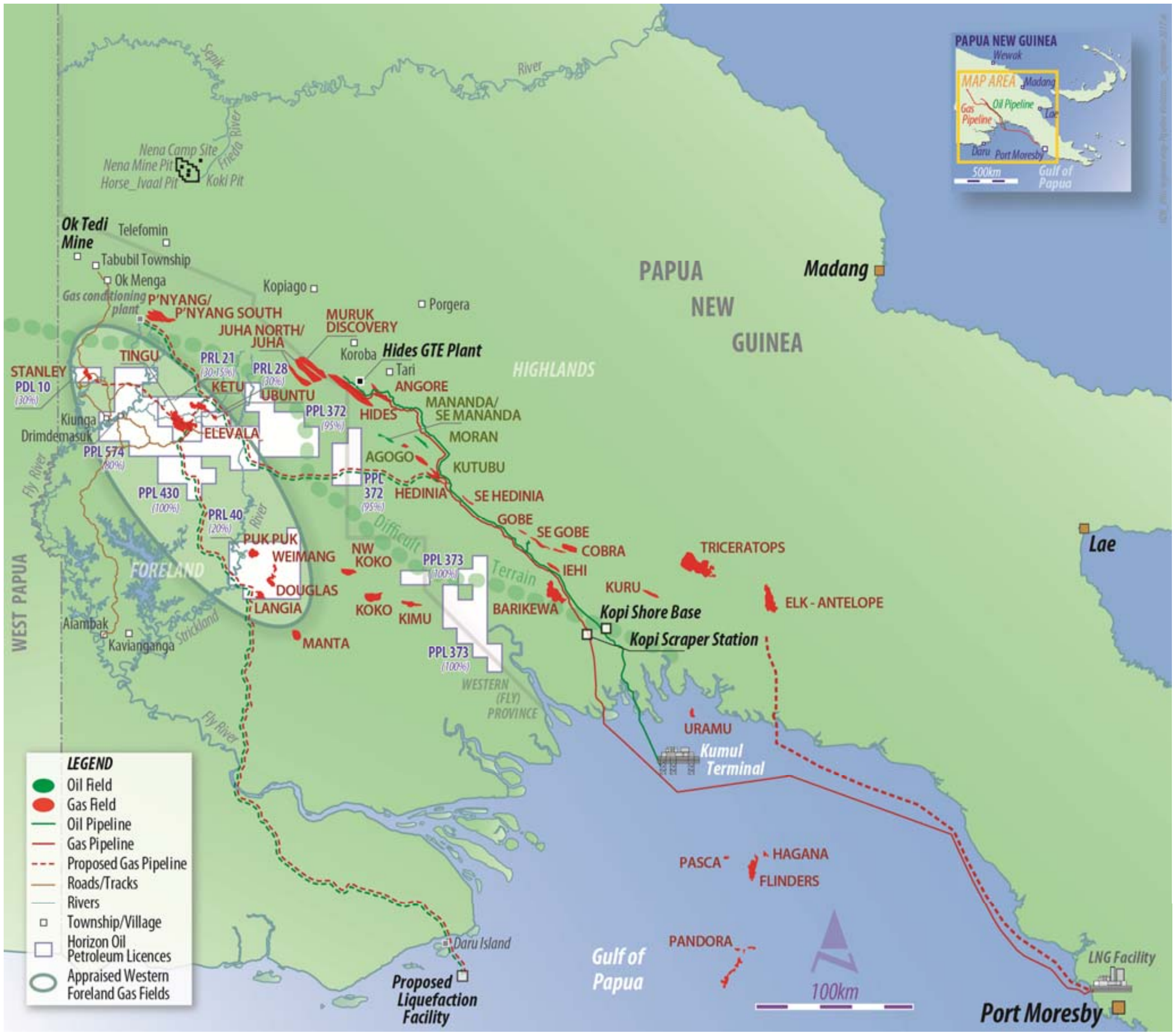
Gross reserves and resources at 30/6/17 (mmbo)	2P	2C
Produced	34.6	
Remaining	20.8	69.2

Manaia – Maari schematic cross-section



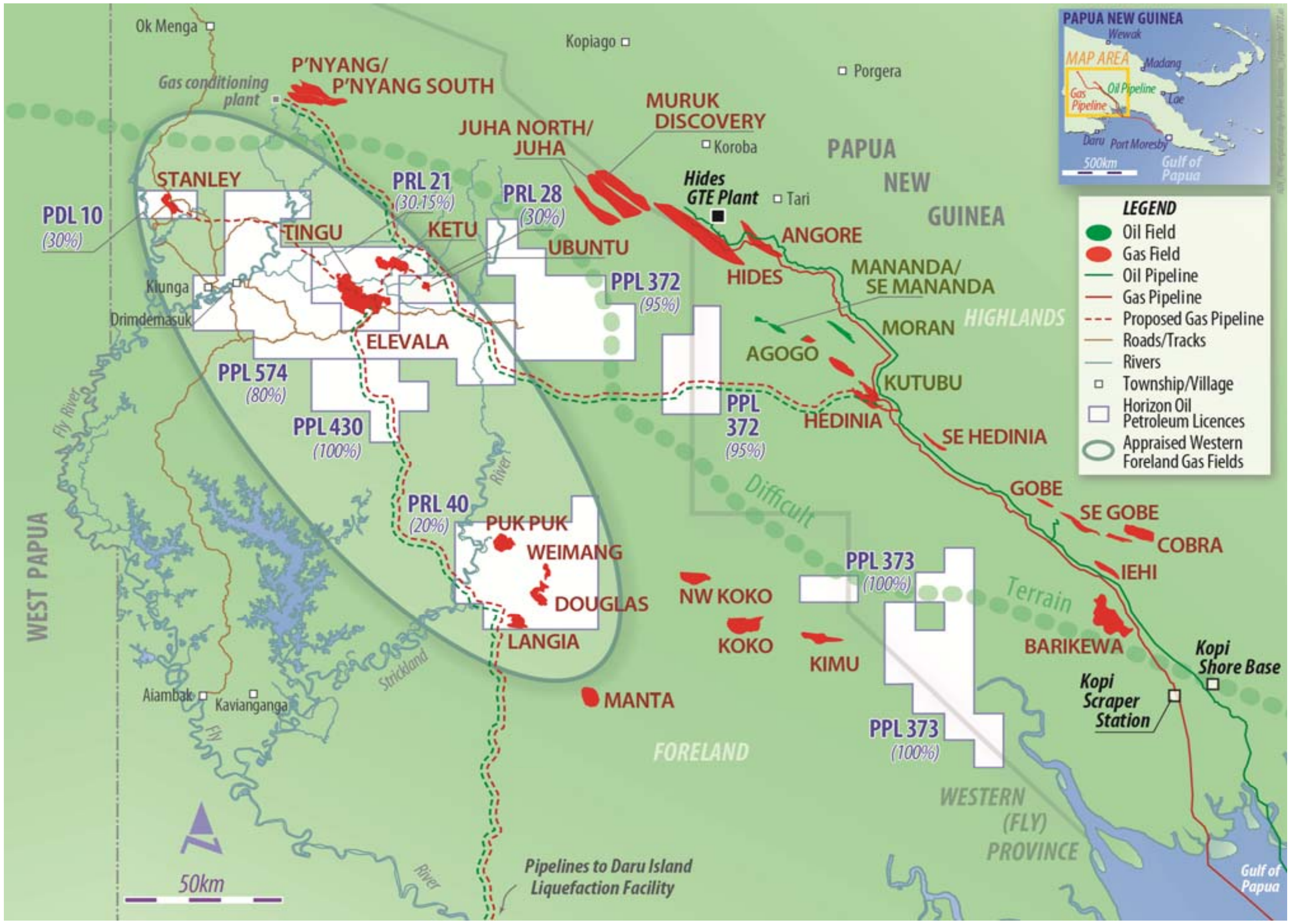
- Multiple oil accumulations on production diversify risk
- Potential to develop Moki zone at Manaia in future – gross 2C resource 50.0 mmbo

Papua New Guinea – the regional picture



- PNG is a pro development jurisdiction with stable petroleum fiscal regime
- Rich mineral and petroleum province with a history of successful large scale resource projects delivery eg. PNG LNG
- Jurisdiction well supported by the international banks
- Challenging logistics, however capital and operating cost environment is competitive in the region

Horizon Oil acreage and JV partners – resource development overview



- Significant gas resource discovered and appraised in uncomplicated structures, with highly productive sandstone reservoirs
- High level of condensate and LPG contained in the gas
- Relatively easy surface access and terrain for field operations

PDL 10 (Stanley):	
HZN	30%
Repsol	40%(Op)
Osaka Gas	20%
Kumul	10%

PRL 21 (Elevala/Ketu):	
HZN	30.15%(Op)
Repsol	32.5%
Osaka Gas	18.0%
Kina	15.0%

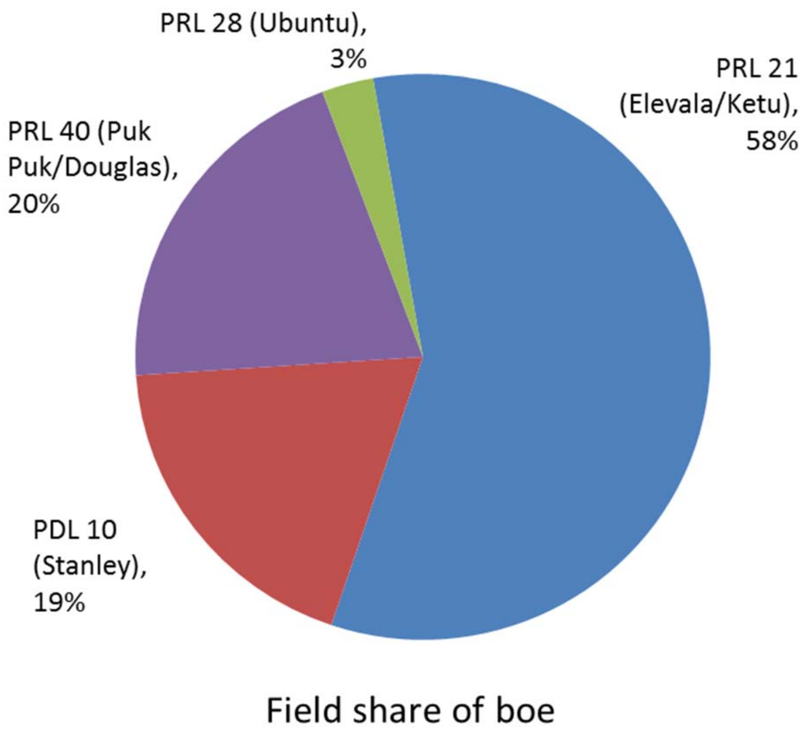
PRL 28 (Ubuntu):	
HZN	30% (Op)*
Repsol	37.5%
Kumul	20%*
P3GE	12.5%

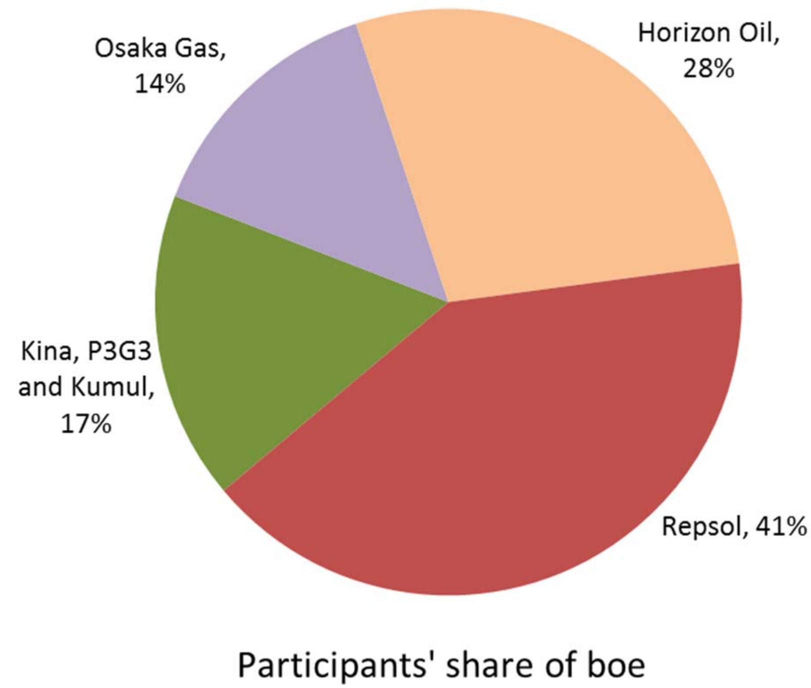
PRL 40* (Puk Puk/Douglas:	
Repsol	60% (**Op**)
HZN	**20%**
Kumul	**20%**

* Conditional on customary PNG Government approval

Gross resources at 30/6/17	2C
Condensate mmbbl)	62.1
Raw gas (bcf)	2,192

Appraised western foreland fields
– concentrated resource distribution and ownership

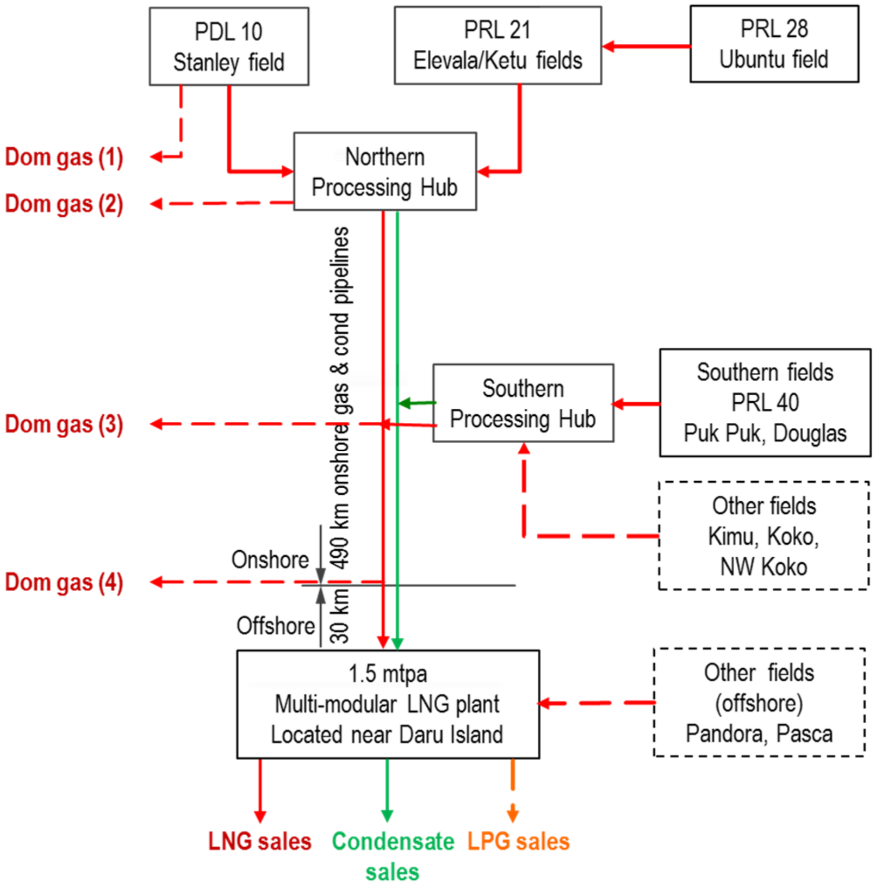


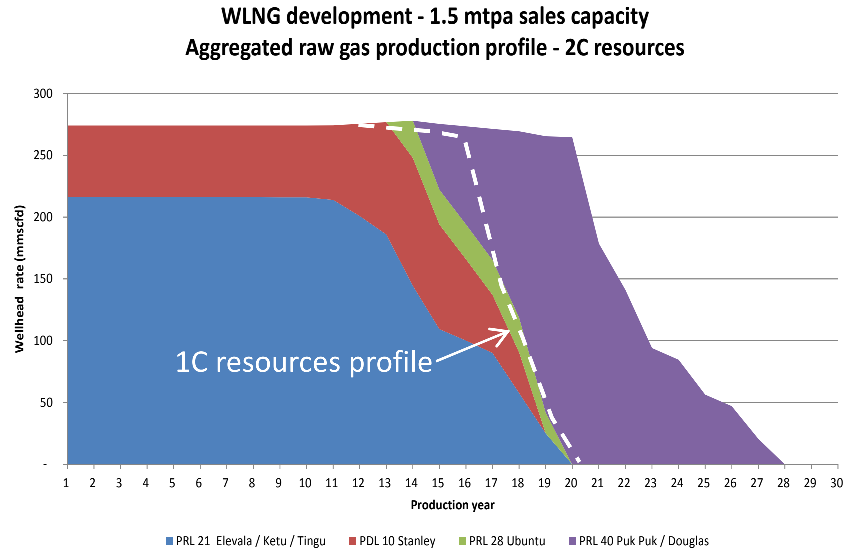


- Contingent resource (2C) : 2.0 – 2.5 tcf gas
  60 – 70 mmbbl condensate
- Horizon Oil and Repsol have a combined interest of 70% of the total resource and operate all the fields , which will facilitate aggregation
- Foundation gas concentrated in 2 licences

Note: Petroleum resource ranges used in this presentation are based on Horizon Oil's 2017 Reserves and Resources Statement, announced on 29 August 2017

Western LNG development scheme





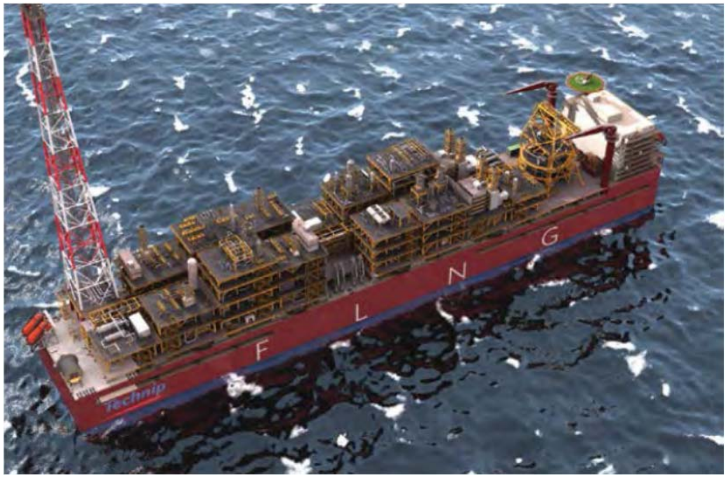
- Gas for the domestic PNG market available at multiple locations
- LNG, condensate and LPG available for PNG-based customers at liquefaction facility

Development scheme selection criteria

Upstream gas processing plant

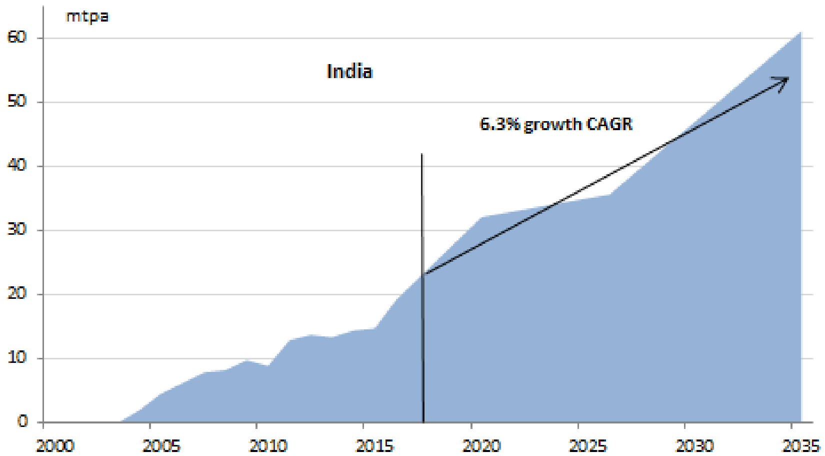
- Standalone development – 1.5 mtpa right-sized for appraised resource base
- Simple concept with lowest technical and execution risk
- Maximum use of standard, proven technology
- System uptime consistent with global LNG projects (90-95%)
- Utilisation of leading contractors, preferably with prior PNG experience

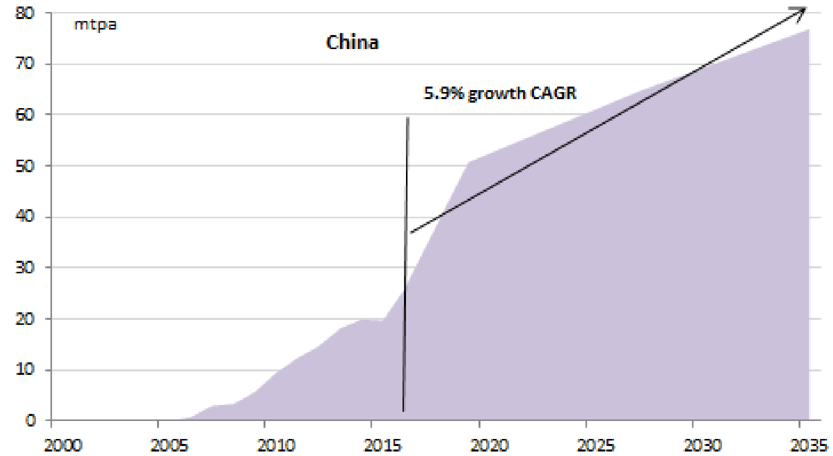
Gas and condensate export pipelines

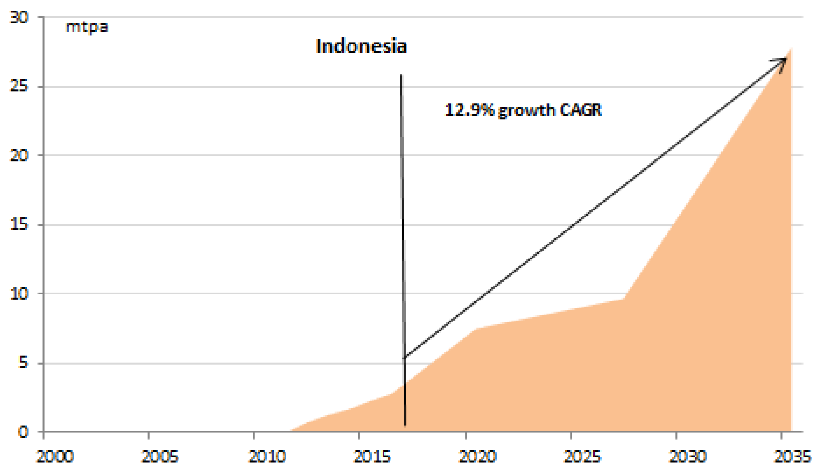


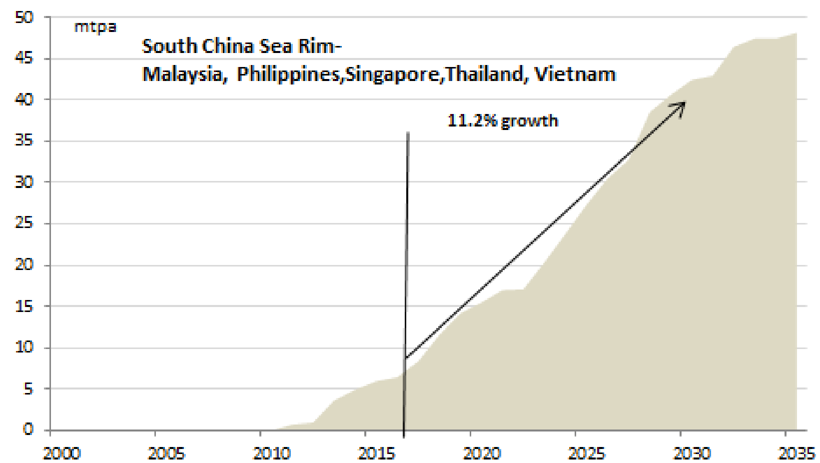
Near shore liquefaction facility

LNG demand forecast in target areas
– market expected to tighten from 2023



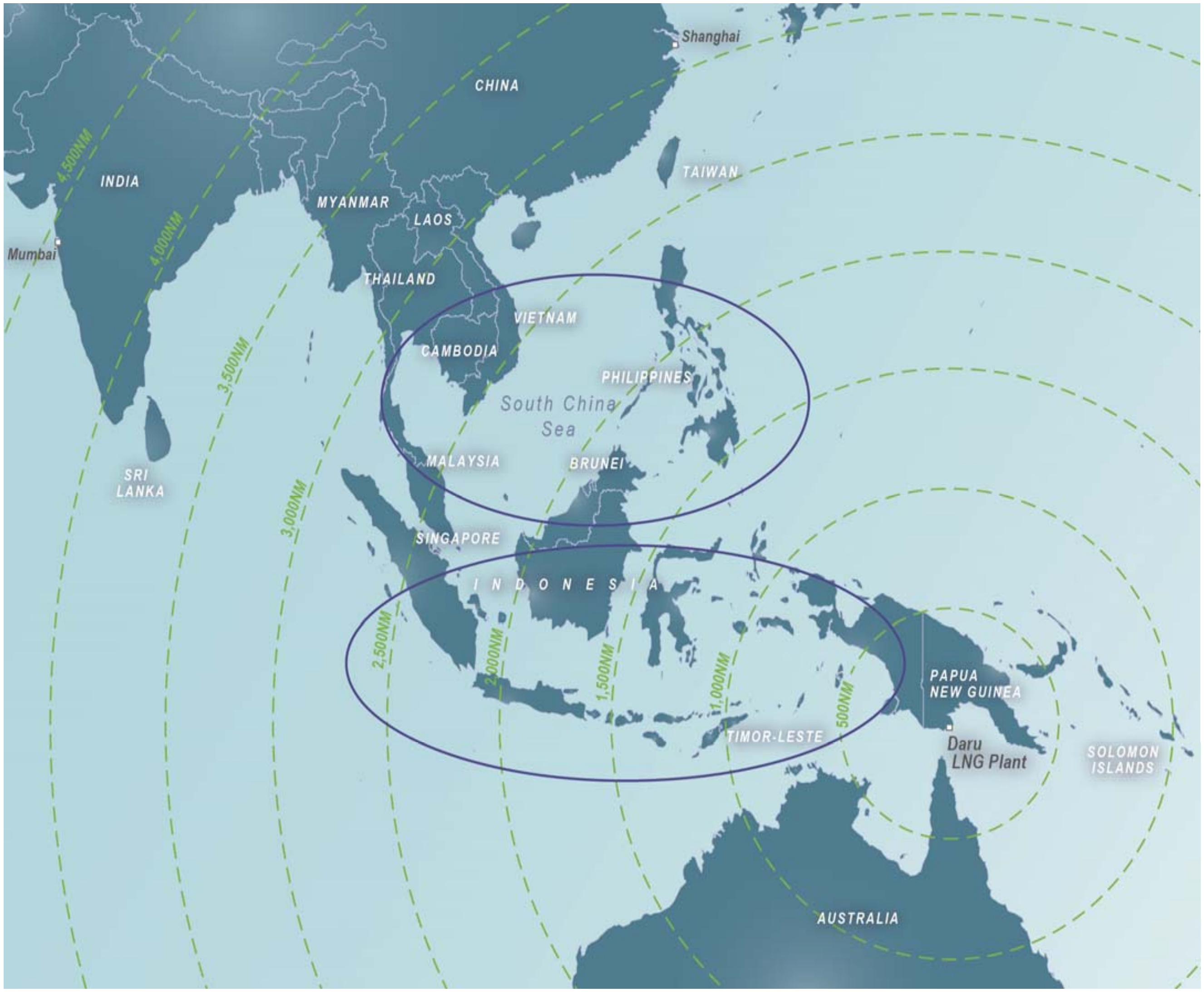






Source: Wood Mackenzie, LNG Tool, Q4 2016 Dataset
Note: Stylised projections based on underlying annual forecasts

WLNG well-placed to supply emerging demand areas – Indonesia, South China Sea Rim, China, India



- Strong increase in demand forecast in emerging Asian economies, pointing to supply shortfalls from 2023
- Many new entrants seeking to import LNG to:
  - Offset decline in domestic gas supply
  - Displace liquid fuel for power generation
  - Diversify energy mix
- New buyers looking for flexible supply arrangements and smaller cargoes
- Advent of FSRUs will facilitate and expedite implementation of smaller projects

Western LNG project, PNG – key points

- Preliminary project economics are attractive, with 20+ year plateau production for 2C gas resource and economics strengthened by significant condensate production.

- 520 km gas and condensate pipelines will connect western foreland fields, containing appraised resources of 2.0 - 2.5 tcf gas and 60 - 70 million barrels of condensate, to a 1.5 mtpa (sales capacity) modular liquefaction facility to be located near-shore Daru Island.

- Pre-FEED contractors currently engaged on main project elements – upstream processing, pipelines and FLNG – with target completion end 2017. Target Basis of Design and FEED in 2018/19 and FID in 2019.

- Horizon Oil owns interests in all fields that will comprise the gas aggregation, equivalent to 28% of the total resource. Repsol owns 41% and the two companies operate all licences.

- Development scheme primary focus is on LNG and condensate sales, but also contemplates gas sales into the domestic market at multiple outlets and LPG sales, with resultant benefits to landowners, communities, Western Province and the State.

- Western LNG to target rapidly growing markets in nearby Indonesian Archipelago, South China Sea Rim, China and India; objective is to have project on stream in time to meet under-supply to these markets – forecast from 2023.

Outlook for financial year 2018

Financial

- **Operating cash flows to continue at current levels** as a result of continuing steady production at Maari and Beibu Gulf fields, including cost recovery production entitlement and ongoing control of operating costs
- **Continued focus on debt reduction**
- Continuing policy of **oil price hedging**: ~46% of next 9 months' 2P production hedged **at an average price of ~US$54/bbl**
- **Maintenance of low capex profile** and administrative expenditure over the course of FY 2018

Block 22/12, offshore China

- Completion of the Overall Development Plan and Final Investment Decision for the **WZ 12-8E** field development expected in 2017, **with first oil expected in early calendar 2019**
- Workover and drilling of 2 infill wells within the existing fields underway, to increase production

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 and FPSO *Raroa* repairs (total net repair costs ~US$6.5 million, with expected recovery of about half that amount)

PDL 10 (Stanley), PRL 21 (Elevala/Ketu), PRL 28 (Ubuntu) and PRL 40 (Puk Puk/Douglas), Papua New Guinea

- **Progress the development concept for the Western Province gas aggregation and mid-scale LNG project** (WLNG) to Basis of Design and FEED (front-end-engineering and design) stage

Key takeaways

- **Existing production should continue to generate average net cash flows of US$50 – 60 million pa until 2022, retiring debt and funding significant capital costs, before production comes off plateau, with long production life ahead**

- **Horizon Oil has a material interest in a large, appraised and independently certified oil and gas resource in Papua New Guinea, with little geological risk remaining**

- **Planning for a mid-scale LNG development scheme (Western LNG) is at an advanced stage – potential for robust economics over a long project life, with US$130 million milestone payment due on project FID**

WESTERN LNG

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