HORIZON OIL LIMITED / ABN 51 009 799 455

Full Year Results Presentation 2018

23 August 2018

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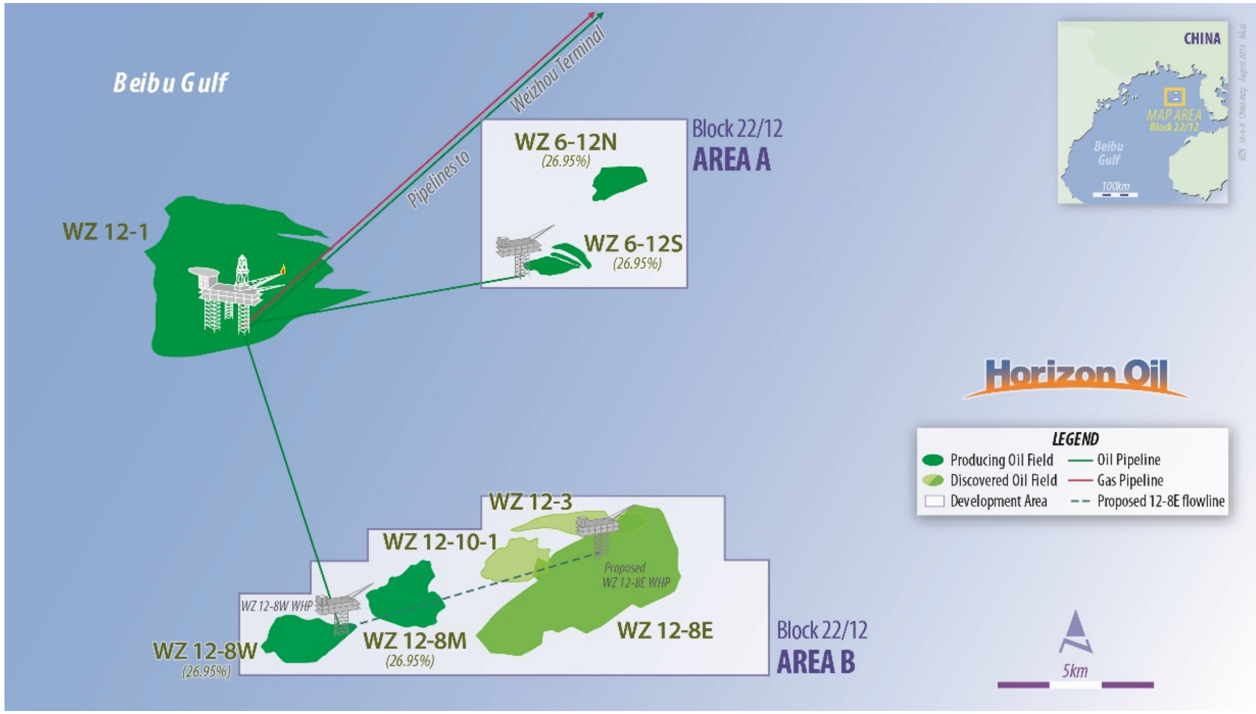
  - EBITDAX represents the profit adjusted for interest expense, taxation expense, depreciation, amortisation, and exploration expenditure (including non-cash impairments)
  - Underlying profit represents the profit adjusted for the unrealised movement in the value of options issued under the subordinated loan facility
  - Net operating cash flow represents revenue after operating costs, excluding non-cash amortisation and inventory adjustments
- All dollars in the presentation are United States dollars unless otherwise noted.
- Unless otherwise stated, all petroleum reserves and resource estimates refer to those estimates as set out in the Horizon Oil's Reserves and Resources Statement as at the balance date (i.e. 30 June) as most recently released to ASX. Horizon Oil is not aware of any new information or data that materially affects the information included in this presentation. All the material assumptions and technical parameters underpinning these estimates continue to apply and have not materially changed.
- This presentation should be read in conjunction with the 2018 Reserves and Resources Statement and the Annual Financial Report for the year ended 30 June 2018.

2018 Full Year Highlights

- **Oil sales** volume of 1.65 million barrels 16% higher than FY 2017
- **Sales revenue** of US$100.0 million 46% higher than FY 2017
- **EBITDAX** of US$68.5 million 52% higher than FY 2017
- **Net cashflow from operating activities** of US$57.6 million 62% higher than FY 2017
- Low operating costs sustained at below US$20/bbl sold, and **free cashflow breakeven** (inclusive of capital expenditure, corporate, financing costs and tax), at US$38/bbl sold
- **Net debt reduced** by ~US$20 million to US$88.6 million, with US$27.6 million **cash on hand**
- **Acquisition** of an **additional 16% interest** in the Maari/Manaia fields in New Zealand; **additional 3.1 mmbbls** added to Proved plus Probable (2P) Reserves
- Continued strong production with current combined **production entitlement** of approximately **5,500 bopd**
- **Good progress on 12-8E development planning,** CNOOC anticipating FID in calendar year 2018
- **Progress made on the Western LNG development project in PNG**, with pre-FEED studies completed during the period confirming technical viability of the proposed concepts and cost estimates confirmed

Operational Results - China

- **Production** from the Group's interest in the Beibu Gulf fields **increased 8%** on the prior year to 863,608 barrels of oil, with crude oil sales **increasing 6%** to 1,170,022 barrels
- **Two infill wells were drilled** on the WZ 12-8W and WZ 12-8M fields shortly after year end. The wells were brought into production during August 2018 **with initial flow rates of 3,500 bopd (gross)**
- Beibu Gulf operating costs remain below US$10 per bbl sold during the full year
- Good progress on WZ 12-8E development planning with CNOOC anticipating FID in calendar year 2018

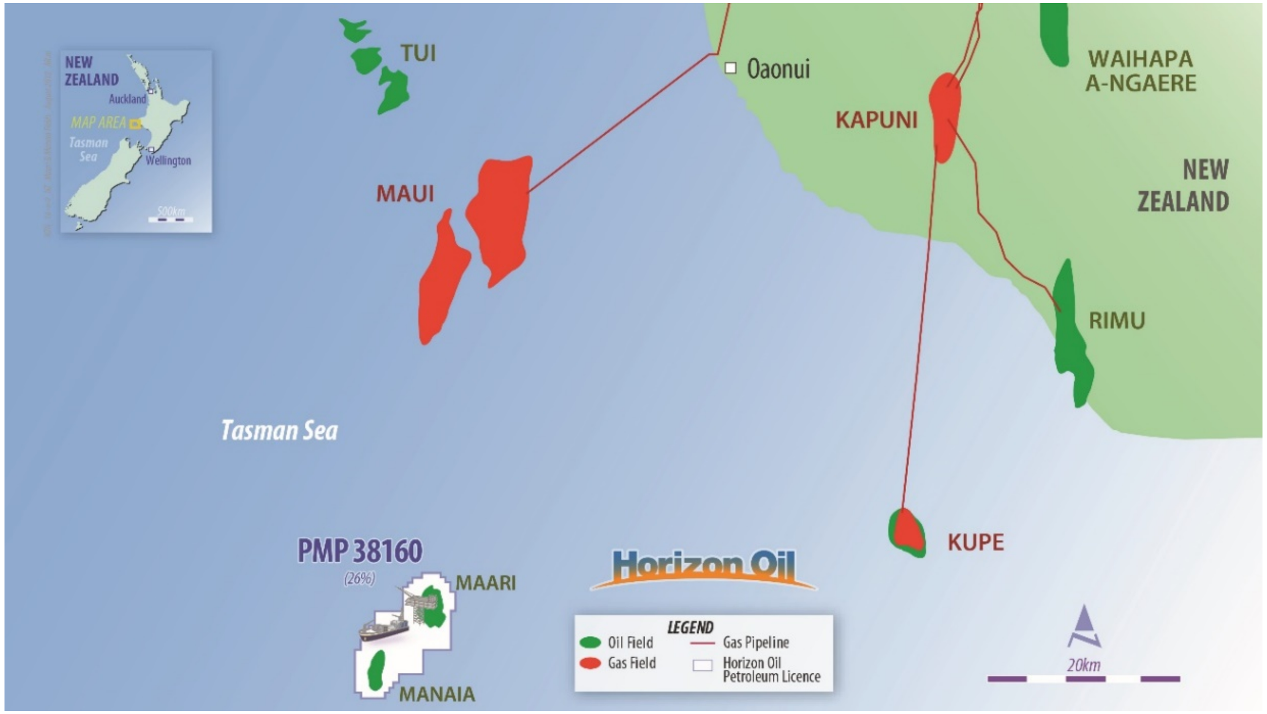


Block 22/12 – Producing WZ 6-12/12-8W	
HZN	26.95%
CNOOC	51.00% (Op.)
Fosun/Roc	19.60%
Majuko Corp	2.45%

Reserves and Contingent Resources as at 30/06/18 (mmbbl)	100% Basis		Horizon Oil Share	
	2P	2C	2P	2C
Block 22/12	17.1	11.8	4.5	3.0

Operational Results – New Zealand

- **Production** from the Group's interest in the Maari and Manaia fields **increased 49%** on the prior year to 454,193 barrels of oil, with crude oil sales **increasing 50%** to 479,604 barrels
- **Acquisition of 16% interest** in the producing Maari and Manaia fields effective 1 January 2018 resulting in an increase in Proved plus Probable (2P) Reserves by 3.1 mmbbl
- The consideration for the 16% interest was US$17.6 million, adjusting for working capital resulted in a **US$13.1 million payment**, which was wholly funded from Horizon Oil's cash reserves

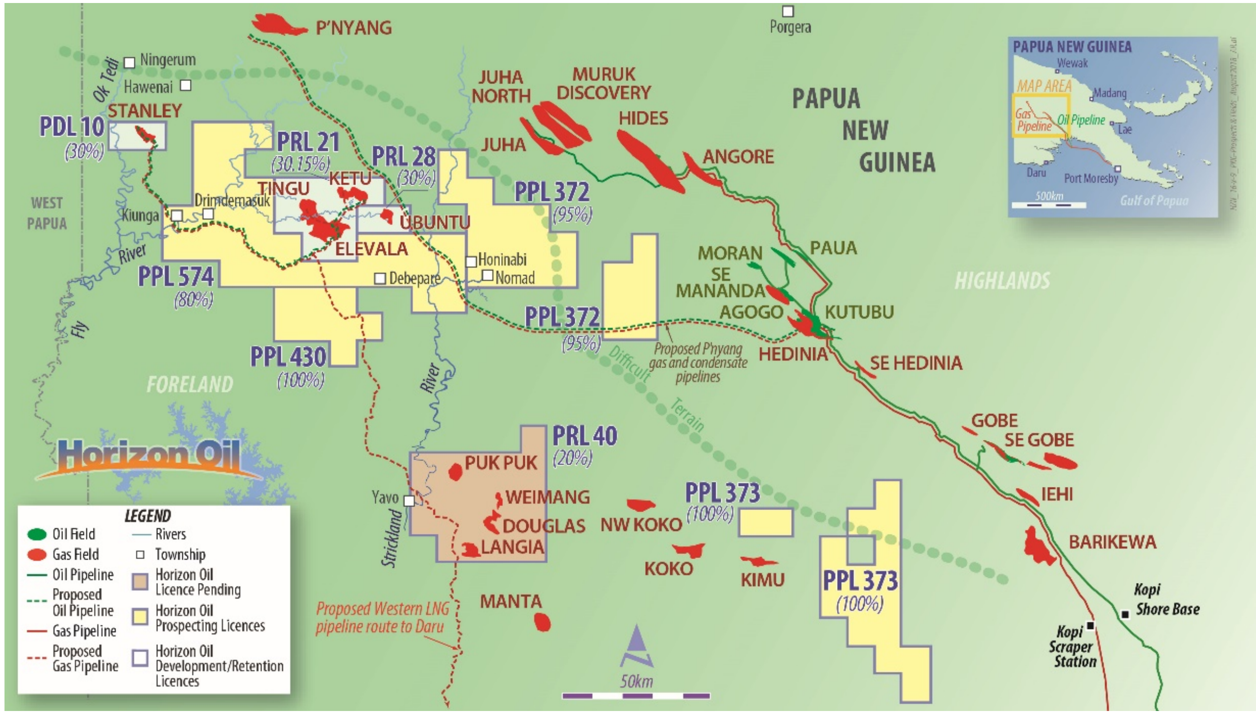


PMP 38160 - Maari/Manaia	
HZN	26.00%
OMV	69.00% (Op)
CUE	5.00%

Reserves and Contingent Resources as at 30/06/18 (mmbbl)	100% Basis		Horizon Oil Share	
	2P	2C	2P	2C
PMP 38160 -Maari/Manaia	17.1	16.4	4.5	4.3

Operational Results – Papua New Guinea

- **Horizon Oil holds material interests in all four fields that will supply the proposed Western LNG project** and has an ~30% interest in the total gross audited resources including 64 mmbbls of condensate and ~2,200 PJ of sales gas
- **Planning for the proposed Western LNG development project progressed**, with pre-FEED studies completed during the period; technical viability of selected project concept and cost estimates confirmed
- Re-emergence of Stanley early condensate recovery scheme as an attractive investment proposition, with the potential to provide nearer term condensate and domestic gas revenue, while planning for, the longer-dated WLNG project



PDL 10 (Stanley)	
HZN	30.00%
Repsol	40.00% (Op)
Osaka Gas	20.00%
Kumul	10.00%

PRL 21 (Elevala/Ketu)	
HZN	30.15% (Op)
Repsol	35.10%
Osaka Gas	18.00%
Kina	16.75%

PRL 28 (Ubuntu)	
HZN	30.00% (Op)
Repsol	37.50%
Kumul	20.00%*
P3GE	12.50%

PRL 40 (Puk Puk/Douglas)	
Repsol	60.00% (Op)
HZN	20.00%*
Kumul	20.00%*

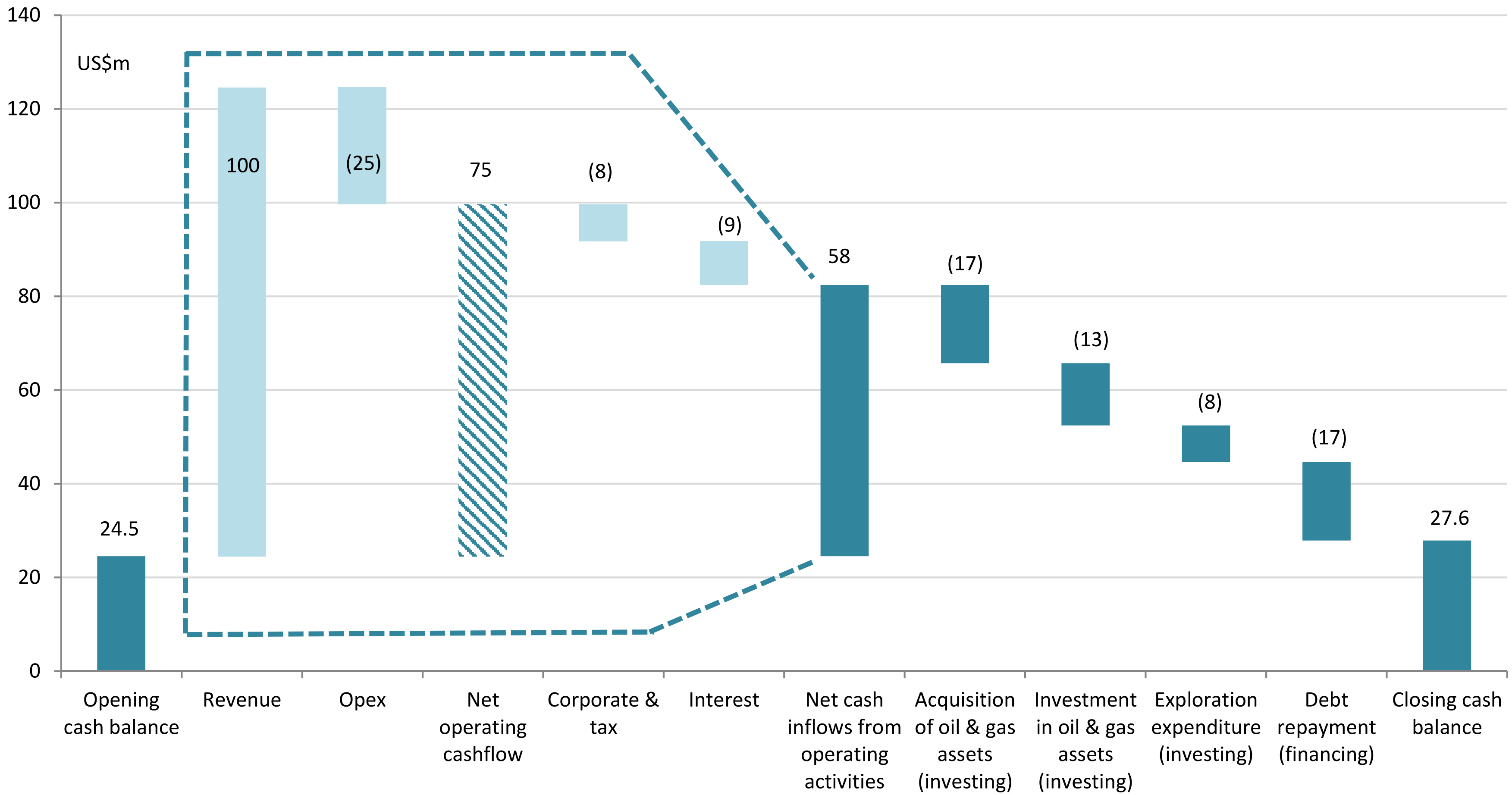
**The Group will exchange a 20% interest in PRL 28 for a 20% interest in PRL 40 (Puk Puk, Douglas, Langia and Weimang gas fields) in a trade with Kumul Petroleum Holdings, PNG's national oil company. Completion of this transaction is conditional on customary PNG Government approvals*

Financial Overview

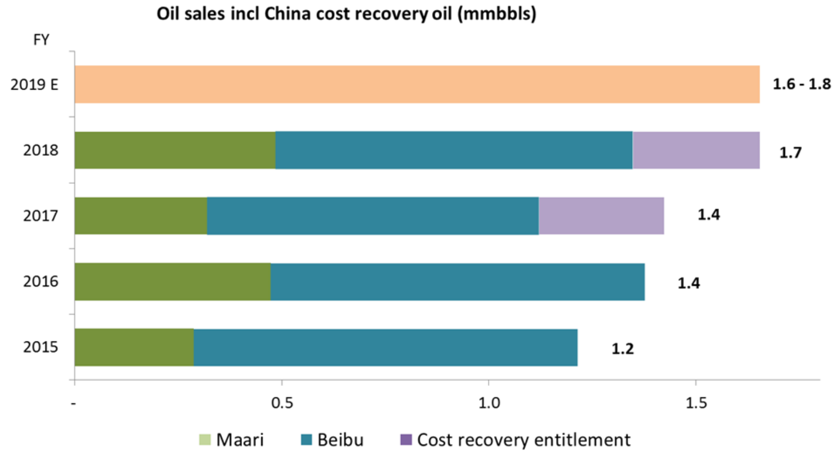
(US$ million)	FY 2018	FY 2017	Δ	Δ (%)
Sales Volume (mmbbl)	1.65	1.42	0.23	16%
Revenue	**100.0**	**68.5**	**31.5**	**46%**
EBITDAX	**68.5**	**45.2**	**23.3**	**52%**
Underlying profit before tax	**18.9**	**2.8**	**16.1**	**586%**
Less: Finance costs (unrealised movement in value of options)	(20.5)	1.4	(21.9)	*n.m.*
Profit/(loss) before tax	**(1.6)**	**4.2**	**(5.7)**	**(138%)**
Net debt	**88.6**	**108.5**	**(19.9)**	**(18%)**
Closing cash	27.6	24.5	3.1	13%

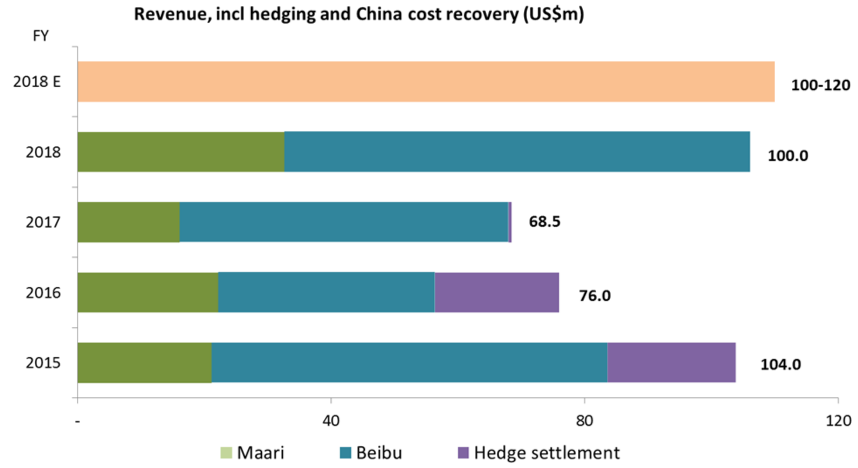
- Material increase in sales volumes
- **Robust and increasing EBITDAX and cashflow generation** at field level
- Underlying profit before tax of US$18.9 million, impacted by **257% increase in the share price** resulting in an unrealised non-cash financing cost
- **Net debt reduced by ~US$20 million**, after funding Maari/Manaia fields acquisition using internally generated cashflow

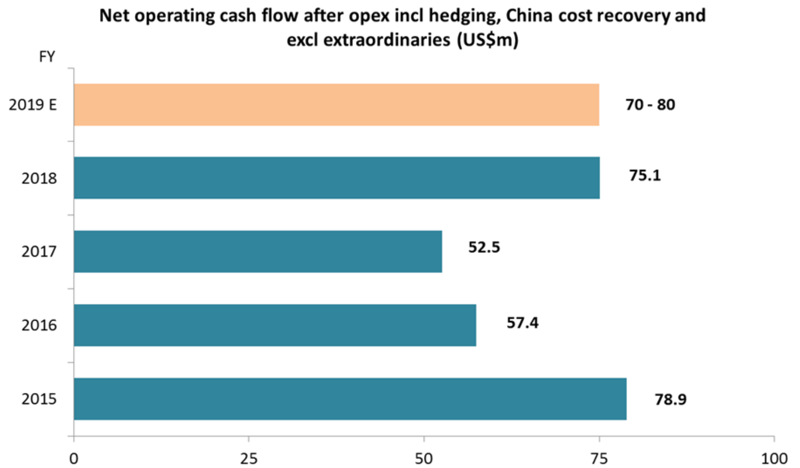
Key Cashflow Drivers

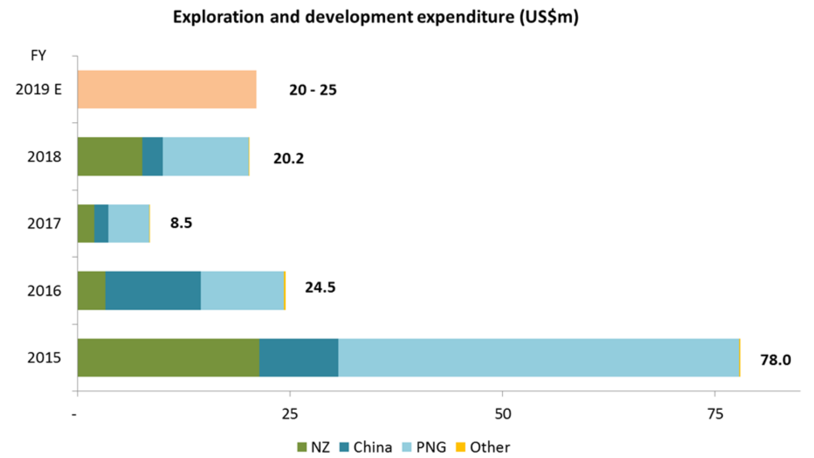


Full Year Performance and 2019 Forecast









2019 Outlook

Financial

- **Continued strong operating cash flows** supported by developed, low cost, conventional oil fields
- **Progressive reduction in debt**

Block 22/12, China

- **Continued higher production** entitlement (~35% share of production) and increased production following completion of infill well program
- **Final investment decision** of the proposed WZ 12-8E phased development, providing access to gross contingent resources of 11.8 mmbbl

Maari/Manaia, New Zealand

- Further **optimise oil production** through water injection conversion program

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

- Re-emergence of **Stanley early condensate** recovery scheme as an attractive investment proposition, with the potential to provide near term condensate and domestic gas revenue, while continuing to progress Western LNG

Horizon Oil

For more information please contact:

Horizon Oil Limited

Michael Sheridan Chief Executive Officer

T: +61 2 9332 5000

F: +61 2 9332 5050

E: info@horizonoil.com.au

Level 6, 134 William St

Woolloomooloo NSW 2011

horizonoil.com.au

Media enquiries

Gavan Collery ResourceComms Pty Ltd

M: +61 419 372 210

E: gavan@resourcecomms.com

WESTERN LNG