

18 July 2017

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

HORIZON OIL (HZN) STRENGTHENS ACREAGE POSITION IN PAPUA NEW GUINEA

- **Interest in key fields involved in the proposed gas aggregation project – Elevala/Tingu and Ketu – increased to 30.15%**
- **20% interest acquired in Puk Puk and Douglas fields, the only appraised fields in the Western Forelands in which Horizon Oil was not previously represented**
- **Interest in Ubuntu field reduced to 30% to provide portfolio balance**
- **Horizon Oil's upstream acreage and resource position for the Western LNG project is now complete, which will enhance the Company's capacity to advance the project**

Horizon Oil is pleased to advise that it has increased to about 28% its interest in the total certified resources contained in Papua New Guinea's Western Foreland fields of 2.0 - 2.5 tcf gas and 60 - 70 mmbbl of condensate. The Company and partner Repsol now operate all the licences and hold 70% of the total gas resource to be aggregated to underpin the proposed 1.5 million tonnes per annum (mtpa) Western LNG project, facilitating the planned multi-licence development in one of the world's premier locations for LNG developments.

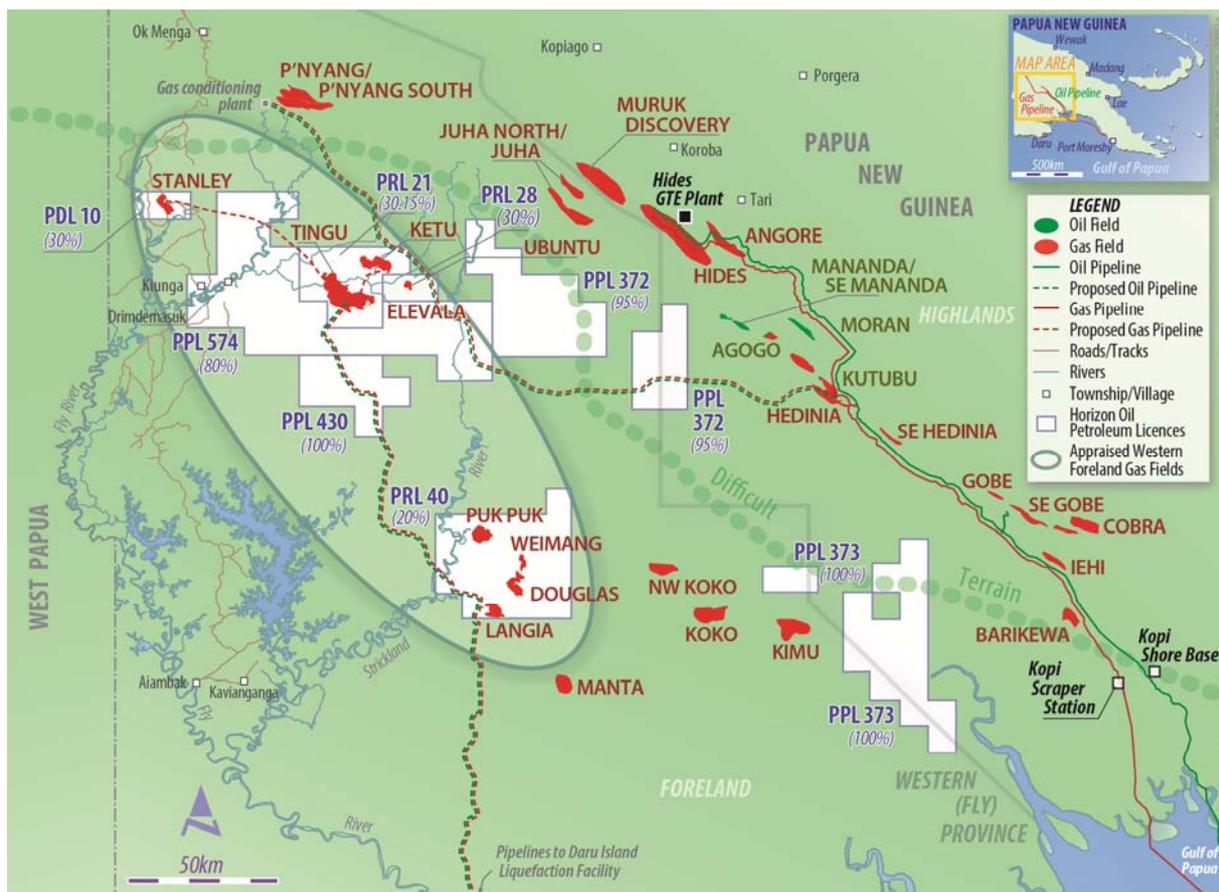
The Company advised in January 2017 that it had acquired a 50% interest in, and operatorship of, PRL 28 (Ubuntu field) adjacent to PRL 21 (see map below). Further to that transaction, the Company has:

- Acquired an additional 3.15% interest in PRL 21 (Elevala/Tingu and Ketu fields) as a result of Mitsubishi Corporation divesting its upstream assets in PNG; and
- Exchanged a 20% interest in PRL 28 for a 20% interest in PRL 40 (Puk Puk and Douglas fields) in a trade with Kumul Petroleum Holdings, PNG's national oil company. Completion of this transaction is conditional only on customary PNG Government approvals.

The cash cost is confidential but the Company's cash position will not be materially reduced as a result of the strategic acquisitions, taking into account the consideration for the acquisitions and the near term exploration and development costs arising from the expanded resource base.

Horizon Oil's previous and current licence interests after completion of the transactions are set out in the table below and licence locations shown on the map that follows.

Licence (fields)	Horizon Oil interest (%)	
	Previous	Current
PDL 10 (Stanley)	30.00	30.00
PRL 21 (Elevala/Tingu and Ketu)	27.00	30.15
PRL 28 (Ubuntu)	50.00	30.00
PRL 40 (Puk Puk and Douglas)	-	20.00
PPL 372 (exploration)	90.00	95.00
PPL 373 (exploration)	90.00	100.00
PPL 430 (exploration)	100.00	100.00
PPL 574 (exploration)	80.00	80.00



Location of appraised Western Foreland gas-condensate fields and Horizon Oil licences

CHIEF EXECUTIVE OFFICER'S COMMENTS

The summary presentation accompanying this release shows how Horizon Oil's licence interests relate to the planned 1.5 mtpa LNG facility to be located near Daru Island on the coast. The foundation gas will come, in the main, from Elevela/Tingu and Ketu fields and so an additional 3% in this licence makes good sense.

Puk Puk and Douglas fields will be important contributors to the gas aggregation later in the project life, extending the production plateau significantly. We are pleased to be able to acquire a 20% interest in these fields in exchange for 20% of our interest in the Ubuntu licence, where we were overweight, in a trade agreement with Kumul Petroleum Holdings. As a result of this and other recent transactions, Kumul will hold interests in Stanley, Ubuntu, Puk Puk and Douglas fields and, as the national oil company, we expect they will bring considerable strategic value to the gas aggregation project.

We now consider that our PNG acreage portfolio, with the recent enhancements, is optimally balanced. Horizon Oil's 20 - 30% interests in the discovered fields will give us a meaningful interest in Western LNG – yet remain manageable from a funding perspective, taking into account the US \$130 million milestone payment due on project FID and also the funds to be reimbursed by the PNG government should it elect to back-in to the project. The 80 - 100% interests in the exploration licences provide scope for Horizon Oil to farm out future exploration work, to reduce exposure to cost and exploration risk. The exploration acreage is located close to, and on trend with, existing discoveries and has considerable add-on potential to extend the life of Western LNG.

As a result of these transactions, the Company holds material working interests in all the appraised fields that will comprise the Western LNG gas aggregation project. Horizon Oil and Repsol between them operate all the licences involved and, in combination, will own about 70% of the total gas resources. This should greatly facilitate the planned multi-licence development.”

Yours faithfully,



Brent Emmett
Chief Executive Officer

For further information please contact:

Mr Brent Emmett

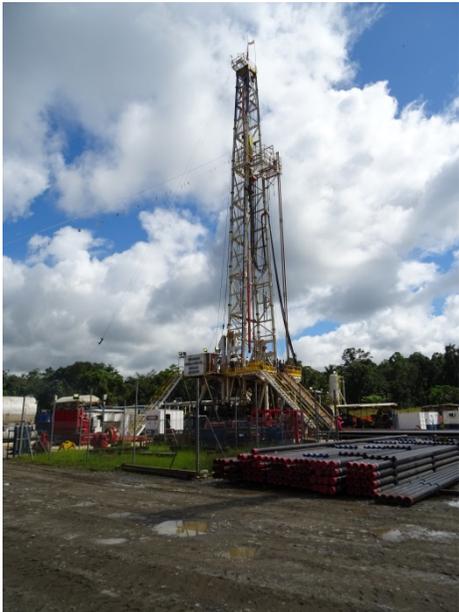
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Attachment: Summary presentation on Western LNG project

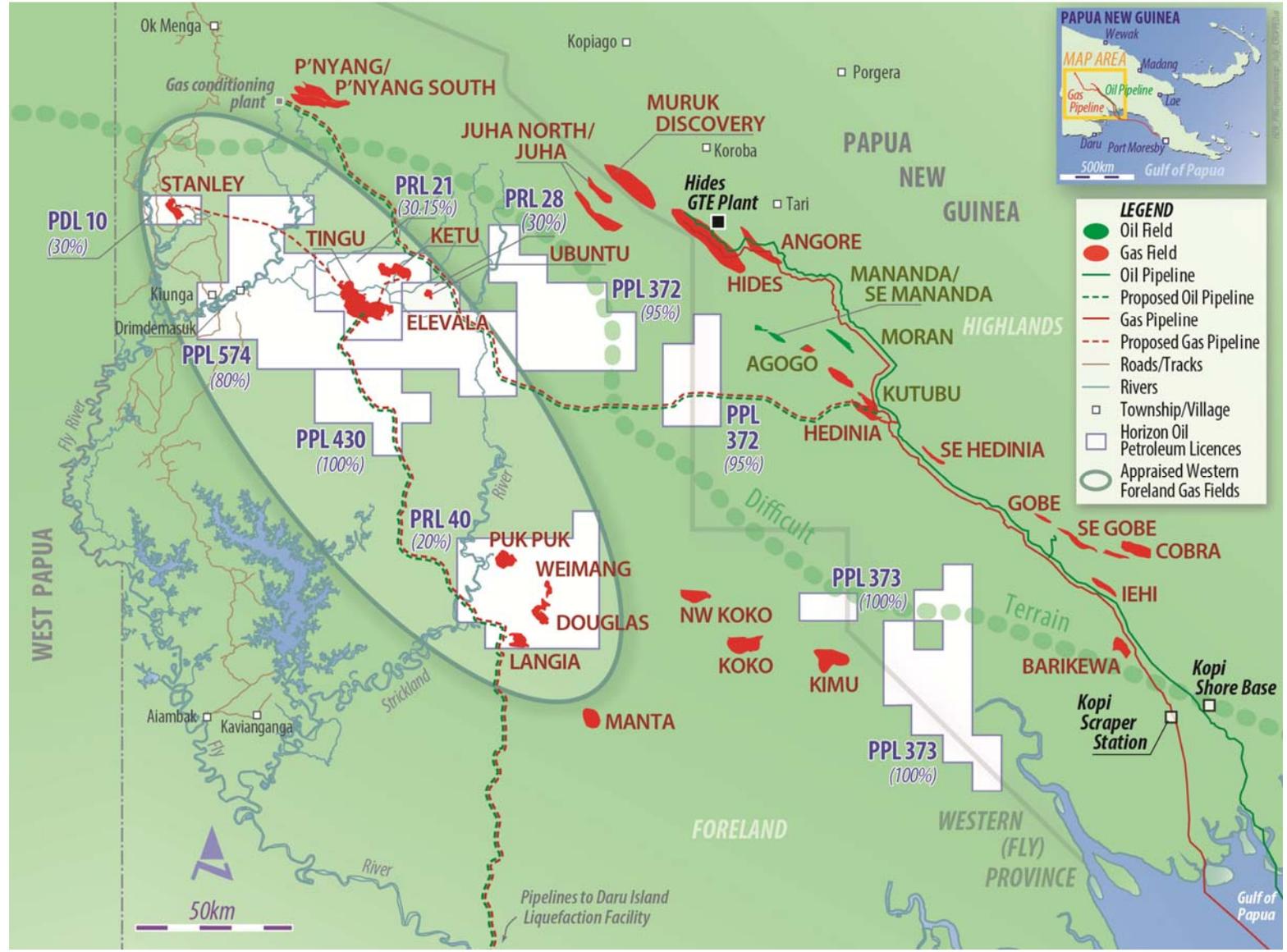


Summary of Western LNG Project Papua New Guinea

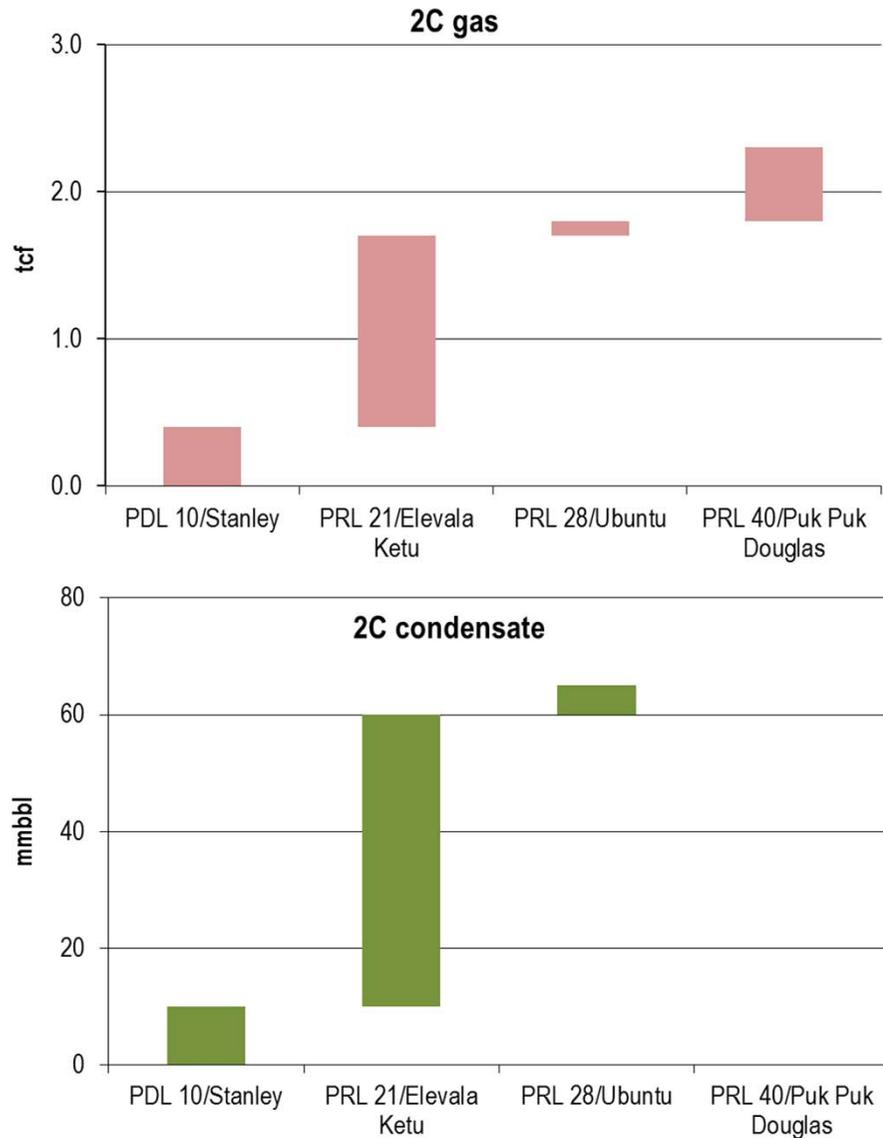
Western LNG – key points

- 500 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 1.5 mtpa liquefaction facility to be located offshore Daru Island.
- Horizon Oil owns interests in all fields that will comprise the gas aggregation, equivalent to 28% of the total resource. Repsol owns 42% and together the two companies operate all licences involved.
- Development scheme primary focus is on LNG and condensate sales, but also contemplates gas sales into the domestic market and LPG sales, with resultant benefits to landowners, communities, Western Province and the State.
- Western LNG will target rapidly growing markets in the nearby Indonesian Archipelago, South China Sea Rim and China – these markets are forecast to be under-supplied in the early 2020s.
- Preliminary project economics are attractive, with 20+ year plateau production and economics strengthened by significant condensate production. Horizon Oil economics and funding capacity enhanced by potential Government back-in reimbursement of prior costs and entitlement to milestone payment of US\$130 million on project FID.

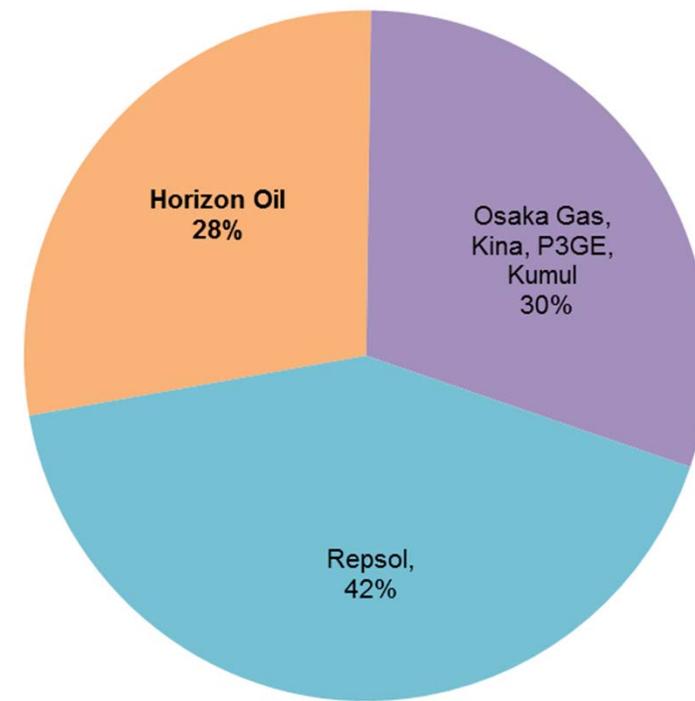
Appraised Western Foreland fields to be aggregated for Western LNG



Appraised Western Foreland fields – resources build-up and ownership



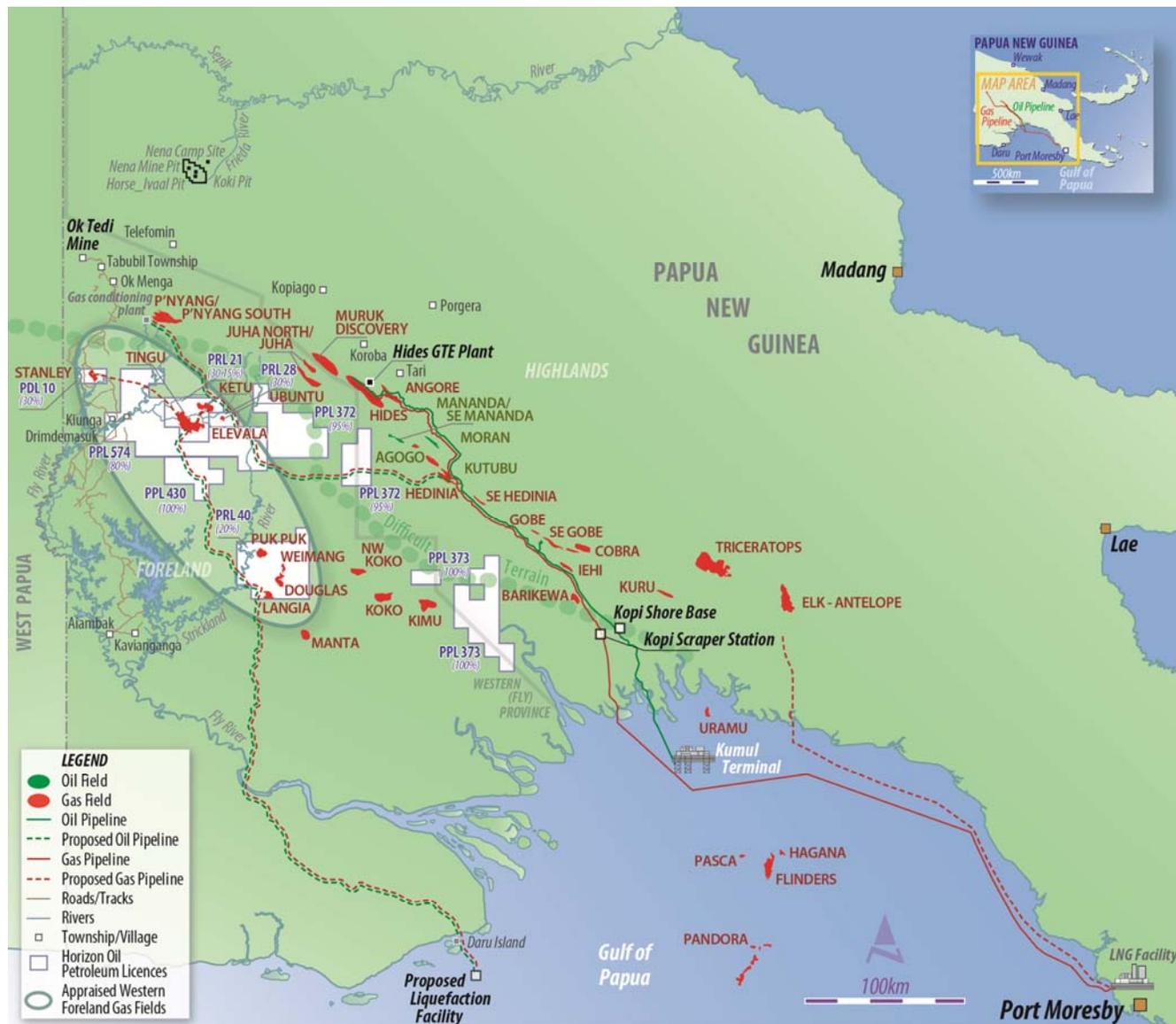
Appraised Western Foreland Fields
 Operators: Horizon Oil, Repsol
 2C resource: 2.0 – 2.5 tcf gas
 60 – 70 mmbbl condensate



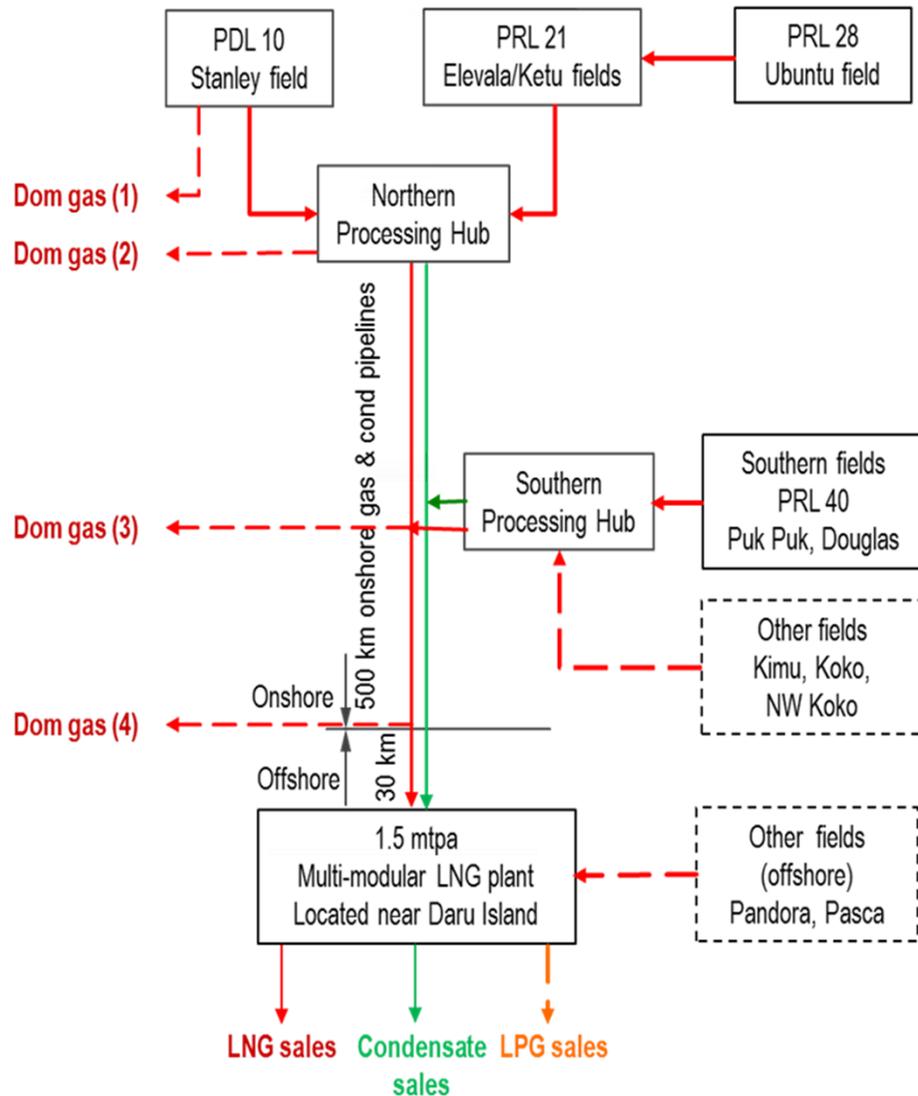
Participants' share of boe

Note: Resource data are Horizon Oil estimates based on public data

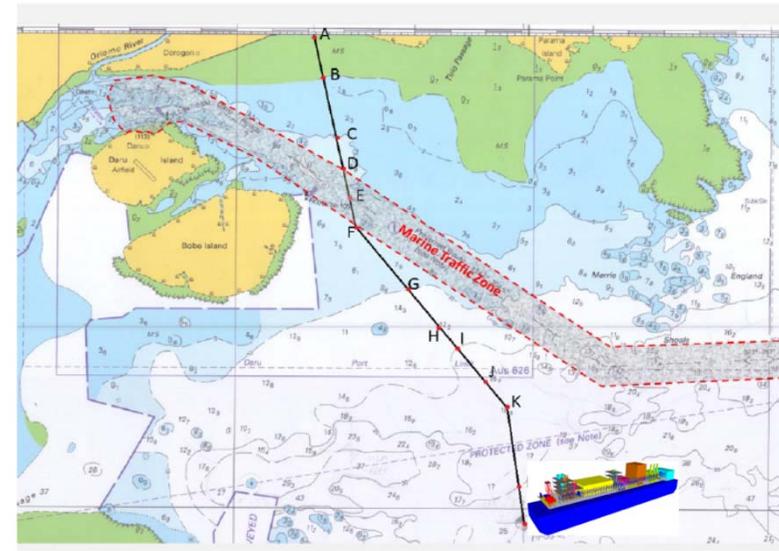
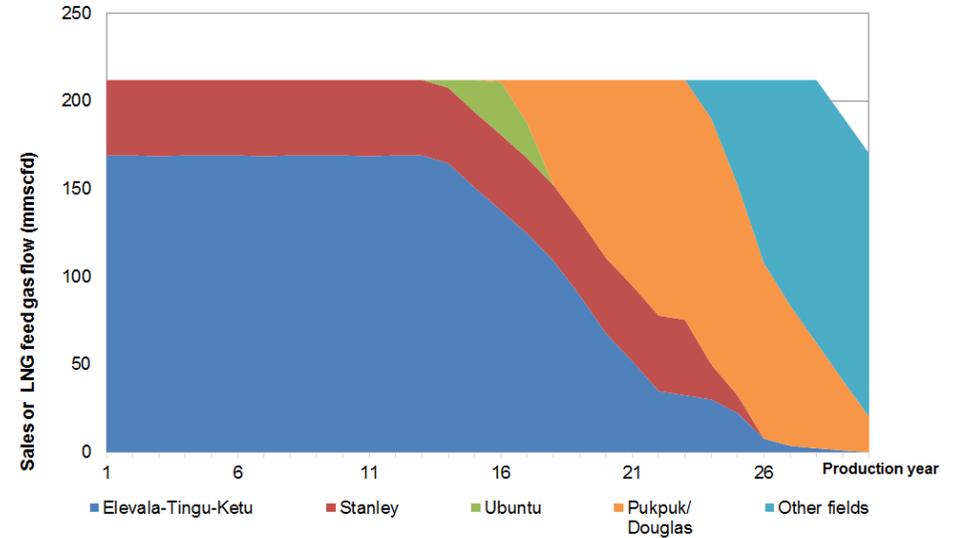
Base case development plan for Western LNG – export south to Daru Island



Western LNG development scheme



WLNG Development - 1.5 mtpa LNG Scheme
Feed Gas Profile - Mid Case Resource

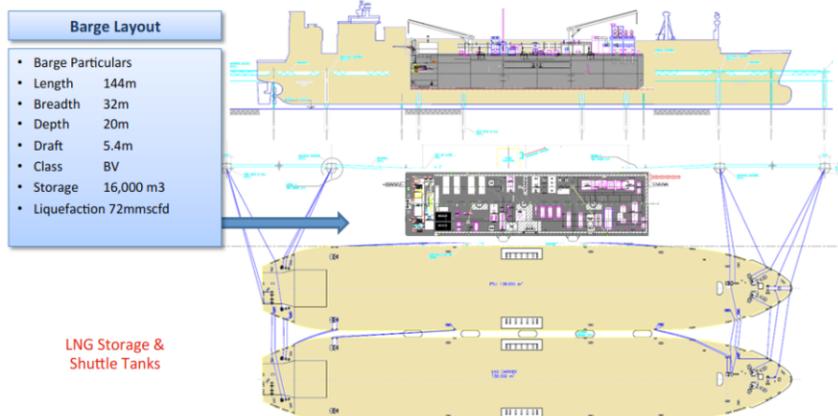


Example of new-build LNG barge – Caribbean FLNG (0.5 mtpa)

Principle Contractor	Exmar (tolling contractor)
Location	Colombia - Caribbean coast
Concept description	Barge mounted FLNG. Prico SMR process. 16,000 m3 LNG storage capacity. Jetty mooring.
Plant capacity	0.5 mtpa
Current Status	Commissioned at Wison yard September 2016. Looking for new home as CFLNG project has been cancelled
Cost	ca US\$600m

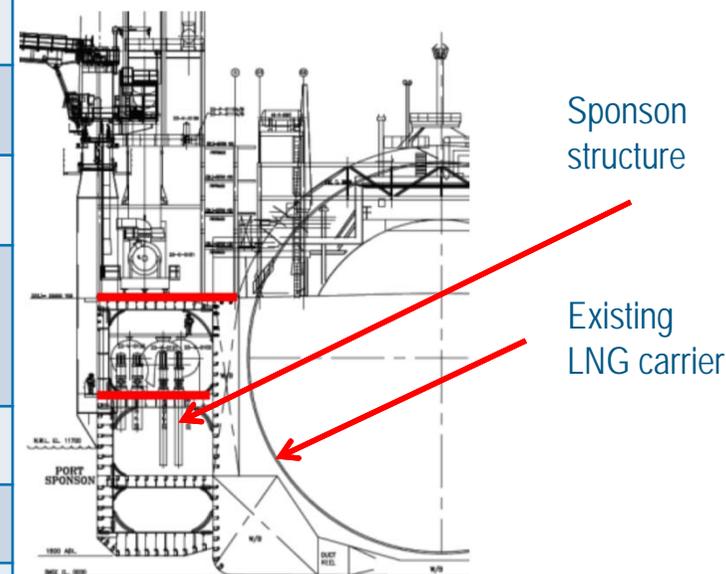


Configuration and Dimension

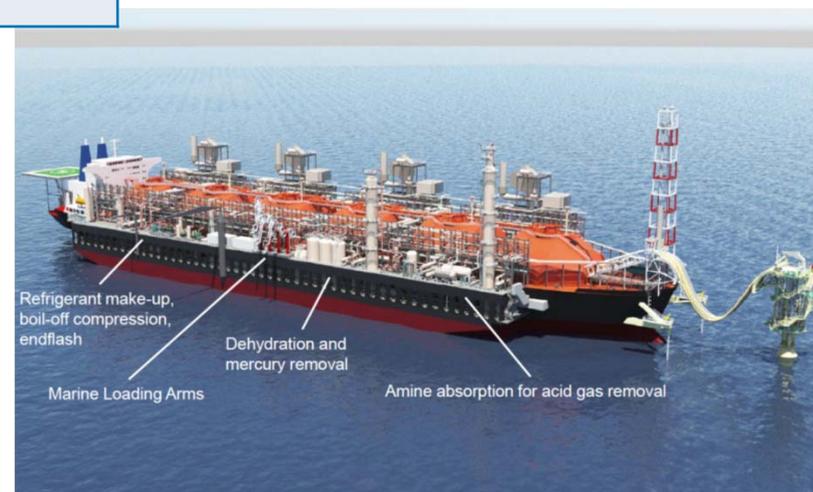


Example of LNG carrier conversion – Golar Cameroon (1.2 mtpa)

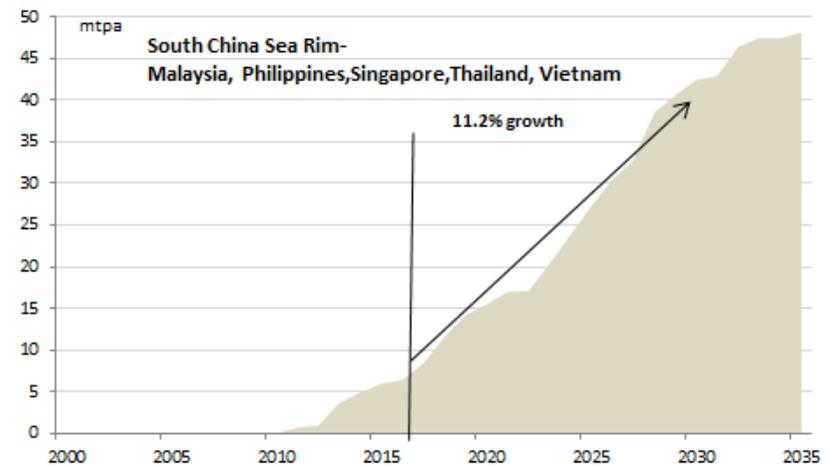
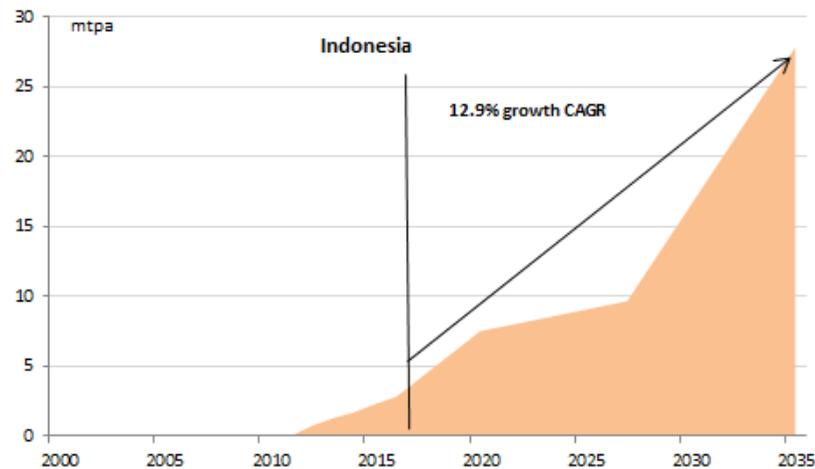
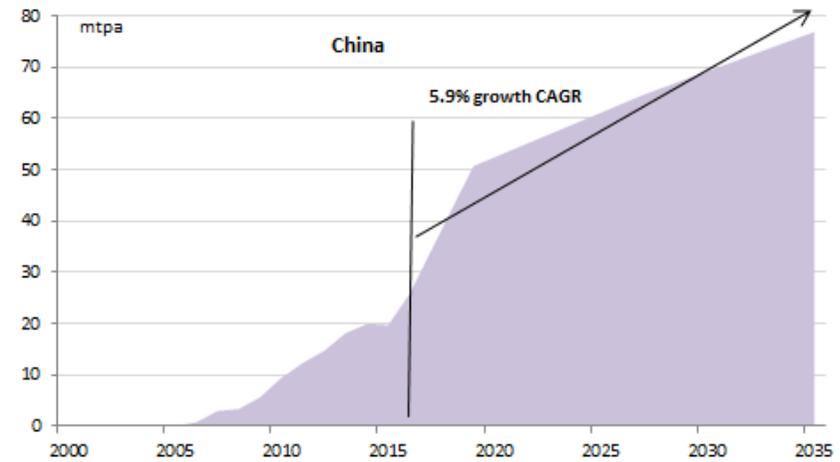
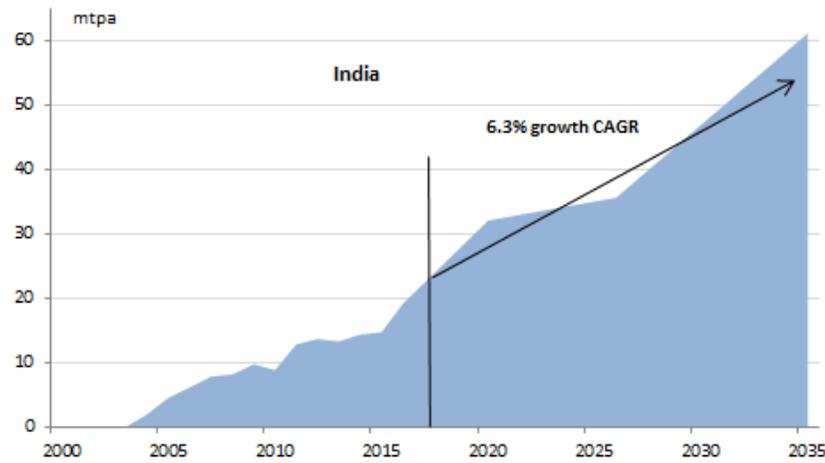
Operator	Perenco SNH Cameroon
Principle Contractor	Golar (tolling contractor) Keppel Shipyard, Singapore
Location	Nearshore Cameroon. Project based on allocation of 500 bcf of natural gas reserves from offshore Kribi fields
Concept description	Conversion of Hilli LNG carrier. 4 * Prico SMR trains (0.5 to 0.7 mtpa each). Can handle up to only 3mole% CO ₂ in feed. 125k hull capacity. LNG side by side offloading. 20 year design life. No dry docking during operation. Ship has propulsion
Plant capacity	1.2 mtpa, representing c. 50% of vessel's nameplate capacity
Current Status	Under fabrication. Start-up Q4 2017
Other	Reported capex of \$2bn – no official CAPEX estimate in public domain (IHS Energy 2014 presentation) OneLNG (Golar/SLB JV) quoted tolling fee of \$4.4/mmbtu for 1.5 mtpa



Sponson block P3



LNG demand forecast in target areas



Source: Wood Mackenzie, LNG Tool, Q4 2016 Dataset

Note: Stylised projections based on underlying annual forecasts

LNG demand target areas – India, China, South China Sea Rim, Indonesian Archipelago

Distance from Daru Island to consumer in nautical miles

