

Horizon Oil Limited

2017 Reserves and Resources Statement

Highlights:

- As at 30 June 2017, Horizon Oil's net Proved plus Probable Reserves (2P) of oil were 7.9 mmbbls (China: 5.8 mmbbls; New Zealand: 2.1 mmbbls). This follows a strong year of production in both China and New Zealand averaging 3,030 bopd net to Horizon Oil. Workovers and proposed infill wells in China and ongoing production optimisation in both China and New Zealand are expected to continue to maintain oil rates and support ultimate recovery.
- Horizon Oil's net Contingent Resources (2C) of oil and condensate were 28.9 mmbbls (PNG: 18.8 mmbbls; New Zealand: 6.9 mmbbls; China: 3.2 mmbbls), which is an increase of 4.5 mmbbls from 30 June 2016, with most of the increase associated with an updated reservoir assessment and improved development plan for the nearby undeveloped Manaia Moki field in New Zealand.
- The Company's net Contingent Resources (2C) of gas in PNG remained at 497 bcf.

Oil and Gas Reserves

At 30 June 2017, the Company's Proved plus Probable Reserves (2P) of oil were 7.9 mmbbl, distributed as shown in Table 1.

Table 1: Horizon Oil net economic interest Proved (1P) and Proved plus Probable Reserves (2P) at 30 June 2017

| Proved and Proved plus Probable Reserves | | | | | | | | |
|---|---|---|----------------------------------|---|---|---|----------------------------------|---|
| | 1P Developed Liquids ¹ <i>mmbbl</i> | 1P Undeveloped Liquids ¹ <i>mmbbl</i> | 1P Total Gas <i>bcf</i> | 1P Total Liquids ¹ <i>mmbbl</i> | 2P Developed Liquids ¹ <i>mmbbl</i> | 2P Undeveloped Liquids ¹ <i>mmbbl</i> | 2P Total Gas <i>bcf</i> | 2P Total Liquids ¹ <i>mmbbl</i> |
| China | | | | | | | | |
| Block 22/12 WZ6-12 + WZ12-8W ² | 4.0 | 0.1 | - | 4.1 | 5.5 | 0.3 | - | 5.8 |
| New Zealand | | | | | | | | |
| PMP 38160 Maari + Manaia ³ | 0.7 | 0.2 | - | 0.9 | 1.9 | 0.2 | - | 2.1 |
| Closing Balance 30 Jun 17 | 4.7 | 0.3 | - | 5.0 | 7.4 | 0.5 | - | 7.9 |

1. Estimated in accordance with SPE-PRMS guidelines; liquids total equals oil plus condensate where 1 bbl condensate equals 1 bbl oil

2. Net of production of 15.3 mmbbl gross through 30 June 2017

3. Net of production of 34.6 mmbbl gross through 30 June 2017

Reserves are classified as either Developed or Undeveloped. Undeveloped Reserves in China comprise two infill wells due to be drilled in late 2017, and Undeveloped Reserves in New Zealand are associated with a flowing bottom-hole pressure (FBHP) reduction project due to be completed in early 2018.

Reconciliation of Reserves

The key changes to the Company's Proved Reserves (1P) and Proved plus Probable Reserves (2P) since 30 June 2016 are summarised in Table 2 below:

Table 2: Reconciliation of Horizon Oil net Proved Reserves (1P) and net Proved plus Probable Reserves (2P) from 30 June 2016 to 30 June 2017

| Proved and Proved plus Probable Total Reserves | | | | |
|--|---------------------------------|---------------------------|---------------------------------|---------------------------|
| | 1P Total Liquids mmbbl | 1P Total Gas bcf | 2P Total Liquids mmbbl | 2P Total Gas bcf |
| Opening Balance 30 Jun 16 (economic interest) | 5.8 | - | 9.0 | - |
| Production | (1.1) | - | (1.1) | - |
| Reserves revision | 0.4 | - | 0.3 | - |
| Economic interest adjustment | (0.1) | - | (0.3) | - |
| Closing Balance 30 Jun 17 (economic interest) | 5.0 | - | 7.9 | - |

1. Estimated in accordance with SPE-PRMS guidelines; liquids total equals oil plus condensate where 1 bbl condensate equals 1 bbl oil

- **Production:** Proved (1P) and Proved plus Probable Reserves (2P) at 30 June 2017 reflect strong net production in the year to 30 June 2017 of **1.1 mmbbl** averaging 3,030 bopd net to Horizon Oil. (0.3 mmbbl in New Zealand and 0.8 mmbbl in China).
- **New Zealand:** The only material change to Proved (1P) and Proved plus Probable Reserves (2P) in New Zealand during the past financial year results from strong net production of 0.3 mmbbl.
- **China:** The only material change to Proved (1P) and Proved plus Probable Reserves (2P) in China during the past financial year results from strong net production of 0.8 mmbbl.

Contingent Resources

At 30 June 2017, the Company's net Contingent Resources (2C) were 28.9 mmbbl of oil and condensate (liquids), and 497 bcf of gas, as summarised in Table 3 below.

Table 3: Horizon Oil net economic interest Contingent Resources (2C) at 30 June 2017

| 2C Contingent Resources | | | |
|--|--|-------------------------|---|
| | 2C Total Liquids ¹ mmbbl | 2C Raw Gas bcf | 2C Sales Gas ^{2,3,4} PJ |
| China | | | |
| Block 22/12 WZ6-12 + WZ12-8W | 0.2 | - | - |
| Block 22/12 WZ12-8E ⁵ | 3.0 | - | - |
| sub-total | 3.2 | | |
| New Zealand | | | |
| PMP 38160 Maari + Manaia | 1.9 | - | - |
| PMP 38160 Manaia development | 5.0 | - | - |
| sub-total | 6.9 | | |
| Papua New Guinea | | | |
| PDL10 Stanley ⁶ | 3.4 | 125 | 106 |
| PRL 21 Elevala-Ketu-Tingu ⁶ | 14.6 | 351 | 330 |
| PRL 28 Ubuntu ⁶ | 0.9 | 22 | 21 |
| sub-total | 18.8 | 497 | 456 |
| Closing Balance 30 Jun 17 | 28.9 | 497 | 456 |

1. Estimated in accordance with SPE-PRMS guidelines; liquids total equals oil plus condensate where 1 bbl condensate equals 1 bbl oil

2. PDL 10 Stanley Project sales gas assumes an average fuel, flare and shrinkage of 11%; 1 GJ equals 0.957 mscf of gas

3. PRL 21 Elevala-Ketu Project sales gas assumes an average fuel, flare and shrinkage of 15%; 1 GJ equals 1.103 mscf of gas

4. PRL 28 Ubuntu Project sales gas assumes an average fuel, flare and shrinkage of 15%; 1 GJ equals 1.103 mscf of gas

5. Reduced to allow for CNOOC participation at 51%

6. Subject to reduction to allow for PNG State Nominee participation at 22.5%

Reconciliation of Contingent Resources

The key changes in Contingent Resources since 30 June 2016 are summarised in Table 4.

Table 4: Reconciliation of Horizon Oil net Contingent Resources (2C) from 30 June 2016 to 30 June 2017

| 2C Contingent Resources | | | |
|--|--|-------------------------------|--------------------------------|
| | 2C Total Liquids ¹ mmbbl | 2C Total Raw Gas bcf | 2C Total Sales Gas PJ |
| Opening Balance 30 Jun 16 (economic interest) | 24.3 | 497 | 456 |
| Production | - | - | - |
| Resources revision | 4.5 | - | - |
| Economic interest adjustment | - | - | - |
| Closing Balance 30 Jun 17 (economic interest) | 28.9 | 497 | 456 |

1. Estimated in accordance with SPE-PRMS guidelines; liquids total equals oil plus condensate where 1 bbl condensate equals 1 bbl oil

- **Papua New Guinea:** No material change in Contingent Resources (2C).
- **China:** No material change in Contingent Resources (2C).
- **New Zealand:** Net increase of 4.0 mmbbl Contingent Resources (2C) of oil and condensate, materially resulting from the Operator (OMV)'s upward revision to oil-in-place and an associated upgraded development plan for the Manaia Moki development.

Events subsequent to 30 June 2017 - Pending revision in Contingent Resources

Subject to and on PNG government approval of the acquisition of a 20% economic interest in PRL 40 and divestment of a 20% interest in PRL 28¹ an increase to net Contingent Resources (2C) will be realised, as summarised in Table 5 below.

Table 5: Pending Revision in Contingent Resources

| 2C Contingent Resources | | | | | | |
|-------------------------|----------------------------|----------------|-------------------|---------------------------|----------------|-------------------|
| | Before government approval | | | After government approval | | |
| | Working interest % | 2C Raw Gas bcf | 2C Condensate bcf | Working interest % | 2C Raw Gas bcf | 2C Condensate bcf |
| Papua New Guinea | | | | | | |
| PRL 28 Ubuntu | 50% | 22 | 0.9 | 30% | 13 | 0.5 |
| PRL 40 Puk Puk-Douglas | 0% | 0 | 0 | 20% | 114 | 0.2 |
| Total | | 22 | 0.9 | | 127 | 0.7 |

¹ See Horizon Oil's market announcement of the transaction dated 18 July 2017

Prospective Resources

At 30 June 2017, the Company's net Best Estimate Prospective Resources were 91 mmbbl of oil and condensate ('Liquids'), and 1,300 bcf of gas, as summarised in Table 6 below.

Table 6: Horizon Oil net economic interest Best Estimate Prospective Resources at 30 June 2017

| Unrisked Best Estimate Prospective Resources | | |
|--|---|---|
| | Best Estimate ¹ Liquids ² <i>mmbbl</i> | Best Estimate ¹ Raw Gas ³ <i>bcf</i> |
| China | | |
| Block 22/12 ⁴ | 53 | - |
| Papua New Guinea | | |
| PRL 21 ⁵ | 4 | 89 |
| PRL 28 ⁵ | 2 | 54 |
| PRL 40 ⁵ | - | - |
| PPL 372 ⁵ | 3 | 64 |
| PPL 373 ⁵ | 2 | 548 |
| PPL 430 ⁵ | 9 | 189 |
| PPL 574 ^{5,6} | 18 | 356 |
| Closing Balance 30 Jun 17 | 91 | 1,300 |

1. Best Estimate Prospective Resource are unrisked

2. Estimated in accordance with SPE-PRMS guidelines; liquids total equals oil plus condensate where 1 bbl condensate equals 1 bbl oil

3. Raw gas assumes no adjustments for fuel, flare and shrinkage

4. Subject to reduction to allow for CNOOC participation at 51%

5. Subject to reduction to allow for PNG State Nominee participation at 22.5%

6. PPL 574 covers substantially the same licence area as former licence PPL 259

Reconciliation of Prospective Resources

The key changes in Prospective Resources since 30 June 2016 are summarised in Table 7.

Table 7: Reconciliation of Horizon Oil net Best Estimate Prospective Resources from 30 June 2016 to 30 June 2017

| Best Estimate Prospective Resources | | |
|--|--|---------------------------------|
| | Best Total Liquids ¹ mmbbl | Best Total Raw Gas bcf |
| Opening Balance 30 Jun 16 (economic interest) | 75 | 884 |
| Resources revision | 16 | 415 |
| Economic interest adjustment | - | - |
| Closing Balance 30 Jun 17 (economic interest) | 91 | 1,300 |

1. Estimated in accordance with SPE-PRMS guidelines; liquids total equals oil plus condensate where 1 bbl condensate equals 1 bbl oil

- Papua New Guinea:** Upward revision of 16 mmbbl of condensate attributable to the inclusion 2 mmbbl condensate from PRL 28, and 14 mmbbl from increases in working interest in PRL 21 (up 0.3 mmbbl), PPL 372 (up 0.1mmbbl), PPL 430 (up 4 mmbbl) and PPL 574 (up 10 mmbbl). Similarly there is an upward revision of 415 bcf attributable to the inclusion of 54 bcf from PRL 28, and 362 bcf from increases in working interest in PRL 21 (up 10 bcf), PPL 372 (up 3 bcf), PPL 373 (up 54 bcf), PPL 430 (up 95 bcf) and PPL 574 (up 200 bcf).
- China:** No material change in Prospective Resources associated with China.
- New Zealand:** No Prospective Resources associated with New Zealand at this time.

The estimated quantities of petroleum that may be potentially recovered by application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Permits, licences and interests held:

| PERMIT OR LICENCE | Principal assets | Interest (%) 30 June 2017 | Interest (%) 30 June 2016 |
|--|--|-------------------------------|------------------------------|
| NEW ZEALAND PMP 38160 (Maari/Manaia) | Maari and Manaia fields | 10.00% | 10.00% |
| PEP 51313 (Matariki) | Matariki, Whio (formerly Pike), Pukeko prospects | - ¹ | 21.00% |
| CHINA Block 22/12 | WZ 6-12, WZ 6-12 South and WZ 12-8 West fields | 26.95% ² | 26.95% ² |
| | WZ 12-8 East field | 55.00% ² | 55.00% ² |
| PNG PDL 10 | Stanley field | 30.00% ³ | 30.00% ³ |
| PRL 21 | Eleva/Tingu and Ketu fields | 30.15% ^{3,4} | 27.00% ³ |
| PRL 28 | Ubuntu field | 50.00% ^{3,5} | - |
| PPL 259/574 ⁶ | | 80.00% ^{3,7} | 35.00% ³ |
| PPL 430 | | 100.00% ^{3,7} | 50.00% ³ |
| PPL 372 | | 95.00% ^{3,8} | 90.00% ^{3,8} |
| PPL 373 | | 100.00% ^{3,8} | 90.00% ^{3,8} |
| PRL 40 | Puk Puk, Douglas, Weimang and Langia fields | - ⁵ | - |

- 1 During the financial year ended 30 June 2017 the Group and its joint venture partners withdrew from the PEP 51313 permit in New Zealand. The joint venture was subsequently wound up.
- 2 China National Offshore Oil Corporation ('CNOOC') is entitled to participate at up to a 51% equity level in any commercial development within Block 22/12. During 2011 CNOOC exercised its right to participate in the development of WZ 6-12 and WZ 12-8W within Block 22/12 at 51%.
- 3 PNG government may appoint a state nominee to acquire up to a 22.5% participating interest in any commercial development within the PNG licence areas.
- 4 During the financial year ended 30 June 2017 the Group acquired an additional 3.15% interest in PRL 21 (Eleva/Tingu and Ketu fields) as a result of joint venture partner Diamond Gas Niguni B.V. (a wholly-owned subsidiary of Mitsubishi Corporation) relinquishing its interest in the permit.
- 5 During the financial year ended 30 June 2017 the Group acquired a 50% interest in the PRL 28 (Ubuntu condensate and gas field) through the 100% acquisition of Eaglewood Energy (BVI) Limited. Subsequent to year end, the Group will exchange a 20% interest in PRL 28 for a 20% interest in PRL 40 (Puk Puk and Douglas 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.
- 6 During the financial year ended 30 June 2017 a new licence, PPL 574, was awarded over substantially the old licence area of former licence PPL 259 with a term of up to six years.
- 7 During the financial year ended 30 June 2017 the Group increased its net working interest shares of PPL 574 and PPL 430 by 45% and 50% respectively through the 100% acquisition of Eaglewood Energy (BVI) Limited.
- 8 On 22 January 2016, the Group entered into a farm-out agreement whereby 95% undivided participating interest in PPL 372 and 100% undivided participating interest in PPL 373 would be transferred to Ketu Petroleum Limited. At 30 June 2016 the Group was still awaiting PNG government approval for the proposed transaction. The necessary approvals were received during the financial year ended 30 June 2017.

Notes

Capitalised terms used in this statement in connection with the petroleum resources estimates have the meaning given to those terms in the Petroleum Resources Management System.

Some totals in the tables may not add due to rounding.

Depending on the asset, either deterministic or probabilistic methods have been used to calculate the petroleum resources estimates in this statement. The petroleum resources have been aggregated by arithmetic summation by category.

Estimates of petroleum resources are reported net of lease fuel. The reference point used for the purposes of measuring and assessing the estimated reserves is the sales point (at the plant gate).

The petroleum resources estimates in this statement were compiled by Alan Fernie (General Manager – Exploration and Development). Mr Fernie (B.Sc) is a full time employee of Horizon Oil. He is a member of the American Association of Petroleum Geologists and has more than 40 year's relevant experience within the industry. Alan Fernie is qualified in accordance with the requirements of ASX Listing Rule 5.42 and consents to the use of the petroleum resources figures in the form and context in which they appear in this statement.