RIU Good Oil Conference 2019

12 September 2019

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Horizon Oil

Horizon Oil Limited
ABN 51 009 799 455

Compliance Statements

Disclaimer

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- In this presentation, references are made to EBITDAX, Underlying Profit and Free Cashflow, which are financial measures which are not prescribed by Australian Accounting Standards
  - 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, unrealised movements and gains associated with convertible bonds and non-cash impairments
  - Free Cash Flow represents Cashflow from Operating Activities less Investing cashflows (net of acquisition payments).
- All references to dollars in the presentation are United States dollars unless otherwise noted.

Reserves disclosure

- 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.
- For the purposes of this presentation, 6 bcf of raw gas equals 1 mmboe.
- The estimates of petroleum reserves and resources contained in this presentation are based on, and fairly represent, information and supporting documentation prepared by staff and independent consultants under the supervision of Mr Andrew McArdle, Chief Operating Officer of Horizon Oil Limited. Mr McArdle is a full-time employee of Horizon Oil Limited and is a member of the Society of Petroleum Engineers. Mr McArdle's qualifications include a Master of Engineering from the University of Western Australia, Australia and more than 15 years of relevant experience. Mr McArdle consents to the use of the petroleum reserves and resources estimates in the form and context in which it appears.
- This presentation should be read in conjunction with the 2019 Reserves and Resources Statement and the Annual Financial Report for the year ended 30 June 2019.

Corporate Overview

Overview of portfolio

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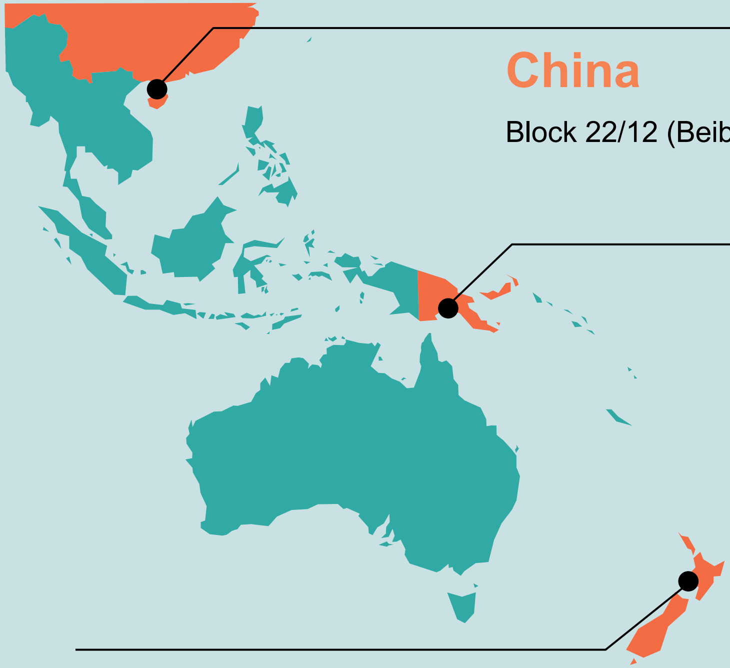

China

Block 22/12 (Beibu Gulf) 26.95%/55%

Papua New Guinea

PDL 10 (Stanley)	30%
PRL 21 (Elevala/Ketu)	30.15%
PRL 28 (Ubuntu)	30%
PRL 40 (Puk Puk/Douglas)	20%
PPL 372	95%
PPL 373	100%
PPL 574	80%

New Zealand

PMP 38160 (Maari/Manaia) 26%

- Asia Pacific focus
- Material joint venture interests
- High margin, long life oil production assets in China and New Zealand generating strong cashflow
- Significant holding in material condensate rich gas resources and adjacent exploration acreage in PNG
- PNG regional development and corporate activity provide prospects for market rerating of resource base

FY19 Full Year Highlights

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RECORD SALES VOLUME

1.87 mmbbls

▲ 13%

RECORD SALES REVENUE

US$122 million

▲ 22%

RECORD EBITDAX

US$93 million

▲ 36%

NET DEBT REDUCED

US$28 million

▼ 68%

UNDERLYING PROFIT BEFORE TAX

US$37 million

▲ 97%

2P RESERVES INCREASE

~95% reserves replacement

▲ 1.8 mmbl

Corporate snapshot

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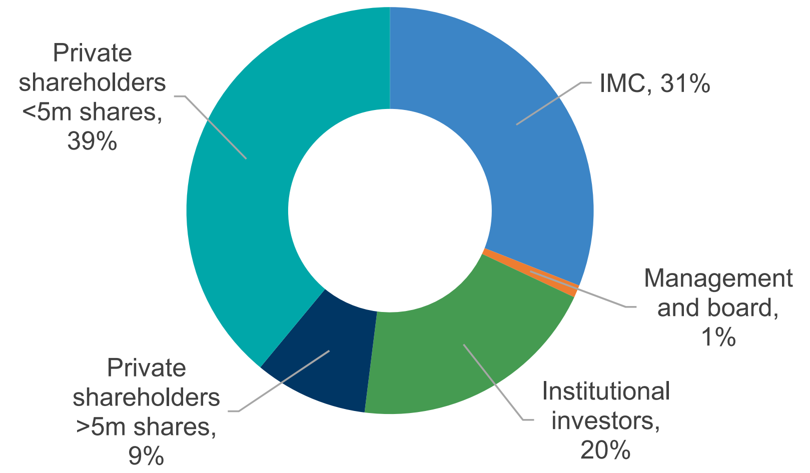
Key data	
2P Reserves[1]	8.8 mmbl
2C Resources[1]	126.7 mmboe (26.9 mmbo and 599 bcf)
Market Capitalisation	A$175 million
FY 2019 Sales	1.87 mmbl
FY 2019 Revenue	US$122 million
FY 2019 EBITDAX	US$93 million
Net Debt (30 June 2019)	US$28 million
Shares on Issue	1,302 million
IMC Options	300 million
Share Appreciation Rights	136.7 million
Employee Options	1.0 million



BOARD

Mike Harding
Chairman

Michael Sheridan
Chief Executive Officer

Gerrit de Nys
Director

Sandra Birkensleigh
Director

Greg Bittar
Director

Chris Hodge
Director

1 As at 30 June 2019

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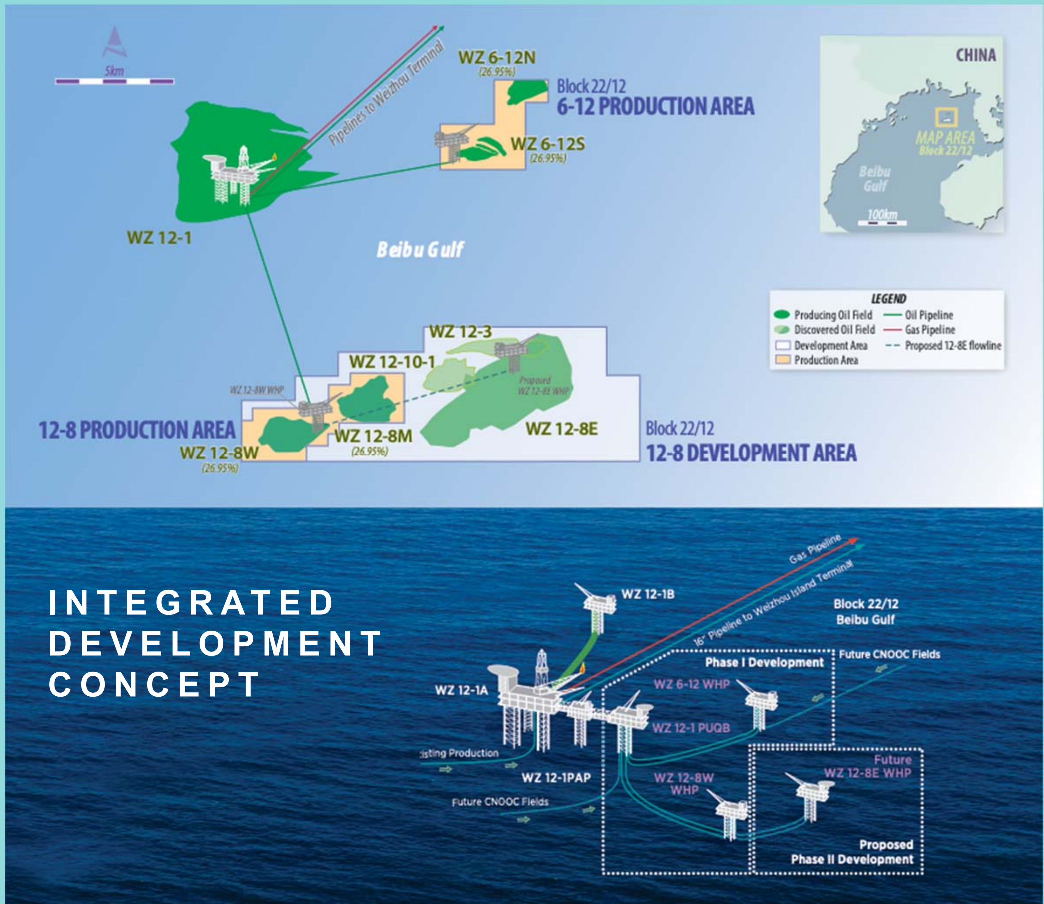
Portfolio summary

Block 22/12 China



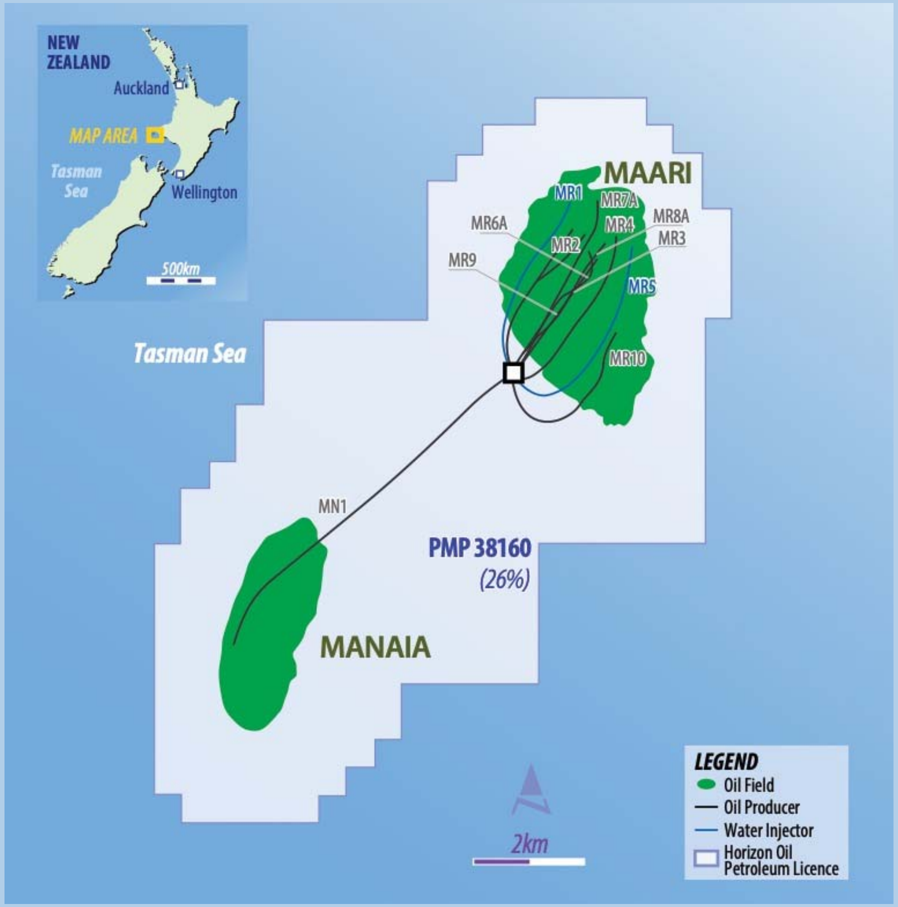
DURING FY19

- 10% increase in oil sales to 1.3 mmbl with underlying production increasing 16%
- Two infill wells drilled in WZ 12-8W and WZ 12-8M fields brought onto production in August 2018 with initial flow rates of 3,500 bopd (gross)
- Beibu Gulf operating costs remained below US$10/bbl

OUTLOOK

- Production enhancing well workover program and near field appraisal of a reservoir adjacent to WZ 6-12S field planned for 1H FY20
- Progress WZ 12-8E development planning; CNOOC targeting first production in early 2021
- Future infill well drilling program being matured for CY2020

Maari/Manaia Fields - New Zealand



DURING FY19

- 33% production increase during the year to 0.6 mmbl driven by full year benefit of 2018 acquisition of additional 16% of project, production optimisation activities and increasing benefit of water injection program
- Well intervention activities and conversion of the MR5 production well to a water injector enhanced production
- Cost savings implemented and production improvements resulted in lowered production costs to ~US$25/bbl
- Resolution of insurance claims associated with 2016/17 repairs to Maari infrastructure resulting in recovery of ~US$5m

OUTLOOK

- Further production enhancing well interventions including upgrades to MR6a well equipment and workover of MR3 well
- Production optimisation following installation of multiphase well metering and continued focus on water injection

Papua New Guinea portfolio

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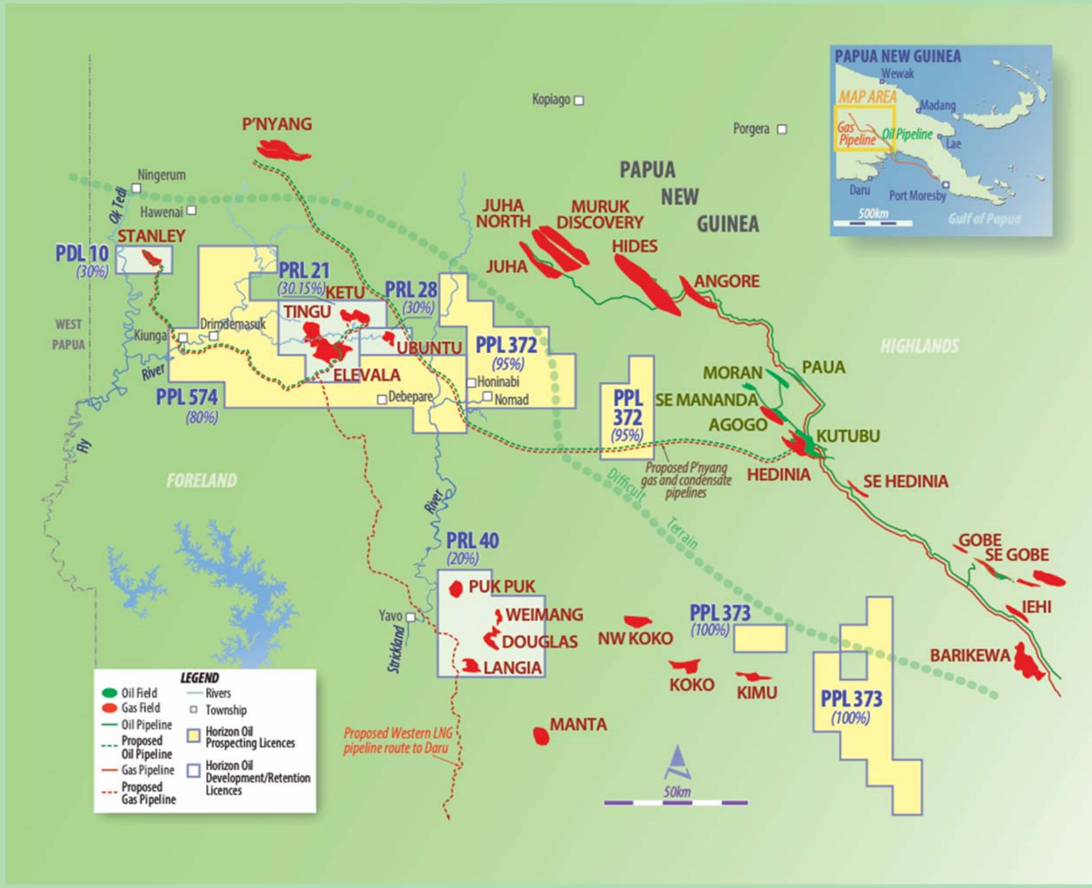

DURING FY19

- Material (~30%) interests held in four licences in Western Province which hold gas/condensate fields with gross aggregate audited resources of 64 mmbbls of condensate and ~2,200 PJ of sales gas
- Majority of resources are adjacent to ExxonMobil's planned PNG LNG gas and condensate pipelines from P'nyang to Kutubu

OUTLOOK

- Anticipated reset of joint ventures on expected sale by Repsol of its PNG assets
- Progression of development planning on resolution of licence matters and joint venture composition
- Positive investment momentum as Papua LNG gas agreement endorsed and PNG LNG P’nyang gas agreement progressing, each with government requirement for third party access; ExxonMobil has confirmed third party access points each 50 km along P’nyang gas and condensate pipeline route

Reserves & Contingent Resources

AT 30 JUNE 2019

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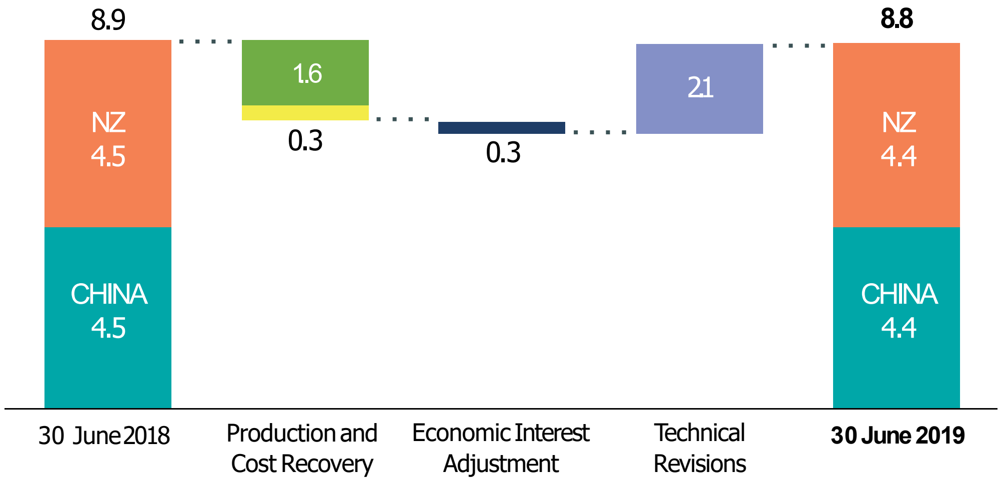
2P RESERVES RECONCILIATION



Horizon Oil Share (mmboe)	FY19	FY18	Change
1P Reserves	4.9	4.8	+2%
2P Reserves	**8.8**	**8.9**	-1%
2C Contingent Resources	126.7	109.8	+15%

*Some totals in the above charts and tables may not add due to rounding.

- Record sales of 1.87 mmbo and strong year of underlying production of 1.6 mmbl
- Net 2P reserves additions of 1.8 mmbl (after economic interest adjustment for accelerated cost recovery oil) materially replacing 2019 sales
- Increase to 2P reserves of 2.1 mmbl owing to revised technical assessments resulting from:
  - in Beibu Gulf, strong and sustained production performance exceeding forecasts and expected higher medium term production from planned increases to water handling capacity;
  - at Maari/Manaia, observed benefit of continuous and increased water injection, production optimisation and improved data gathering capacity
- Increase in contingent resources on completion of the PRL 40/PRL 28 (PNG) partial asset swap and infill well opportunities in New Zealand

Financial summary

Financial Highlights

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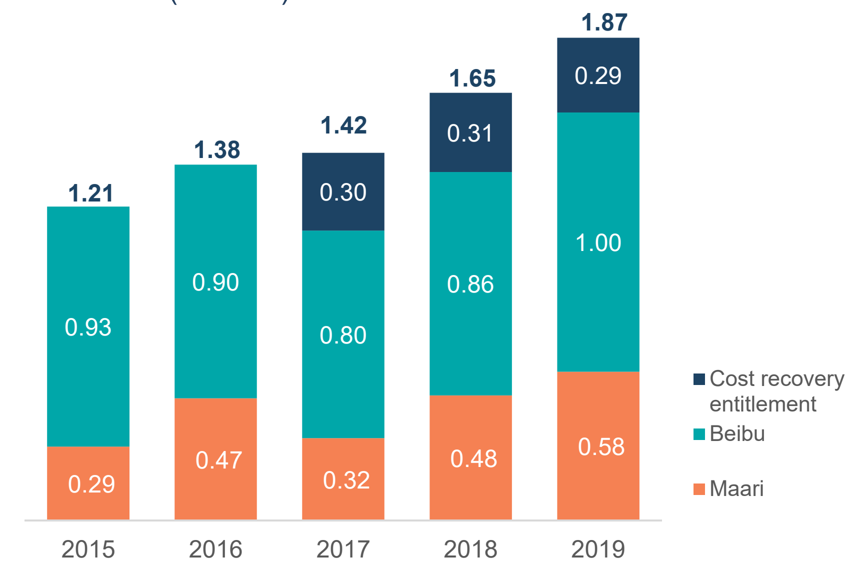

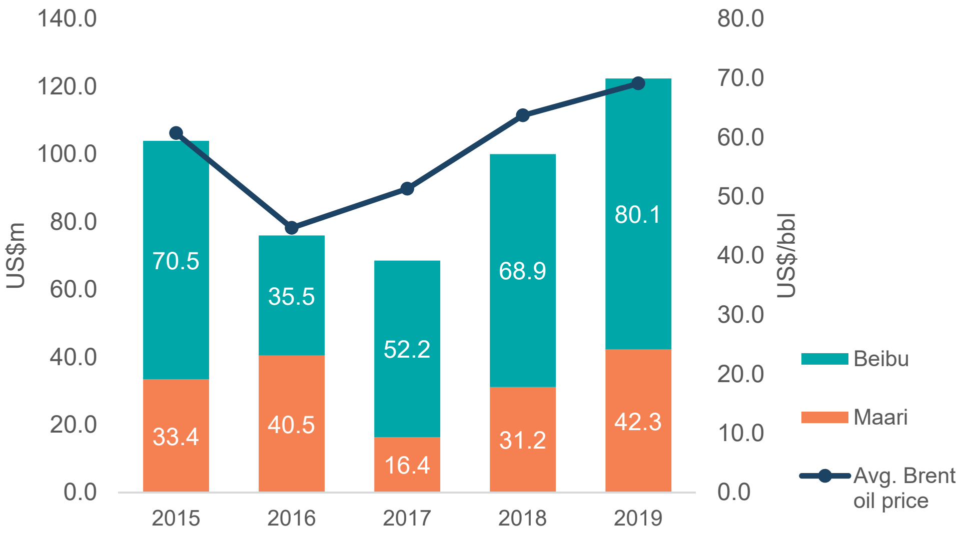

[1] Net of hedge settlements.

- Consistent growth in sales volumes for 5 consecutive years
- Material increase in sales revenue driven by record oil sales volumes
- Greater production and revenue diversification following acquisition of additional Maari interest in 2018

Financial Highlights

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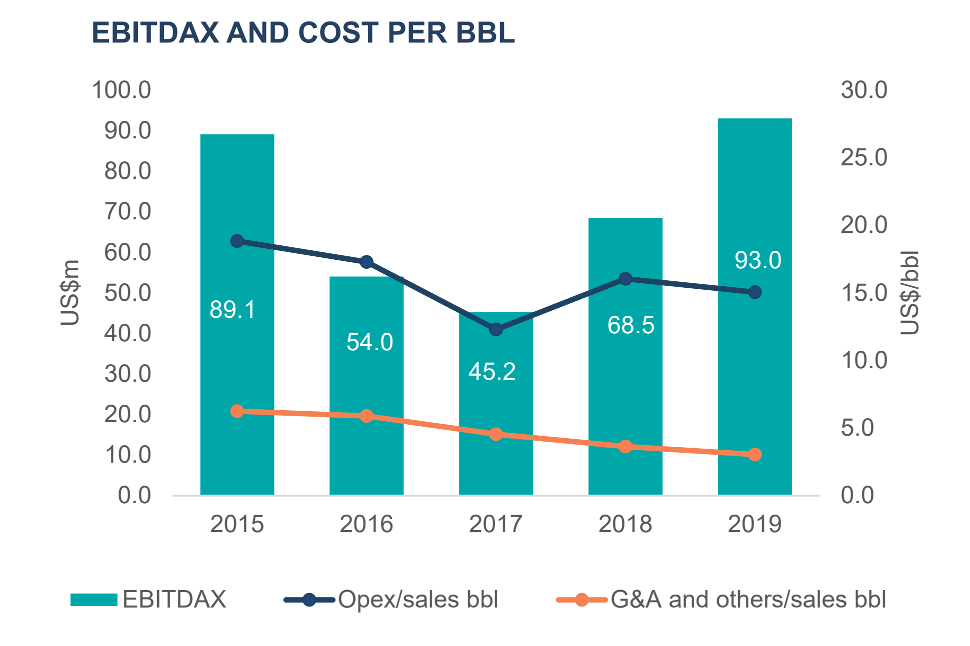

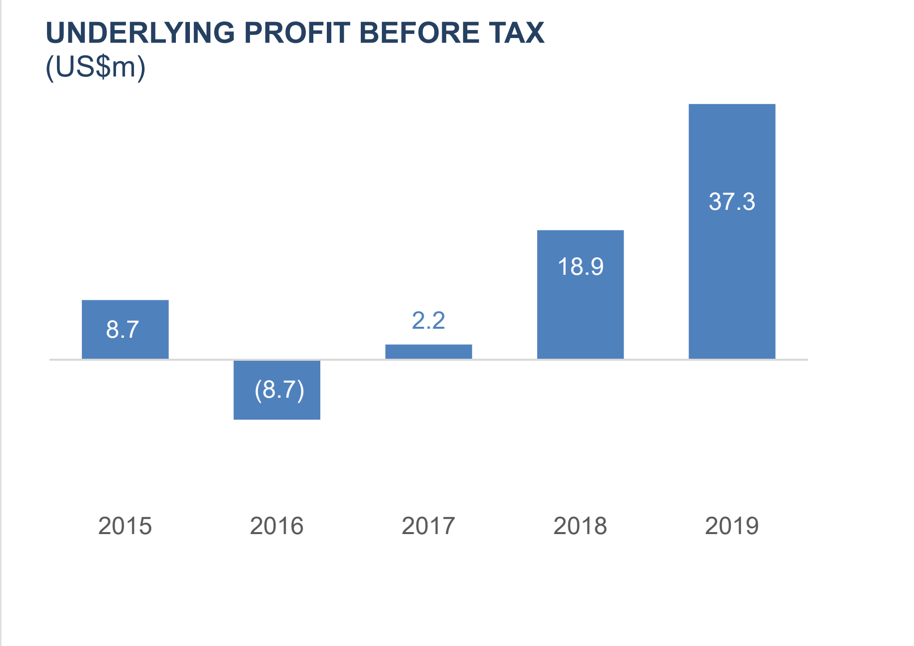

- Maintenance of low operating costs driving record EBITDAX
- Maintenance of low general & administrative expenditure
- Record underlying profit resulting from sales growth with continued cost discipline

Financial Highlights

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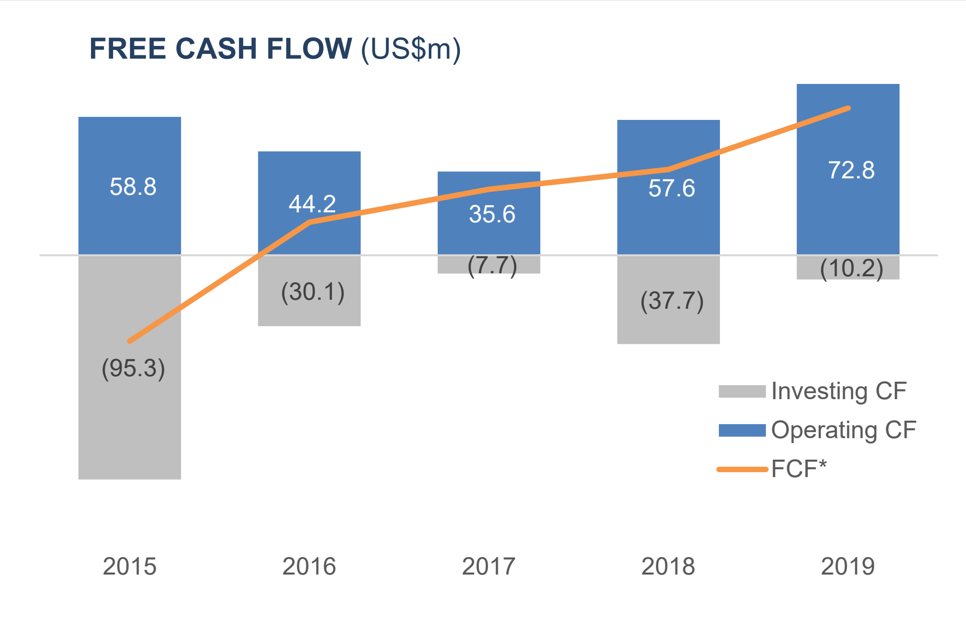

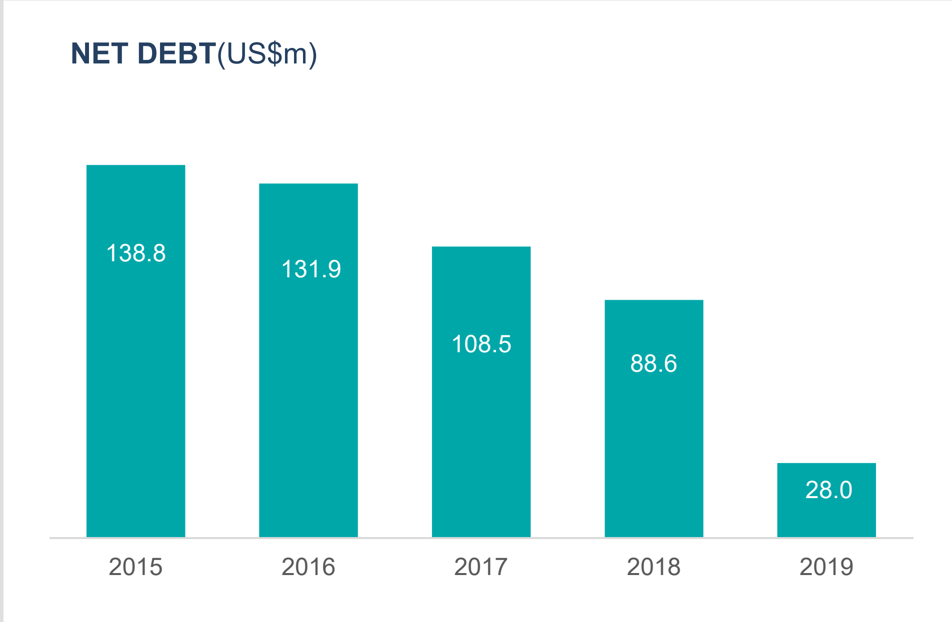

- Sustained growth in free cash flow with disciplined investment in exploration and development activities
- Accelerated debt reduction following refinancing which consolidated debt, simplifying capital structure and lowered funding costs
- Accelerated debt reduction with 68% reduction in net debt in FY19
- On track to Net Cash position by mid calendar year 2020

* Free Cash Flow represents cash flows from operating activities less investing cash flows (net of acquisition payments).

Outlook – Strong production growth and cashflow providing pathway to further growth

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Optimise Production Assets

- Pursue and promote production enhancement opportunities at Maari/Manaia and Beibu fields
- Maintenance of low operating costs with disciplined and focused in-field/near field exploration/appraisal program

Strengthening Balance Sheet

- Continued strong cashflow generation enabling progressive debt reduction
- Forecast net cash position in mid-2020

Commercialise PNG Asset Base

- Pursue commercialisation pathway for PNG growth opportunities

Grow Production Base

- Increasing capacity to pursue potential growth opportunities to complement existing oil production assets

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FY19 Financial Results

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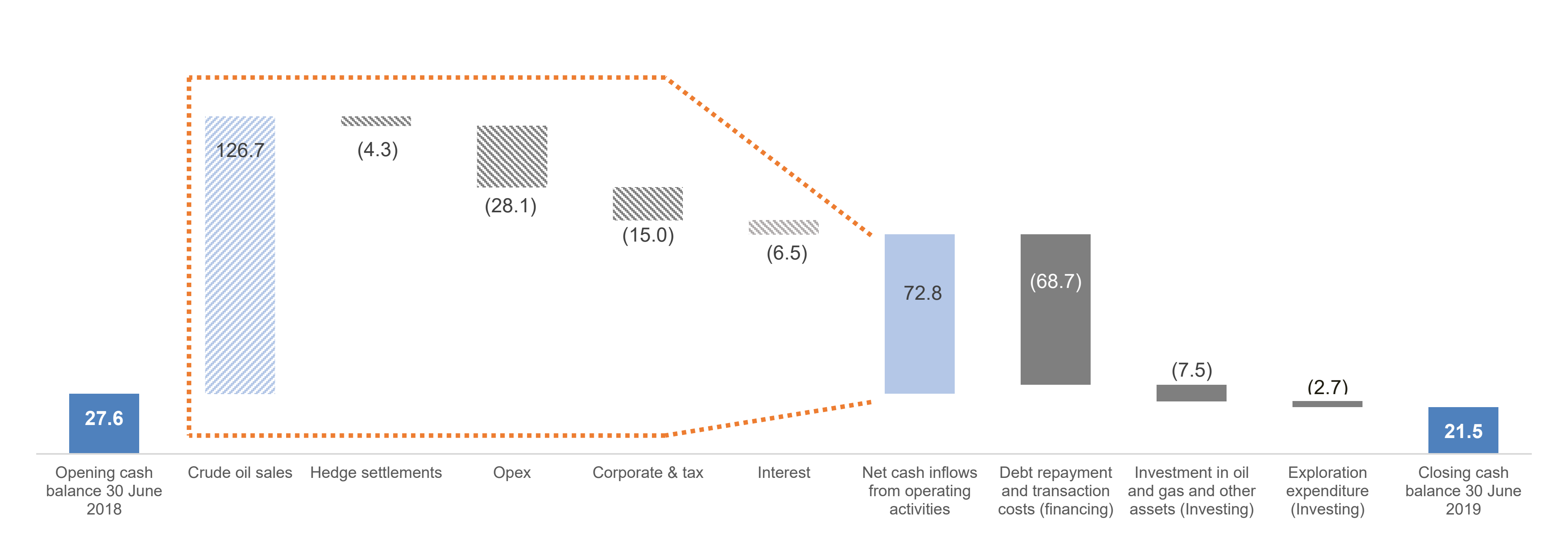
(US$ million)	FY19	FY18	Change (%)
Production volume, mmbbl	1.60	1.32	▲ 22%
Sales volume, mmbbl	1.87	1.65	▲ 13%
Revenue	**122.4**	**100.0**	▲ **22%**
EBITDAX	**93.0**	**68.5**	▲ **36%**
Underlying profit before tax	**37.3**	**18.9**	▲ **97%**
Add/(less) Financing costs - unrealised movement in value of options	11.2	(20.5)	▲ n.m.
Statutory profit/(loss) before tax	**48.4**	**(1.6)**	▲ **3,163%**
Cash on hand	21.5	27.6	▼ (22%)
Cashflow from operating activities	72.8	57.6	▲ 26%
Net debt	**28.0**	**88.6**	▼ **(68%)**

- ⊕ Material increase in sales and production volumes
- ⊕ Robust and material increases in revenue, EBITDAX, profit and cashflow generation
- ⊕ Underlying profit before tax of US$37.3 million, adjusted for unrealised non-cash financing cost
- ⊕ Net debt reduced by 68% to US$28 million

Key Cashflow Drivers

US$ million



- Strong net cashflow generation used to materially reduce debt
- Disciplined investment in exploration and development activities to drive growth
- Maintenance of low general & administrative expenditure

Underlying Profit Drivers

- Increase in underlying profit driven by record oil sales volumes and higher realised oil price
- Cost discipline maintained with low general & admin expenditure and modest exploration/development expenditure
- Financing costs reduced following refinancing and repayment of debt