



1 August 2016

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

### HORIZON OIL (HZN) RESERVES AND RESOURCES UPDATE

Horizon Oil recently engaged an independent expert to provide a report for the Notice of Meeting and Explanatory Statement to be sent to shareholders in connection with the Refinancing Arrangements announced on 27 June 2016. The independent expert engaged an independent technical specialist to provide a report which included a review of Horizon Oil's petroleum reserves and resources. The attached reserves and resources update is based upon the results of the independent technical specialist's report after application of Horizon Oil's economic assumptions. A copy of the independent technical specialist's report together with the independent expert's report has been provided to shareholders with the Notice of Meeting and Explanatory Statement.

The following table summarises the reserves and resources update.

2P + 2C Reserves and Contingent Resources as at 30 June 2016				
	Oil (mmbbl)	Condensate (mmbbl)	Gas (bcf)	Total (mmboe)
Maari	5.3	-	-	5.3
China	9.6	-	-	9.6
PNG	-	18.4	497	101.2
<b>Total at 30 June 2016</b>	<b>14.9</b>	<b>18.4</b>	<b>497</b>	<b>116.1</b>

  

2P + 2C Reserves and Contingent Resources as at 30 June 2015				
	Oil (mmbbl)	Condensate (mmbbl)	Gas (bcf)	Total (mmboe)
Maari	5.9	-	-	5.9
China	10.2	-	-	10.2
PNG	-	18.7	400	85.4
<b>Total at 30 June 2015</b>	<b>16.1</b>	<b>18.7</b>	<b>400</b>	<b>101.5</b>

  

Interim production Financial Year 2016				
	Oil (mmbbl)	Condensate (mmbbl)	Gas (bcf)	Total (mmboe)
Maari	0.5	-	-	0.5
China	0.9	-	-	0.9
PNG	-	-	-	-
<b>Total FY 2016</b>	<b>1.4</b>	<b>-</b>	<b>-</b>	<b>1.4</b>

The reserves and resources update will be incorporated in the assessment of the carrying value of Horizon Oil's assets at financial year end. At this stage, and subject to finalisation of our full year results, Horizon Oil anticipates a non-cash reduction in the carrying value of its Maari producing asset in New Zealand as at 30 June 2016.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Michael Sheridan', written in a cursive style.

**Michael Sheridan**  
Chief Financial Officer / Company Secretary

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# 2016 Reserves and Resources Update

1 August 2016

## Highlights:

- At 30 June 2016, Horizon Oil's total proved plus probable reserves (2P) and contingent resources (2C) for oil and condensate were 33.3 mmbbl (2P: 9.0 mmbbl, 2C: 24.3 mmbbl). This represents an increase of 0.2 mmbbl to remaining reserves and resources since 30 June 2015, after net production of 1.4 mmbbl. This was primarily attributable to an increase in China due to cost recovery benefit under the Petroleum Contract, the impact of ongoing production optimisation efforts and the addition of reserves and initiation of production from the WZ 12-10-2 field in Q4 2015, offset by a change to the economic cut-off criteria applied at Maari/Manaia, reflective of lower oil prices.
- The Company's 2C contingent gas resources were 497 bcf, representing a 97 bcf increase to the June 2015 position as a result of modifications to the proposed field development concepts in PDL 10 and PRL 21.
- In China improved reservoir performance from ongoing production optimisation, and the addition of production from the WZ 12-8W-A6H well drilled in late 2015 increased 2P net reserves by 1.4 mmbbl.
- In New Zealand, a delay to the reinstatement of water injection in the Maari field, and a lower than expected benefit to field performance of the well intervention program also contributed to decreased 2P net reserves of 1.7 mmbbl.

## Oil and gas reserves

At 30 June 2016, the Company's proved plus probable petroleum reserves (2P) were 9.0 mmbbl of oil, distributed as shown in Table 1.

**Table 1: Horizon Oil net economic interest Proved plus Probable petroleum Reserves at 30 June 2016**

	2P Developed Oil (mmbbl)	2P Developed Condensate (mmbbl)	2P Developed Gas (bcf)	2P Liquids Total <sup>1</sup> (mmbbl)	2P Gas Total (bcf)
<b>New Zealand</b>					
PMP 38160 Maari/Manaia <sup>2</sup>	2.4	-	-	2.4	-
<b>China</b>					
Block 22/12 WZ6-12 + WZ12-8W <sup>3</sup>	6.6	-	-	6.6	-
<b>Papua New Guinea</b>					
PDL10 Stanley <sup>4</sup>	-	-	-	-	-
<b>Closing Balance 30 Jun 16 (Economic Interest)</b>	<b>9.0</b>	<b>-</b>	<b>-</b>	<b>9.0</b>	<b>-</b>

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 31.5 mmbbl gross through 30 June 2016

3. Net of production of 12.3 mmbbl gross through 30 June 2016

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

All of the reserves at Maari/Manaia and in China Block 22/12 are classified as developed. In China the 2015 undeveloped reserves of 0.3 mmbbl were reclassified as developed and increased to 0.9 mmbbl as a result of the WZ 12-8W-A6H well drilled in late 2015. In PNG, the 3.2 mmbbl of 2P undeveloped reserves at Stanley has been reclassified as 2C contingent resources with respect to June 2015 due to changes to the proposed field development plan for the Stanley field which is now envisaged to be a gas sales development as opposed to a condensate stripping project.

## Reconciliation of Reserves

The key changes in the Company's proved plus probable petroleum reserves (2P) since 30 June 2015 are summarised in Table 2 below:

**Table 2: Reconciliation of Proved plus Probable petroleum Reserves at 30 June 2016 to 30 June 2015**

	2P Developed and Undeveloped Reserves			2P Liquids Total <sup>1</sup> (mmbbl)	2P Gas Total (bcf)
	Oil (mmbbl)	Condensate (mmbbl)	Gas (bcf)		
<b>Opening Balance 30 Jun 15 (Economic Interest)</b>	10.7	3.2	-	13.9	-
Production (W1%)	(1.4)	-	-	(1.4)	-
Reserves revision	(0.3)	(3.2)	-	(3.5)	-
Economic interest adjustment	-	-	-	-	-
<b>Closing Balance 30 Jun 16 (Economic Interest)</b>	9.0	-	-	9.0	-

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

- **Production:** Reserves at 30 June 2016 reflect net production in the year to 30 June 2016 of 1.4 mmbbl (0.5 mmbbl in Maari/Manaia and 0.9 mmbbl in Block 22/12, China).
- **China:** Increased 2P economic reserves in Block 22/12 of 1.4 mmbbl net of production. This increase recognizes the effect of cost recovery benefit under the Petroleum Contract, and results from ongoing production optimisation efforts and the initiation of production from the WZ 12-10-2 field in Q4 2015. The remaining discovered resources are the subject of ongoing development planning and are held as 2C resources.
- **New Zealand:** Downward 2P reserves revision of 1.7 mmbbl at Maari/Manaia resulting from a delay to the reinstatement of water injection in the Maari Field, a lower than expected benefit to field performance of the well intervention programme and a change to the economic cut-off criteria applied to Maari/Manaia, reflective of lower oil prices.
- **Papua New Guinea:** Downward 2P reserves revision of 3.2 mmbbl of condensate at PDL 10 due to a change to the proposed field development plan for the Stanley field, which resulted in a reclassification of undeveloped reserves to contingent resources. Minor other adjustments result in a net increase in 2C resources of 2.9 mmbbl of condensate.

## Contingent Resources

At 30 June 2016, the Company's net 2C Contingent Resources were 24.3 mmbbl of oil and condensate (Liquids), and 497 bcf of gas, as summarised in Table 3 below.

**Table 3: Horizon Oil net economic interest Proved plus Probable Contingent Resources at 30 June 2016**

	2C Oil (mmbbl)	2C Condensate (mmbbl)	2C Raw Gas (bcf)	2C Sales Gas <sup>1,2</sup> (PJ)	2C Liquids Total <sup>3</sup> (mmbbl)	2C Raw Gas Total (bcf)
<b>New Zealand</b>						
PMP 38160 Maari/Manaia	2.9	-	-	-	2.9	-
<b>China</b>						
Block 22/12 WZ6-12 + WZ12-8W	0.2	-	-	-	0.2	-
Block 22/12 WZ12-8E <sup>4</sup>	2.8	-	-	-	2.8	-
<b>Papua New Guinea</b>						
PDL 10 Stanley <sup>5</sup>	-	3.4	125	106	3.4	125
PRL 21 Elevala + Ketu <sup>5</sup>	-	15.0	372	350	15.0	372
<b>Closing Balance 30 Jun 16 (Economic Interest)</b>	<b>5.9</b>	<b>18.4</b>	<b>497</b>	<b>456</b>	<b>24.3</b>	<b>497</b>

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

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

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

4. Reduced to allow for CNOOC participation at 51%

5. 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 2015 are as per Table 4.

**Table 4: Reconciliation of Proved plus Probable Contingent Resources at 30 June 2016 to 30 June 2015**

	2C Contingent Resources					
	2C Oil (mmbbl)	2C Condensate (mmbbl)	2C Raw Gas (bcf)	2C Liquids Total <sup>1</sup> (mmbbl)	2C Raw Gas Total (bcf)	
	<b>Opening Balance 30 Jun 15 (Economic Interest)</b>	5.5	15.5	400	21.0	400
Resource revisions (W1%)	0.4	2.9	97	3.3	97	
Economic interest adjustment	-	-	-	-	-	
<b>Closing Balance 30 Jun 16 (Economic Interest)</b>	<b>5.9</b>	<b>18.4</b>	<b>497</b>	<b>24.3</b>	<b>497</b>	

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

- Papua New Guinea:** Upward revision of 92 bcf gas in PRL 21 due to an extension of production duration in the development concept (from 20 years to 30 years), and in PDL 10, reclassification of 3.0 mmbbl of condensate to 2C contingent and an increase 5 bcf gas, largely due to a change to the proposed field development concept for the Stanley field.
- China:** Downward revision of 1.1 mmbbl of oil resulting from a reclassification of contingent resources to developed reserves due to the successful WZ 12-8W-A6H well drilled in late 2015.
- New Zealand:** Upward revision in Maari/Manaia contingent resources of 1.5 mmbbl, largely due to reclassification of 2P reserves to 2C contingent resources following a change to the economic cut-off criteria applied to Maari/Manaia as a result of the prevailing low oil price environment.

*The reserves and contingent resources estimates used in this section are supported by Alan Fernie (General Manager – Exploration and Development and full time employee of Horizon Oil).*

*Depending on the asset, either deterministic or probabilistic methods have been used to compile reserve and contingent resource estimates. Company reserves and contingent resource estimates have been aggregated by arithmetic summation.*

*Estimates of reserves and 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 reserve and resource estimates used in this report were compiled by Alan Fernie (General Manager – Exploration and Development). Mr Fernie (B.Sc), who is a member of the American Association of Petroleum Geologists, has more than 35 years relevant experience within the industry. The reserve and resource estimates are consistent with the definitions of proved plus probable hydrocarbon reserves and resources that appear in the ASX Listing Rules.*

*Alan Fernie is qualified in accordance with the requirements of ASX Listing Rule 5.42 and consents to the use of the reserves and resources figures in the form and context in which they appear in this report.*