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28 February 2017

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

**HORIZON OIL (HZN)
PNG PETROLEUM AND ENERGY SUMMIT PRESENTATION**

Please find attached the presentation which will be presented by Brent Emmett, Chief Executive Officer at the PNG Petroleum and Energy Summit today.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "B. Emmett". The signature is fluid and cursive, with a period at the end.

Brent Emmett
Chief Executive Officer

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PNG Petroleum & Energy Summit - 28 Feb 2017
Session 2 - PNG Projects Status Update:
Accelerating PNG's LNG Plans to Promote Growth

Developing Western Province Gas

Brent Emmett CEO
Horizon Oil Limited

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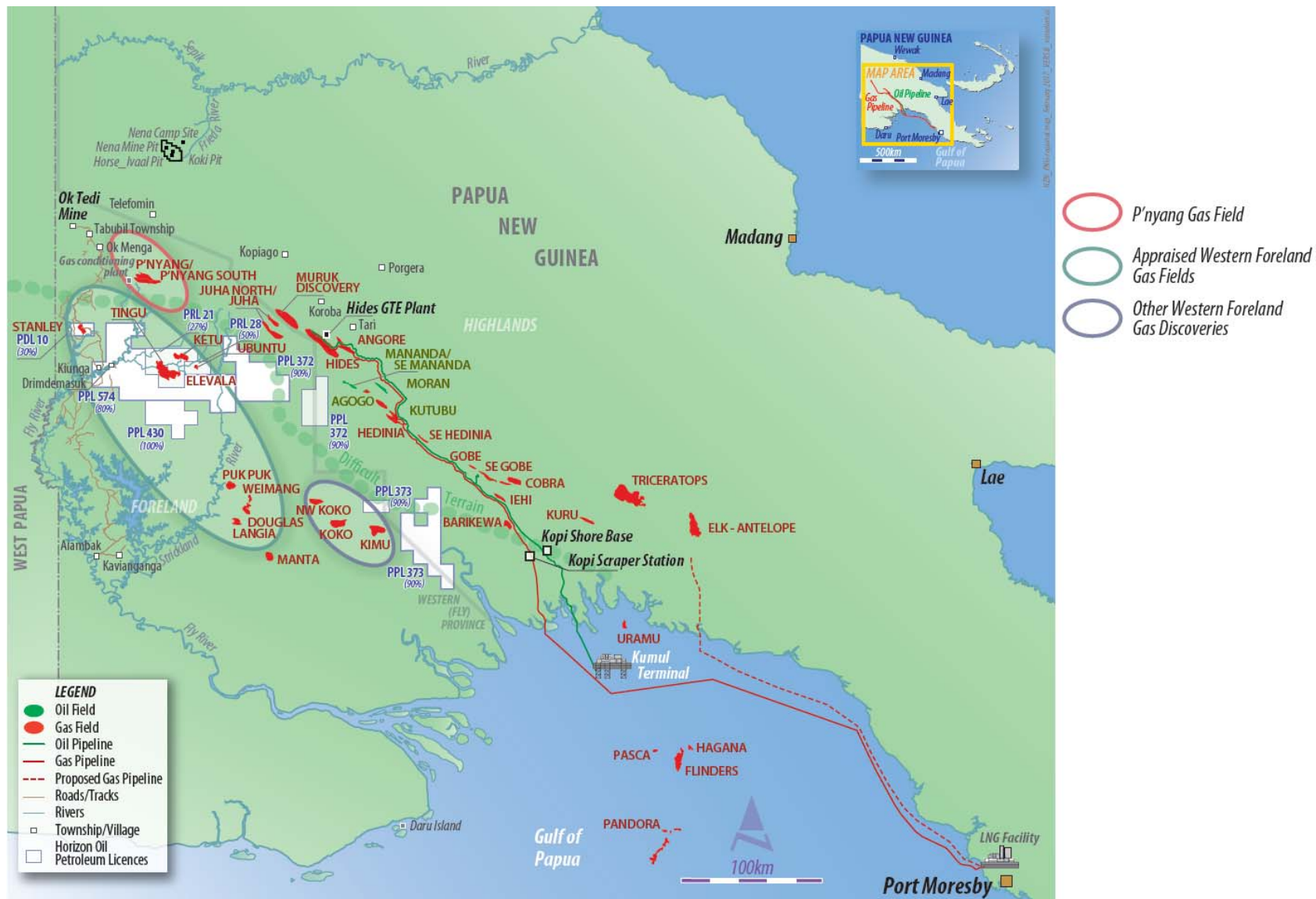
The reserve and resource information contained in this announcement is based on information compiled by Alan Fernie (Manager – Exploration and Development). Mr Fernie (G.Sc), who is a member of AAPG, has more than 38 years relevant experience within the industry and consents to the information in the form and context in which it appears.

All dollars in the presentation are United States dollars unless otherwise noted.

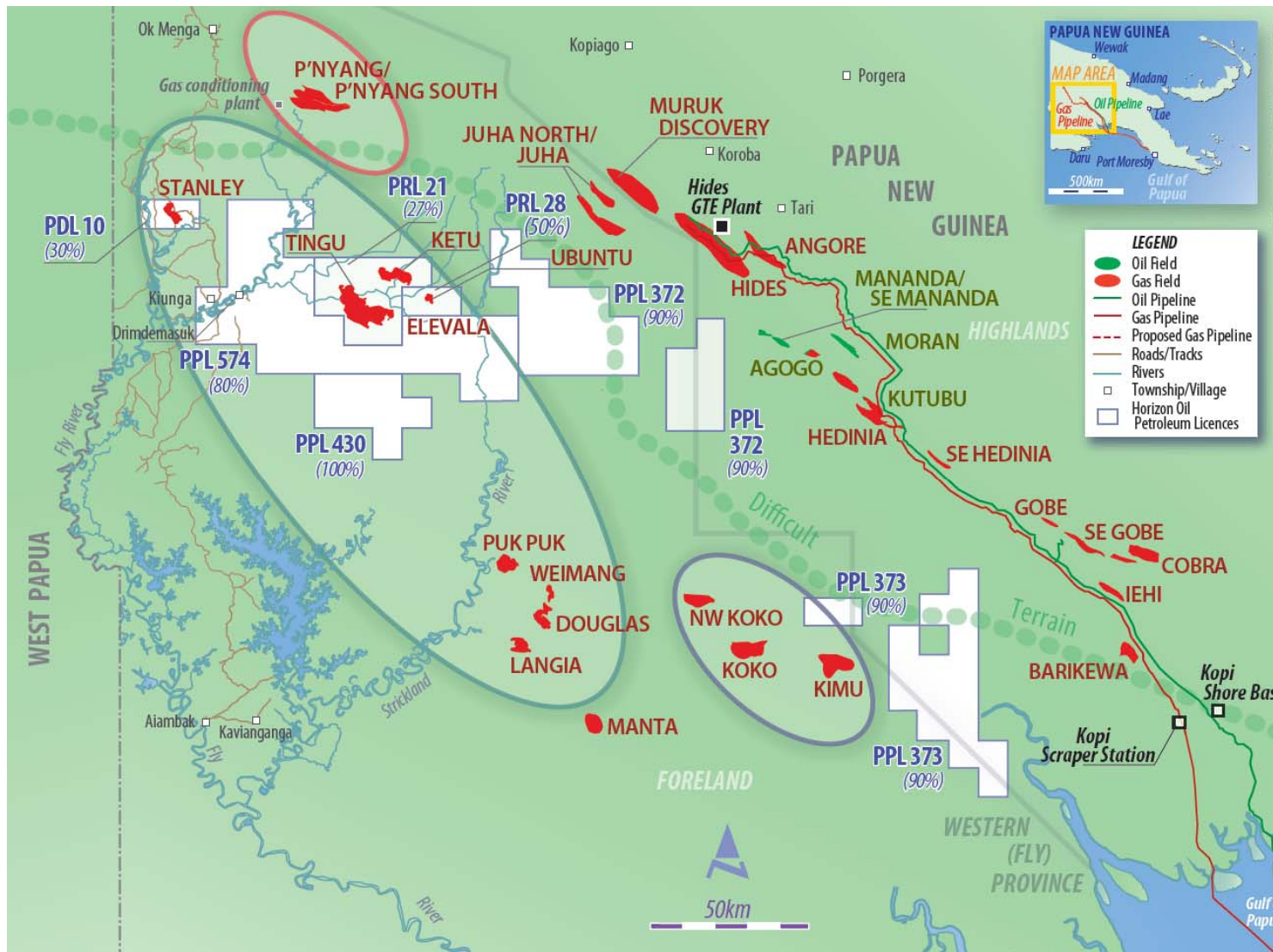
Presentation outline

- Western Province hydrocarbon accumulations – where are they located?
- Who are the players?
- Gas commercialisation opportunities
- Development alternatives
 - Western LNG (WLNG)
 - Western Pipeline
- The size of the prize
- Key success factors

Location of Western Province gas accumulations – regional view



Location of Western Province gas accumulations – provincial view



- P'nyang Gas Field
- Appraised Western Foreland Gas Fields
- Other Western Foreland Gas Discoveries

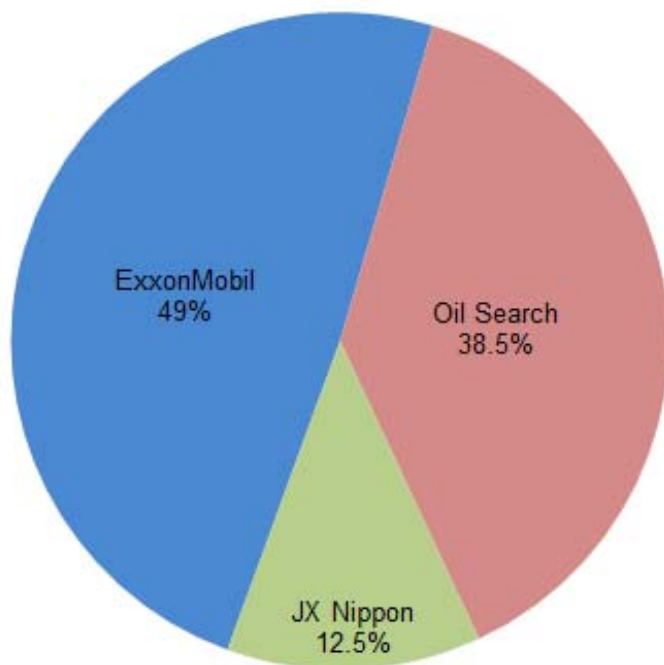
Who are the players?

P'nyang Field

Operator: ExxonMobil

2C resource: 3.5 tcf gas

35 – 50 mmbbl condensate



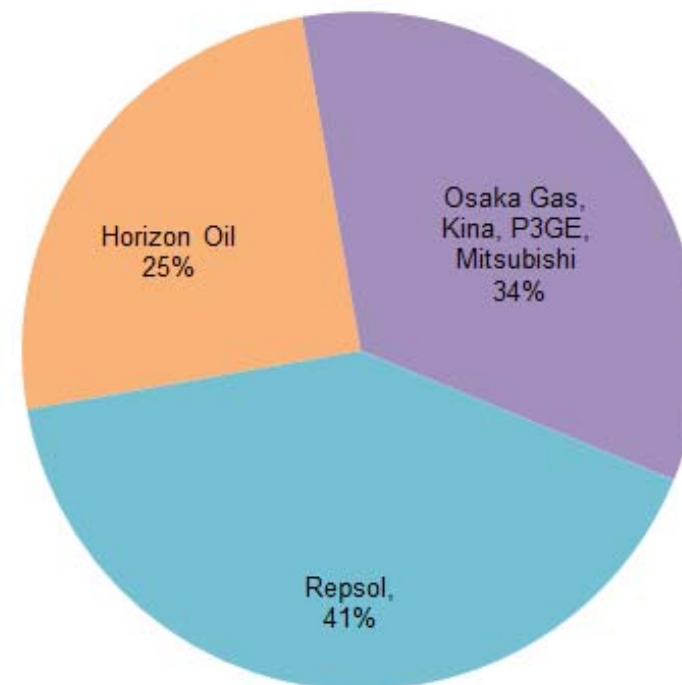
Participants' share of boe

Appraised Western Foreland Fields

Operators: Horizon Oil, Repsol

2C resource: 2.0 – 2.5 tcf gas

60 – 70 mmbbl condensate



Participants' share of boe

Horizon Oil and Repsol operate all appraised Western Foreland fields and hold a combined 66% of the total 2C resource

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

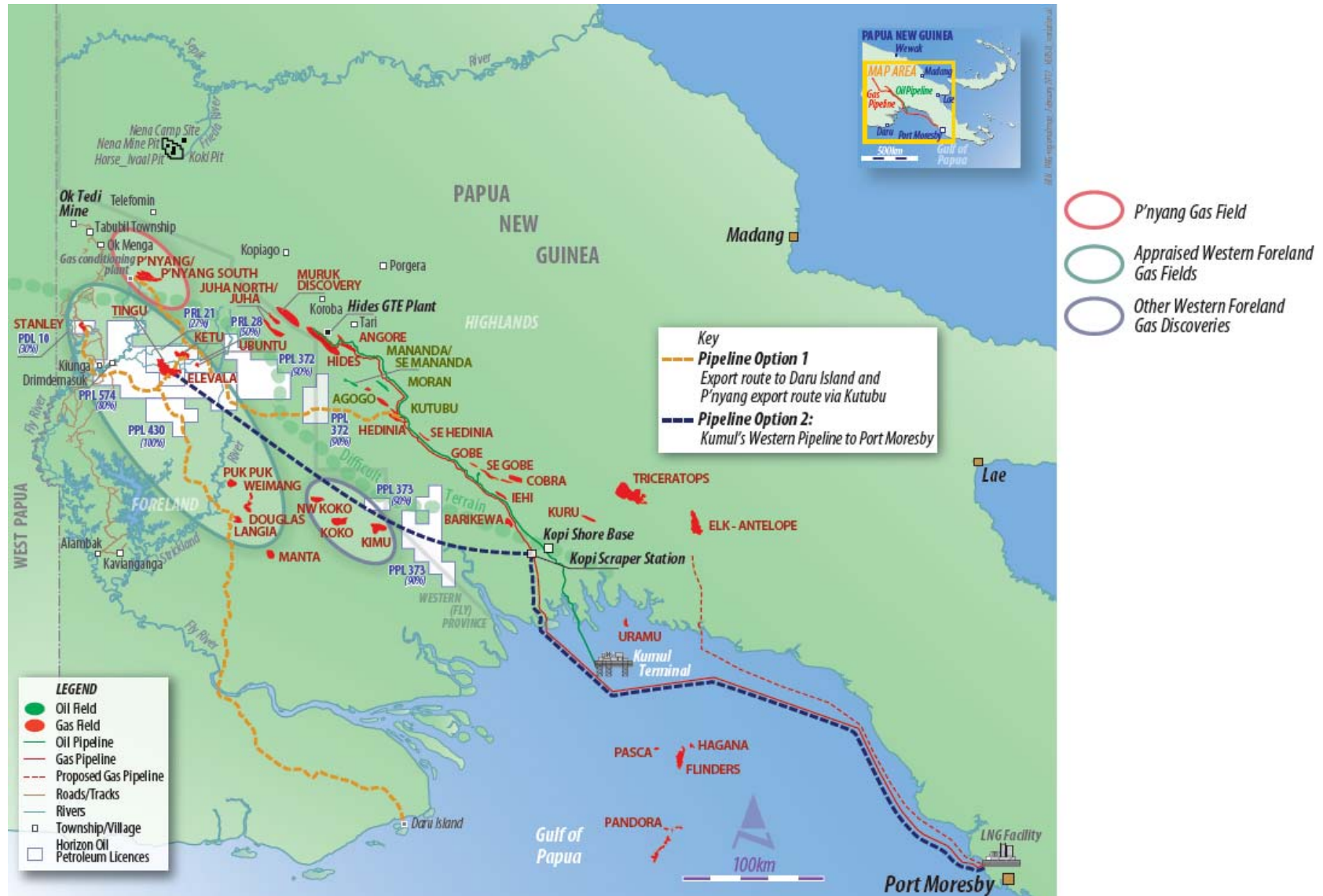
Commercialisation opportunities for Western Province gas

- **Sales to domestic buyers for power generation and other industrial use**
 - Gas-to-power for mines, industrial consumers and village/town supply
 - Gas for petrochemical and fertiliser production in PNG
 - Pipeline export to West Papua: Merauke, Jayapura

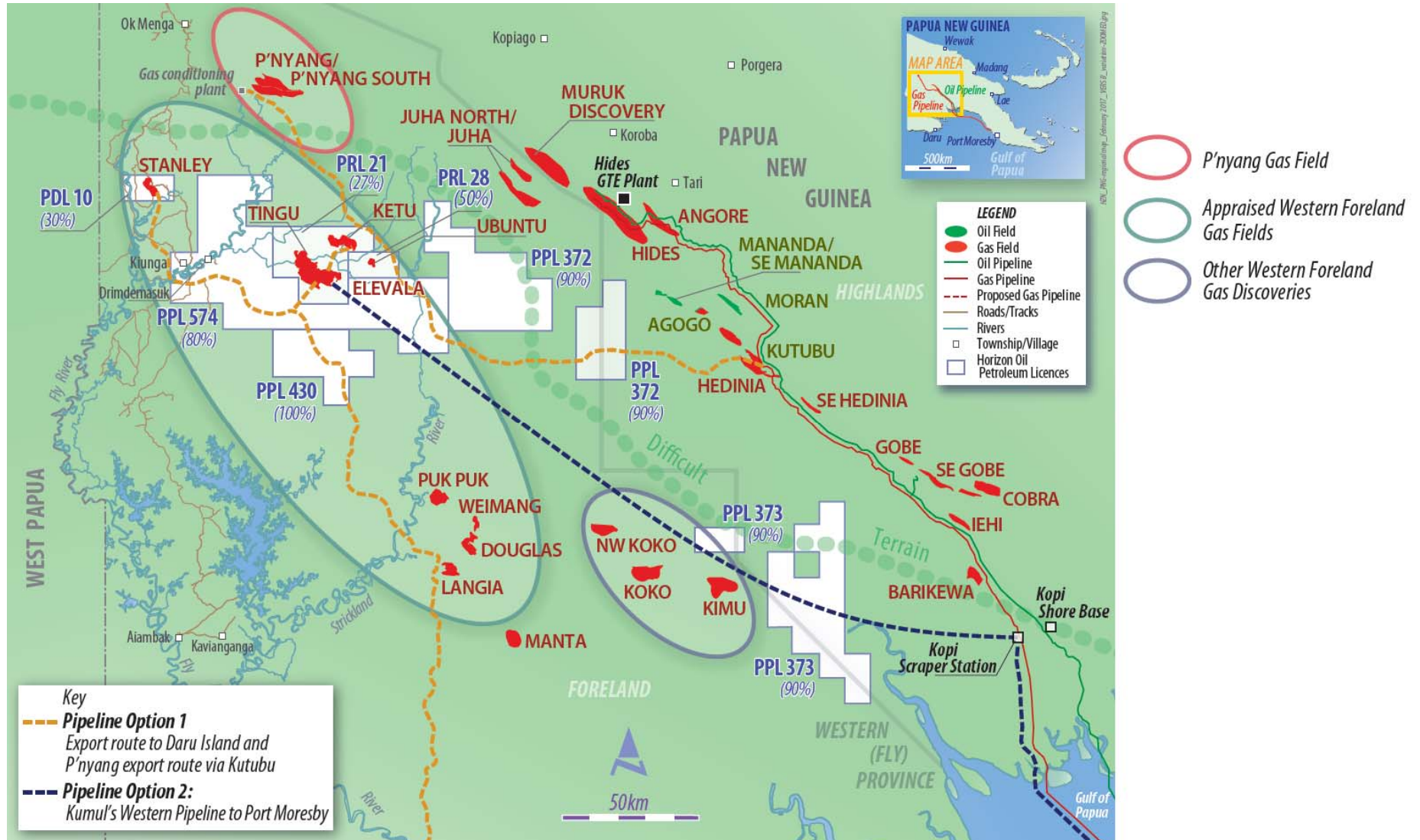
- **Mid-scale Western LNG project – aggregation of appraised Western Foreland gas**
 - To feed expandable mid-scale LNG plant (1.5 - 2.0 mtpa) located on or near Daru Island
 - Option for early condensate recovery will remain on table *if oil price/economics permit*
 - LNG customers:
 - City and mining project power demand in PNG and East Indonesia, as substitute for diesel or fuel oil
 - Singapore LNG and products hub
 - North Asian markets

- **Western Pipeline project – aggregation of P'nyang with Western Foreland gas**
 - To feed dedicated expansion train at PNG LNG site at Caution Bay, Port Moresby
 - Export to Caution Bay via Kumul Petroleum's proposed open access Western Pipeline
 - Option to participate solely as upstream gas supplier - or through midstream and downstream projects as well

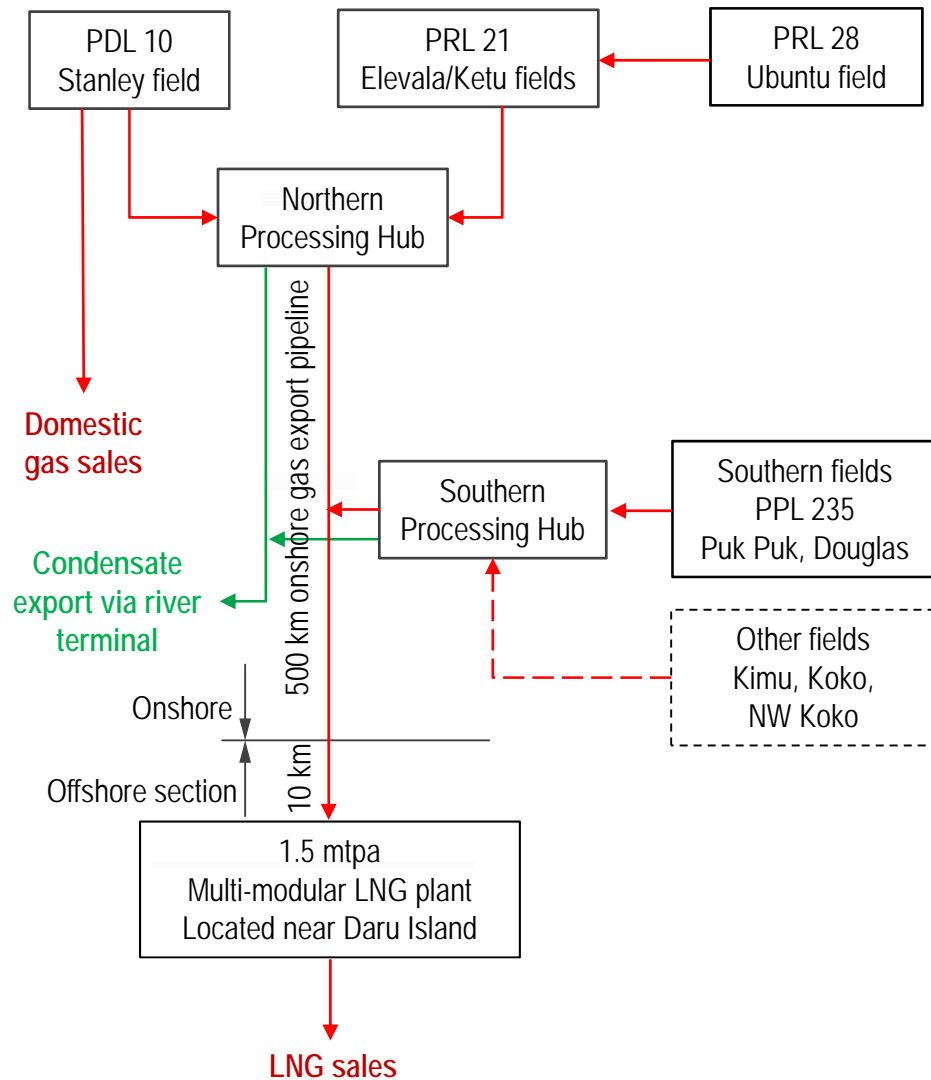
Development alternatives – export south (Western LNG) or east (Western Pipeline)?



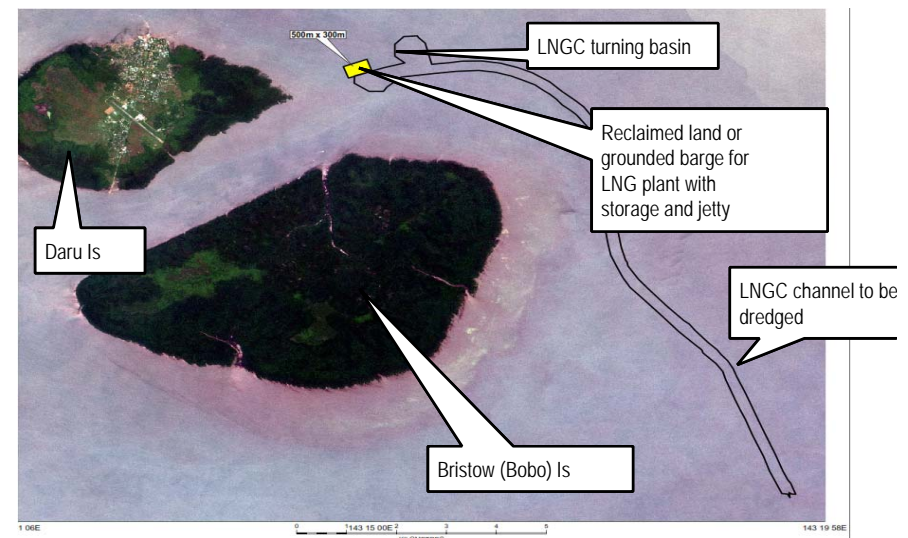
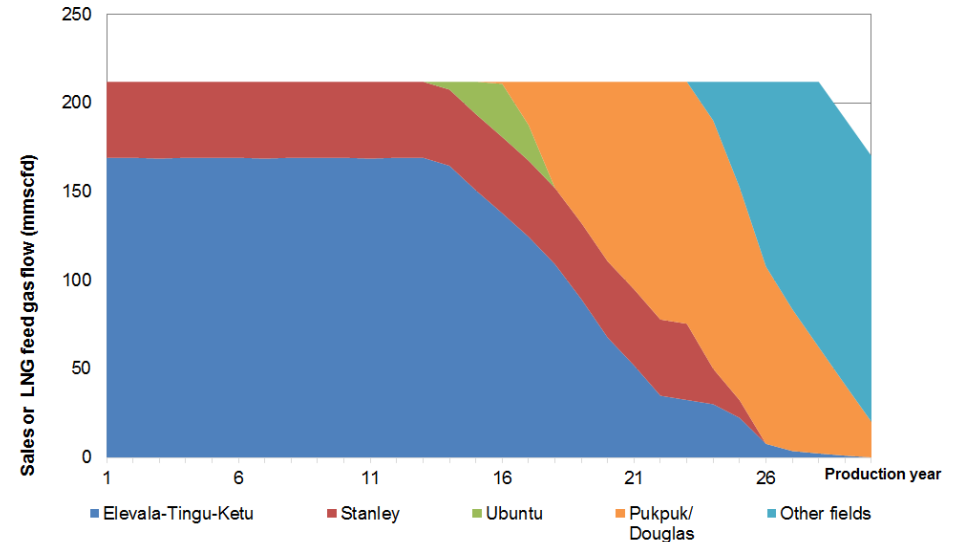
Export pipeline route south (Western LNG) or east (Western Pipeline)? – close-up view



Western LNG – base case for Western Foreland appraised gas development

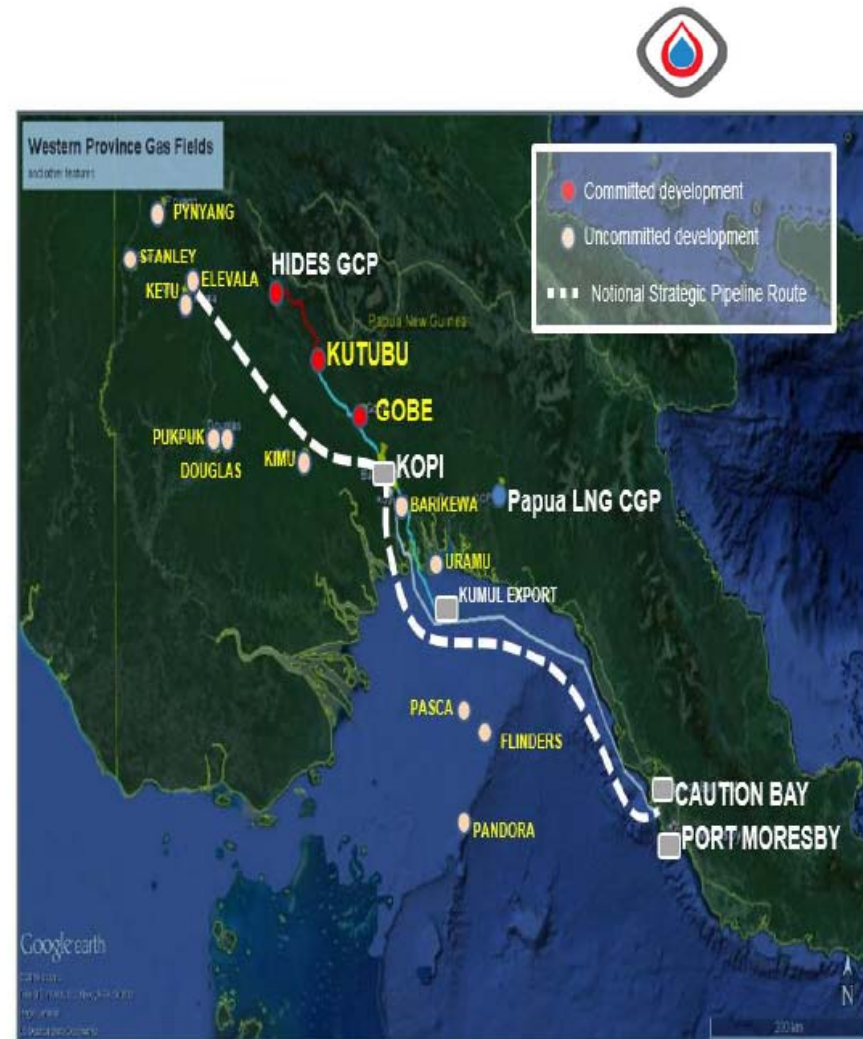


WLNG Development - 1.5 mtpa LNG Scheme
Feed Gas Profile - Mid Case Resource



Western Pipeline – Kumul Petroleum’s solution for developing Western Province gas

- Develop the western fields through aggregation of the fields and providing transportation to users.
- KPHL is promoting the Western Pipeline which will run from the Western Province to the coast and on to Port Moresby’s Caution Bay
- This will provide transportation for the stranded gas, and re-energise the exploration activity in the Western Province, creating value for all the stakeholders including KPHL, licence holders, Governments and landowners



Source: PNG Mining & Petroleum Investment Conference, December 2016

Horizon Oil's strategy

- Mature the Western LNG (Daru) alternative as the stand-alone base case – this is a sound concept and is within the gift of Horizon Oil, Repsol and their joint venture partners to deliver
- At the same fully engage with Kumul to support planning of the Western Pipeline (Kopi - Caution Bay) alternative – this is an attractive initiative by Kumul, involving participation by parties in addition to the Horizon Oil / Repsol joint ventures to succeed
- Make selection of go ahead development scheme based on timeframe, viability, financial and technical risk, as well as consideration of overall stakeholder benefits

The size of the prize – is it worth doing?

Western LNG (appraised Western Foreland fields)

- Potential to generate approximately US\$20 – 30 billion in total revenues over the life of the project
- Cumulative after tax cashflow (real) of approximately US\$10 billion
- ~15% IRR (real, ungeared)

Western Pipeline (P'nyang plus appraised Western Foreland fields)

- Has the potential to generate US\$55 – 65 billion in total revenues over the life of the project

Other benefits – to landowners, communities and the State

- Creates long term employment and economic development opportunities in Western Province
- Provides gas for power generation for PNG mines, industries and communities
- Potential to supply gas to PNG-located industrial consumers (e.g. methanol, fertiliser)
- Generates tax revenue and earns export income
- Project infrastructure will benefit the petroleum industry, other industries and communities

Note: Revenues and project economics are Horizon Oil estimates, are approximate, assume oil price of US\$75/bbl and gas price of US\$9/GJ in \$2020, unescalated

Key success factors

- Collaboration between Western Foreland gas licence holders to enable gas aggregation for either Western LNG (Daru) or Western Pipeline (Port Moresby) – **this is underway with formation in 2016 of a Joint Working Team (JWT), led by Horizon Oil and Repsol**
- Decision to aggregate P'nyang and Western Foreland gas may be critical to underpin export to Port Moresby via Western Pipeline, depending on configuration of pipeline downstream of Kopi
- Success by Kumul in executing and financing Western Pipeline and securing offtakers for the gas
- Government support in coordinating gas aggregation across multiple licences with different licence obligations (especially in light of current challenging market conditions) – **this is already evident both from the Minister and the DPE**
- Cooperation between all petroleum project participants in optimising use of in-country infrastructure and facilities
- Instigation of Government policy to mandate use of PNG gas on a commercial basis for mining, industrial and domestic power supply, rather than imported liquid fuel or coal

...collaboration, cooperation and Government leadership are key



Please visit the Horizon Oil website
www.horizonoil.com.au to see:-
Detailed Investor Presentation
Latest Quarterly Report
Analyst reports on HZN

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