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8 April 2009

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

## **HORIZON OIL (HZN) SHARE PLACEMENT AND SHARE PURCHASE PLAN**

Please find attached a presentation in respect of the Company's proposed capital raising by way of a share placement and share purchase plan.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Michael Sheridan". The signature is fluid and cursive, written over a white background.

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



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# HORIZON OIL LIMITED

ABN 51 009 799 455

## Private Placement and Share Purchase Plan of up to 220 million shares April 2009

***CONFIDENTIAL***

This presentation contains some references to forward looking assumptions, representations, estimates and outcomes. These are uncertain by the nature of the business and no assurance can be given by Horizon Oil Limited that its expectations, estimates and forecast outcomes will be achieved. Actual results may vary materially from those expressed herein.

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### **Risks**

- ∅ An investment in Horizon Oil shares is subject to investment and other known and unknown risks, some of which are beyond the control of Horizon Oil. Horizon Oil does not guarantee any particular rate of return or the performance of Horizon Oil, nor does it guarantee the repayment of capital from Horizon Oil or any particular tax treatment.

## Overview



- § Horizon Oil is an Asian-focused mid cap E&P company based in Sydney with a current market cap of ca A\$104 million (~US\$74 million)
- § The Company is seeking to raise up to A\$22 million (US\$15.5 million) through the issue of up to 220 million ordinary shares in the Company, priced at A\$0.10 per share, by way of a A\$17.0 million placement (A\$5.0m subject to shareholder approval) and a non-underwritten Share Purchase Plan (SPP) estimated to raise A\$5.0 million
- § Funding required to meet part repayment of corporate debt facility and pre-development costs associated with Papua New Guinea and China assets
- § ABN AMRO Morgans and Rothschild are Joint Advisers and Lead Managers to the Issue

## Opportunity

- § **To gain equity exposure to oil and gas production growth and commodity price in a company with:-**
  - Distinct southeast Asian geographic focus
  - Substantial inventory of discovered reserves and resources to bring into production with minimal exposure to geological risk
  - Modest and highly selective policy on exploration
  - Strong, long-lived cashflows from Maari field to fund capital program

# Horizon Oil Statistics



## SHARE PRICE HISTORY



## TRADING STATISTICS

### This month

Last	\$0.130
High	\$0.155
Low	\$0.105
Volume	19,588,412

### 12 Months

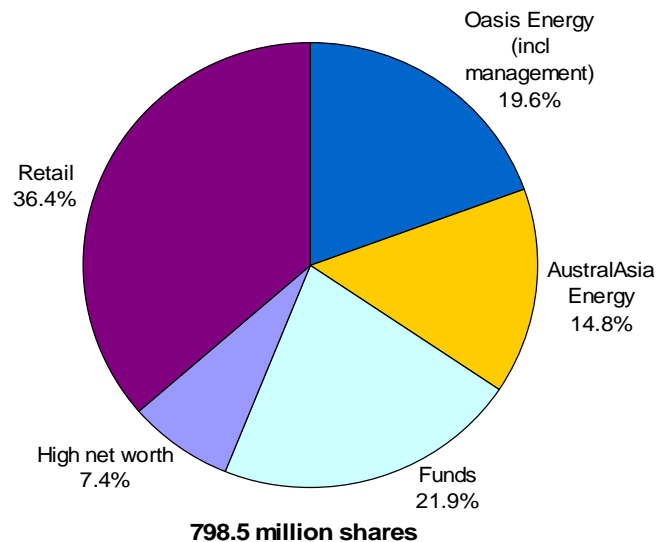
Last	\$0.130
High	\$0.480
Low	\$0.100
Volume	163.9 million

Fully paid shares	798.5 million
Partly paid shares	500,000
Employee options	29.8 million

No. of shareholders	4,288
Market capitalisation	\$104 million

Top 20 / Issued Capital	65.6%
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## SHAREHOLDER DISTRIBUTION



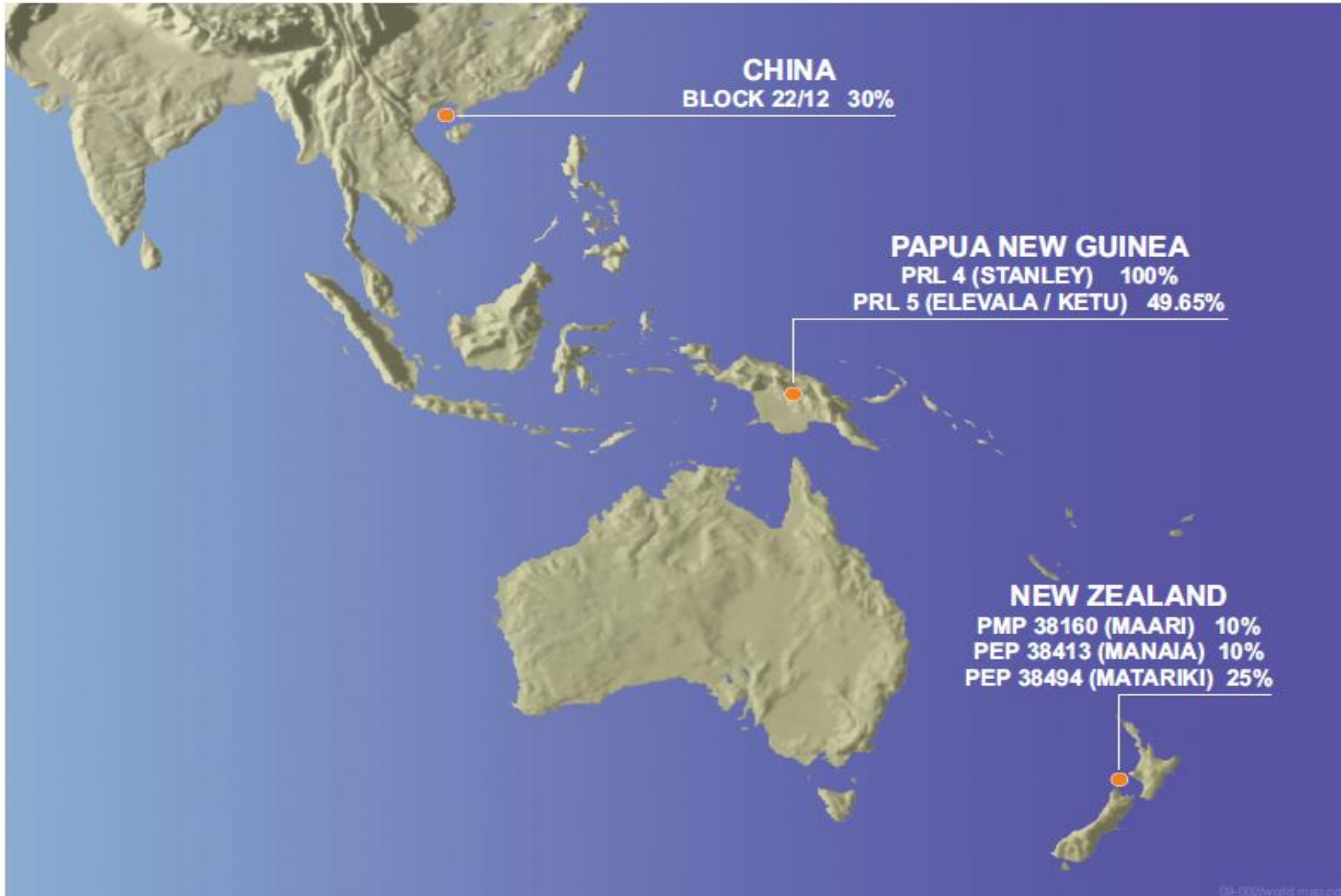
## Horizon Oil Board and Management



NON-EXECUTIVE DIRECTORS	RESPONSIBILITIES	EXPERIENCE
Fraser Ainsworth AM B.COMM, FAICD, FCPA	Chairman of Board, Chairman of Remuneration, Nomination and Disclosure Committee, Member of Audit and Risk Management Committee	28 years in CSR's resource & energy business, former MD of Delhi, former MD of SAGASCO, Founder & Executive Director of Potential Energy, Non-executive Director of Oil Search and Envestra Limited, Deputy Chairman of Tarac Australia Limited.
John Humphrey LL.B., SF Fin	Director, Chairman of Audit Committee, Member of Risk Management Committee	Senior partner in Mallesons Stephen Jacques, Director Downer EDI, past President QLD division Securities Institute of Australia
Robert Laws B.Sc, GAICD	Director, Chairman of Risk Management Committee; Member of Remuneration and Nomination Committee	24 years experience in exploration, E&P management in Geosurveys and Elf Aquitaine, 18 years Director of Petroleum Division of South Australian Department of Mines & Energy
Gerrit J de Nys B.Tech, FIEAust, FAICD, CPEng	Director	40 years experience in civil engineering, construction, oilfield contracting and natural resource investment management. Former MD of IMC Group Direct Investments
<b>MANAGEMENT</b>		
Brent Emmett B.Sc(Hons)	Chief Executive Officer / Managing Director and Member of Risk Management and Disclosure Committee	32 years experience in exploration, E&P management, investment banking / Exxon, Elf Aquitaine, Ampolex, CIBC / Australia, New Zealand, Papua New Guinea, China, USA, Latin America
Paul Nimmo B.Tech (Hons) PhD	Executive Director and Manager, Engineering and Business Development, Member of Risk Management Committee	27 years experience in petroleum engineering, economics and planning, E&P management, investment banking / Shell, Ampolex, CIBC / UK, New Zealand, Turkey, Holland, Australia & Far East
Michael Sheridan B.Ec, LL.M., F Fin	Chief Financial Officer / Company Secretary	19 years experience in finance, commercial and legal areas / Ernst & Young, Ampolex, RGC Limited, Minera Alumbrera Limited, Hutchison Telecoms / Australasia, South East Asia, South America
Alan Fernie B.Sc	Manager, Exploration	30 years experience in exploration, E&P management and business development / BP, Sun International, Ampolex, Santos, RISC / UK, Latin America, Asia, Australia, Middle East, Europe
Paul Ettema B.E. (Hons)	Petroleum Engineering Adviser	26 years experience in reservoir engineering, development planning and operations management / Esso, Bridge Oil, Ampolex, NZOG / Australia, PNG, New Zealand, China

## Asset Location – Focus on SE Asia

Productive fairways, mature operating environment ...



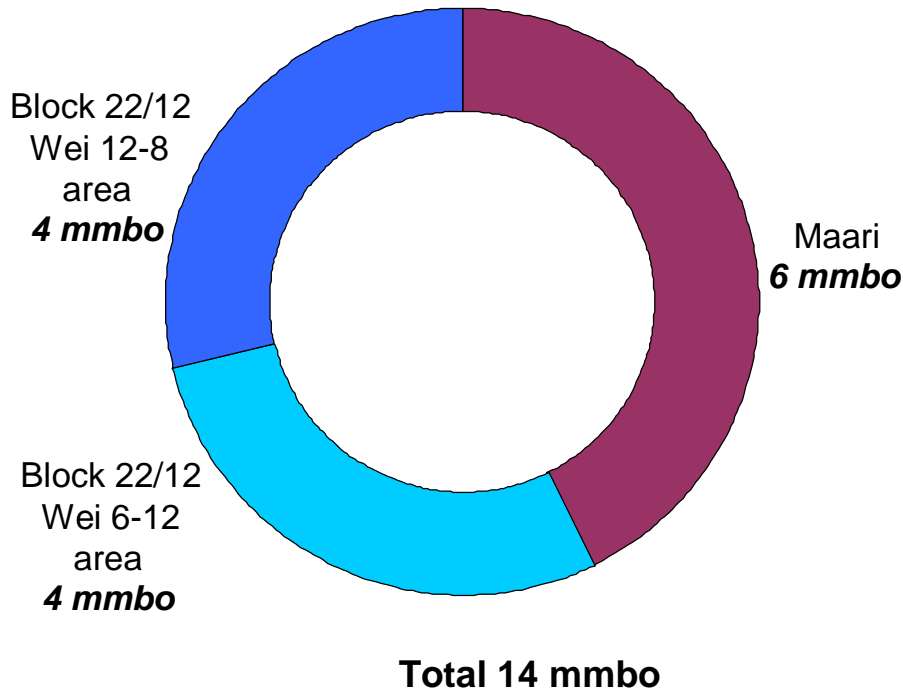
...strong demand for oil and gas Page 6

# Reserves and Resources

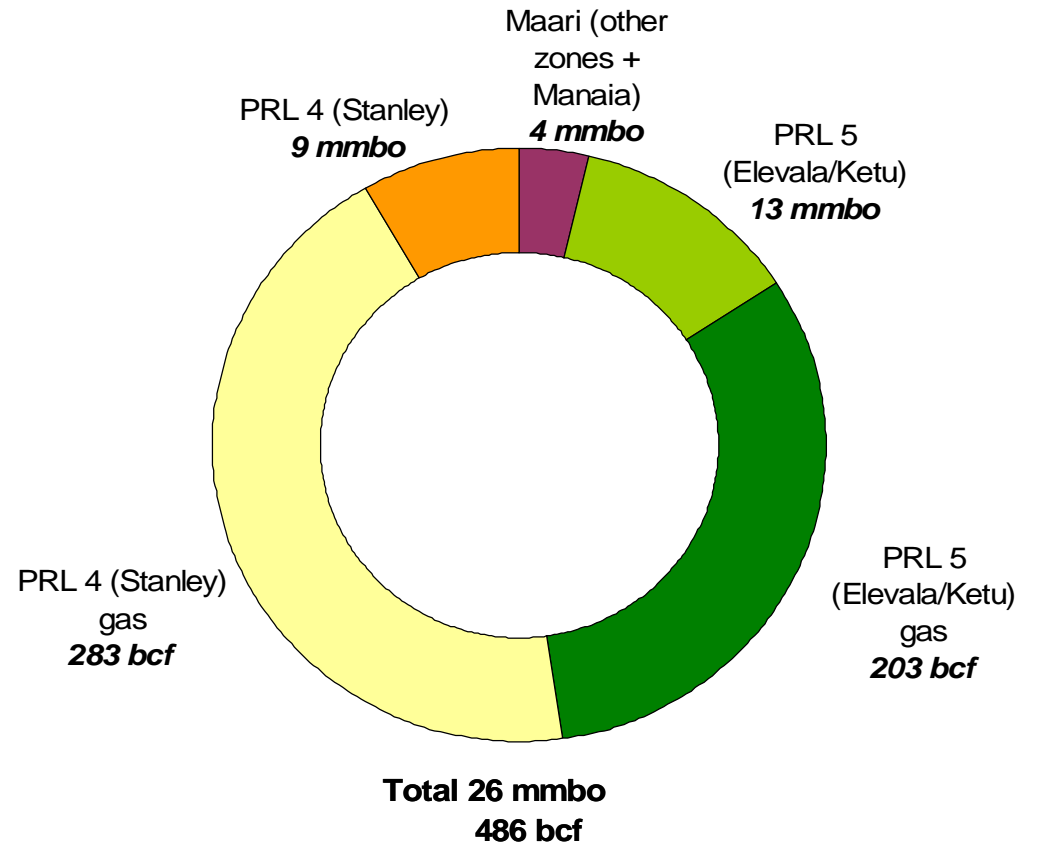


Net recoverable in millions of barrels of oil equivalent

## RESERVES



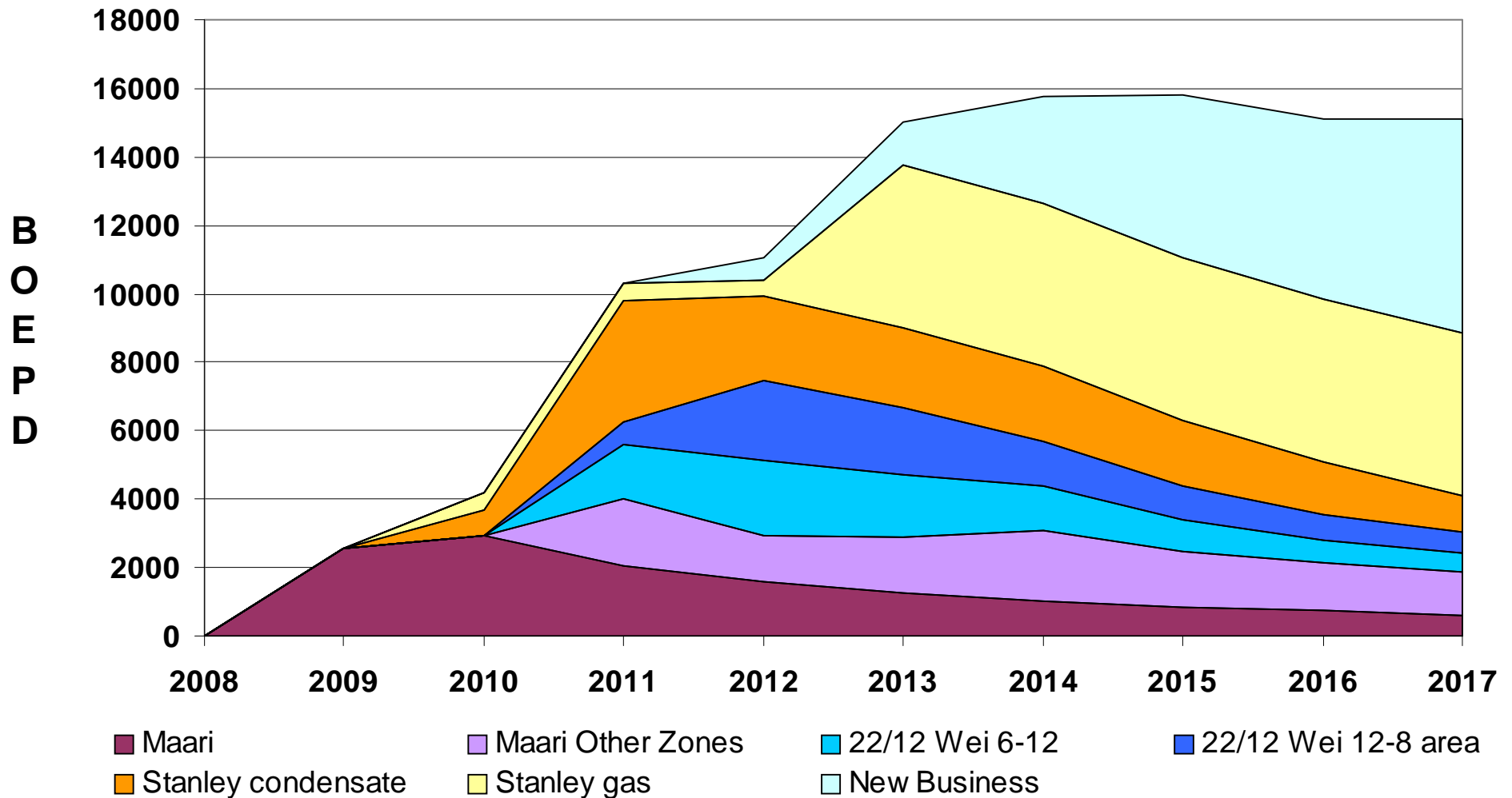
## RESOURCES



**Net Production Forecast<sup>1</sup>**



Maari on production in February 2009...



**...building to US\$4.5 million per month EBITDA net to HZN at US\$50 oil**

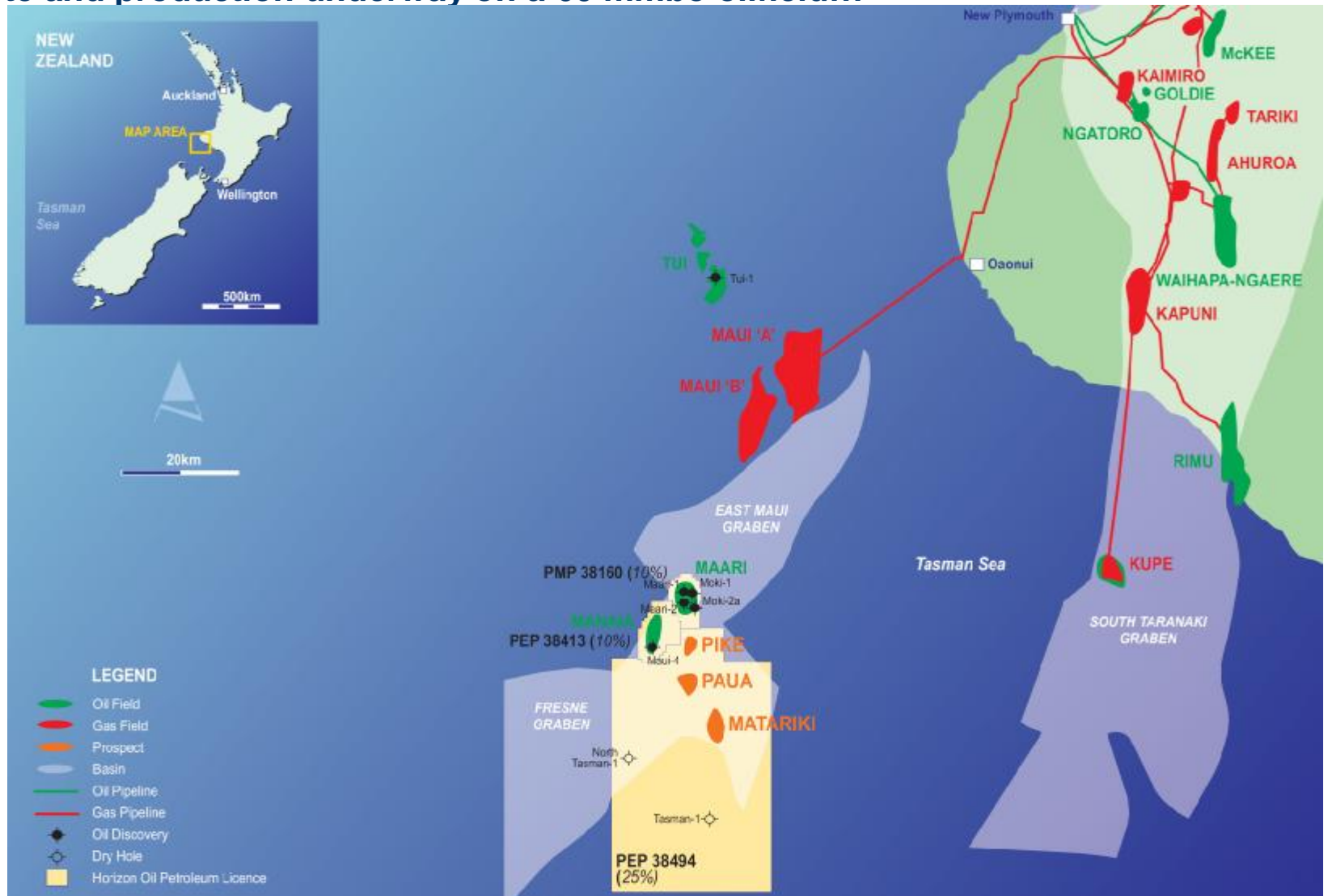
1. Forecast based on various assumptions including financial investment decisions made and necessary regulatory approvals granted by forecast dates

## Maari Development – New Zealand

Installation complete and production underway on a 60 mmbo oilfield...

### Joint Venture:

HZN	10%
OMV	69% (Op)
Todd	16%
CUE	5%



...with 40 mmbo upside potential

## Maari Development – Features

- § Production permit through December 2027 with ability to extend
- § Design plateau production rate 35,000 bopd
- § Wellhead platform allows well intervention without need to import a rig
- § Workover rig and coiled tubing unit permanently on platform or at shorebase
- § Spare capacity on platform for additional wells to access upside reserves
- § Back-up systems in well completion and process stream for flow assurance
- § FPSO has 600,000 barrel storage; designed to be permanently moored
- § Favourable purchase option over FPSO
- § Platform is re-useable at end of field life

QUALITY

RELIABILITY

UPSIDE

## Maari Reserves and Upside Potential

Zone	Gross 2P reserves (mmbo)	Net 2P reserves (mmbo)
Maari Moki	60	6
	Gross unrisks mean resource potential (mmbo)	Net unrisks mean resource potential (mmbo)
Maari M2A Sands	12	1
Manaia	25	3
<b>Total</b>	<b>97</b>	<b>10</b>

## Maari Field Operating Cashflow



### § Plateau EBITDA net to HZN

at US\$50 oil:	US\$4.5 million per month
at US\$75 oil:	US\$7 million per month

### § Cumulative production after 2 years of 20 mmbo, generating EBITDA net to HZN

at US\$50 oil:	US\$81 million
at US\$75 oil:	US\$131 million

### § Cumulative production after 4 years of 31 mmbo, generating

at US\$50 oil:	US\$117 million
at US\$75 oil:	US\$194 million
+ joint venture option to purchase FPSO <i>Raroa</i>	

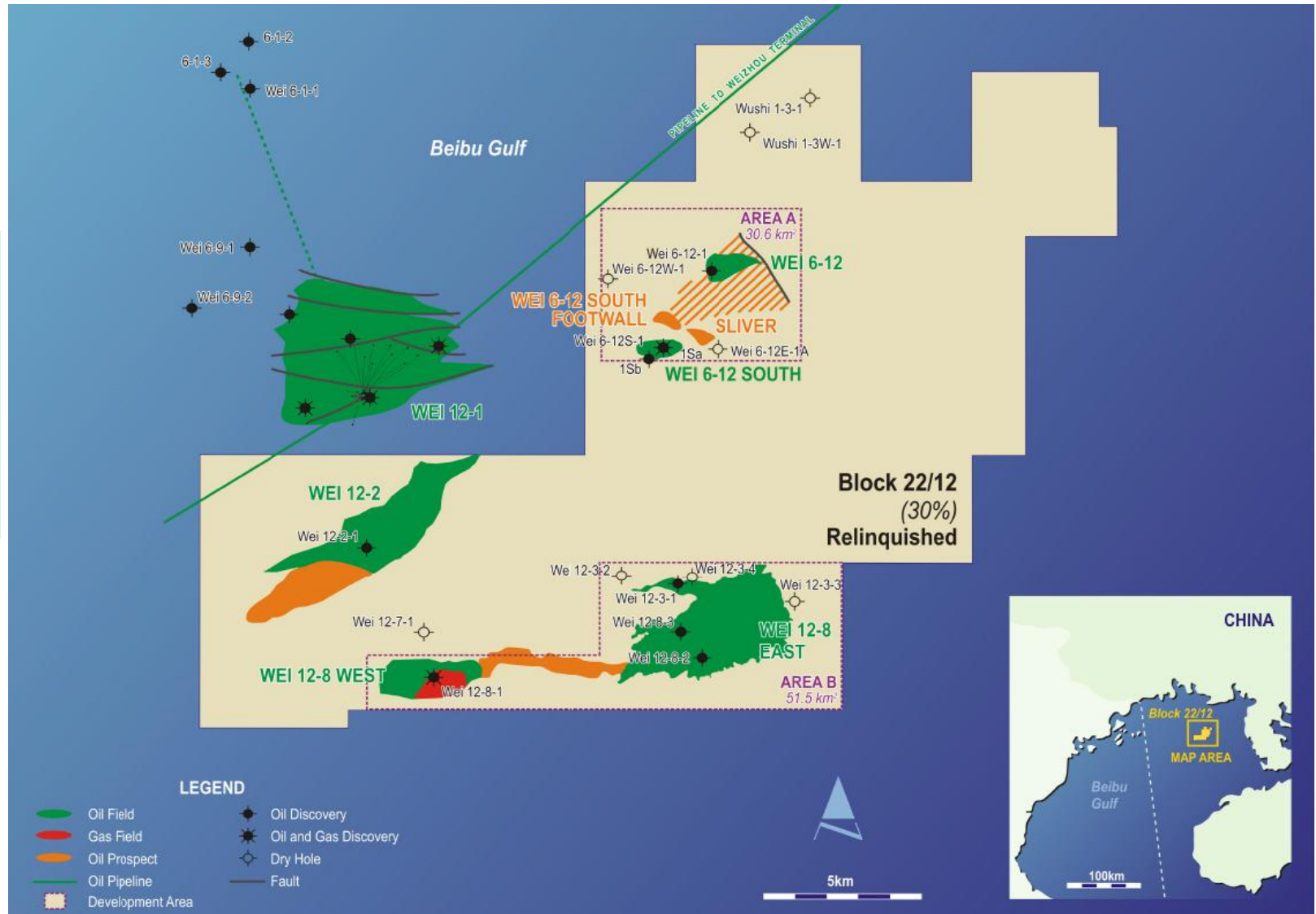
- § Development drilling program with *Ensco 107* jack-up rig began 11 November 2008. Program is to batch drill 3 oil production wells, followed by 3 water injectors and 2 oil production wells
- § Wellhead platform and FPSO operational, connecting flow-lines and umbilicals installed. 100 Hour Test through FPSO facilities completed 8 March 2009
- § **Production wells**
  - MR3P8 completed in 1,518 m of clean, oil-filled sand and began flowing to FPSO 25 February; currently producing over 10,000 bopd on natural flow
  - MR4P9 completed in over 2,000 m of clean, oil-filled sand and began flowing to FPSO on 9 March; similar flow characteristics to MR3P8 well
  - Current combined flow rate is over 20,000 bopd on natural flow
  - MR5P12 drilled and completed; awaiting hook-up to FPSO
- § Development drilling program progressing well in terms of execution (several days ahead of plan and gaining) and geological results
- § First cargo of ~ 480,000 barrels of crude oil offloaded on 7 April 2009
- § Plan is to drill Manaia appraisal well at end of development drilling phase, likely from the platform

# China 22/12 – Discoveries and Prospects

194 mmbbl oil-in-place discovered...

### Joint Venture:

HZN	30%
ROC	40% (Op)
Petsec	25%
FAR	5%



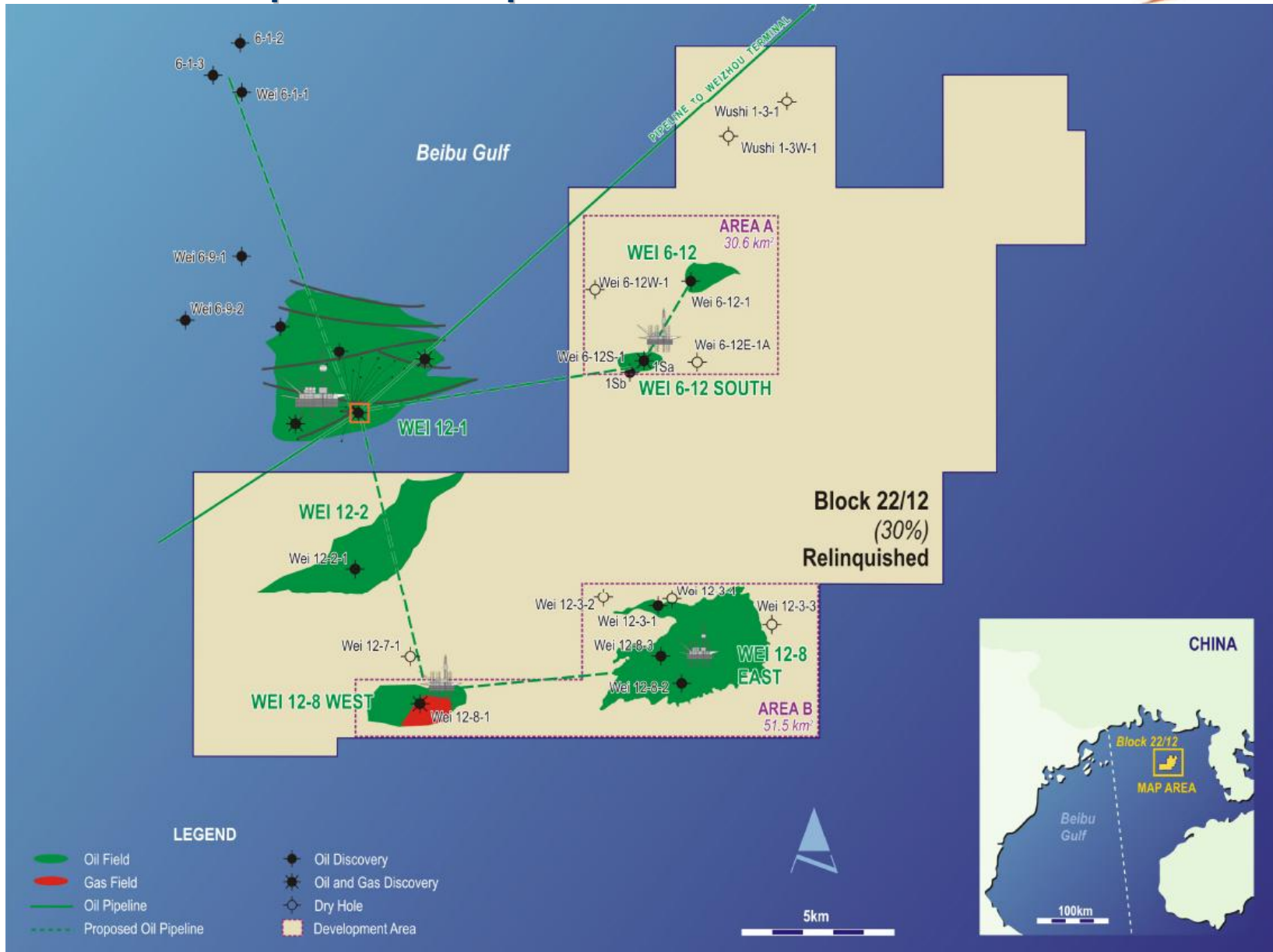
...development planning underway

### Phased development concept

- § Philosophy is to utilise CNOOC facilities and manpower where possible
- § Unmanned wellhead platform at Wei 6-12S location, tied back to CNOOC Wei 12-1 processing platform
- § Oil export via CNOOC pipeline to Weizhou Island storage and shiploading facilities
- § Unmanned minimal structures at Wei 12-8W and Wei 12-8E progressively tied back to Wei 12-1 platform
- § FEED underway; FID H2 2009; construction 2009/10; on production early 2011<sup>1</sup>

1. Assuming FID mid-2009

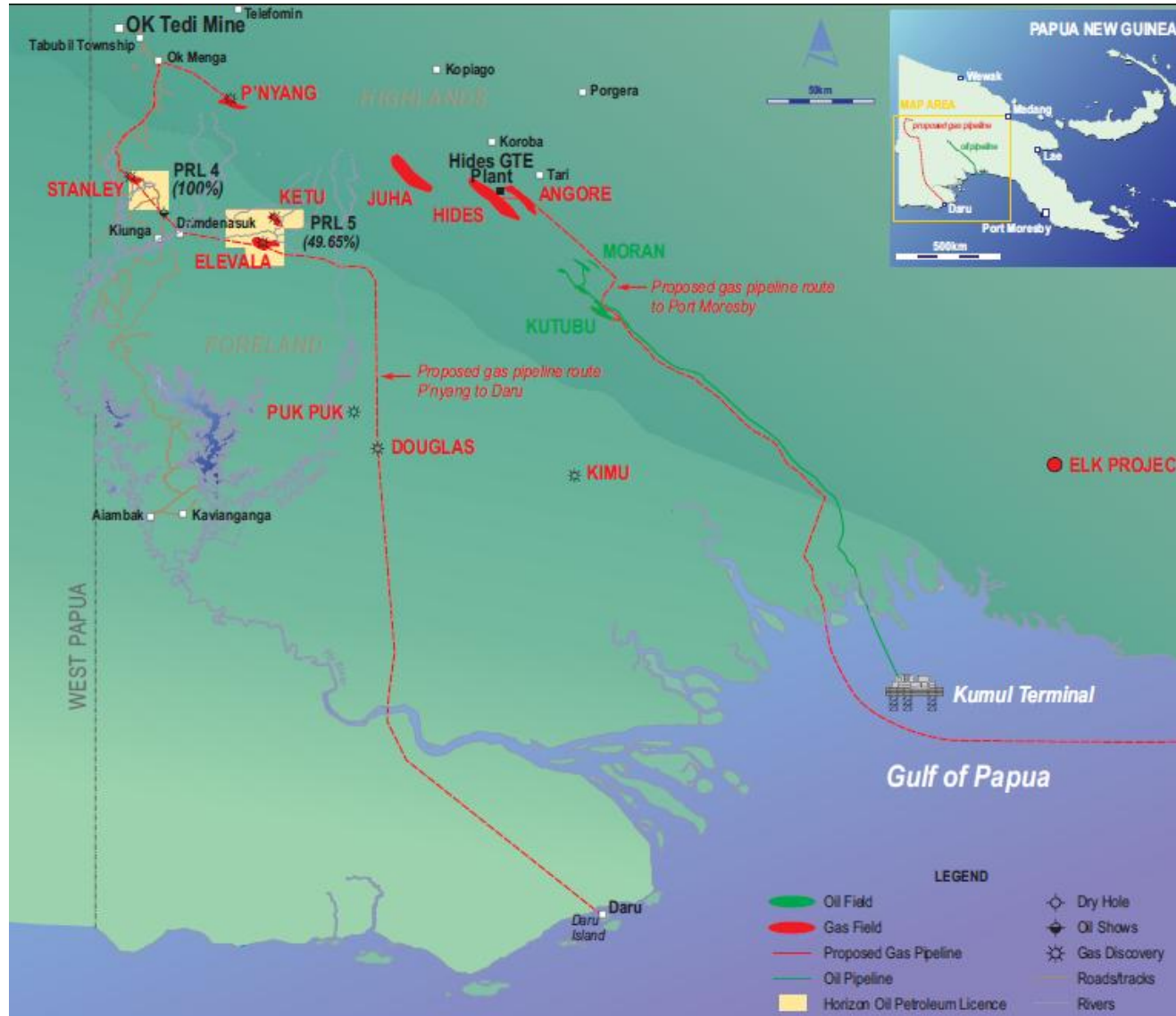
# Phased Development Concept



# Papua New Guinea



Possible recoverable resources of 1-2 tcf gas and 40-70 mmb condensate...



...development options emerging

## Western Province Play – Papua New Guinea



- § Significant resource position:-
  - 100% interest in PRL 4 (Stanley gas / condensate discovery)
  - 49.65% interest in PRL 5 (Elevala and Ketu gas / condensate discoveries)
  
- § Fields located in relatively flat and accessible foreland area
  
- § Initial development to involve condensate stripping and export via Fly River
  
- § Negotiations underway to supply gas to local consumers
  
- § Recompletion of Stanley-1 discovery well and production test successfully completed with good results
  
- § PNG Government planning construction of major gas pipeline to coast, to provide large scale gas commercialisation opportunities – minerals processing, CNG, LNG, methanol etc.
  
- § Good progress being made on regulatory issues associated with Stanley development – Field Development Plan lodged
  
- § Target is to begin construction in H2 2009 and first production Q4 2010
  
- § Sales process underway to sell 25-50% of PNG interests

## Unrisked Valuation of Key Assets



**Assumptions** - effective date 1/1/09, US\$50 / barrel oil price flat, certified 2P reserves / resources, independently sourced capex and opex profiles

	<b>NPV10 (US\$ million)</b>
Maari (Moki zone)	85
PNG (Stanley condensate)	88
China (Wei 6-12 and 12-8W)	41
<b>Total</b>	<b>US\$214 million</b>
<b>Horizon Oil enterprise value at 1/1/09</b>	<b>US\$ million</b>
Key assets	214
Cash	9
Debt drawn down	(60)
	<b>US\$163 million</b>

***The above unrisked valuation accounts for less than 20% of total net 2P reserves and resources***

## Funding Position



**Bank debt (BOS International) – : US\$19.3 million corporate facility + US\$46 million Maari project facility**

- § Part rollover of corporate facility approved by local BOSI management, *subject to credit approval*, under which
  - US\$9.6 million of the corporate facility to be repaid May 2009, unpaid balance by 31 December 2009
  - Maari project facility to be repaid by 31 December 2009

### Funding requirements through calendar 2009

- § Pre-development expenditure – Block 22/12 and Stanley – US\$3 million
- § Part payment of BOSI corporate facility – US\$9.6 million
- § Other costs – US\$1 million
- § Unpaid balance of BOSI corporate facility and Maari project facility repayable by 31 December 2009 (balance estimated to be approximately US\$40 million after application of forecast Maari project cashflow)

### Funding sources

- § Current equity raising ~ US\$15.5 million
- § Maari project forecast calendar 2009 EBITDA net of forecast remaining development expenditure ~ US\$17 million (applied to pay down residual corporate and project debt)
- § In advanced discussions with major Australian bank regarding refinancing of Maari project facility
- § Supplementary initiatives underway - only one initiative necessary to fully address early repayment of second tranche of corporate facility, if required (ie BOSI credit approval not granted)
  - Sell 25% - 50% interest in PNG – sales process underway and numerous expressions of interest received
  - Expressions of interest received for convertible note and bond financings

### Reserves and Resources

- § Strong position:-  
14 mmbo 2P reserves (all oil) and resources of 26 mmbo + 486 bcf gas

### New Zealand

- § Maari on production and ramping up to 3,500 bopd net to HZN; generates US\$4.5 million per month net cash flow before interest and tax at US\$50 per barrel oil; upside of 4 mmbo net
- § Drilling on Manaia to begin after Maari development drilling phase

### China

- § Development of Block 22/12 - FID in H2 2009; on production H1 2011<sup>1</sup>

### Papua New Guinea

- § Commercialisation of large scale resource to begin H2 2010 with scale-up potential

1. Assuming FID mid-2009

## Investment Risks



- § BOSI credit committee does not approve local management recommendation to part rollover US\$19.3 million corporate facility repayable 30 June 2009; **or**
- § Company fails to sell 25 – 50% interest in PNG position; **or**
- § Expressions of interest for convertible note and bond financings are withdrawn
- § Future production from Maari does not meet current expectations
- § Future escalation in operating and capital expenditures
- § Oil price volatility
- § Shareholder approval not granted for second tranche of placement (50 million shares)
- § If BOSI credit committee approves the partial rollover of the corporate facility, the Company will be required to refinance the outstanding balance of BOSI debt by 31 December 2009 (estimated to be approximately US\$40 million at 31 December 2009 after application of forecast Maari project cashflow)

- § **Offer** Placement and Share Purchase Plan of ordinary HZN shares
- § **Size** Placement 170 million shares (50 million shares subject to shareholder approval)
- Non-underwritten Share Purchase Plan (estimated 50 million shares)
- § **Price** A\$0.10 per share
- 23.1% discount to last closing price of A\$0.13, 23.4% discount to 5 day VWAP of A\$0.1306
- § **Indicative placement timetable**
- |   |   |               |
|---|---|---------------|
| § | Placement shares allocated  | 8 April 2009  |
| § | Settlement of 1 <sup>st</sup> tranche (120 million shares) of Placement             | 16 April 2009 |
| § | Quotation of 1 <sup>st</sup> tranche of Placement shares                            | 17 April 2009 |
| § | General meeting to approve 2 <sup>nd</sup> tranche of Placement (50 million shares) | 20 May 2009   |
| § | Settlement of 2 <sup>nd</sup> tranche of Placement                                  | 25 May 2009   |
| § | Quotation of 2 <sup>nd</sup> tranche of Placement                                   | 26 May 2009   |

Please visit the Horizon Oil website [www.horizonoil.com.au](http://www.horizonoil.com.au) to see:-

Detailed Investor Presentation

Latest Quarterly Report

Analyst reports on HZN



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