

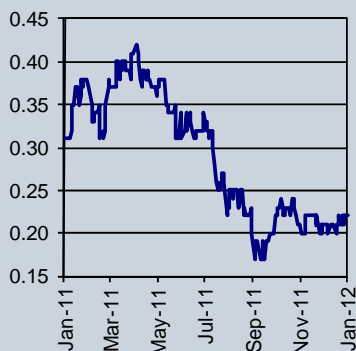
Originally Published

25 January 2012

Horizon Oil's PNG Gas Business (HZN)

Horizon is a buy.

HZN Price History



Bi-monthly Lucky Draw!

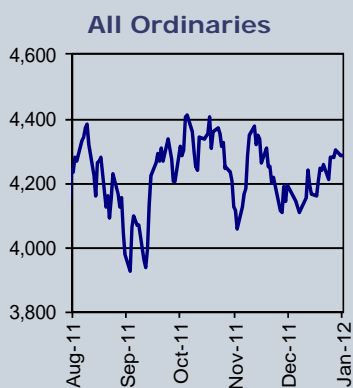
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Indices & Prices

All Ordinaries	4,286.40
Energy Index	13,823.50
Brent AU\$/bbl	105.02
AUS\$/US\$	1.0478

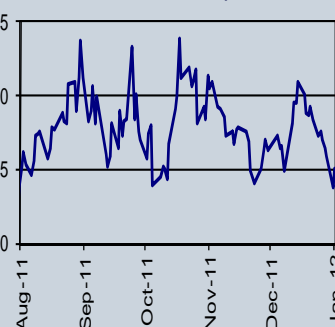
As at Close Jan 24th, 2012



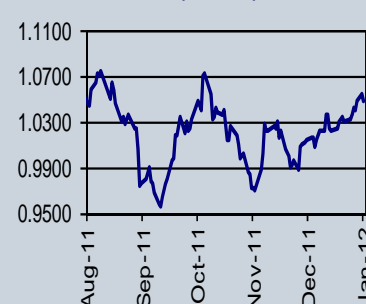
S&P ASX 200 Energy Index



Brent Crude Oil \$A/barrel



A\$/US\$



Originally Published Wednesday, 25 January 2012

Horizon's PNG Gas Business

HZN

Recommendation: *Horizon is a buy for some positive news out of PR-21 and its underlying value of 44 cps. Acquisition of 25% of PPL-259 builds a base of reserves and prospects from which a mini-LNG project could be in contemplation.*

Further evaluation of Horizon's Elevala gas and condensate field in PNG by a sidetracked well at Elevala-2 has potentially outlined a larger discovery which appears to be filled to spill-point. StockAnalysis sees this work as having potential to add 2-3 cents per share to its assessed value for Horizon. Meanwhile, the company is mobilising the drill rig to test the Ketu discovery in the same Block, PRL-21, and has suggested that the Tingu prospect located between Ketu and Elevala, may also be filled to spill-point since it is located closer to the hydrocarbon kitchen and must have filled and spilled out to fill Elevala as the gas migrated south. If gas has an NPV of 55 cents per Mcf and condensate has an NPV of \$22/bbl, a discovery at Tingu has potential to boost Horizon's assessed value by 10 cps.

Acquisition of a 25% interest in PPL-259 for US\$8.875, mostly as a carry on seismic and drilling costs, brings together a liquids rich gas province with gas reserves of about 770 Bcf at Stanley, Elevala and Ketu. Success at Tingu, plus the proving up of a couple of additional prospects, holds promise to provide a total gas resource of over 1 Tcf, sufficient to support production of 1 million tonnes of LNG pa for 16 years.

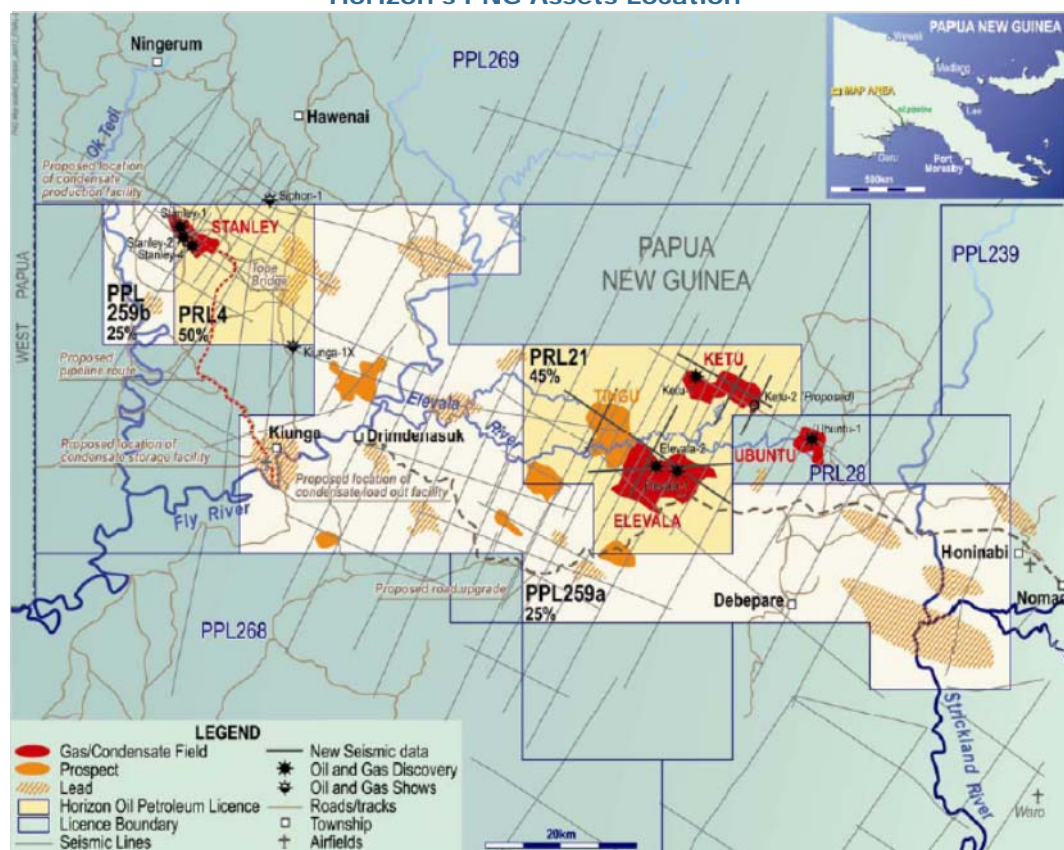
Horizon is moving ahead on multiple fronts. Its work in the PNG forelands, funded largely by Talisman, is expanding reserves and building understanding ahead of a condensate stripping operation, which could be followed by gas sales into a merchant LNG plant or a project specific mini-LNG project, by the end of the decade. In the Taranaki Basin, work towards drilling the ~12 mmbbl Pike prospect in the adjacent permit where Horizon has a 30% equity, should see a wildcat by year's end.

Discovery would see a rapid tie-back to Marri through 2013/14. Horizon's main game is its 26.95% interest in the 26 mmbbl Beibu Gulf oilfield development through 2012. At initial production rates of 18-22KBOPD, the project should deliver about 4,000 BOPD to Horizon's account.

Horizon holds high impact exploration projects in the Taranaki Basin but this year it will be focused on project delivery to boost revenue in China and in PNG.

(Continued on page 2)

Horizon's PNG Assets Location



Source: Horizon Oil

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