

## **CHAIRMAN'S ADDRESS**

### **2008 HZN AGM**

Ladies and Gentlemen:

#### **1. Introduction**

Again – a warm welcome to all shareholders and invited guests, though I appreciate that the atmosphere here today may not be as warm and positive as we had expected it to be when we last met this time last year – we had in fact expected that by now Horizon Oil would be a substantial oil producer, and that oil prices would remain strong (though the latter observation was heavily qualified by the words “barring unforeseen and significant events”).

These unforeseen and significant events, namely the global financial system crisis and its flow-on effects have clearly had a major downward impact on oil prices and the share prices of most ASX listed companies (including Horizon Oil, about which I will comment shortly).

On the other hand, it is now near certain that first oil production from the Maari field is only 10 weeks or so away, and that further substantial progress has been made in developing and building a portfolio of other high quality, material assets in the Asian focus area.

In this address I will deal with the following:-

- our Performance Scorecard for the year since last year's AGM;
- financing of our activities especially in the light of delays in cash inflows from Maari;
- some comments on the outlook

## **2. 2008 Performance Scorecard**

Consistent with past practice, at last year's AGM we presented our management priorities for the year ahead, together with an assurance that scores against those targets would be presented at this meeting.

I should note that these scores (after appropriate weightings) were the basis of the award of the performance incentives, though the scores we are about to see have been updated to take account of events since the cut-off date for the performance incentives, namely August 2008 – for example to take account of the Maari delays and the share price fall.

Shareholders will note that, as announced earlier today, in view of very recent circumstances, the Board has decided to withdraw the resolutions for approval of award of performance incentive options to the executive directors.

Notwithstanding the foregoing, here is the board's performance scorecard:-

## Management Priorities 2008 (1)

Horizon Oil

### Management Priorities 2008 (as presented at 2007 AGM)

### Outcome / Status

Rating  
out of 5

➤ Finalise Maari construction and installation phases and begin production	➤ Construction and installation complete. First oil delayed to February 2009 by weather	3
➤ Finalise FEED on Wei 6-12 in Block 22/12 and submit ODP to CNOOC; begin construction phase	➤ FEED underway, ODP to be re-submitted by end 2008. FID / Construction Q1 2009	2
➤ Drill 4 well exploration program on Block 22/12	➤ Program reduced to planned 3 wells, the third of which was deferred due to rig equipment failures	2
➤ Drill 5 well exploration program on Thai Blocks G10/48 and G11/48	➤ Locations agreed with joint venture and rig contracted – drilling to start Q1 2009	3
➤ Plan for appraisal well on Manaia	➤ Planning complete and procurement underway. <i>Enasco 107</i> will drill Manaia after Maari development drilling	5
➤ Appraise and, if justified, begin development of PRL 4 (Stanley gas / condensate) ]	➤ Successful production test of Stanley-1. Reservoir engineering and production facility design advanced. Engaged with PNG Government for Production Development Licence application	4
➤ Advance commercialisation of PRL 5 (Elevala & Ketu gas / condensate) ]		

## Management Priorities 2008 (2)

Horizon Oil

### Management Priorities 2008 (as presented at 2007 AGM)

### Outcome / Status

Rating  
out of 5

➤ Investigate and, if justified, acquire pre-development opportunities	➤ Interests in PRLs 4 and 5 significantly increased at commercially attractive prices	5
➤ Add exploration acreage	➤ Acquisitions made:- <ul style="list-style-type: none"> <li>o 20% interest in 3 additional Gulf of Thailand blocks</li> <li>o 25% interest in PEP 38494 (offshore New Zealand)</li> </ul>	5
➤ Maintain share price in fair valuation range	➤ Until recent significant general market falls, share price was within analysts' valuation range of \$0.62 to \$0.29	2
➤ Fund capital program as required	➤ Well done, as evidenced by capacity to respond to / deal with Maari cost overruns and delays to cash inflows	4
➤ Upgrade management reporting systems prior to Maari production *	➤ Completed – systems upgraded cost effectively	5

\* Added since 2007 AGM

Brent Emmett will deal with the operational specifics in his presentation later.

Some brief comments are:-

### **Maari Project (3/5)**

This would have been a 5/5 score except for the weather induced delay to the start of development drilling.

### **Block 22/12 (2/5)**

Delays have been frustrating, but better progress is now being achieved.

### **PNG – PRLs 4 & 5 (4/5)**

Change of project concept from (initially) a modest gas producer to a more lucrative condensate stripping operation has altered the nature of the target.

Excellent progress was made towards commercializing these discoveries.

### **Acquiring pre-development opportunities and adding exploration acreage (5/5 for both)**

Achieving these 2 business development targets is essential if the company is to replenish the pipeline of growth opportunities. In the board's view business development performance has been of the highest order.

## Maintain share price in fair valuation range (2/5)

The table below compares the share price performance of the Company with that of the ASX Small Resources Index and the ASX 200 Energy Index over the last five years.



In the first half of the review period prior to the financial investment decision on the Maari project in December 2005, the Company's performance was generally consistent with the indices. From that time until late September 2008, the Company's share price maintained its positive relative performance against those indices, largely as a result of the Company's drilling success in China in mid-2006 and subsequent progress on the development of the Maari project.

Since the second quarter of 2008, like many other companies, Horizon Oil's share price has been affected by the falling commodity price and external market forces. The good results in PNG provided little apparent support against general market conditions.

In fact, until these widespread share price falls, the Horizon Oil share price was within the analysts' valuation range of A\$0.29 to A\$0.62 cents.

### **Fund capital programs as required (4/5)**

To date the programs have been successfully funded, notwithstanding the challenge posed by the Maari cost overruns and delays to cash inflows from Maari now.

### **3. Financing**

Turning now to the financing of ongoing activities.

By way of background – the board had, until recently, expected that the first cash inflows from the Maari oil field would have commenced by now, and the Company's financing plans were largely based on that expectation. Our plans also envisaged a higher oil price than the current US\$50 – 55/bbl.

Meanwhile, the Company is of course continuing to incur expenditure which, in the period to first oil from Maari and apart from completion of the Maari project, mainly relates to the development planning of two significant growth

opportunities to follow Maari (namely Block 22/12, offshore China) and Stanley in PNG. Ongoing, modest general and administrative costs are also being incurred.

The Gulf of Thailand drilling program is expected to start in February 2009, with expected first cash inflows from Maari in the second quarter. Maari net operating cashflows to Horizon Oil are then expected to ramp up to around US\$4.5 m per month (at US\$50/bbl) by August 2009.

We intend to finance the Company's activities through to third quarter 2009 by:-

- utilizing available cash reserves and existing debt facilities
- restructuring these existing debt facilities to extend repayment dates
- prudent reduction or deferment of some commitments and realization of some of the increased value of other assets

#### **4. Acknowledgements**

We are confident that a review of this board's statement about forecasts and expectations would reveal that these statements have invariably been heavily

qualified to take account of the substantial risks and challenges associated with the upstream oil and gas industry.

The last few months have been particularly challenging for the Horizon Oil team, with the risks and frustrations arising from delays having to be dealt with.

The board highly commends Brent Emmett and his team for the way they have responded to these circumstances.

## **5. Outlook**

Finally – the board’s (once again – heavily qualified!) view on the outlook...

We recognise that the global financial system crisis is bringing about a global economic recession, the depth and duration of which is at this stage unknown.

Also unknown is the impact of this recession over the next 2 or 3 years on global oil demand and price, particularly demand from China, India and other Asian economies which at least until very recently have been fast growing.

On the other hand, we remain of the view that over the medium / longer term, fundamental demand / supply interactions will come into play, replacing what appears to be substantial speculative activity causing at least some of the recent downward trending volatility in the oil price.

In the meantime, even at current oil prices, forecast returns to Horizon Oil shareholders from the Company's Maari project and potential projects, Block 22/12 and Stanley, remain robust.

The board is determined not to over-react to the current global financial crisis. Rather, we will modify our plans to take account of the Company's cash flow situation and continue to work hard to exploit the growth opportunities identified in this address and elaborated upon in Brent Emmett's presentation.

We believe we have the people and the assets to successfully execute our Asian focused game plan.

Thank you.

# HORIZON OIL LIMITED

ABN 51 009 799 455

## Annual General Meeting 27 November 2008



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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## Annual General Meeting Chairman's Address 27 November 2008



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## Management Priorities 2008 (2)



### Management Priorities 2008 (as presented at 2007 AGM)

### Outcome / Status

Rating  
out of 5

- Investigate and, if justified, acquire pre-development opportunities
- Add exploration acreage
- Maintain share price in fair valuation range
- Fund capital program as required
- Upgrade management reporting systems prior to Maari production \*

- Interests in PRLs 4 and 5 significantly increased at commercially attractive prices
- Acquisitions made:-
  - 20% interest in 3 additional Gulf of Thailand blocks
  - 25% interest in PEP 38494 (offshore New Zealand)
- Until recent significant general market falls, share price was within analysts' valuation range of \$0.62 to \$0.29
- Well done, as evidenced by capacity to respond to / deal with Maari cost overruns and delays to cash inflows
- Completed – systems upgraded cost effectively

5

5

2

4

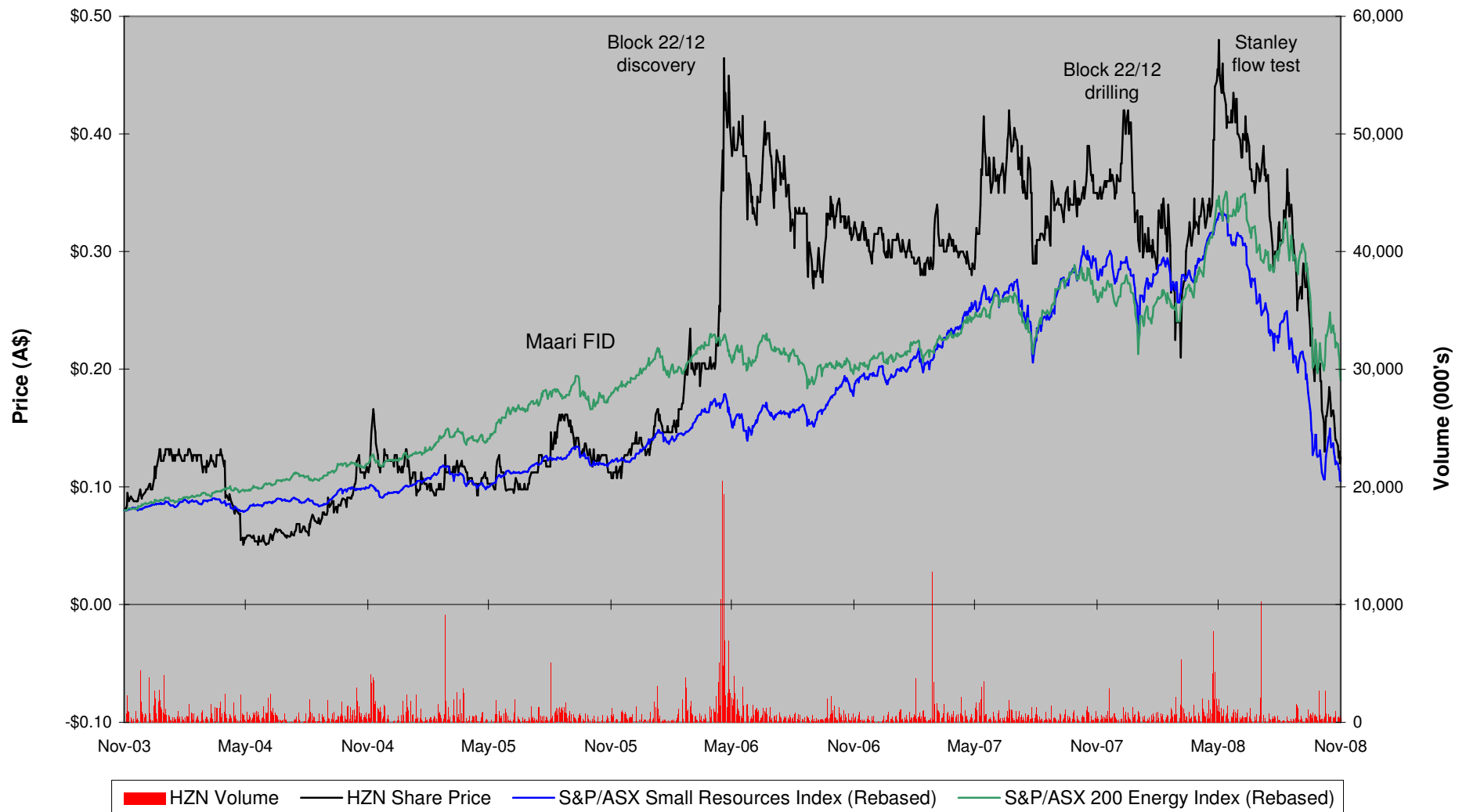
5

\* Added since 2007 AGM

# Share Price Performance



## Horizon Oil Share Price Performance vs ASX Small Resources Index and ASX 200 Energy Index



# HORIZON OIL LIMITED

ABN 51 009 799 455

## Annual General Meeting 27 November 2008



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# HORIZON OIL LIMITED

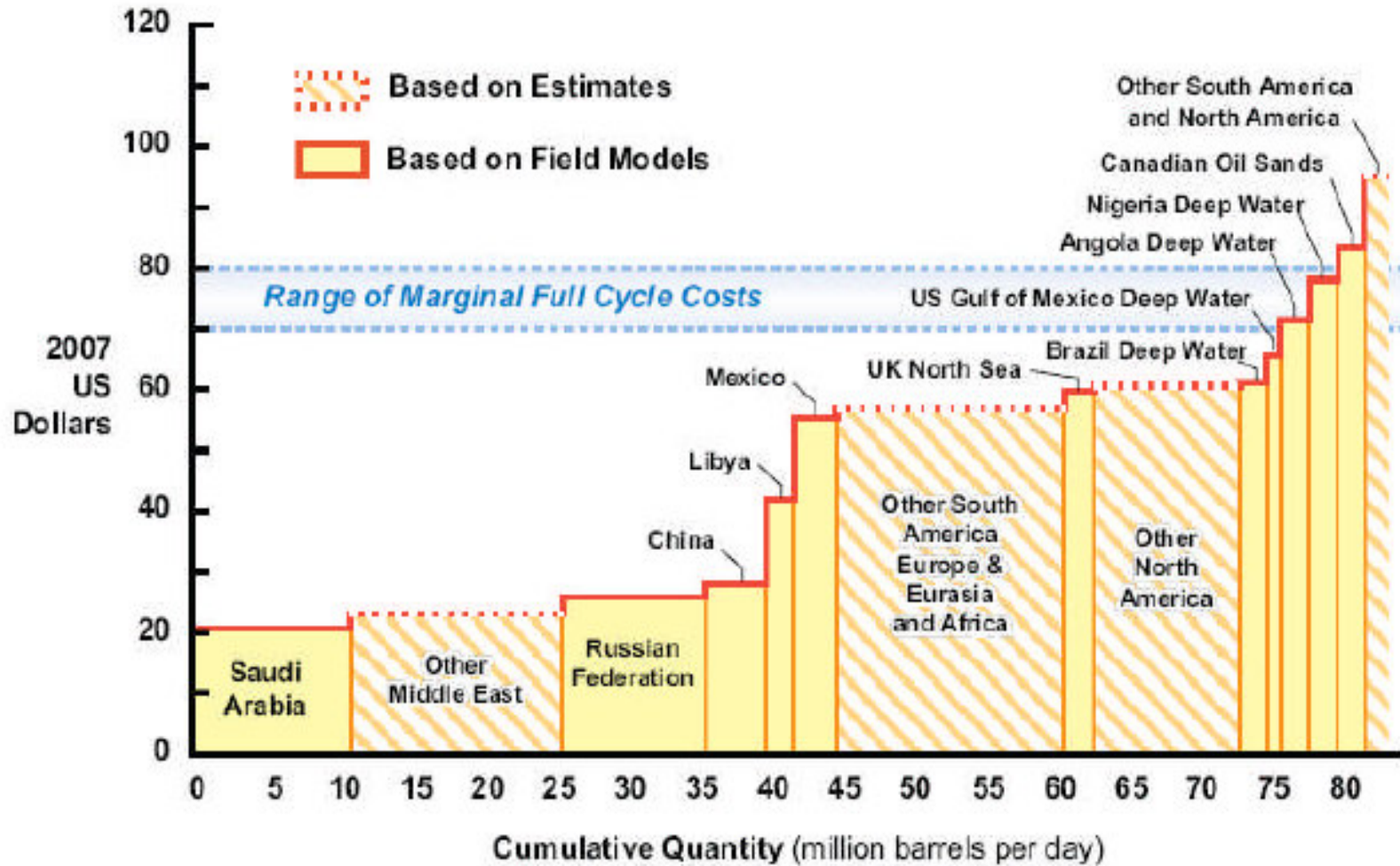
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## Annual General Meeting 27 November 2008 Shareholder Presentation



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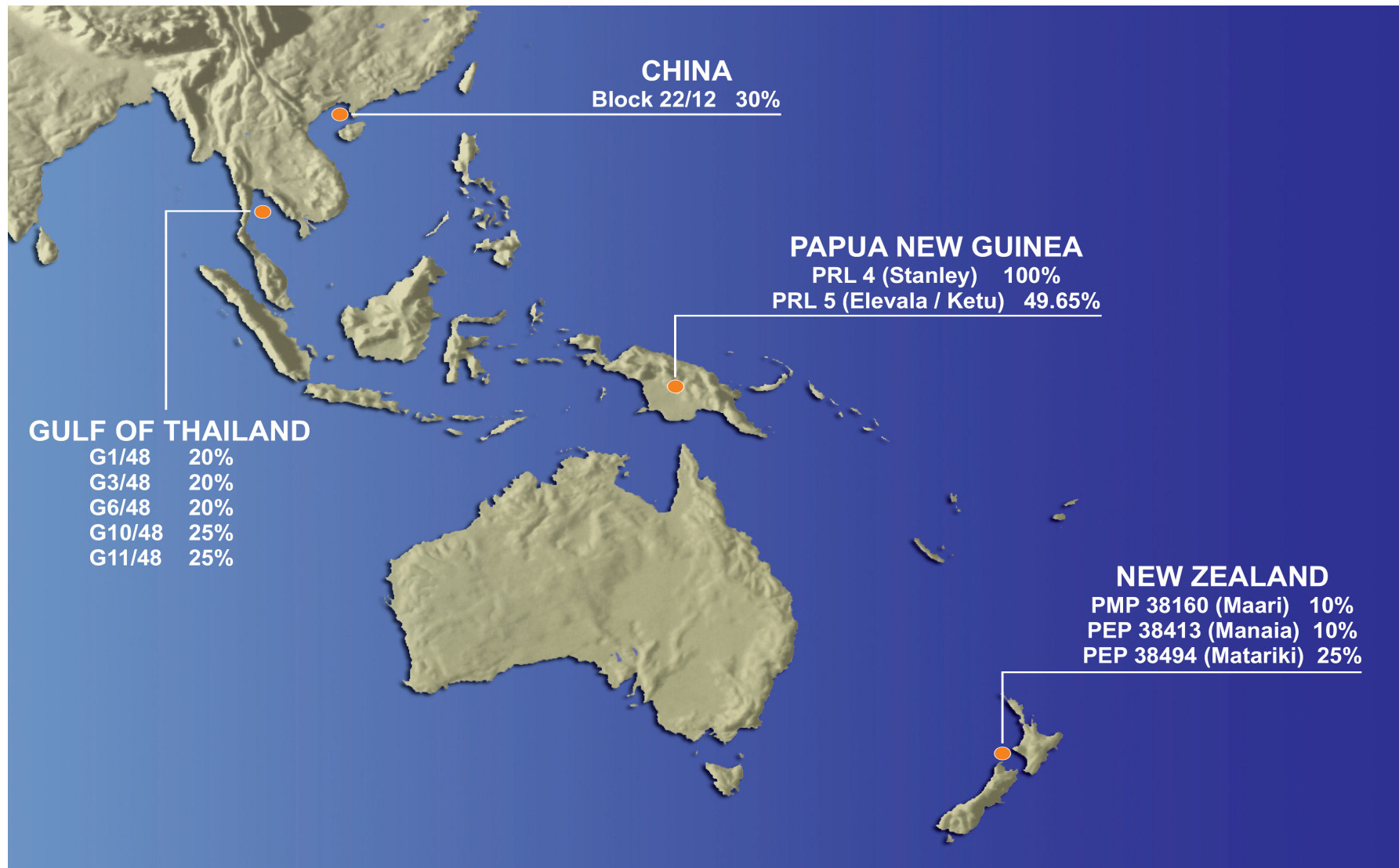
# Oil Supply Costs



Source: Cambridge Economic Research Associates "Ratcheting Down: Oil and the Global Credit Crisis" October 2008

## Asset Location – Focus on SE Asia

Productive fairways, mature operating environment ...



...strong demand for oil and gas

# Asset Portfolio

Horizon Oil

## Exploration

### New Zealand

25% of PEP 38494 (5,341 sq km); Matariki, Paua and Pike prospects; south extension of Maari

### Gulf of Thailand

20 – 25% interest in 5 blocks (64,000 sq km); 15 well exploration drilling program 2009

## Appraisal

### New Zealand

10% of PEP 38413; Manaia oil discovery; adjacent structure to Maari

### Papua New Guinea

100% of PRL 4 and 49.65% of PRL 5; Stanley, Elevela and Ketu gas/cond disc; first prod mid 2010

## Development

### New Zealand

10% of PMP 38160; Maari field; first oil early 2009

### China

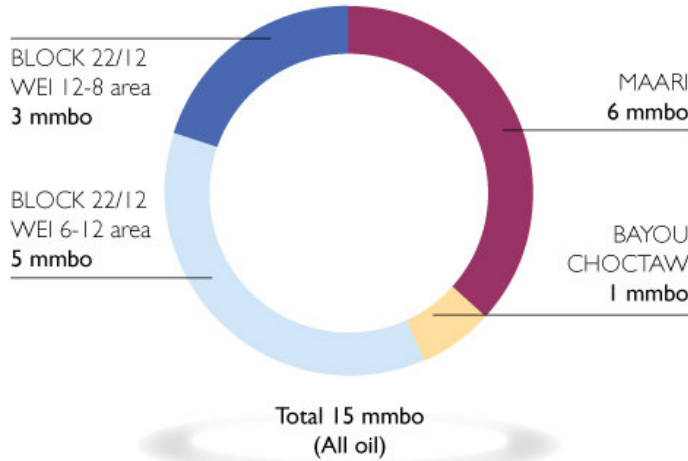
30% → 14.7% of Block 22/12; FEED underway on Wei 6-12 and Wei 12-8 fields; first oil early 2011

# Reserves, Resources and Exploration Potential

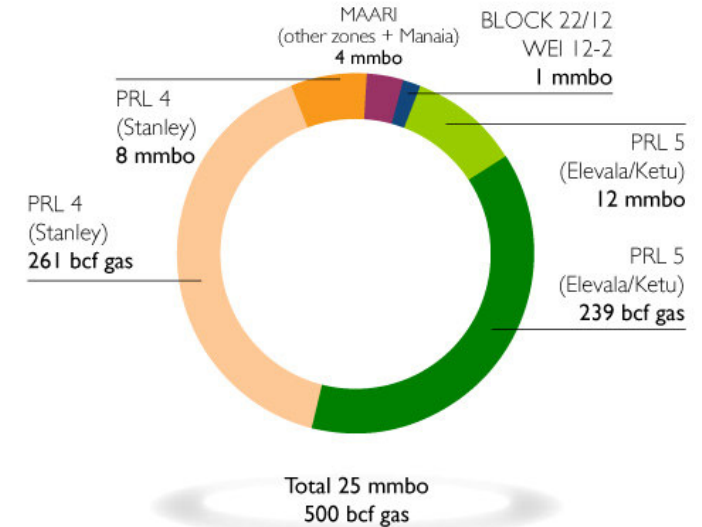
Net recoverable in millions of barrels of oil equivalent



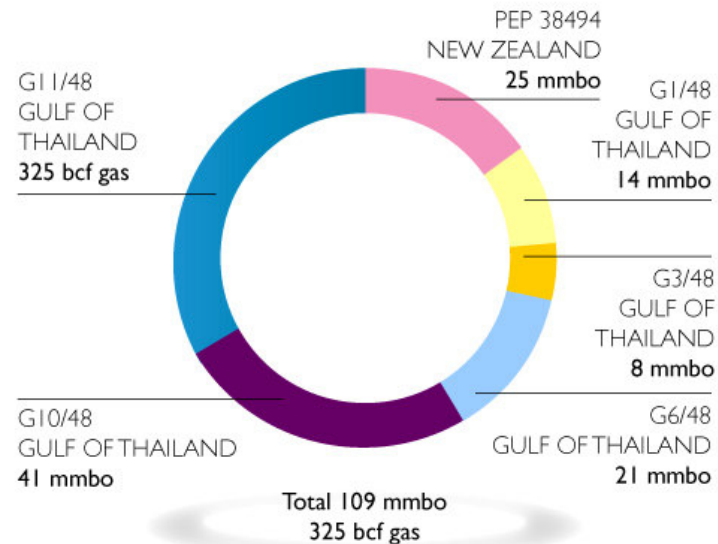
## RESERVES



## RESOURCES



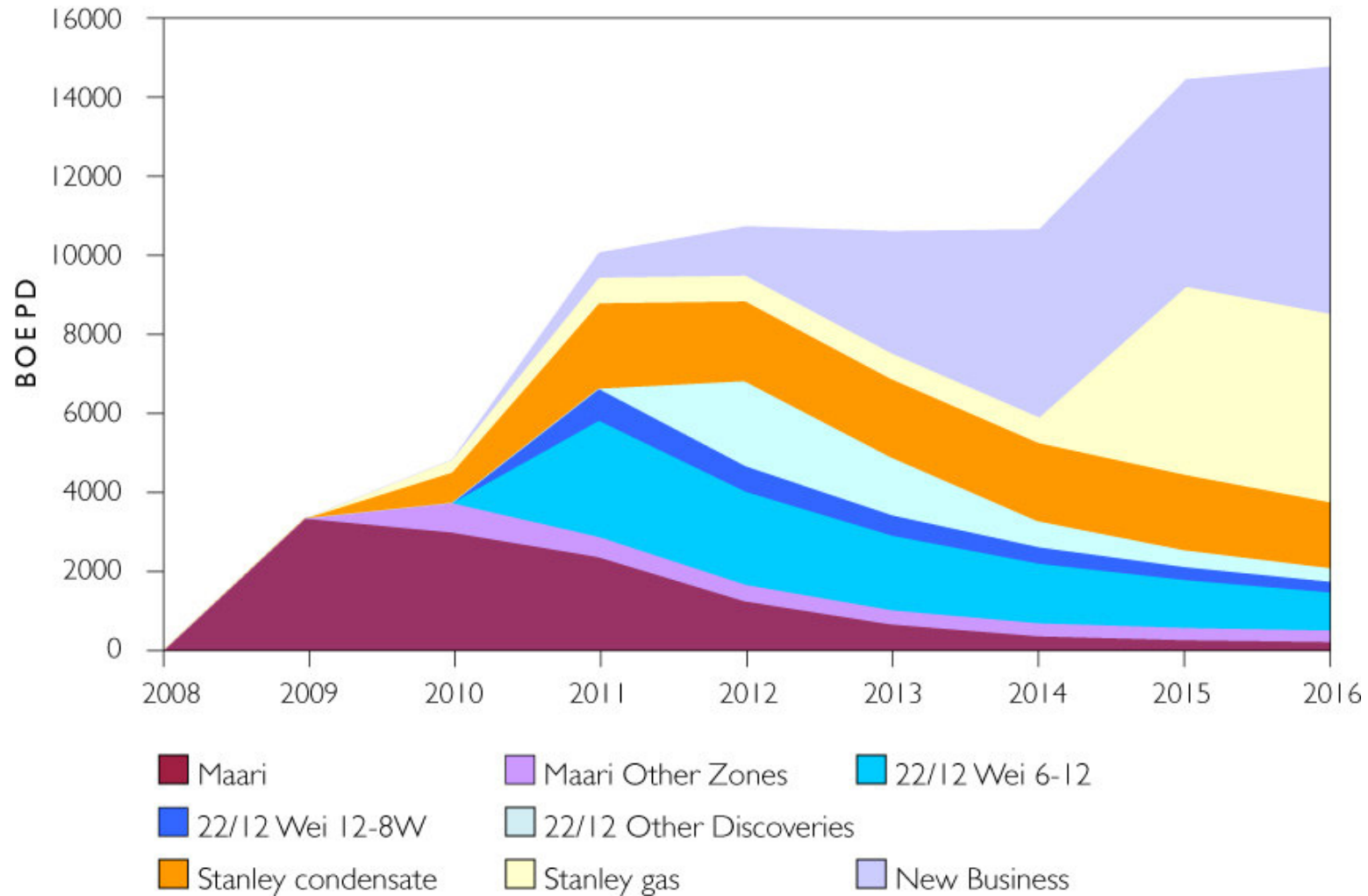
## EXPLORATION POTENTIAL (UNRISKED)



# Net Production Forecast



## Maari on production in early 2009...



...generating US\$7 million per month EBITDA net to HZN at US\$75 oil

## Analyst coverage and recent 12 month share price targets

	A\$
ABN AMRO Morgans	0.40
Euroz	0.40
Patersons	0.60
Wilson HTM	0.29
Bell Potter	0.62

Consensus value of HZN share of Maari: US\$149 million

Consensus value of HZN share of Block 22/12: US\$109 million

Papua New Guinea: What value 600 bcfe??

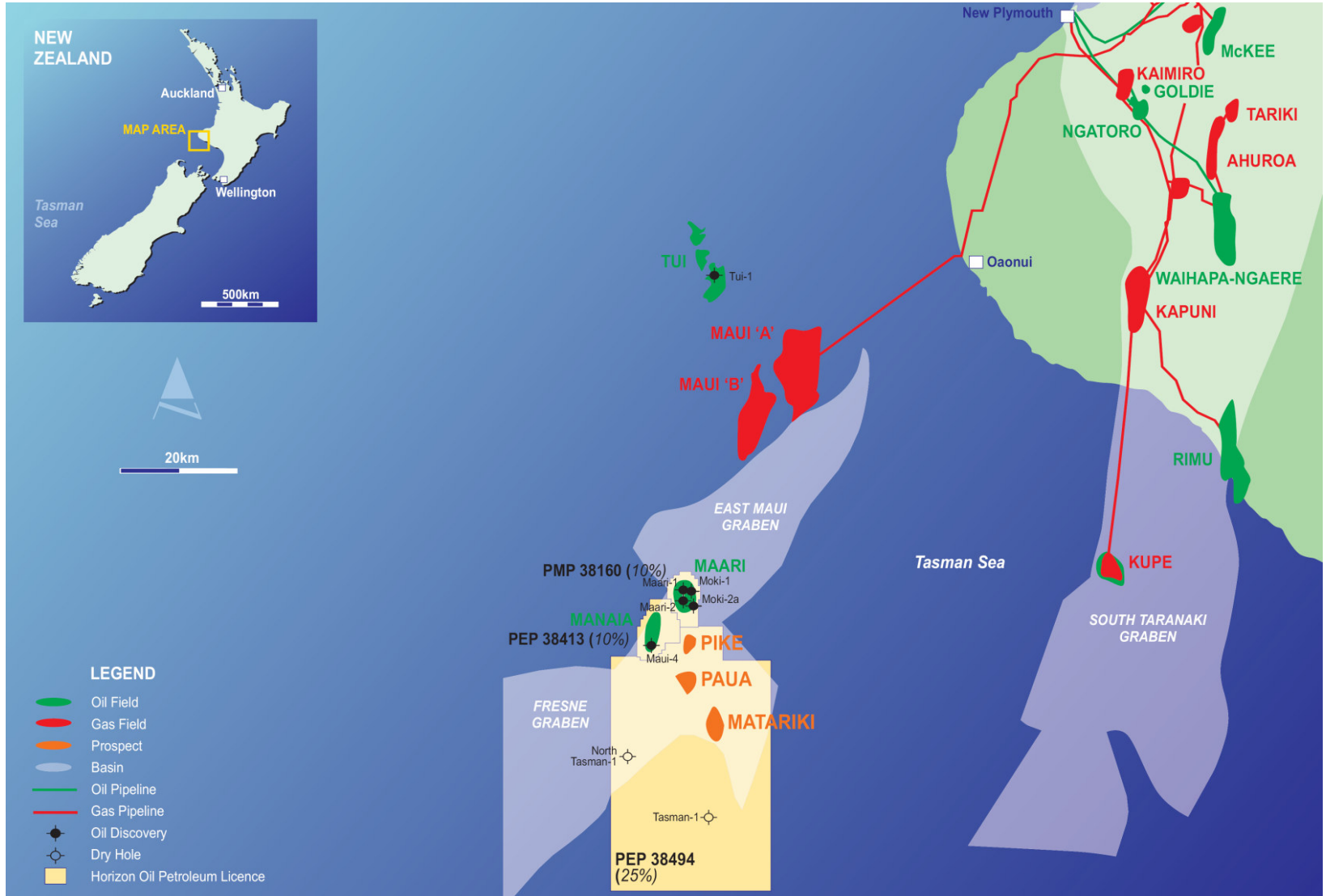
# Maari Development – New Zealand



Installation nearing completion of a 56 mmbo oilfield...

## Joint Venture:

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

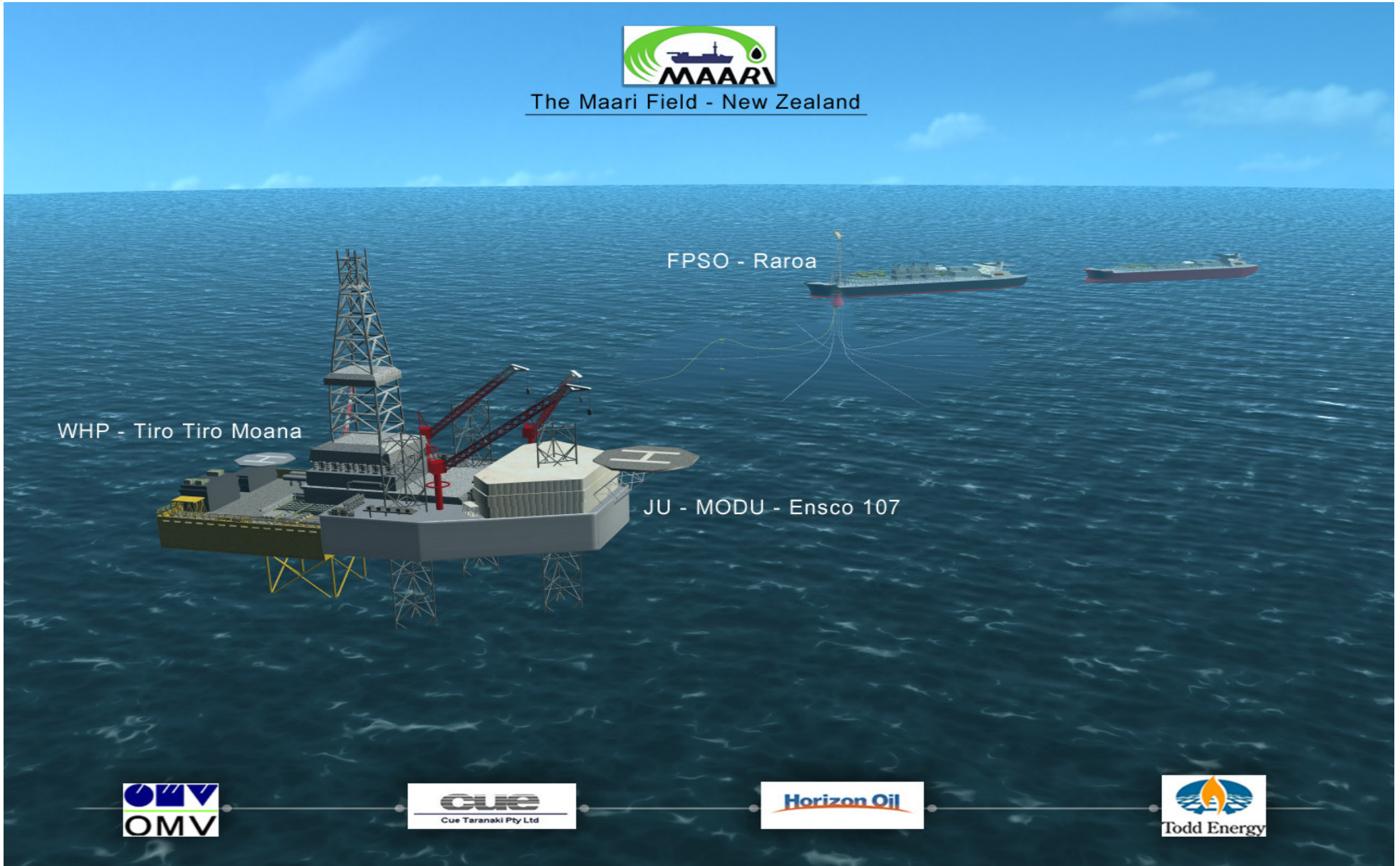


...with 40 mmbo upside potential

# Maari Development Concept



The Maari Field - New Zealand



## Maari Development Summary



- First oil February 2009, building to 3,500 bopd net to HZN
- Overall development concept:– 5 production / 3 injection horizontal wells with wellhead platform (WHP) / FPSO production facilities
- FID capex budget US\$365 million (including contingency). Current forecast cost to completion US\$~600 million
- US\$46 million finance facility provided to HZN by BOS International
- WHP and FPSO installed and undergoing commissioning
- *Ensco 107* jack-up rig now over WHP and drilling development wells
- Reserves from other Maari zones and Manaia to be appraised during development drilling phase

## Maari Reserves and Upside Potential



<b>Zone</b>	<b>Gross 2P reserves (mmbo)</b>	<b>Net 2P reserves (mmbo)</b>
Maari Moki	56	6
	<b>Gross unrisked mean resource potential (mmbo)</b>	<b>Net unrisked mean resource potential (mmbo)</b>
Maari M2A Sands	12	1
Manaia	25	3
<b>Total</b>	<b>93</b>	<b>10</b>



## Maari Field Operating Cashflow



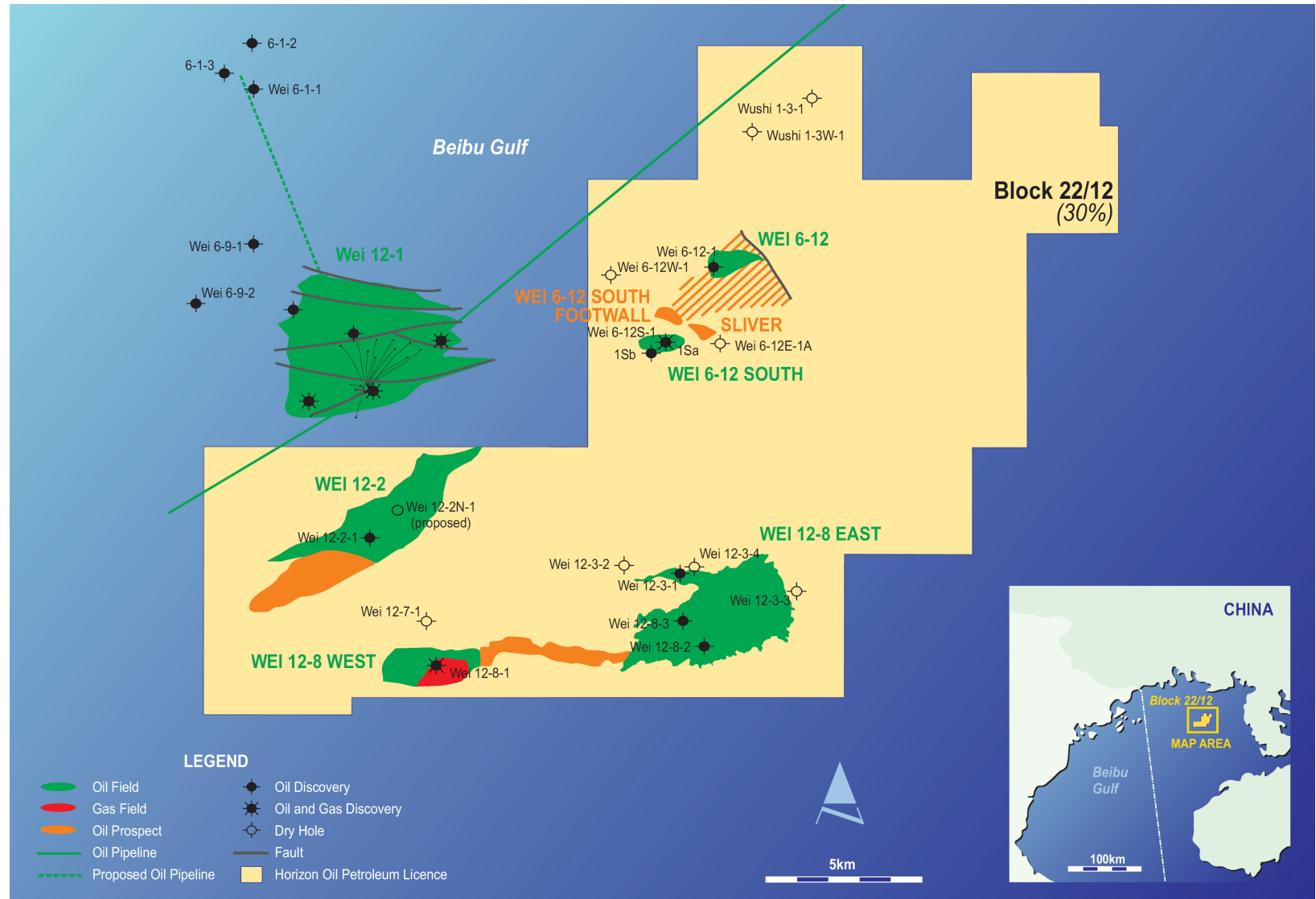
- Plateau EBITDA net to HZN
  - at US\$50 oil: **US\$4.5 million per month**
  - at US\$75 oil: **US\$7 million per month**
  
- Cumulative production after 2 years of 20 mmbo, generating EBITDA net to HZN
  - at US\$50 oil: **US\$81 million**
  - at US\$75 oil: **US\$131 million**
  
- Cumulative production 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 *Raroa*

# China 22/12 – Discoveries and Prospects

**60+ mmbo recoverable reserves and resources discovered...**

## Joint Venture:

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



**...development planning underway**

# Block 22/12 Development Planning



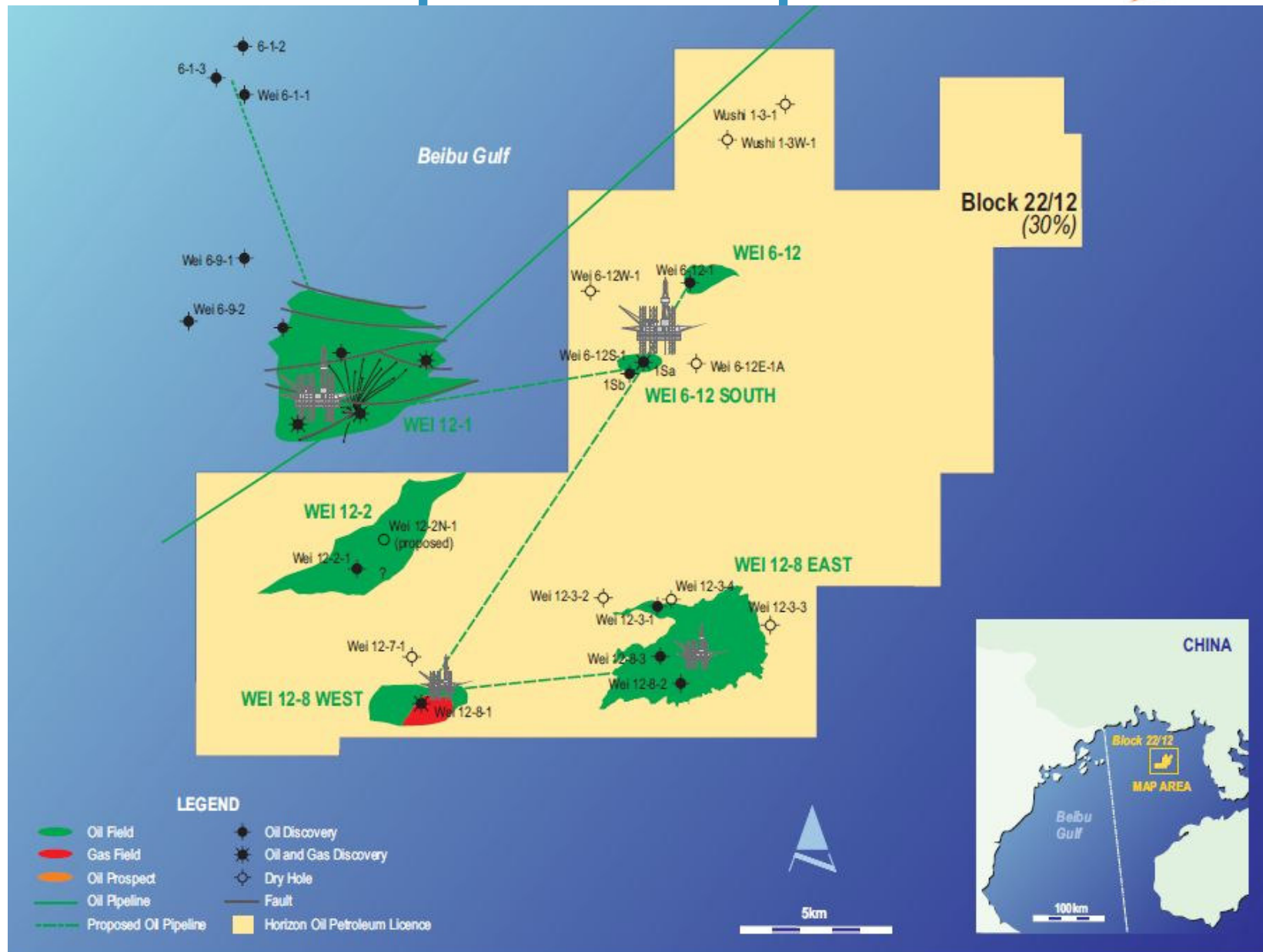
## Phased development concept

- Wellhead platform at Wei 6-12S location, tied back to CNOOC Wei 12-1 processing platform
- Unmanned minimal structures at Wei 12-8W and Wei 12-8E progressively tied back to Wei 12-1 platform
- FEED underway; FID Q1 2009; construction 2009/10; on production early 2011

## Development candidates

Discovery	Gross rec reserves (mmbo)	Crude type	Development phase
Wei 6-12S	28 (pre-drill)	Weizhou	I
Wei 6-12	5 – 10	Weizhou	I
Wei 12-8W	8	Jiaowei (viscous)	II
Wei 12-8E	11	Jiaowei (viscous)	III
Wei 12-3	1	Weizhou	III
Wei 12-2 (not appraised)	8	Liushagang	III
<b>Total</b>	<b>61 - 66</b>		

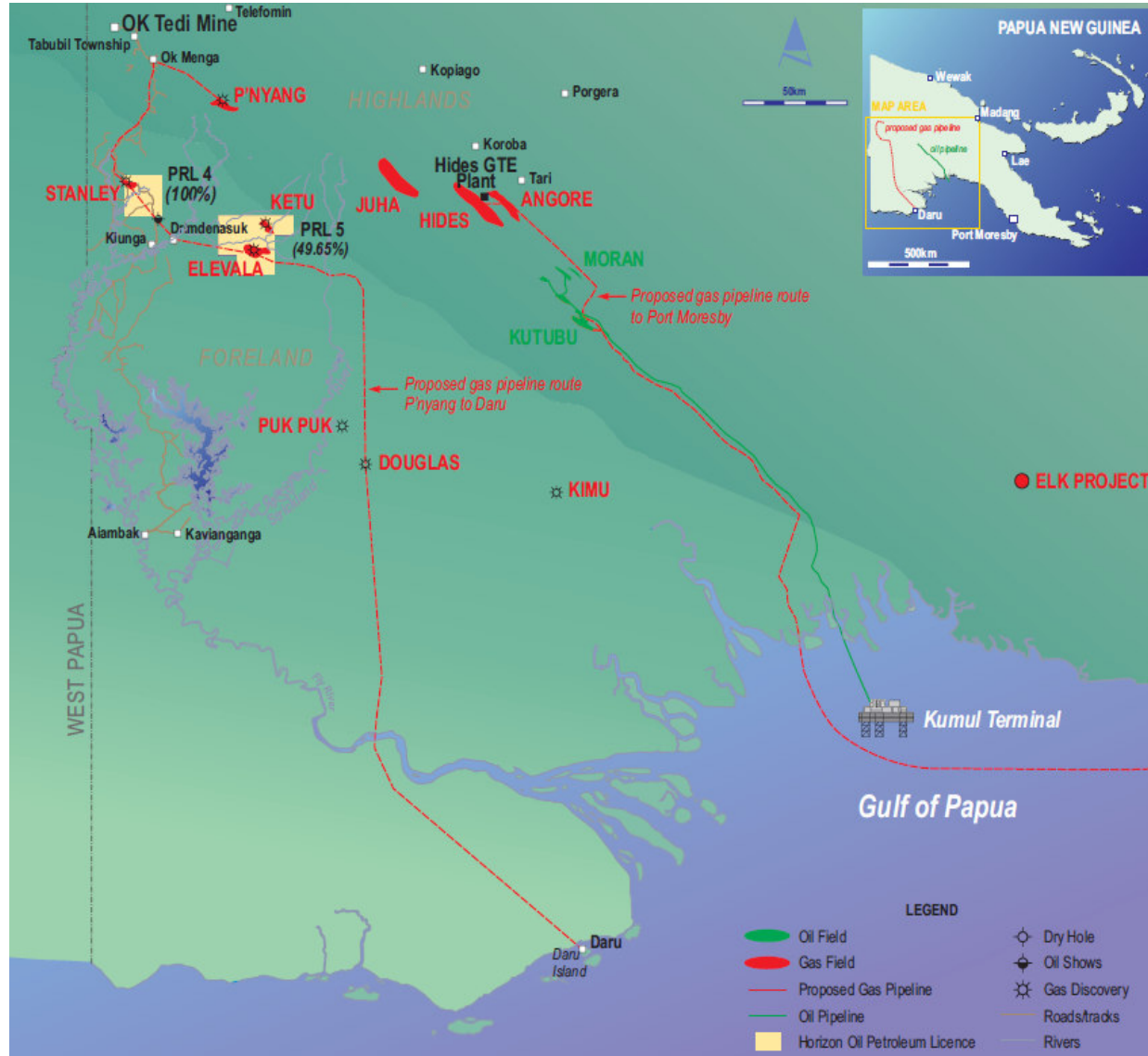
# Phased Development Concept



# Papua New Guinea



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



...development options emerging

## Western Province Play – Papua New Guinea

- Interests significantly increased from original 7.25% holding with buyouts of Austral Pacific (US\$3.5 million) and InterOil (US\$6.5 million), resulting in:-
  - 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.

# Gulf of Thailand – Acreage Position

Partner and operator:  
Pearl Energy

HZN interests:

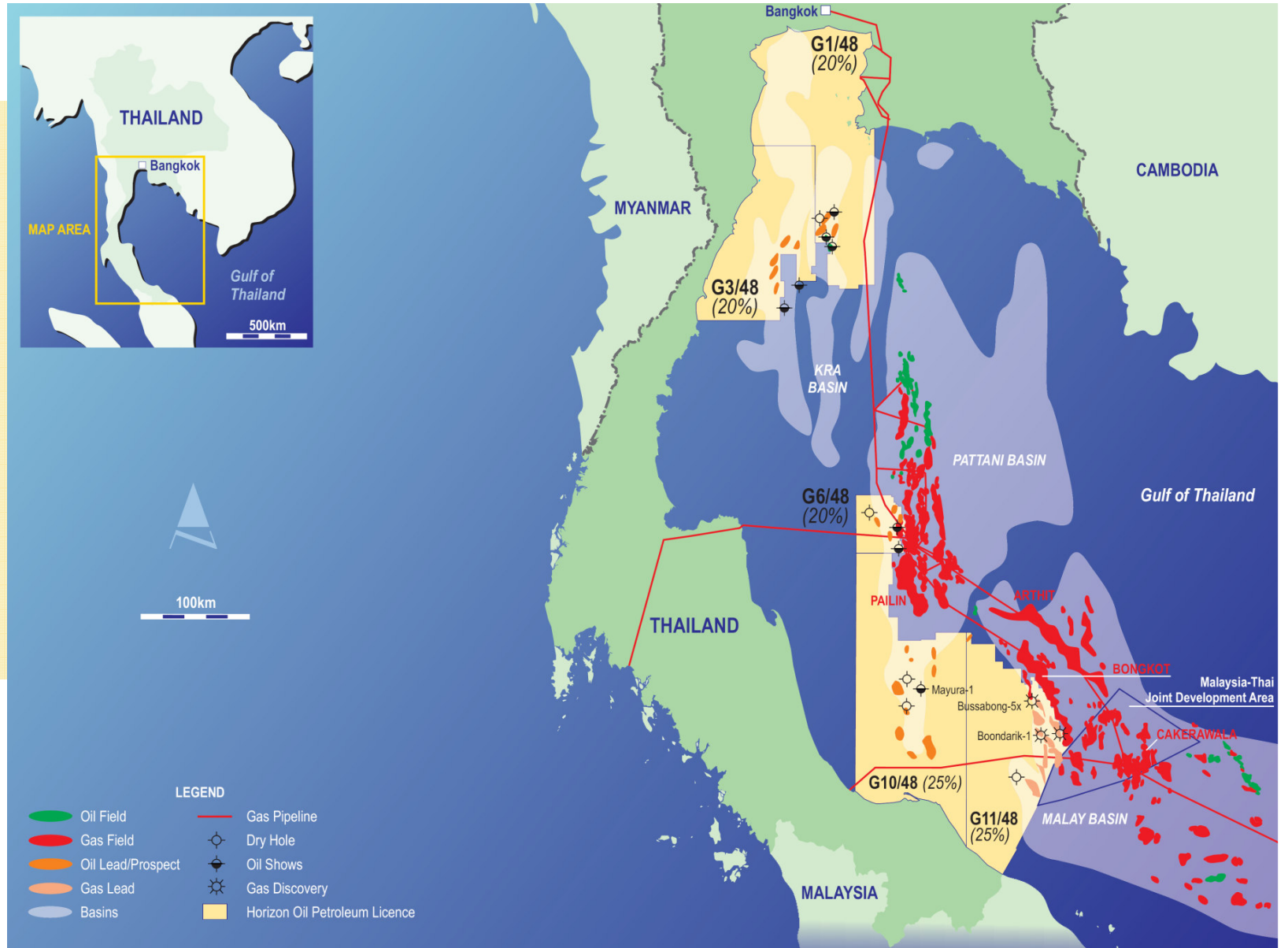
G1/48: 20%  
2 wells

G3/48: 20%  
1 well

G6/48: 20%  
3 wells

G10/48: 25%  
5 wells

G11/48: 25%  
4 wells



LEGEND	
<span style="color: green;">●</span> Oil Field	<span style="color: red;">—</span> Gas Pipeline
<span style="color: red;">●</span> Gas Field	<span style="color: black;">⊙</span> Dry Hole
<span style="color: orange;">●</span> Oil Lead/Prospect	<span style="color: black;">⊕</span> Oil Shows
<span style="color: lightblue;">●</span> Gas Lead	<span style="color: black;">⊗</span> Gas Discovery
<span style="color: lightblue;">○</span> Basins	<span style="background-color: yellow;">■</span> Horizon Oil Petroleum Licence

# Gulf of Thailand Prospects and Leads Inventory



Block	Area (sq km)	HZN interest (%)	Unrisked recoverable oil / gas potential		Exploration wells	
			Gross (mmbo/bcf)	Net (mmbo/bcf)	2009	2010
G1/48	17,610	20	70	14	1	1
G3/48	11,800	20	40	8		1
G6/48	2,280	20	105	21	1	2
G10/48	18,780	25	163	41	3+2	
G11/48	13,600	25	1,300	325	2+2	
<b>Total</b>	<b>64,070</b>		<b>378 / 1,300</b>	<b>84 / 325</b>		

# Investment Highlights



## Reserves and resources

- Strong position-:  
15 mmbo 2P reserves (all oil) and resources of 25 mmbo + 500 bcf gas

## New Zealand

- Maari first oil in early 2009, building to 3,500 bopd net to HZN; generates US\$7 million per month net cash flow before interest and tax at US\$75 per barrel oil; upside of 4 mmbo net
- Drilling on Manaia and PEP 38494 to begin after Maari development drilling

## China

- Development of Block 22/12 - FID in Q1 2009; first oil early 2011

## Papua New Guinea

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

## Thailand

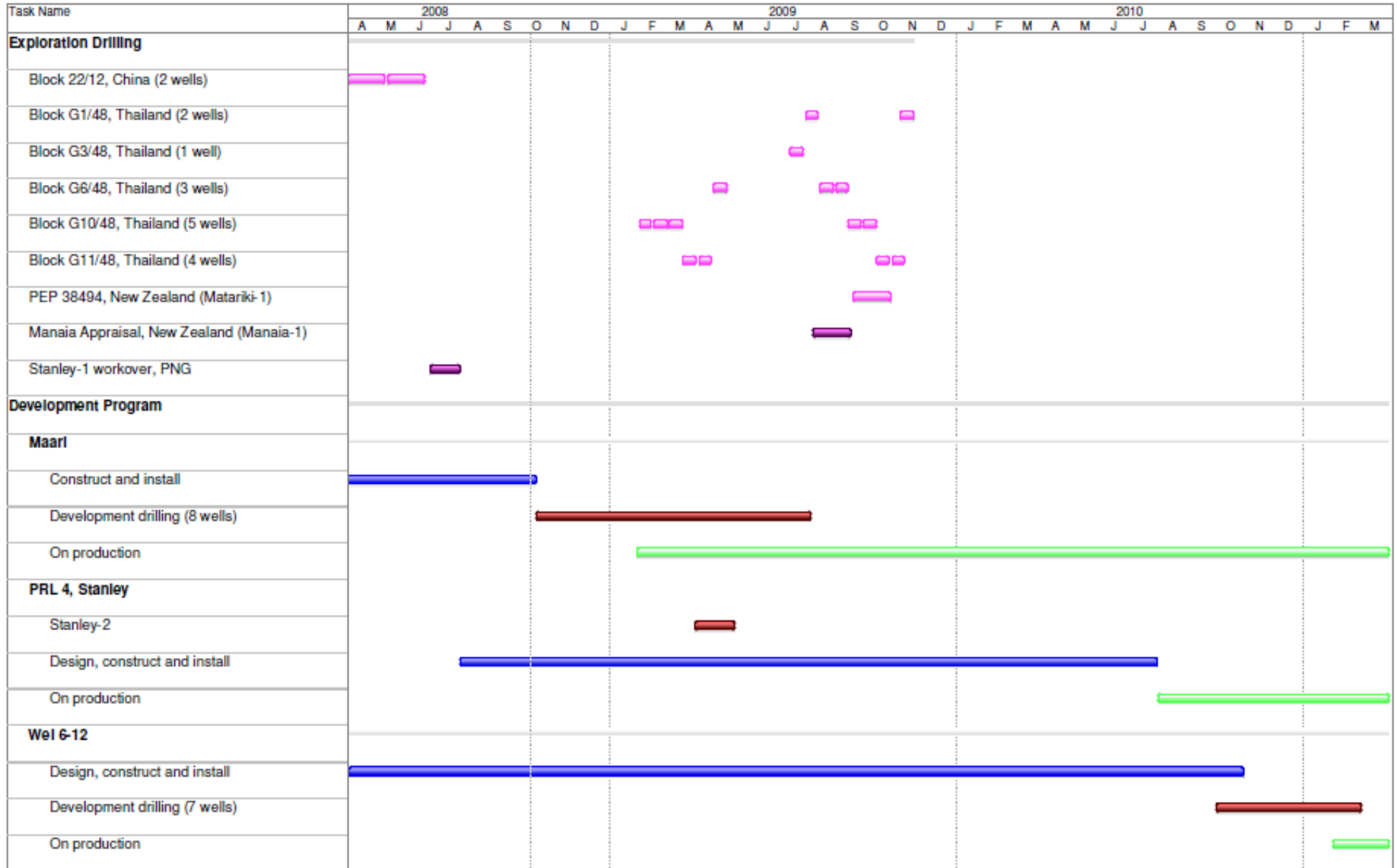
- Potential for multiple returns from exploration program  
109 mmbo + 325 bcf gas net unrisked mean potential  
15 well exploration program – 6 wells in first phase begins 2009

## Management Priorities 2009



- Begin production on Maari field and ramp up to plateau rate of 35,000 bopd by Q3 2009
- Appraise Manaia discovery, southwest of Maari
- Make FID on Block 22/12 development in Q1 2009 and begin construction phase
- Finalise award of Petroleum Development Licence for Stanley field in PRL 4 and commence development drilling
- Plan and seek approvals for drilling of Elevala-2 appraisal well in PRL 5
- Participate in Gulf of Thailand exploration drilling program, within funding availability limits
- Participate in Matariki exploration well in PEP 38494, south of and on-trend with Maari
- Restore share price to fair valuation range
- Fund capital program as required

# Activity Schedule

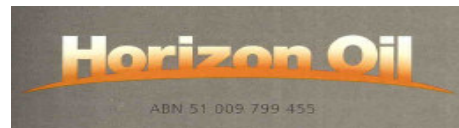


Please visit the Horizon Oil website [www.horizonoil.com.au](http://www.horizonoil.com.au) to see:-

Detailed Investor Presentation

Latest Quarterly Report

Analyst reports on HZN



Level 7, 134 William St, Woolloomooloo NSW 2011

Tel: +612 9332 5000

Fax: +612 9335 5050



[exploration@horizonoil.com.au](mailto:exploration@horizonoil.com.au)