

HD HORIZON OIL LIMITED

BY Jenny Prabhu

WC 1,080 words

PD 8 April 2014

SN OzEquities News Bites

SC NBOZEN

LA English

CY Copyright 2014 News Bites Pty Ltd. All rights reserved.

LP

AUSTRALIAN COMPANY NEWS BITES

OZEQUITIES NEWS BITES

TD

HORIZON OIL LIMITED

Code: HZN

Shares on issue: 1.3b.

Market Cap: \$410m.

Cash on hand \$37m.

Debt \$199m.

Last traded at: 31.5 cents

(Chart)

Interpretation:

HZN is well off its best price at 47 cents and this has traded in the range 29.5 to 34.7 cents. More recently the range has tightened in to 30 to 33 cents with now good support at 30.5 and resistance at 33 cents. Yesterday it opened at 30.5 and closed at 31.5 cents which is the Darvas box high. It should trade back up to 33 cents.

Gerald Stanley

Directors:

Fraser Ainsworth AM, B.Comm, FAICD, FCPA, Chairman

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 Envestra Limited and Chairman of Tarac Australia Limited.

Brent Emmett, B.Sc, managing director

Over 35 years experience in exploration, E&P management, investment banking / Exxon, Elf Aquitaine, Ampolex, CIBC / Australia, New Zealand, Papua New Guinea, China, USA, Latin America

John Humphrey, LL.B., SF Fin, non exec director

Gerrit J de Nys, B.Tech, FIEAust, FAICD, CPEng, non exec director

Andrew Stock, B.Eng (Chem) (Hons), FAIE, non exec director

Snapshot:

Horizon **Oil** Ltd listed as Bligh **Oil** & Minerals on June 30 1981, with a name change to Horizon **Oil** on November 6 2002.

Horizon **Oil**'s activities are focussed on South East Asia.

Horizon **Oil** today

In New Zealand HZN has 10% of PMP 38160 (Maari/Manaia) and 21% of PEP 51313 (Matariki).

In **China** Horizon **Oil** has 26.95% of Block 22/12 post the CNOOC back in, including Wei 6-12, WZ6-12 South and AZ 12-8 West fields, Wei 12-8 East field.

In Papua New Guinea it has 30% and is operator of the Stanley discovery in PRL 4, it has 27% and is operator of the Elevala and Ketu discoveries in PRL 21 and 15% of PPL 259.

The PNG Government may appoint a state nominee to acquire up to a 22.5% participating interest in any commercial development within PRL 4, PRL 21 and PPL 259. PRL 21 was granted with effect from March 18 2011 for a 5 year term following the settlement of legal proceedings with the PNG Government over the acreage, which was formerly designated PRL 5.

For the half year ended December 31 2013

Horizon **Oil** announced a loss after tax of \$US47,000 vs a loss after tax of \$US6.777 **million** for the previous corresponding period (pcp) on sales revenue up 255% to \$US64.769 **million**.

EBITDAX was up 622% to \$US32.782 **million**.

Cash on hand was \$US37.1 **million** vs negative \$US19 **million** at June 30 2013.

The overall loss of \$US47,000 resulted from gross profit from **operations** of \$US15.1 **million** which was driven by **China** production, offset by depreciation, amortisation and exploration costs of \$US22.4 **million**, income and royalty tax of \$US1.8 **million**, financing costs of \$US8.6 **million** and a favorable movement in the mark to market valuation of the convertible **bonds** of \$US2.8 **million**.

Operational results:

China: During the half year HZN's working interest share of production from the Beibu Gulf fields was 636,249 barrels of **oil**. All 15 wells are now on production.

(On February 26 in its full year results ROC's CEO Mr Alan Linn said the Beibu development has been a real success story, with the completed project delivering significantly ahead of reserve, production and cost expectations. All 15 wells were on line and achieved an overall production plateau of 15,000 BOEPD).

During the half year the Horizon entered into a seismic farm in option with ROC to earn 40% of Block 09/05 Bohai Bay, offshore **China**, paying 40% of all exploration costs incurred until the exercise of lapse of the option.

New Zealand: During the half year HZN's working interest share of production from Maari field was 35,895 barrels of **oil**.

Production for the half year was low as the Maari production facilities were shut in on July 21 to effect interim repair works on the FPSO Raroa. Production at Maari field re-started on December 12. On December 17 all 6 wells had been returned to production and were producing at a rate of approximately 11,600 barrels of **oil** per day.

Papua New Guinea: Government negotiations relating to the Petroleum Development Licence application were finalised during the half year. The Development Forum will commence after PNG Cabinet Approval. A small portion of the Stanley Gas field was found to possibly encroaches into PPL 259. This will have an immaterial effect on Horizon's interest in the Stanley gas field, given its near equivalent participation in both licences.

Work continued on the Elevala/Ketu condensate recovery project development planning during the half year.

Horizon **Oil** entered into a farm in agreement to acquire a further 20% interest in PPL259 during the half year, subject to government approvals. HZN will operate the exploration well to be drilled in the licence, expected later in calendar year 2014.

Major shareholders:

Austral Asia **Energy** Pty Ltd as Trustee for Triplex Global Ventures Ltd 22.24%

Commonwealth Bank of Australia 10.59%

Northcape Capital Pty Ltd 5.05%.

Broker recommendations:

Well followed by brokers.

*The Financial Times reports as of Apr 04, 2014, the consensus forecast amongst 12 polled investment analysts covering Horizon **Oil** Ltd advises that the **company** will outperform the market. This has been the consensus forecast since the sentiment of investment analysts improved on Aug 18, 2013. The previous consensus forecast advised investors to hold their position in Horizon **Oil** Ltd.

*On March 26 Peter Strachan in "StockAnalysis" looked at the whole of the **oil** and gas sector with comments on several stocks.

Of Horizon, he said "Horizon remains one of the cheapest stocks in the sector, but mired in heavy debt ahead of achieving approvals for the Stanley condensate project, which will trigger payment from Osaka Gas for its involvement in its PNG gas projects. "Political risk remains in **China** and especially PNG for Horizon" Peter added.

*Macquarie Private Wealth Research maintained an "outperform" on Horizon **Oil** with a 12-month price target of 60¢; after the **company** reported first half results in line with expectations on February 28.

NS cnatrd : Natural Reserves/Resources Discovery | m11 : Equity Markets | nanl : Analyses | c24 : Capacity/Facilities | ccat : Corporate/Industrial News | mcat : Commodity/Financial Market News | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter

RE papng : Papua New Guinea | austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania | dvpcoz : Developing Economies | pacisz : Pacific Islands

PUB News Bites Pty Ltd

AN Document NBOZEN0020140407ea48000b5