

Quick Comment

Horizon Oil Ltd (HZN \$0.14) Buy

Analyst	Date	Price Target
Jon Bishop	5 th July 2018	\$0.20/sh

Notices Received from PNG Petroleum Minister for PDL10

Key Points

- HZN's JVP Repsol has received 'Notice of Intention to cancel Petroleum Development Licence 10 and Pipeline Licence 10' (Notice) signed by the Minister for Petroleum, PNG;
- The Minister has invited the participants to show cause by 25 July 2018 as to why the licences should not be cancelled;
- PDL 10 represents 20% of HZN's total PNG gas resource;
- HZN has determined the Notices as procedurally invalid and that there is no basis upon which to cancel licence per the issues identified in the Notice;
- The JV will work with the Ministry to resolve this issue and reinstate the good standing of the licenses;
- In any event, on our analysis, we see little downside to the current share price noting that the NPV of the producing NZ and Chinese assets net of Balance Sheet equates to 15cps: PNG remains a free option:

ASSET VALUATION		
	A\$m	A\$/sh
NZ - Maari	134	0.08
China - Wei	193	0.12
China - WZ 12-8E undev. - nom. risked	56	0.03
PNG (net 2C - 603Bcf; 19mmbbls) - nom. risked	111	0.07
Hedging	(8)	(0.00)
Corporate (inc tax credits)	(37)	(0.02)
Unpaid Capital	18	0.01
Debt	(151)	(0.09)
Cash	29	0.02
Total	345	0.22

- Buy maintained.

Investment Thesis

Today's announcement is disappointing as it will inevitably stoke deep seeded market concerns regarding sovereign risk pertaining to PNG. We view that this issue will be rectified in due course. And in any event, the current share price is underwritten to 15cps by the producing assets net of Balance Sheet. Buy maintained: HZN offers pure oil price leverage with firming oil prices. Its core assets and fully developed production of +4,000bopd for the next 5yrs will generate over US\$50m/yr in free cash flow (after capex) on average, systematically and aggressively de-gearing the balance sheet. Yet it trades a steep discount to the peer group.

Horizon Oil Ltd (HZN)

Share Price	0.14	A\$/sh	Enterprise Value	327	A\$/m
Price Target	0.20	A\$/sh	Debt	149	A\$/m
Valuation	0.22	A\$/sh	Cash	28	A\$/m
Shares on issue	1,602	m(dil)	Largest Shareholder	IMC	31%
Market Capitalisation	206	A\$m			

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