

## Horizon Oil Limited (HZN)

### FY14 results – full year China impact

#### Valuation and Recommendation

We retain our Buy recommendation and have revised our target price to \$0.45/sh (prev. \$0.53/sh) after incorporating FY14 results and updated project assumptions from the recent independent expert report. There was little new in the FY14 results, with key parameters disclosed in the June quarterly report and revenue up on full year contribution from the Beibu Gulf project. The main activities in FY15 involve negotiation of a gas sales agreement for the Stanley project in PNG, FID on the Elevala/Ketu condensate stripping project and progress towards monetization of Horizon's large gas resource base. We believe Horizon has a viable business model in the absence of the merger with Roc, with its PNG gas resources likely to feature in industry aggregation to support expansion of LNG capacity.

#### Key investment points

- FY14 results:** Production of 1.43 mmbbl, up 185% on the prior year; sales revenue of \$US139m, up 188%; NPAT of \$US12.8m, up 269%; cash of \$US99m, debt of \$US119m and convertible bond of \$US80m. 2P reserves of 15.1 mmboc; 2C resources of 15.3 mmboc.
- Outlook:** No formal production, revenue or capex guidance provided. Operating cash flow is expected to increase significantly following completion of the Maari oil growth project (Maari production expected to double to 20 kbopd gross). Revenue from the Beibu Gulf oil project in China is expected to be maintained despite field decline, due to increased share of production through cost recovery terms under the production sharing contract. A final investment decision (FID) on the Elevala/Ketu gas/condensate project in PNG is expected in early CY15.
- Changes to forecasts:** We have incorporated FY14 actual performance and updated our modelling assumptions to reflect data available from the independent expert report associated with the (now abandoned) Roc/Horizon merger; capex and opex have increased, exceeding the contingencies we had previously assumed, reducing our NPV. We note our discount rate is higher than assumed in the IER, with our valuation broadly consistent at discount rate parity.
- Risks:** NZ oil production rates on project completion; production reliability, Stanley project development; PNG gas commercialization.

#### Key Financials

Year-end June (A\$)	FY13A	FY14A	FY15E	FY16E	FY17E
USD/AUD (average)	1.03	0.92	0.91	0.89	0.88
Brent (US\$/bbl)	109	109	102	97	97
Production (mmboc)	0.55	1.44	1.57	1.35	1.46
Revenue (\$m)	51	144	159	131	140
EBITDA (\$m)	30	81	126	100	106
Cash costs (\$/boc)	38	42	20	22	24
Normalized NPAT (\$m)	3	-5	46	34	46
Reported NPAT (\$m)	3	13	46	67	137
Normalized ROE (%)	2	-2	17	8	9
Cash (\$m)	19	99	34	61	64
Debt (\$m)	196	187	149	31	0
Capex (\$m)	125	93	104	49	124
PER	154.1	-84.6	10.8	15.5	11.4
EV/EBITDA	23.5	7.6	5.0	4.9	4.3

Source: Iress, Company, Ord Minnett estimates

Last price \$0.34

Target price \$0.45

Recommendation  
Buy

Risk Assessment  
Higher

#### Oil and Gas

John Young

Senior Oil & Gas Analyst

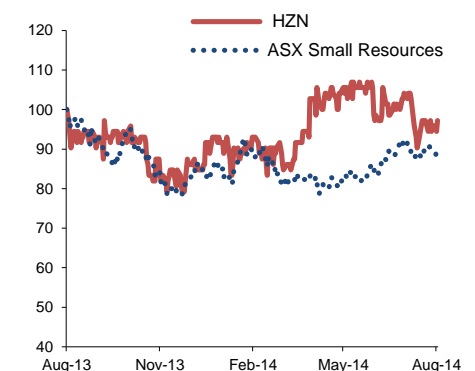
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#### Horizon Oil Limited

ASX Code	HZN
52 week range	\$0.28 - \$0.39
Market Cap (A\$m)	443
Shares Outstanding (m)	1302
Av Daily Turnover (#)	3.3m
ASX All Ordinaries	5,623.5
Net Debt/(Cash) FY14A (A\$m)	

#### Relative price performance



Source: Iress

#### Consensus earnings

	Cons.	OML
Target price \$/sh	0.47	0.45
FY15 earnings \$m	45	46
FY16 earnings \$m (normalized)	40	34

Source: Bloomberg

## FY14 results

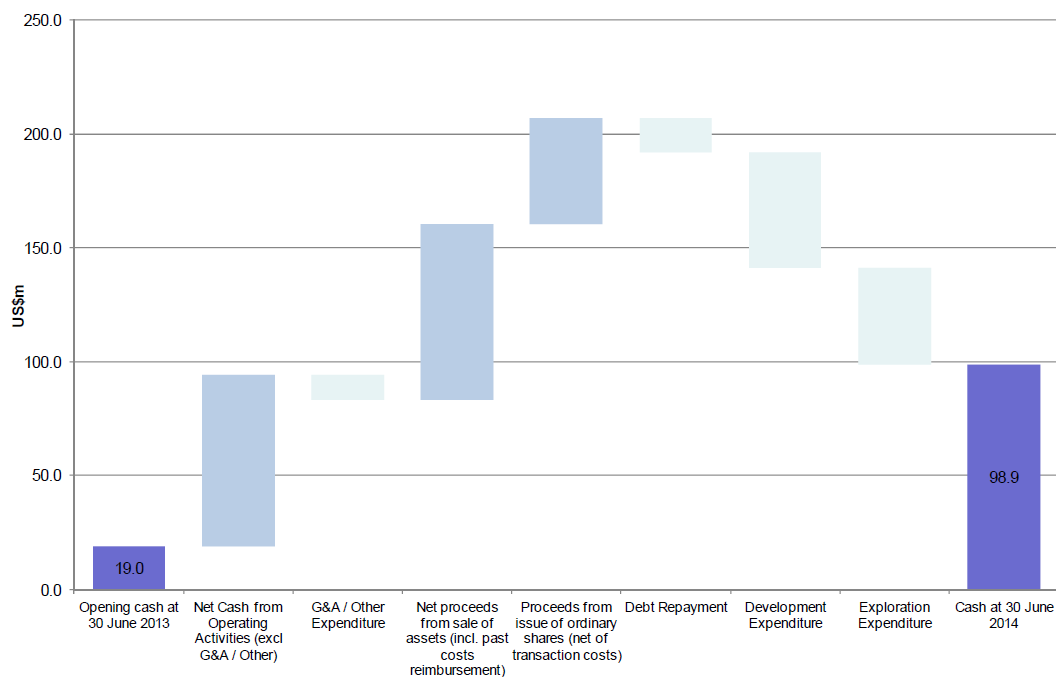
Figure 1: FY14 results summary

	12 Months to Jun 2014 (US\$ million)	12 Months to Jun 2013 (US\$ million)	Change (US\$ million)	Change (%)
Production	1.43 mmbbls	0.50 mmbbls	0.93 mmbbls	185%
Sales	1.36 mmbbls	0.47 mmbbls	0.89 mmbbls	190%
Realised Oil Price	US\$102.10/bbl	US\$102.76/bbl	(US\$0.66)/bbl	-
Sales Revenue	138.5	48.1	90.4	188%
Gross Profit on Oil Sales	45.7	25.4	20.3	80%
Profit on sale of assets	23.8	-	23.8	-
<b>EBITDAX*</b>	<b>99.5</b>	<b>27.9</b>	<b>71.6</b>	<b>256%</b>
<b>EBIT*</b>	<b>48.9</b>	<b>18.2</b>	<b>30.7</b>	<b>168%</b>
Profit before Tax	30.0	10.0	20.0	200%
Net Profit after Tax	12.8	3.5	9.3	269%

- Increased sales revenue and results driven by production from Beibu Gulf oil fields
- Completion of sale to Osaka Gas occurred in June 2014 with significant impact on EBITDAX & EBIT

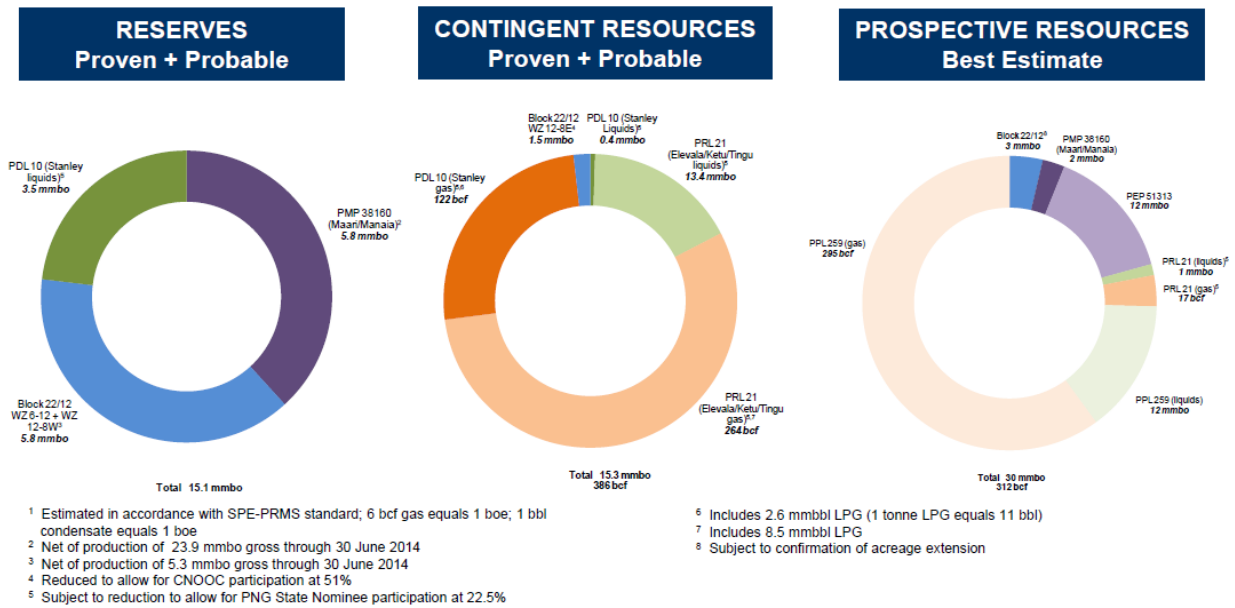
Source: Horizon Oil Limited, FY14 results presentation, 27th August 2014, p 5.

Figure 2: Cash flow shifts



Source: Horizon Oil Limited, FY14 results presentation, 27th August 2014, p 8.

Figure 3: Reserves and resources



**Total reserves and contingent resources – 95 mmboe**  
**Liquids 32%; Gas 68%**

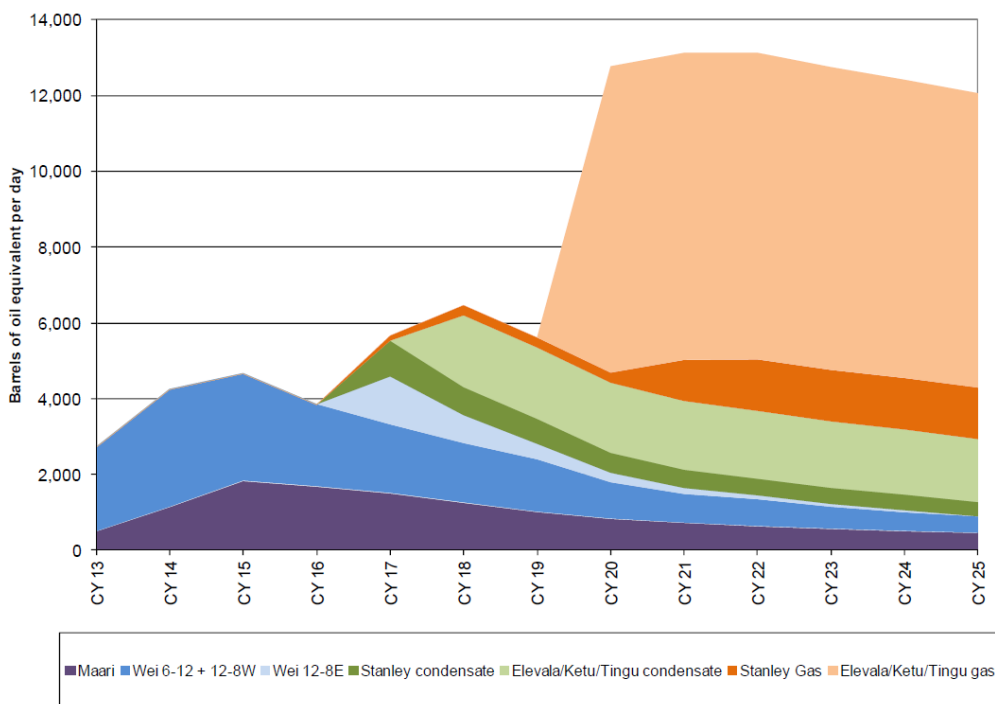
**Prospective resources – 82 mmboe**

Source: Horizon Oil Limited, FY14 results presentation, 27th August 2014, p 9.

**FY15 activities**

- As in previous years no formal production, revenue or capex guidance was provided.
- The production outlook (not formal guidance) includes development of both PNG condensate and gas resources. Production can grow and be sustained until the end of this decade with condensate stripping, which can occur independently of the more commercially difficult task of gas monetization.
- We view this outlook as a guide only, with previous experience indicating project start-ups are likely to occur later than shown. Our production forecasts are consistent in 2015 and slightly lower in 2016 to 2018 period.

**Figure 4: Production outlook**



Source: Horizon Oil Limited, 2014 Annual Financial Report, 27th August 2014, p 6.

**Figure 5: FY15 activities****Corporate Outlook**

- Operating cashflows expected to increase significantly following Maari Growth Projects and sustained China production, barring unforeseen events

**Maari/Manaia and PEP 51313, offshore New Zealand**

- Complete Maari Growth Projects drilling campaign utilising the *Ensco107* jack-up rig to access undeveloped reserves and increase Maari production to operator forecast levels of ~20,000 bopd gross, double current production levels

**Block 22/12, offshore China**

- Maintain revenue generation, despite field decline, due to increased share of production through cost recovery under Petroleum Contract terms
- Optimise of oil production at Beibu Gulf fields
- Progress Beibu Gulf fields Phase II development plan for the WZ 12-8E field

**PDL 10 (Stanley), PRL 21 (Elevala/Tingu/Ketu) and onshore Papua New Guinea**

- Complete development drilling program at Stanley and continue execution of field development
- Progress arrangements for sales of Stanley gas to regional PNG industrial consumers
- Shoot additional seismic and complete FEED study for Elevala/Tingu/Ketu condensate recovery project in PRL 21 to progress towards Final Investment Decision
- Continue and finalise negotiations with the PNG government to obtain a Gas Agreement (project agreement) for PRL 21
- Operate the drilling of the exploration well on the Nama prospect in PPL 259
- Continue analysis of options for aggregation and large scale export of Western Province gas resources

Source: Horizon Oil Limited, FY14 results presentation, 27th August 2014, p 10.

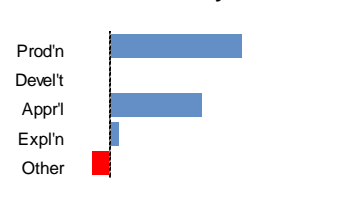
**Table 1: Valuation summary**

NPV @ 12.0% WACC + country factor	Net volume	Unit value	Risk factor	Risk value	Risk value	Unrisked value	WACC	Risk value
Valuation as of 30 Jun 2014	mboe	\$US/boe	%	\$A(m)	\$A/sh	\$A/sh	%	\$A/sh
<b>Projects (DCF model valuation)</b>	<b>81.5</b>			<b>644</b>	<b>0.42</b>	<b>0.56</b>		
Maari oil (NZ)	5.3	32.65	90	185	0.12	0.13	12.0	
Beibu Gulf oil (China)	7.7	23.70	90	193	0.13	0.14	12.9	
Stanley cond/gas (PNG)	18.5	5.45	70	83	0.05	0.08	16.0	
PRL 21 cond/gas (PNG)	50.0	5.50	50	182	0.12	0.21	16.0	
-	-	-	-	-	-	-	16.0	
-	-	-	-	-	-	-	16.0	
-	-	-	-	-	-	-	16.0	
-	-	-	-	-	-	-	12.9	
-	-	-	-	-	-	-	12.0	
-	-	-	-	-	-	-	12.0	
<b>Exploration / Appraisal</b>	<b>42.2</b>			<b>23</b>	<b>0.01</b>	<b>0.09</b>		
PPL 259 (PNG)	39.5	2.25	20	15	0.01	0.06		
Whio-1	2.7	12.00	20	8	0.00	0.02		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
<b>Other (corporate, cash, debt, etc)</b>				<b>-52</b>	<b>-0.03</b>	<b>-0.03</b>		
Corporate costs				-52	-0.03	-0.03		
Hedging & Investments				-4	-0.00	-0.00		
Franking credits (@ 0 %)				-	-	-		
Cash				99	0.06	0.06		
Additional Equity				9	0.01	0.01		
Debt				-119	-0.08	-0.08		
Minorities / Other				15	0.01	0.01		
<b>Equity Valuation (diluted)</b>	as of Jun 2014			<b>615</b>	<b>0.40</b>	<b>0.62</b>		
<b>Equity Valuation @ spot prices</b>	\$US97/b real WTI & 0.935 fx			<b>615</b>	<b>0.40</b>			
<b>Target price</b>	as of Jun 2015			<b>692</b>	<b>0.45</b>			
<b>Mkt Cap @ current share price</b>	(and undiluted share count)			<b>442</b>	<b>0.340</b>			
<b>Total shareholder return (%)</b>					<b>32.4</b>			
Number of shares (undiluted)	000,000			1,301.1				
Number of shares (diluted)	000,000			1,538.3				

**Oil price and forex sensitivity: \$A/sh**

\$US/\$A forex	Real WTI oil price, \$US/bbl					
	50	75	100	125	150	175
fx=1.20	0.17	0.24	0.30	0.37	0.43	0.50
fx=1.10	0.18	0.26	0.33	0.40	0.47	0.54
fx=1.00	0.20	0.29	0.37	0.45	0.52	0.60
fx=0.90	0.23	0.32	0.41	0.50	0.59	0.68
fx=0.80	0.26	0.37	0.47	0.57	0.67	0.77
fx=0.70	0.30	0.42	0.54	0.66	0.77	0.89

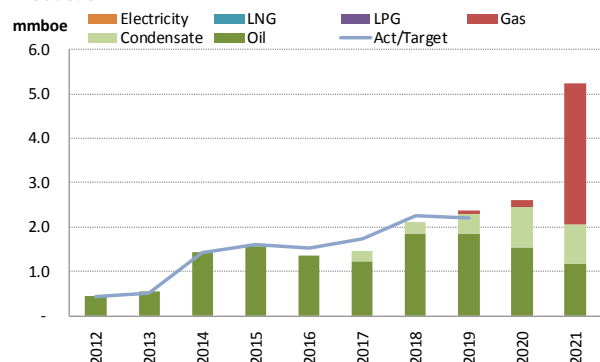
**Valuation analysis:**



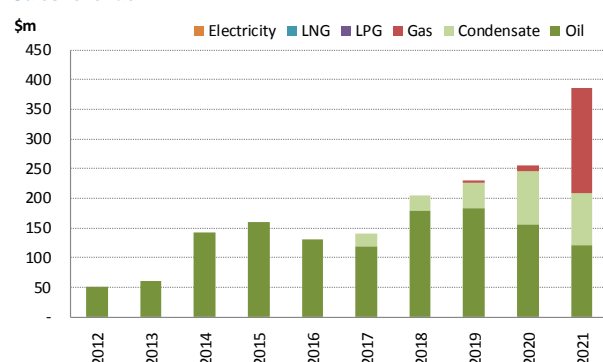
Source: Ord Minnett analysis

## Production and revenue

### Production



### Sales revenue



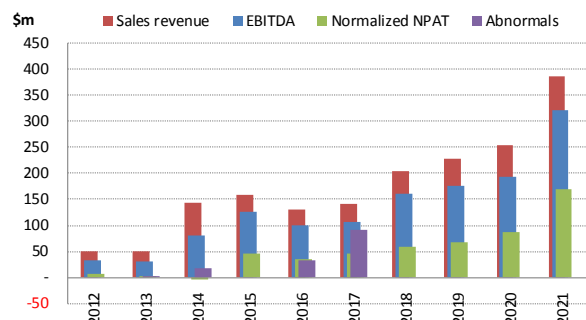
PRODUCTION	units	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E
<b>Production by project</b>											
Maari oil (NZ)	mmboe	0.44	0.32	0.19	0.64	0.64	0.64	0.64	0.64	0.61	0.47
Beibu Gulf oil (China)	mmboe	-	0.23	1.25	0.92	0.70	0.58	1.21	1.22	0.93	0.70
Stanley cond/gas (PNG)	mmboe	-	-	-	-	-	0.24	0.27	0.30	0.34	1.21
PRL 21 cond/gas (PNG)	mmboe	-	-	-	-	-	-	-	0.21	0.73	2.85
Stanley gas (PNG)	mmboe	-	-	-	-	-	-	-	-	-	-
PRL 21 gas (PNG)	mmboe	-	-	-	-	-	-	-	-	-	-
Daru LNG (PNG)	mmboe	-	-	-	-	-	-	-	-	-	-
Bohai Bay (China)	mmboe	-	-	-	-	-	-	-	-	-	-
-	mmboe	-	-	-	-	-	-	-	-	-	-
-	mmboe	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	mmboe	<b>0.44</b>	<b>0.55</b>	<b>1.44</b>	<b>1.57</b>	<b>1.35</b>	<b>1.46</b>	<b>2.12</b>	<b>2.37</b>	<b>2.62</b>	<b>5.24</b>
Total production	kboed	<b>1.20</b>	<b>1.52</b>	<b>3.94</b>	<b>4.29</b>	<b>3.68</b>	<b>4.00</b>	<b>5.80</b>	<b>6.48</b>	<b>7.15</b>	<b>14.36</b>
Production growth	%		26.3	160.1	8.8	-14.3	8.7	45.1	11.7	10.3	100.9
<b>PRICES &amp; REVENUE</b>											
	nominal \$	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E
<b>Price markers</b>											
Forex (period average)	\$US/\$A	1.03	1.03	0.92	0.91	0.89	0.88	0.86	0.83	0.80	0.80
WTI	\$US/bbl	95	92	101	96	91	91	93	95	97	100
Brent	\$US/bbl	113	109	109	102	97	97	99	101	103	105
Nat Gas (Henry Hub)	\$US/mmBtu	3.0	3.2	4.2	4.4	4.9	5.1	5.2	5.3	5.4	5.5
Nat Gas (NE Australia)	\$A/GJ	3.9	4.3	5.7	7.1	7.3	7.3	7.5	7.6	7.8	7.9
LNG	\$US/mmBtu	16.7	16.1	16.2	15.2	14.6	14.5	14.8	15.1	15.4	15.8
Qld average RRP	\$A/MWh	9	12	16	16	20	20	21	21	22	22
<b>Received prices</b>											
Oil	\$US/bbl	121	113	91	93	87	85	84	82	81	83
Condensate	\$US/bbl	-	-	-	-	-	80	80	79	78	79
Gas	\$US/mmBtu	-	-	-	-	-	-	-	7.5	7.5	7.7
LPG	\$US/bbl	-	-	-	-	-	-	-	-	-	-
LNG	\$US/t	-	-	-	-	-	-	-	-	-	-
Electricity	\$US/MWh	-	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>121</b>	<b>113</b>	<b>91</b>	<b>93</b>	<b>87</b>	<b>85</b>	<b>83</b>	<b>80</b>	<b>78</b>	<b>59</b>
<b>Revenue</b>											
Oil	M\$US	52	61	143	159	131	119	180	184	157	122
Condensate	M\$US	-	-	-	-	-	22	25	41	90	87
Gas	M\$US	-	-	-	-	-	-	-	4	8	177
LPG	M\$US	-	-	-	-	-	-	-	-	-	-
LNG	M\$US	-	-	-	-	-	-	-	-	-	-
Electricity	M\$US	-	-	-	-	-	-	-	-	-	-
<b>Total modelled</b>	M\$US	<b>52</b>	<b>61</b>	<b>143</b>	<b>159</b>	<b>131</b>	<b>140</b>	<b>205</b>	<b>229</b>	<b>255</b>	<b>386</b>
<b>Total reported</b>	M\$US	<b>50</b>	<b>51</b>	<b>144</b>	-	-	-	-	-	-	-

Source: company data and Ord Minnett forecasts

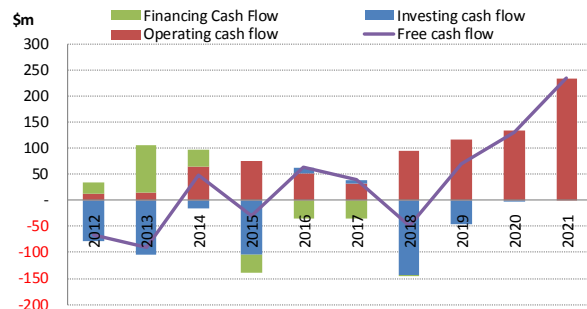
\$US currency unless otherwise noted. Nominal \$ basis. Year ending June.

## Financial Statements

### Earnings



### Cash flow



INCOME STATEMENT	M\$US	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E
Sales revenue		50	51	144	159	131	140	205	229	255	386
Other revenue		0	0	0	-	-	-	-	-	-	-
COGS & opex		-17	-21	-63	-33	-31	-35	-43	-54	-60	-64
Other		-0	-0	-0	-	-	-	-	-	-	-
<b>EBITDA</b>		<b>33</b>	<b>30</b>	<b>81</b>	<b>126</b>	<b>100</b>	<b>106</b>	<b>161</b>	<b>175</b>	<b>194</b>	<b>322</b>
Depreciation and Amortization		-8	-10	-51	-31	-28	-21	-50	-53	-49	-65
<b>EBIT</b>		<b>25</b>	<b>20</b>	<b>30</b>	<b>95</b>	<b>72</b>	<b>85</b>	<b>111</b>	<b>122</b>	<b>145</b>	<b>256</b>
Net Interest Expense		-1	-11	-25	-13	-5	-3	-3	-0	1	4
<b>EBT</b>		<b>24</b>	<b>9</b>	<b>6</b>	<b>82</b>	<b>67</b>	<b>82</b>	<b>109</b>	<b>122</b>	<b>146</b>	<b>261</b>
Tax expense		-16	-7	-11	-36	-33	-36	-50	-55	-60	-91
Minorities / preferred dividends		-	-	-	-	-	-	-	-	-	-
<b>Normalized NPAT</b>		<b>8</b>	<b>3</b>	<b>-5</b>	<b>46</b>	<b>34</b>	<b>46</b>	<b>59</b>	<b>67</b>	<b>86</b>	<b>170</b>
Abnormals		-	1	18	-	34	91	-	-	-	-
<b>Reported NPAT</b>		<b>8</b>	<b>3</b>	<b>13</b>	<b>46</b>	<b>67</b>	<b>137</b>	<b>59</b>	<b>67</b>	<b>86</b>	<b>170</b>
Effective tax rate	%	67.7	65.2	57.4	43.5	41.4	35.5	46.0	45.1	41.0	34.8

CASH FLOW STATEMENT	M\$US	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E
EBITDA		33	30	81	126	100	106	161	175	194	322
Other operating items (tax, etc)		-20	-14	-16	-52	-49	-73	-67	-60	-61	-89
<b>Operating cash flow</b>		<b>13</b>	<b>15</b>	<b>65</b>	<b>75</b>	<b>51</b>	<b>33</b>	<b>94</b>	<b>115</b>	<b>133</b>	<b>233</b>
PPE capex		-0	-0	-1	-47	-34	-82	-88	-45	-2	-
Exploration capex		-54	-30	-42	-15	-15	-15	-15	-	-	-
Development capex		-25	-95	-50	-43	-0	-27	-41	-	-	-
Other investing items		-	20	77	-	60	130	-	-	-	-
<b>Investing cash flow</b>		<b>-79</b>	<b>-105</b>	<b>-16</b>	<b>-104</b>	<b>12</b>	<b>6</b>	<b>-144</b>	<b>-45</b>	<b>-2</b>	<b>-</b>
Inc/(Dec) in Equity		-	1	47	3	2	2	3	-	-	-
Inc/(Dec) in Borrowings		22	89	-15	-38	-38	-38	-4	-	-	-
Dividends paid		-	-	-	-	-	-	-	-	-	-
Other financing items		-1	-0	-0	0	0	0	-0	-	-	-
<b>Financing Cash Flow</b>		<b>21</b>	<b>89</b>	<b>32</b>	<b>-35</b>	<b>-36</b>	<b>-36</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Inc/(Dec) in Cash</b>		<b>-45.2</b>	<b>-0.1</b>	<b>80.5</b>	<b>-64.5</b>	<b>26.7</b>	<b>3.0</b>	<b>-50.6</b>	<b>70.4</b>	<b>131.2</b>	<b>233.4</b>
<b>Free cash flow</b>		<b>-66.1</b>	<b>-89.5</b>	<b>48.9</b>	<b>-29.6</b>	<b>62.7</b>	<b>39.1</b>	<b>-49.4</b>	<b>70.4</b>	<b>131.2</b>	<b>233.4</b>

BALANCE SHEET	M\$US	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E
Cash & cash equivalents		19	19	99	34	61	64	13	84	215	448
Other current assets		28	28	22	24	19	21	27	30	30	42
PPE, Exp & Dev		292	418	391	465	474	587	681	700	653	588
Other non-current assets		12	10	2	-	-	-	-	-	-	-
<b>Total Assets</b>		<b>351</b>	<b>476</b>	<b>515</b>	<b>523</b>	<b>555</b>	<b>673</b>	<b>722</b>	<b>814</b>	<b>898</b>	<b>1,078</b>
Short term debt		8	15	44	30	6	-	-	-	-	-
Other current liabilities		47	42	56	63	75	104	68	73	75	134
Long term debt		93	181	143	119	24	-	-	-	-	-
Other non-current liabilities		42	71	49	40	34	47	51	79	81	82
<b>Total Liabilities</b>		<b>189</b>	<b>309</b>	<b>292</b>	<b>252</b>	<b>140</b>	<b>151</b>	<b>119</b>	<b>152</b>	<b>156</b>	<b>216</b>
Minorities		-	-	-	-	-	-	-	-	-	-
<b>Total Funds Employed</b>		<b>162</b>	<b>167</b>	<b>223</b>	<b>270</b>	<b>414</b>	<b>522</b>	<b>603</b>	<b>662</b>	<b>742</b>	<b>862</b>
Debt		101	196	187	149	31	-	-	-	-	-
Net debt		81	177	89	115	-30	-64	-13	-84	-215	-448

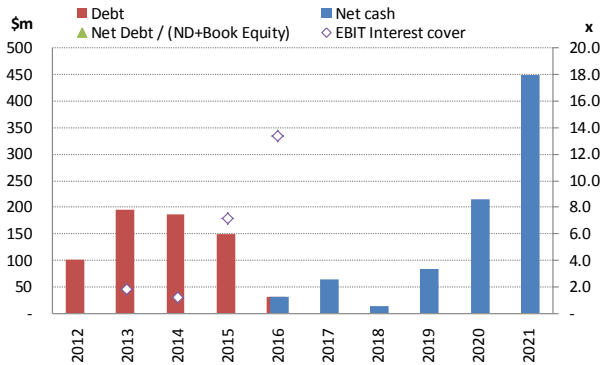
Source: company data and Ord Minnett forecasts

\$US currency unless otherwise noted. Nominal \$ basis. Year ending June.

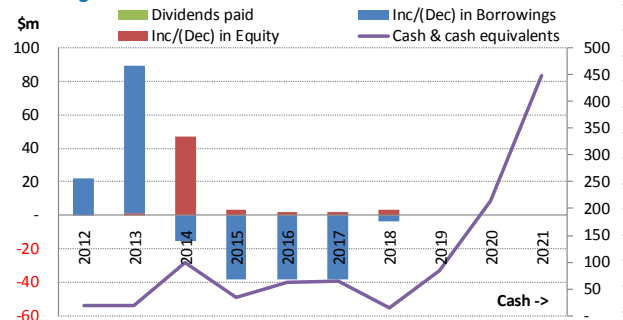


## Financial Analysis

### Debt



### Funding



OPERATIONAL METRICS		FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E
EBITDA margin	%	65.5	58.4	56.0	79.3	76.5	75.2	78.9	76.5	76.4	83.3
EBIT margin	%	48.9	39.4	21.0	59.9	55.0	60.5	54.4	53.2	57.1	66.4
Normalized NPAT margin	%	15.2	4.9	-3.5	29.2	25.7	32.6	28.7	29.1	34.0	44.0
Revenue growth	%		1.0	183.5	10.3	-17.6	6.9	45.8	12.0	11.0	51.7
EBITDA growth	%		-9.9	171.7	56.3	-20.6	5.2	53.0	8.6	10.9	65.6
EBIT growth	%		-18.6	51.0	215.1	-24.3	17.6	31.1	9.5	19.0	76.6
Normalized ROA	%	2.2	0.5	-1.0	8.9	6.1	6.8	8.1	8.2	9.6	15.8
Normalized ROE	%	4.7	1.5	-2.3	17.2	8.1	8.8	9.7	10.1	11.6	19.7

VALUATION RATIOS		FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E
Fully diluted shares (end of period)	000,000	1,130.8	1,135.3	1,301.1	1,538.3	1,538.3	1,538.3	1,538.3	1,538.3	1,538.3	1,538.3
Weighted fully diluted shares	000,000	1,131.9	1,136.9	1,251.5	1,479.0	1,538.3	1,538.3	1,538.3	1,538.3	1,538.3	1,538.3
Share price (end of period)	\$/share	0.29	0.32	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34
Market Cap	M\$A	322	364	442	523	523	523	523	523	523	523
Less Net Debt	M\$A	81	177	89	115	-30	-64	-13	-84	-215	-448
Market EV	M\$A	404	541	531	638	493	459	510	439	308	75
EPS before abnormals	c	0.7	0.2	-0.4	3.1	2.2	3.0	3.8	4.3	5.6	11.0
EPS growth	%		-67.4	-282.2	-881.2	-30.2	35.7	28.3	13.7	29.4	96.7
PER	x	50.3	154.1	-84.6	10.8	15.5	11.4	8.9	7.8	6.1	3.1
Op Cash flow per share	c	1.2	1.4	5.2	5.0	3.3	2.1	6.1	7.5	8.7	15.2
Price / Op Cash flow	x	29.5	25.0	6.5	6.7	10.3	15.9	5.5	4.5	3.9	2.2
EV/EBITDA (n.b. future EV)	x	18.3	23.5	7.6	5.0	4.9	4.3	3.2	2.5	1.6	0.2

LEVERAGE		FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E
Net Debt / Book Equity	%	50	106	40	42	-7	-12	-2	-13	-29	-52
Net Debt / (ND+Book Equity)	%	33	51	28	30	-8	-14	-2	-15	-41	-108
Net Debt / Total Assets	%	23	37	17	22	-5	-10	-2	-10	-24	-42
EBIT Interest cover	x	26.1	1.8	1.2	7.2	13.4	29.3	42.0	294.8	-	-
Debt / Free Cash Flow	x	-1.5	-2.2	3.8	-5.0	0.5	-	-	-	-	-

MARGIN ANALYSIS		real \$	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E
Revenue/boe	\$US/boe	119	94	100	99	93	90	88	86	85	63	
Opex/boe	\$US/boe	41	39	44	20	22	22	19	20	20	10	
EBITDA margin/boe	\$US/boe	78	55	56	79	71	67	69	66	65	52	
D&A/boe	\$US/boe	20	18	35	19	20	13	22	20	16	11	
Tax and financing/boe	\$US/boe	40	32	24	30	27	25	23	21	20	14	
Cash margin	%	65	58	56	79	76	75	79	76	76	83	
EBIT margin	%	49	39	21	60	55	61	54	53	57	66	
NPAT margin	%	15	7	9	29	51	97	29	29	34	44	
Resource to production ratio	years	190.6	150.7	57.1	51.6	58.9	53.4	36.0	31.3	27.3	13.4	
Product mix (liquids % of total)	%	100	100	100	100	100	100	100	97	94	39	

Source: company data and Ord Minnett forecasts

\$US currency unless otherwise noted. Nominal \$ basis. Year ending June.

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ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
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