

NOTICE OF 2015 ANNUAL GENERAL MEETING



Horizon Oil Limited ABN 51 009 799 455

The Annual General Meeting (“AGM”) of the members of Horizon Oil Limited ACN 009 799 455 (the “Company”) will be held at 10.00am (Sydney time) on Friday, 20 November 2015 at Level 1, Grand Ballroom, The Sydney Boulevard Hotel, 90 William Street, Sydney, New South Wales, 2011 to transact the business set out below.

Members should refer to the accompanying Explanatory Memorandum for further information concerning the business to be carried out at the AGM.

Business

1. Consideration of reports

To receive and consider the Annual Financial Statements, the Directors’ Report and the Independent Audit Report of the Company for the year ended 30 June 2015.

Note: There is no requirement for members to vote on this item of business.

2. Remuneration Report

To consider and, if thought appropriate, to pass the following as an ordinary resolution:

“That the Remuneration Report for the year ended 30 June 2015 (set out in the Directors’ Report) be adopted.”

Note: The vote on this resolution is advisory only and does not bind the Company or the directors.

Note: A voting exclusion applies to this item – see the Explanatory Memorandum.

3. Re-election of director – Mr John Humphrey

To consider and, if thought appropriate, to pass the following as an ordinary resolution:

“That Mr John Humphrey, a non-executive director retiring in accordance with the Company’s Constitution, being eligible, is re-elected as a non-executive director of the Company.”

Further information in relation to this resolution and Mr Humphrey is set out in the Explanatory Memorandum.

4. Approval of 2015 grant of long term incentives (“LTIs”) to Mr Brent Emmett, Chief Executive Officer and Managing Director

To consider and, if thought appropriate, to pass the following as an ordinary resolution:

“That approval be given for all purposes for the grant of up to 10,171,063 securities (including share appreciation rights (“SARs”) and shares which may be issued as a result of the exercise or vesting of SARs) to the Chief Executive Officer and Managing Director, Mr Brent Emmett, in accordance with the terms of his employment agreement and as set out in the accompanying Explanatory Memorandum.”

Further information in relation to this resolution is set out in the Explanatory Memorandum.

Note: A voting exclusion applies to this item – see the Explanatory Memorandum.

By order of the Board.

Dated: 8 October 2015

A handwritten signature in black ink, appearing to read 'Michael Sheridan'.

Michael Sheridan
Company Secretary

Eligibility to attend and vote

For the purposes of the meeting and in accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cwth) and ASX Settlement Operating Rule 5.6.1, shares will be taken to be held by the persons who are registered as members as at 7.00pm (Sydney time) on Wednesday, 18 November 2015.

Proxies

If you are a member entitled to attend and vote, you are entitled to appoint a proxy to attend and vote on your behalf. If you are a member entitled to attend and cast two or more votes, you are entitled to appoint no more than two proxies. Where two proxies are appointed, you may specify the number or proportion of votes that each may exercise, failing which, each may exercise half of the votes. A proxy need not be a member of the Company.

If you want to appoint one proxy, please use the proxy form provided. If you want to appoint two proxies, please follow the instructions on the reverse of the proxy form.

The Company’s Constitution provides that, on a show of hands, every person present and qualified to vote shall have one vote. If you appoint one proxy, that proxy may vote on a show of hands, but if you appoint two proxies, only the proxy first-mentioned in the instrument appointing the proxy may vote on a show of hands.

If you appoint a proxy who is also a member or is also a proxy for another member, your directions may not be effective on a show of hands. Your directions will be effective if a poll is effectively demanded and your proxy votes.

To be effective, the proxy form must be received by Boardroom Pty Limited, by online submission or at the address or facsimile number below, or by the Company at its registered office, Level 6, 134 William Street, Woolloomooloo NSW 2011, not later than 10.00am (Sydney time) on Wednesday, 18 November 2015, being 48 hours before the commencement of the meeting.

If the Chairman of the meeting is your proxy, and you fail to provide a voting direction in respect of Item 2 or Item 4 or on the proxy form (which you may do by ticking ‘For’, ‘Against’ or ‘Abstain’ opposite Item 2 or Item 4, as applicable, on the proxy form), you are expressly authorising the Chairman of the meeting to vote in favour of Item 2 or Item 4, as applicable, even if that resolution is connected directly or indirectly with the remuneration of directors or members of the key management personnel of the Company (“KMP”). Subject to any applicable laws or voting exclusions, the Chairman of the meeting intends to vote all available proxies in favour of the resolutions in this Notice of Meeting (including Item 2 and Item 4).

To vote online:

TO VOTE ONLINE
Step 1: VISIT www.votingonline.com.au/horizonoilagm2015
Step 2: Enter your Postcode OR Country of Residence (if outside Australia)
Step 3: Enter your Voting Access Code:

By mail:

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
AUSTRALIA

For delivery:

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
AUSTRALIA

By fax:

Boardroom Pty Limited
+61 2 9290 9655

Admission to meeting

Members who will be attending the meeting and who will not be appointing a proxy are asked to bring the proxy form to the meeting to help with admission.

Members who do not plan to attend the meeting are encouraged to complete and return a proxy form for each of their holdings of shares in the Company.

A replacement proxy form may be obtained from the Company’s external share registry:

Boardroom Pty Ltd

Level 12, 225 George Street Sydney NSW 2000
Telephone: +61 2 9290 9600
Fax: +61 2 9279 0664
Email: enquiries@boardroomlimited.com.au

EXPLANATORY MEMORANDUM



Horizon Oil Limited ABN 51 009 799 455

This Explanatory Memorandum contains information about the resolutions to be considered at the AGM, which are set out in the accompanying Notice of Meeting, to assist shareholders to determine how they wish to vote on the resolutions. This Explanatory Memorandum forms part of the accompanying Notice of Meeting and should be read together with the Notice of Meeting.

Items of business

1. Consideration of reports

There is no requirement for members to approve the reports described in Item 1. In accordance with the *Corporations Act 2001* (Cwlth) ("**Corporations Act**") and the Company's usual practice, the Chairman of the meeting will allow a reasonable opportunity for shareholders to ask questions or make comments about the reports and the management of the Company. A reasonable opportunity will also be given to members, as a whole, to ask the auditor, or their representative, questions relevant to the conduct of the audit, the preparation and content of the Independent Audit Report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

Written questions to the Company's auditor about:

- the content of the Independent Audit Report; or
- the conduct of the audit of the reports,

must be submitted no later than Friday, 13 November 2015 to:

The Company Secretary
Level 6
134 William Street
Woolloomooloo, NSW 2011
Australia

Facsimile: +61 2 9332 5050

Copies of the questions, if any, to the Company's auditor will be available at or before the AGM.

2. Remuneration Report

The Remuneration Report is contained in the 'Directors' Report' of the Company's 2015 Annual Report. A copy of the 2015 Annual Report is available on the Company's website www.horizonoil.com.au.

The Remuneration Report:

- explains the principles used by the board to determine the nature and amount of remuneration of directors and executives; and
- sets out remuneration details for each director and each named executive.

In April 2010, the board resolved to modify the remuneration arrangements for the Company's senior executives. Based on advice received from Guerdon Associates, an independent remuneration consultancy firm, the board put in place a short term incentive scheme and substituted the existing long term incentive arrangements for the Company's senior executives with a revised long term incentive scheme, the operation of which is discussed in Item 4 below.

The Chairman of the meeting will give shareholders a reasonable opportunity to ask questions about or make comments on the Remuneration Report. The *Corporations Act* requires the Company to propose a resolution that the Remuneration Report be adopted.

The vote on this item is advisory only and does not bind the Company or the directors. However, the board will take the outcome of this vote into consideration when reviewing the remuneration practices and policies of the Company.

Voting exclusion statement – Item 2

No votes may be cast on this item by or on behalf of members of the key management personnel of the Company ("KMP") or their closely related parties, whether as shareholder or proxy.

However, a vote may be cast on Item 2:

- *by a member of the KMP, or their closely related party, if the vote is cast as a proxy for a person who is entitled to vote on this item, and the proxy appointment is in writing and specifies how the proxy is to vote on Item 2; or*
- *by the Chairman of the meeting, if the vote is cast as a proxy appointed in writing that does not specify the way the proxy is to vote on Item 2, and expressly authorises the Chairman of the meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

If you appoint the Chairman of the meeting as your proxy, and you do not direct your proxy how to vote on Item 2, you will be expressly authorising the Chairman of the meeting to exercise your proxy even if Item 2 is connected directly or indirectly with the remuneration of a member of the KMP. The Chairman of the meeting intends to vote all undirected proxies in favour of Item 2.

3. Re-election of director – Mr John Humphrey

The Company's Constitution provides that a director (other than the managing director) will not retain office for a period of more than three years or beyond the third annual general meeting of members of the Company following that person's election (whichever is greater).

Accordingly, Mr Humphrey is required to retire at the end of the AGM and seeks re-election in accordance with the requirements of the Company's Constitution.

The Chairman, Mr. Fraser Ainsworth has advised that he will retire from the board at the conclusion of the 2015 AGM, and the board has appointed Mr. Humphrey as the replacement Chairman. As part of an orderly transition process, it is intended that Mr. Humphrey will then retire at the 2016 Annual General Meeting or soon after with two new non-executive directors to be appointed to the board during the next twelve months to replace each of Mr. Ainsworth and Mr. Humphrey.

Mr Humphrey, LL.B., SF Fin has been a director of the Company since 1990. He is the Executive Dean of the Faculty of Law at Queensland University of Technology. He is a former partner of the firm of solicitors, King & Wood Mallesons, specialising in the area of corporate law; a director of Downer EDI Limited and Auswide Bank Ltd (formerly Wide Bay Australia); a former member of the Australian Takeovers Panel and a former Chairman of Villa World Limited. Mr Humphrey is Chairman of the Company's Audit Committee and a member of the Company's Risk Management Committee.

The board acknowledges that Mr Humphrey has been a director for twenty-five years. However, the board considers that there is no objective or subjective reason to believe that Mr Humphrey's period of board service would in any way interfere with his ability to act in the best interests of the Company and accordingly considers that Mr Humphrey is an independent director.

The directors (with Mr Humphrey abstaining) recommend that you vote in favour of Item 3.

EXPLANATORY MEMORANDUM

4. Approval of 2015 grant of long term incentives (“LTIs”) to Mr Brent Emmett, Chief Executive Officer and Managing Director

The Company introduced the LTI Plan during 2010 to provide annual non-cash performance incentives to the Company's key employees. Members last approved the LTI Plan for the purposes of ASX Listing Rule 7.2, exception 9 at the Company's 2013 annual general meeting.

On 13 August 2015, the board with Mr Emmett abstaining, approved the grant of 25,088,617 share appreciation rights (“SARs”) to the three Key Management Personnel (“KMPs”) under the LTI Plan.

Of those SARs, 10,171,063 were approved by the board (with Mr Emmett abstaining) to be granted to Mr Emmett in accordance with the terms of his employment agreement, subject to the approval of shareholders. As at the date of this Notice of Meeting, Mr Emmett's total fixed remuneration is A\$889,968. The amount of 10,171,063 SARs to be granted to Mr Emmett (subject to the resolution of this Item 4) was calculated in accordance with the LTI Plan by dividing 50% of Mr Emmett's fixed remuneration by the present day value of the SARs as calculated by an independent valuer, Dalway Securities, on the effective allocation date for the SARs (“Effective Allocation Date”) (A\$0.04375). The VWAP of shares in the Company for the 10 business day period up to the day before the Effective Allocation Date for the purposes of the 2015 SARs award is A\$0.0865.

The remaining 14,917,554 SARs were approved to be granted to employees who are not directors of the Company. The proposed grant to Mr Emmett is on the terms and conditions as outlined below.

In the board's view the proposal to grant these LTIs should be considered against the background of the three KMPs (including Mr. Emmett) voluntarily foregoing their entitlements to significant cash bonuses that would have otherwise been payable to them under the company's Short Term Incentive Plan.

Summary of the terms of the LTI Plan

In order to provide annual performance incentives to the Company's executives, based on advice received from Guerdon Associates, an independent remuneration consultant, the board resolved on 1 April 2010 to establish the LTI Plan to replace previous LTI arrangements for the Company's senior executives. The grant of LTIs in accordance with the Company's LTI arrangements to Mr Emmett was last approved by members at the Company's 2014 annual general meeting. The LTI arrangements apply to senior executives and involve the grant of rights which will vest subject (amongst other things) to the level of total shareholder return (“TSR”) achieved in the vesting period, relative to an appropriate index. Under the LTI Plan, the board has the discretion, subject to ASX Listing Rule requirements, to grant SARs to executives as LTIs. The board has determined that 50% of senior executives' fixed remuneration would be LTIs in the form of SARs, with the number of SARs granted to be based on the present day value of a SAR.

A SAR is a right to receive either or both shares in the Company or a cash payment, as determined by the board, subject to the Company satisfying certain conditions, including performance conditions.

The LTI Plan provides that the number of shares in the Company or the amount of the cash payment that the participant receives on exercise of the SAR is based on the value of the SAR at the time it is exercised (“SAR Value”). The SAR Value is the excess, if any, of the volume weighted average price (“VWAP”) of shares in the Company for the 10 business day period up to the date before the date the SAR is exercised over the VWAP of shares in the Company for the 10 business day period up to the day before the Effective Allocation Date for the SARs. The Effective Allocation Date for the SARs is the grant date of the SARs or any other day determined by the board, at the time of the grant. The Effective Allocation Date would generally be the date the executive's entitlement was determined.

If the board determines that the SARs are to be satisfied in cash, the amount of cash that the participant receives on the exercise of the SARs is the SAR Value multiplied by the number of SARs exercised (less any deduction for taxes that the Company is required to make from the payment).

If the board determines that the SARs are to be satisfied in shares, the number of shares that the participant receives on the exercise of the SARs is the SAR Value divided by the VWAP of shares in the Company for the 10 business day period up to the day before the day the SARs are exercised. Where the number of shares calculated is not a whole number, it will be rounded down to the nearest whole number.

EXPLANATORY MEMORANDUM

Other key terms and conditions of the SARs that may be granted under the LTI Plan include:

Key terms & conditions	LTI Plan
Eligible persons:	Under the terms of the LTI Plan, the Company may grant SARs to any employee. However, it is currently intended by the Company to only grant SARs under the LTI Plan to current senior executive employees including the sole executive director, Brent Emmett.
Exercise price:	No price is payable by a participant in the LTI Plan on the exercise of a SAR.
Performance requirements:	<p>Under the LTI Plan, the number of SARs that vest is generally determined by reference to whether the Company achieves certain performance conditions.</p> <p>The number of SARs that vest is determined by reference to the Company's TSR over the relevant period relative to that of the S&P/ASX200 Energy Index ("Index"). The number of SARs that vest is:</p> <ul style="list-style-type: none"> • if the Company's TSR is equal to that of the Index ("Minimum Benchmark"), 50%; • if the Company's TSR is 14% or more above that of the Index, 100% ("Maximum Benchmark"); and • if the Company's TSR is more than the Minimum Benchmark but less than the Maximum Benchmark, a percentage between 50% and 100% based on the Company's TSR performance between the Minimum Benchmark and Maximum Benchmark. <p>The Maximum Benchmark of 14% above the Index return equates to the performance level likely to exceed the 75th percentile of market returns of companies (weighted by company size) in the Index.</p> <p>Furthermore, even where these performance conditions are satisfied, the SARs will not vest unless the Company achieves a TSR of at least 10% over the relevant period.</p> <p>The performance conditions are tested on the date that is three years after the Effective Allocation Date of the SARs, and are then re-tested every six months after that until the date that is five years after the Effective Allocation Date of the SARs (the final retesting date). The performance conditions are also tested where certain circumstances occur, such as a takeover bid for the Company.</p> <p>If the SARs have not, pursuant to these performance conditions, vested by the final retesting date that is five years after the date the SARs are granted, the SARs will lapse.</p>
Cessation of employment:	If a holder of SARs under the LTI Plan ceases to be employed by a member of the Company's corporate group, then this generally does not affect the terms and operation of the SARs. The board does, however, under the LTI Plan have discretion, to the extent permitted by law, to cause the SARs to lapse or accelerate the date on which the SARs become exercisable.
Maximum number of shares that can be issued:	Subject to various exclusions, the maximum number of shares that may be issued on the exercise of SARs granted under the LTI Plan is capped at 5% of the total number of issued shares of the Company.
Restrictions on exercise:	A SAR cannot be exercised unless it has vested. Where a SAR vests, a participant may not exercise the SAR until the first time after the time the SAR vests that the participant is able to deal with shares in the Company under the Company's securities trading policy.
Lapse:	<p>SARs will lapse where:</p> <ul style="list-style-type: none"> • the SARs have not vested by the final retesting date which is five years after the date of grant (see above); • if the SARs have vested by the final retesting date that is five years after the date of grant, the SARs have not been exercised within three months of the date that the SARs would have first been able to be exercised if they vested at the final retesting date that is five years after the date of grant. This may be more than five years and three months from the date of grant depending on whether the holder of the SAR is able to deal with shares in the Company under the Company's securities trading policy at the date five years after the date of grant; • the employee ceases to be employed by the Company (or a member of its corporate group), and the board determines that some or all of the SARs lapse (see above); • the board determines that the employee has committed or it is evident that the employee intends to commit, any act (whether by commission or omission) which amounts or would amount to fraud or serious misconduct; or • the employee provides a notice to the Company that they wish the SARs to lapse.
Share ranking and quotation:	Shares provided pursuant to the exercise of a SAR will rank equally with the shares in the Company then on issue. Quotation on the ASX will be sought for all shares issued upon the exercise of SARs. SARs are not assignable or transferable.
No right to dividends, bonus or rights issues:	The SARs will not confer on the holder an entitlement to dividends or to participate in bonus issues or rights issues unless the board determines that the SARs will be satisfied in shares and until the SARs are exercised and shares are provided to the holder.
No voting rights:	The SARs will not confer an entitlement to vote at general meetings of the Company unless the board determines that the SARs will be satisfied in shares and until the SARs are exercised and shares are provided to the holder.
Non-quotation:	The Company will not apply to the ASX for official quotation of the SARs.
Capital re-organisation:	In the event of a reorganisation of the capital of the Company, the rights of the SARs holder will be changed to the extent necessary to comply with the ASX Listing Rules and shall not result in any additional benefits being conferred on SARs holders which are not conferred on members.
Effect of take-over or change of control of Company, death or disablement:	<p>The LTI Plan contains provisions to deal with SARs where there is a takeover or change of control of the Company. Depending on the nature of the takeover or change of control event, the Company will either have the discretion or be required (if a change of control occurs) to determine a special retesting date for the performance requirements discussed above.</p> <p>For example, the board will have discretion to determine a special retesting date where a takeover bid is made for the Company or a scheme of arrangement is entered into. In that case, the special retesting date will be the date determined by the board. Where a statement is lodged with the ASX that a person has become entitled to acquire more than 50% of the Company, the board will be required to determine a special retesting date, and the special retesting date will be the day the statement is lodged with the ASX.</p> <p>The SARs may vest if the performance requirements discussed above are satisfied in relation to that special retesting date.</p>

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As at the date of this Notice of Meeting, Mr Emmett's total fixed remuneration is A\$889,968. The amount of 10,171,063 SARs to be granted to Mr Emmett (subject to the resolution of this Item 4) was calculated in accordance with the LTI Plan by dividing 50% of Mr Emmett's fixed remuneration by the present day value of the SARs as calculated by an independent valuer, Dalway Securities, on the Effective Allocation Date (A\$0.04375). The VWAP of shares in the Company for the 10 business day period up to the day before the Effective Allocation Date for the purposes of the 2015 SARs award is A\$0.0865.

Shareholder approval of the grant of securities under the LTI Plan to Mr Emmett is sought for all purposes under the Corporations Act and the Listing Rules of the ASX, including Listing Rule 10.14.

As required by Listing Rule 10.15, the following information is provided in respect of the grant of SARs under the LTI Plan to an executive director:

Listing Rule	Content requirement	Item 4 LTI Plan
10.15.2	The maximum number of Company's ordinary shares that may be acquired on exercise of the proposed grant of securities and the formula for calculating the number of securities to be issued:	The maximum number of shares that may be acquired by Mr Emmett is 10,171,063. The number of shares that may be acquired by Mr Emmett on exercise of the SARs proposed to be granted to him, is determined at the time of exercise by reference to the SAR Value at the time the SAR is exercised and the VWAP of shares in the Company for the 10 business day period up to the day before the day the SAR is exercised (as described above). As an example, contingent on the performance requirements of the SARs being met, if the VWAP of shares in the Company for the 10 business day period up to the day before the day the SAR is exercised is: <ul style="list-style-type: none"> • A\$0.10, Mr Emmett would be entitled to approximately 13.5% of the maximum number of shares; or • A\$0.20, Mr Emmett would be entitled to approximately 57% of the maximum number of shares.
10.15.3	Formula for calculating the price of securities to be acquired under the scheme:	Mr Emmett is not required to pay any price in order to acquire SARs under the LTI Plan. However, the value of what Mr Emmett receives if his SARs become exercisable is the SAR Value. This is based on the appreciation in the share price of the Company from the Effective Allocation Date until the date of exercise (see discussion above). The proposed Effective Allocation Date for Mr Emmett's SARs is 1 July 2015.
10.15.4	Names of directors and associates who have received securities under the scheme since the last approval; number received; and acquisition price:	Mr Emmett was granted 3,000,879 SARs following approval at the Company's 2014 annual general meeting which are exercisable at A\$0.3729.
10.15.4A	Names of directors and associates entitled to participate in scheme:	Mr Emmett.
10.15.5	Voting exclusion statement:	Included – see below.
10.15.6	Terms of any loan in relation to acquisition:	There are no loans in relation to the acquisition of SARs or securities issued under the LTI Plan.
10.15.7	Date on which securities will be issued:	Subject to shareholder approval of the issue of the SARs, within five business days of the AGM, but in any event no later than 12 months after the date of the AGM.

Voting exclusion statement – Item 4

The Company will disregard any votes cast on Item 4 by:

- Mr Brent Emmett; and
- an associate of Mr Emmett.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

A vote must not be cast on Item 4 by a member of the KMP, or their closely related parties, acting as proxy, if their appointment does not specify the way the proxy is to vote on Item 4. However, this voting restriction does not apply if the member of the KMP is the Chairman of the meeting acting as proxy and their appointment expressly authorises the Chairman of the meeting to exercise the proxy even if that item is connected directly or indirectly with the remuneration of a member of the KMP.

If you appoint the Chairman of the meeting as your proxy, and you do not direct your proxy how to vote on Item 4, you will be expressly authorising the Chairman of the meeting to exercise your proxy even if Item 4 is connected directly or indirectly with the remuneration of a member of the KMP. The Chairman of the meeting intends to vote undirected proxies in favour of Item 4.

The directors (with Mr Emmett abstaining) recommend that you vote in favour of Item 4.

Sydney

8 October 2015