



HORIZON OIL LIMITED

(ABN: 51 009 799 455)

**RISK MANAGEMENT COMMITTEE
GUIDELINES AND POLICIES**

1 Introduction – “recognise and manage risk”

This policy is established to ensure that Horizon Oil implements a comprehensive system of risk identification, assessment and management. The risk management system will form an integral part of the Company’s structure and will be designed to:

- identify, assess, monitor and manage risk;
- inform investors of major risks faced by Horizon Oil and any significant changes to those risks; and
- provide that risks to Horizon Oil arising from its participation in Joint Venture arrangements, including its role as Operator of Joint Ventures, are appropriately managed.

Horizon Oil will regularly review the risk factors applicable to the company and ensure that procedures are set in place which are effectively and efficiently managing these risks within the particular context of Horizon Oil’s business strategy and the environment in which the Company operates.

2 Risk management policy

The Board has established a Risk Management Committee which forms an integral part of Horizon Oil’s structure. The Risk Management Committee is to ensure that the Board, directors and the management are aware of all actual and potential risks facing the business and that a system to identify, monitor, assess and manage risk is implemented and effective.

2.1 Risk management Committee

The Committee shall develop and implement a system approved by the Board for the assessment, monitoring and overall management of identified internal and external risks. The Board is responsible for establishing the Committee, appointing Committee members and overseeing its activities.

The Committee’s responsibilities shall include Horizon Oil’s internal control environment, and ensuring that the Company has an integrated framework of internal compliance and controls based on formal procedures and appropriate delegation of authority and responsibility.

The key function of the Committee is to identify and more importantly prioritise risk arising from business strategies and activities and ensure that appropriate risk management controls are implemented and are effective.

Risk monitoring and assessment activities will be designed to reduce, or otherwise manage, risk to levels that are acceptable to the Company.

The Committee must provide periodic reports of the results of the risk management process to the Board and management.

In particular the Committee will:

- review previous risk evaluation reports by management, external auditors;
- ensure that Horizon Oil has a clear policy and procedure for reporting, acting upon and documenting breaches of laws, including fraud and theft;

- compile information to evaluate the effectiveness of risk litigation monitoring and communication of risks;
- review the adequacy and timeliness of recording of risk management results;
- review the completeness of management's risk analysis and actions taken to remedy issues raised by the risk management process;
- review risk related issues that may indicate weakness in risk management practices;
- review procedures used in assessing and monitoring and responding to risk;
- ensure that Horizon Oil negotiates and properly monitors effective arrangements with Joint Venture partners to manage the associated risks to as low as reasonably practical.

At least annually, the Board will review the effectiveness of the implementation of the risk management system, including all financial and non-financial internal and external risks that face Horizon Oil.

2.2 Committee Composition

The Committee will comprise at least four members a majority of whom are independent directors. The Board will appoint one of these independent directors as the chairman of the Committee.

The Board will appoint the members of the Committee with due regard to the provisions of the Corporations Act 2001 (Cth) and ASX Corporate Governance Council's revised Corporate Governance Principles and Recommendations.

2.3 Removal or resignation from the Committee

If a member of the Committee retires, is removed or resigns from the Board, that member ceases to be a member of the Committee. The Board will appoint the successor.

2.4 Committee may invite

The Committee may invite any senior management member or any other individual to attend a meeting of the Committee, as they consider appropriate.

2.5 Secretary

The company secretary is the secretary of the Committee.

2.6 Meetings

2.6.1 Frequency

The Committee will meet as frequently as required but not less than once a year. Any Committee member or the company secretary may call a Committee meeting.

2.6.2 Calling meetings and notice

A notice of each meeting confirming the date, time, venue and agenda must be forwarded to each member of the Committee (with a copy to all board members) seven working days before the date of the meeting. The notice for members will include relevant supporting papers for the agenda items to be discussed.

2.7 Advice

The Committee is entitled to direct any special investigation that the Committee considers appropriate and to consult any independent expert that the Committee considers appropriate to carry out its duties. Horizon Oil bears the costs of any such investigation or consultations.

2.8 Report to board

The Committee chairman, or delegate, will report to the Board following each meeting.

The Committee will prepare for approval by the Board any report, the subject of this policy, that may be:

- required by any listing rule, legislation, regulatory body or other regulatory requirement; or
- proposed for inclusion in the annual report.

2.9 Minutes

Minutes of proceedings and resolutions of Committee meetings will be kept by the secretary. Minutes will be distributed to all Committee members and the chairman of the Board, after the Committee chairman has given preliminary approval. Minutes, agenda and supporting papers will be made available to any director upon request to the secretary, providing no conflict of interest exists.

2.10 Quorum and voting

A quorum will comprise three directors, two of whom shall be independent non-executive director Committee members. In the absence of the Committee chairman or appointed delegate, the members will elect one of their number as chairman for that meeting.

Each member will have one vote and the chairman of the Committee will not have a second or casting vote.

2.11 Overlap

The Chairman of the Committee will liaise with the Chairman of the Audit Committee to ensure that areas of overlap between the two Committees are appropriately addressed and that matters which are properly the responsibility of the Audit Committee are not separately dealt with by the Risk Management Committee.

3 Review

The Committee chairman will conduct an annual review of this policy and charter to ensure that it continues to reflect the current best industry practice processes. The Board will need to approve any amendments that stem from the review.