

CORPORATE GOVERNANCE STATEMENT 2017

Horizon Oil Limited (the 'Company') and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The Corporate Governance Statement was approved by the board on 22 August 2017.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the full financial year. They comply with the ASX Corporate Governance Council's revised *Corporate Governance Principles and Recommendations 3rd edition*, released in March 2014 ("ASX Recommendations"), except where noted.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The relationship between the board and senior management is critical to the Company's long-term success. The directors are responsible to the shareholders for the performance of the Company in both the short and longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

The role and responsibilities of the board are set out in the Company's Board Charter published on the Company's website and include:

- providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring:
 - organisational performance and the achievement of the Company's strategic goals and objectives;
 - compliance with the Company's Code of Conduct;
 - progress in relation to the Company's diversity objectives and compliance with its Diversity Policy; and
 - progress of significant corporate projects including any acquisitions or divestments.
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors;
- appointment, performance assessment and, if necessary, removal of the chief executive officer ('CEO');
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the chief financial officer ('CFO') and the company secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the Company;
- overseeing the operation of the Company's system for compliance and risk management reporting to shareholders; and
- ensuring appropriate resources are available to senior management.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the CEO and senior executives. (*Recommendation 1.1*)

Appropriate checks are undertaken before appointing or putting forward for election any director. It is the Company's policy to provide all material information relevant to a security holder's decision on whether or not to elect or re-elect a director. *(Recommendation 1.2)*

The directors and senior executives have a clear understanding of their roles and responsibilities within the Company and of the Company's expectations of them. The Company has a written agreement with each director and senior executive setting out the terms of their appointment. The key terms of these agreements are set out in the Directors' Report. *(Recommendation 1.3)*

The company secretary is regarded by the board as carrying out an important role in supporting the effectiveness of the board and its committees. The company secretary is accountable directly to the board, through the Chair, on all matters to do with the proper functioning of the board. *(Recommendation 1.4)*

Diversity

The Company strongly values diversity and recognises the benefits it can bring to its ability to achieve its goals. Accordingly, the Company's Diversity Policy (available on the Company's website at www.horizonoil.com.au) outlines the Company's gender diversity objectives. It includes commitment of the board to establish measurable objectives for achieving gender diversity and for the board to assess annually the objectives and the Company's progress in achieving them.

As outlined in the Code of Conduct and Diversity Policy, merit is the basis for employment with the Company and all employees and applicants for employment are treated and evaluated according to their job-related skills, qualifications, abilities and aptitude, regardless of age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation or gender identity. Diversity is applicable to all levels of the organisation, including board and senior executive positions, and, subject to the overriding condition of merit, all appointment processes are to be conducted in a manner that promotes gender diversity in accordance with the Code of Conduct and Diversity Policy. *(Recommendation 1.5)*

In the past financial year, the Company continued its commitment to promoting gender and other forms of diversity by working towards the 2017 measurable objectives set by the board. The progress during 2017 against the measurable objectives is summarised below.

2017 Measurable Objective	Progress in 2017
Increase the representation of women in management roles and under-represented roles through appropriate succession planning and recruitment	Without compromise to its overriding condition of merit, in the past financial year, the Company increased female representation in management with a new female Corporate Counsel; and a new female engineer, an area of expertise which is historically under-represented by women. The Company remains committed to increasing the representation of women in management and under-represented roles and has once again set this as a measurable objective for 2018.
Encourage training and personal development to assist in furthering career goals	The Company encourages its female employees to undertake further educational opportunities in support of their career goals with one female employee completing postgraduate study in the past financial year.

	The Company remains committed to training and personal development of its employees and has once again set this as a measurable objective for 2018.
Increase the average length of service of women in the workplace and track their retention	The Group's overall representation of women did not materially change in the past financial year.

The board has set the following measurable objectives in relation to gender diversity for 2017:

- increase the representation of women in management roles and under-represented roles with a focus on the structure of its recruitment and selection practices at all levels to ensure a diverse range of candidates are considered; and
- encourage training and personal development to assist in furthering career goals.

The proportion of female employees in the Group is summarised below:

Measures	Portion
Women employees	30% (ten of thirty-three)
Women senior executive roles	0% (zero of three)
Women non-executive directors	20% (one of five)

The Company defines "senior executives" as being the Chief Executive Officer and key management personnel of the Company and Group as set out in the Directors' Report. (*Recommendation 1.5*)

Performance assessment

Every two years the Chair conducts a formal discussion with each of the directors to discuss their individual performance and ideas for improvement of the operation of the board and board committees. This process was last performed during 2015 and is scheduled to occur in the second half of calendar year 2017. The board reviews the consolidated views, input, comments and deficiencies arising from the formal discussions and identifies ways to improve board and board committee performance and determine the necessary implementation plans for such improvement measures. (*Recommendation 1.6*)

A performance assessment for senior executives took place in 2017. Performance was assessed having regard to a variety of key performance indicators. A formal discussion with each of the senior executives was undertaken during the financial year to evaluate and discuss their performance. (*Recommendation 1.7*)

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The board has a primary responsibility to the shareholders for the welfare of the Company by guiding and monitoring the business and affairs of the Company. The Company has formalised and defined the functions reserved for board accountability and those delegated to management in a formal Board Charter published on the Company's website. The board operates in accordance with the broad principles set out in the Board Charter. The Board Charter details the board's composition and responsibilities. The Board Charter was in force for the full financial year.

The Company recognises the importance of the board in providing a sound base for good corporate governance in the operations of the Company. The board must at all times act honestly, fairly and diligently in all respects in accordance with the laws applicable to the Company. Furthermore, the board will at all times act in accordance with all relevant Company policies.

Subject to the prior approval of the Chair, directors and board committees have the right, in connection with the discharge of their duties and responsibilities, to seek independent professional advice at the Company's expense.

The Company's Constitution provides that directors, other than the Managing Director, shall not retain office for more than three years or beyond the third annual general meeting following election without submitting for re-election by shareholders.

The board has established a number of board committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are: Remuneration and Nomination, Audit and Risk Management committees. Copies of the Board Charter and Charters for each of the board committees are published in the Corporate Governance section of the Company's website at www.horizonoil.com.au.

Board composition

The board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective; and
- the size of the board is conducive to effective discussion and efficient decision-making.

In the period 1 July 2016 to 6 March 2017, the board was composed of four non-executive directors, and one executive director. In the period 6 March 2017 to 30 June 2017, the board was composed of five non-executive directors, and one executive director. The Chair of the board is an independent director and the role of Chair and CEO are performed by different individuals. (*Recommendation 2.5*)

The board actively seeks to ensure that the board and its committees have the right mix of skills, knowledge and experience necessary to guide and govern the Company effectively and in accordance with the highest standards. The board considers that collectively the current board has the range of skills, knowledge and experience necessary to direct the Company. Details of the members of the board, their skills, experience, expertise, qualifications and term of office are set out in the Directors' Report. The directors represent a wide range of operational and international experience with an in depth understanding of the industry. The combination of skills and experience allows for contributions on operational, financial and management matters. (*Recommendation 2.2 and 2.3*)

A summary of the skills matrix is set out below:

Skills and experience	Number of directors
Leadership and executive Senior management positions Directorships held outside Horizon Oil	6
Risk Management Experience in risk management	6
Strategy Mergers and acquisitions Experience in capital projects	6
Corporate Governance Experience in governance of an organisation	6
Finance & Audit Accounting or finance qualifications Experience in financial accounting and corporate finance	5
International Experience in global locations, including Asia Pacific	6
Industry Oil and gas Engineering or science qualifications Major projects Infrastructure	4

Profiles of each of the Company's directors and the length of service of each director are detailed in the Director's Report.

Directors are encouraged to attend appropriate training and professional development courses to update and enhance their skills and knowledge. All new non-executive directors are provided with a letter of agreement which sets out the terms of their appointment and an induction pack which includes detailed information about the Company, its operations, financial position and strategies and objectives. The pack also includes materials such as the Board Charter, the Company's policies and procedures, previous board papers and minutes, the Company's Constitution and most recent annual reports. (*Recommendation 2.6*)

The board is actively and regularly involved in risk management and strategic planning. The board has an active program of continuous improvement, including keeping up to date on best practice, fostering a compliance culture, training and recognition.

Directors' independence

The board has adopted specific principles in relation to directors' independence. These state that when determining independence, a director must be a non-executive and the board should consider whether the director:

- is, or has been, employed in an executive capacity by the entity or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the board;

- is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to the entity or any of its child entities;
- is, or has been within the last three years, in a material business relationship (e.g. as a supplier or customer) with the entity or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
- is a substantial security holder of the entity or an officer of, or otherwise associated with, a substantial security holder of the entity;
- has a material contractual relationship with the entity or its child entities other than as a director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of the entity for such a period that his or her independence may have been compromised.

The board annually assesses the independence of each non-executive director and considers that Mr Humphrey, Mr Stock and Mrs Birkenleigh satisfy the criteria of being independent of management and free from any business or other relationship or conflict of interest that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their independent judgement. (*Recommendation 2.3*)

In determining materiality, the board has regard, among other things, to the matters detailed in paragraph 6 of the Board Charter. The board acknowledges that Mr Humphrey has been a director for twenty seven years, however the board considers that there is no objective or subjective reason to believe that Mr Humphrey's period of board service in any way would interfere with his ability to bring an independent judgement to bear on issues before the board and to act in the best interests of the Company and its shareholders. Accordingly, the board has assessed Mr Humphrey to be an independent director.

The board acknowledges that Mr de Nys and Mr Bittar are non-independent directors by virtue of their association with a substantial shareholder, the IMC Group.

The board acknowledges that half of the board is composed of independent directors (rather than a majority as recommended in Recommendation 2.4) but nonetheless is confident that the decisions of the board reflect the best interests of the Company and its shareholders and is not biased towards the interests of management or any substantial shareholder with whom non-independent directors may be associated.

In the event of a tied vote, the casting vote rests with the Chair, Mr Humphrey, who is a non-executive independent director.

Remuneration and Nomination Committee

The board has established a Remuneration and Nomination Committee. (*Recommendations 2.1*)

The Remuneration and Nomination Committee consists of the following non-executive directors, the majority of whom are independent, including the Chair:

Independent

J Humphrey (Chair of Committee)
A Stock
S Birkenleigh

Non-independent

G de Nys

The main responsibilities of the Remuneration and Nomination Committee in respect of nomination are:

- assess the skills and competencies required on the board;
- from time to time assess the extent to which the required skills are represented on the board;
- establish processes for the review of the performance of individual directors and the board as a whole;
- establish processes for the identification of suitable candidates for appointment to the board;
- recommend the appointment and removal of directors; and
- ensure there are plans in place to manage the succession of the CEO and other senior executives.

Details of attendance at meetings of the committee during the financial year are detailed in the Directors' Report.

A copy of the Remuneration and Nomination Committee Charter is published in the Corporate Governance section of the Company's website at www.horizonoil.com.au.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

The Company has a corporate Code of Conduct ('Code') that has been fully endorsed by the board and applies to all directors and employees. The Code is updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity. (*Recommendation 3.1*)

In summary, the Code requires that at all times all Company officers and personnel must act with the utmost integrity, objectivity and in compliance with both the letter and spirit of the law and Company policies.

The Code and Diversity Policy are discussed with each new officer and employee as part of their induction training. The board is satisfied that the Group and Company have complied with its policies on ethical standards.

The Code and Diversity Policy are published in the Corporate Governance section of the Company's website at www.horizonoil.com.au.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

The Company recognises the importance of maintaining appropriate safeguards and independent oversight of its financial reporting and has a structure in place to achieve this. An important part of this structure is the board's Audit Committee. (*Recommendation 4.1*)

The Audit Committee consists of the following non-executive directors all of whom are independent (including the Chair, who is not also the Chair of the board):

S Birkenleigh (Chair of Committee)
J Humphrey
A Stock

The qualifications of Audit Committee members and their attendance at meetings of the Committee during the financial year ended 30 June 2017 are detailed in the Directors' Report.

In the past financial year, the Audit Committee composed of three non-executive directors. The board considers that the size and composition of the Audit Committee is appropriate to enable its effective and efficient operation having regard to the size of the board and the relevant qualifications of the members of the Audit Committee.

The board requires the CEO and CFO to provide a declaration in accordance with section 295A of the *Corporations Act 2001*. The board acknowledges that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company. That opinion has been formed on the basis of a sound system of risk management and internal control which is, in their view, operating effectively. (*Recommendation 4.2*)

The Audit Committee has a formal charter that details its role and responsibilities, composition, structure and membership requirements.

A copy of the Audit Committee Charter, including information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners is published in the Corporate Governance section of the Company's website at www.horizonoil.com.au.

External auditor

The external auditor attended all Audit Committee meetings during the financial year, including holding discussions with the Audit Committee at each meeting without management present. The external auditor will also be available to attend the annual general meeting and be available to answer shareholder questions about the conduct of the external audit and the preparation and content of the independent auditor's report. (*Recommendation 4.3*)

The Company's and Audit Committee's policy is to appoint an external auditor who clearly demonstrates professional qualities and independence. The performance of the external auditor is reviewed annually and if deemed appropriate, applications for tender of external audit services would be requested, taking into consideration assessment of performance, existing value and tender costs.

The Company's policy is to rotate audit engagement partners at least every five years.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the Financial Statements of the Annual Report. It is the policy of the external auditor to provide an annual declaration of its independence to the Audit Committee.

PRINCIPLES 5 AND 6: MAKE TIMELY AND BALANCED DISCLOSURE AND RESPECT THE RIGHTS OF SHAREHOLDERS

The Company has written policies and procedures for prompt and continuous disclosure of information that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Company also has a policy which sets out the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at annual general meetings. The Continuous Disclosure Policy, together with the Shareholder Communications Guidelines and Policy, is published in the Corporate Governance section of the Company's website. (*Recommendation 5.1 and 6.1*)

The Disclosure Committee consists of the following directors, of which a majority is independent (including the Chair):

J Humphrey (Chair of Committee)
B Emmett

The Committee's role includes responsibility for ensuring compliance with the continuous disclosure requirements of both the *Corporations Act 2001* and the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The Chair, CEO, Company Secretary and Assistant Company Secretary have been nominated as persons responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is released by the ASX. When presentations on aspects of the Group's operations are made, the material used in the presentation is released to the ASX. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market. The website provides a mechanism for shareholders to provide feedback electronically to the Company and also an option for shareholders to register their e-mail address for direct e-mail updates from the Company of Company matters. (*Recommendations 6.2 and 6.4*)

The Company has put in place a policy to assist the Company in developing and promoting its communication with shareholders and encouraging effective participation at annual general meetings. The Shareholder Communications Guidelines Policy is published in the Corporate Governance section of the Company's website. (*Recommendation 6.3*)

Shareholders are given the opportunity to elect to receive a copy of the Company's annual (full or concise) and half-yearly reports. The Company also provides shareholders with online access to all Company announcements, media briefings, details of Company meetings, press releases for the last three years and financial reports for the last five years by publishing on the Company's website at www.horizonoil.com.au. (*Recommendation 6.4*)

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The board, through both the Risk Management and Audit Committees, is responsible for ensuring there are adequate policies and procedures in place in relation to risk management, compliance and internal control systems.

The Company's Risk Management Policy is designed to ensure strategic, operational, environmental, legal, reputational and financial risks are identified, assessed, effectively and efficiently monitored and managed to enable achievement of the Group's business objectives. Considerable importance is placed on maintaining a strong internal control environment. There is an organisational structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Corporate Code of Conduct (refer to Principle 3) is required at all times and the board actively promotes a culture of quality and integrity.

The Risk Management Committee oversees the procedural operation of the risk management and compliance system. The committee is composed of five directors of which three are non-executive directors (Including the Chair):

A Stock (Chair of Committee)
S Birkenleigh
B Emmett
J Humphrey
G de Nys

The key function of the committee is to identify and prioritise risk arising from business strategies and activities and ensure that appropriate risk management controls are implemented and are effective. The committee's responsibilities also include the Company'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.

Details of attendance at meetings of the committee during the past financial year are detailed in the Directors' Report. (*Recommendation 7.1*)

The committee ensures that appropriate risk management controls are implemented and effected by meeting with senior executives, at least annually, to review and discuss the material business risks arising from business strategies and the adequacy of the relevant risk management controls in place. This review was last conducted in the first half of calendar year 2017. The Risk Management Committee Chair (or a delegate) reports to the board following each meeting of the Risk Management Committee. In addition, the board also reviews and considers material business risks and the adequacy of the risk management controls at each board meeting. (*Recommendation 7.2*)

A copy of the Risk Management Policy is published in the Corporate Governance section of the Company's website at www.horizonoil.com.au. (*Recommendation 7.1 and 7.2*)

While the Company does not utilise a formal internal audit function, given the relative size of the organisation and the key roles of the Risk Management Committee and Audit Committee in evaluating and continually improving the effectiveness of the Company's risk management and internal control processes, the board considers the regular systematic monitoring of control activities to be sufficient to manage current and future risks. (*Recommendation 7.3*)

The Company strongly values economic, environmental and social sustainability within the areas in which it operates. In order to mitigate any material exposure to economic, environmental and social sustainability risks, the Company undertakes regular monitoring and assessment of both its operating and non-operating assets to ensure that all activities are conducted in a manner that is consistent with the Company's commitment to safe and sustainable operations. The Review of Operations section of the Directors' Report of the Annual Report together with the Company's Sustainability Report of the Annual Report contain detailed information about the Company's material business risks, including exposure to economic, environmental and sustainability risks and the Company's approach in managing them. The Sustainability Report also provides further details of the Company's key initiatives and sustainability performance. (*Recommendation 7.4*)

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Company has established a Remuneration and Nomination Committee.

The Remuneration and Nomination Committee consists of the following directors, of which the majority are independent (including the Chair):

Independent

J Humphrey (Chair of Committee)

S Birkenleigh

A Stock

Non-independent

G de Nys

Details of attendance at meetings of the Committee during the financial year are detailed in the Directors' Report. (*Recommendation 8.1*)

The Committee's main responsibilities in respect of remuneration is to advise the board on remuneration and incentive policies and practices generally, and make specific recommendations on remuneration packages and other terms of employment for key management personnel. This includes reviewing and making recommendations to the board in respect of:

- an executive remuneration and incentive policy;
- the remuneration of the CEO and all senior management reporting directly to the CEO;
- an executive incentive plan;
- an equity based incentive plan;
- the remuneration of non-executive directors;
- superannuation arrangements;
- accidental death and disability insurance and other insurance arrangements;
- recruitment, retention, performance measurement and termination policies and procedures for non-executive directors, the CEO, the Company Secretary and all senior management reporting directly to the CEO; and
- the disclosure of remuneration in Horizon Oil Limited's public materials including ASX filings and the annual report.

The Company clearly distinguishes the structure of non-executive director remuneration from that of executive remuneration. The Company's policy in relation to remuneration for both executive and non-executive directors is set out in the Remuneration Report of the Annual Report. (*Recommendation 8.2*)

Retirement benefits for non-executive directors consist only of statutory superannuation contributions. There is no separate retirement benefit plan for non-executive directors.

The Company's Securities Trading Policy prohibits employees entering into transactions in financial derivatives (including options) which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes. (*Recommendation 8.3*)

A copy of the Remuneration and Nomination Committee Charter and the Securities Trading Policy is published in the Corporate Governance section of the Company's website at www.horizonoil.com.au.