

CORPORATE GOVERNANCE STATEMENT 2019

Horizon Oil Limited (the 'Company') and the board are committed to maintaining and enhancing a strong corporate governance framework. The board continues to review its policies and practices to reflect changes in governance standards and practice. This Corporate Governance Statement was approved by the board on 28 August 2019.

A description of the Company's main corporate governance practices is set out below. The Company's corporate governance policies are available in the Corporate Governance section of the Company's website at www.horizonoil.com.au. 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.

1.1 - Principle 1: Lay solid foundations for management and oversight

[a] Board responsibilities

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. The role of the board is to lead and oversee management and the direction 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 the role and responsibilities of the board are set out in the Company's Board Charter 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.

[b] Terms of appointment

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 shareholder's decision on whether to elect or re-elect a director.

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.

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 Chairman, on all matters to do with the proper functioning of the board. Details of the company secretary are included in the Directors' Report.

[c] 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 in the Corporate Governance section on the Company's website) 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.

In the past financial year, the Company continued its commitment to promoting gender and other forms of diversity by working towards the FY19 measurable objectives set by the board. The progress during FY19 against the measurable objectives is summarised below.

FY19 Measurable Objective	Progress in FY19
<p>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</p>	<p>We were successful in increasing the representation of women in management roles. As part of the changes to the Company's management, which became effective on 1 July 2018, a woman was appointed in the position of General Counsel and Company Secretary as part of the management team, increasing the percentage of women as part of senior management from 0% to 20%. The Company will seek to maintain this target and continue to provide the appropriate development opportunity for career growth to these individuals.</p> <p>The Company remains committed to increasing the representation of women in under-represented roles and has once again set this as a measurable objective for financial year 2020.</p>
<p>Encourage training and personal development to assist in furthering career goals</p>	<p>The Company encourages its women employees to undertake further training and educational opportunities in support of their career goals. In FY19, two women employees commenced their applied finance certificate with the Company's support.</p> <p>The Company remains committed to training and personal development of its employees and has once again set this as a measurable objective for FY20.</p>

The board has set the following measurable objectives in relation to gender diversity for FY20:

- 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;
- Encourage training and personal development to assist in furthering career goals;
- Maintain a target of at least 20% women employees in the management team; and
- Implement policies for parental leave, consistent with statutory obligations.

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

Measures	Proportion [as at 30 June 2019]
Women full-time permanent employees	36% [nine of twenty-five]
Women senior executive roles	20% [one of five]
Women directors	17% [one of six]

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.

[d] Performance evaluation

Under the Board Charter, the board is required to review its own performance and performance of the board committees. 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. Annually, performance evaluation of senior executives is usually undertaken by the CEO. The Chairman, with input for the board, undertakes the CEO's annual review.

During 2019, performance evaluation was undertaken in accordance with this process. A performance assessment for senior executives took place in 2019. Performance was assessed having regard to a variety of key performance indicators which are aligned to Horizon's strategic objectives. The results of these reviews are used in determining succession planning, performance and development plans and remuneration in consultation with the Remuneration and Nomination Committee.

1.2 - Principle 2: Structure the Board to add value

[a] Board composition

Under the Company's Constitution, the board must have a minimum of three directors and a maximum of eight. Directors other than the managing director are required to seek election at the first annual general meeting following their appointment and thereafter may not retain office without re-election for more than three years.

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.

The board is currently composed of five non-executive directors, and one executive director with a majority of independent non-executive directors. In the period 1 July 2019 to 11 April 2019, the board was composed of four non-executive directors, and one executive director. The Chairman of the board is an independent director and the role of Chairman and CEO are performed by different individuals.

[b] Directors appointments and resignations

The board renewal process is overseen by the Remuneration and Nomination Committee and involves reviewing the composition of the board to ensure the board has an appropriate mix of experience and skills to fulfil its responsibilities effectively. During 2018, the board, supported by the Remuneration and Nomination Committees assessed the composition in the light of the resignation of Mr John Humphrey and the board skills matrix and the succession policy generally. Consistent with this approach the following changes to the board occurred during FY19:

- John Humphrey retired as a non-executive director and Chairman on 28 November 2018;
- Michael Harding was appointed as a non-executive director and Chairman on 28 November 2018;
- Chris Hodge was appointed as a non-executive director on 11 April 2019; and
- Michael Sheridan was appointed as CEO and an executive director on 1 July 2018.

[c] Board capabilities

In determining the composition of the board, consideration is given to the optimal mix of background, experience and diversity that will best position the board to guide the Company. As the needs of the board are dynamic, these skills and experiences may change over time. 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.

A summary of the board skills matrix is set out below:

SKILLS AND EXPERIENCE AND DIVERSITY	HORIZON BOARD REPRESENTATION (OUT OF 6 DIRECTORS)
Industry Experience	6
Senior executive or Board experience in the resources and energy sector	
Financial acumen	6
Senior executive experience in financial accounting and reporting, corporate finance. Experience working in an industry with projects involving large capital outlays and long-term investment.	
Strategy and risk	6
Experience in setting and delivering company strategy. Experience in risk management and oversight of risk.	
Leadership	6
Successful senior executive.	
Corporate Governance	5
Experience with an organization that is subject to comprehensive governance and regulatory framework.	
Health, safety, environment and social responsibility	6
Good working understanding of workplace health and safety, and environmental and social responsibility regarding the broad impacts of climate change.	
People and performance	5
Experience in relation to managing people and remuneration including incentive arrangements, leadership and development.	
Information technology	4
Knowledge of information technology governance including privacy and cyber security.	

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.

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.

[d] Directors' independence

The board assesses independence against its adopted principles set out in the Board Charter 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 assesses the independence of each non-executive director and considers that Mr Harding [appointed 28 November 2018], Ms Birkenleigh and Mr Hodge [appointed on 11 April 2019]. 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. Following the appointment of Mr Hodge to the board, a majority of non-executive directors are considered to be independent,

Each director's independence is assessed by the board on an individual basis and directors are required to make prompt disclosure to of any information relating to their independence. Directors' shareholdings are set out in the Directors' Report in the 2019 Annual Report.

Subject to the prior approval of the Chairman, 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.

[e] Board committees

The board has established several 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.

The Charters specify the responsibilities, composition, membership requirements, reporting processes and the way the committees are to operate. Committees will consist only of non-executive directors with a majority of independent directors. All non-executive directors may attend any meeting of the committees. Details of directors' membership of each committee and their attendance at meetings are set out in the Directors' Report.

[f] Remuneration and Nomination committee

The board has established Remuneration and Nomination Committees. The Remuneration and Nomination Committee, as at 30 June 2019, is composed of three non-executive directors, the majority of whom are independent, including the Chairman. During FY20, it is planned that the current Chairman of this Committee, Mr Harding will be replaced as Chairman of the Remuneration and Nomination Committee with a non-executive independent director.

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

1.3 - Principle 3: Act ethically and responsibly

[a] Code of Conduct

The Company's Code of Conduct [Code] requires directors, employees, officers and contractors to maintain ethical standards in the conduct of its business activities and expects employees to treat others with openness, respect, honesty and fairness. The Code sets out the policies and guidelines with respect to safety, business conduct and making of improper payments and addresses matters such as equal opportunity, discrimination and conduct generally.

Employees are actively encouraged to report any breach of the Code or other policies and procedures in place, and the Code provides clear direction as to how to report a concern. All new employees are required to undertake an induction in relation to the Code and the Diversity Policy. The Company treats breaches of its policies seriously. Any breach will be investigated and may result in disciplinary action ranging from warnings to termination.

The Code and Diversity Policy are published in the Corporate Governance section of the Company's website.

[b] Securities Trading Policy

The Securities Trading Policy was updated in June 2018 and released to the ASX and applies to all directors and employees of the Company. Directors and certain employees are prohibited from trading in Company shares during prescribed blackout periods. Directors are required to disclose any share trading. Breaches of the Securities Trading Policy will be investigated and will be subject to appropriate sanctions, which could include disciplinary action or termination of employment.

[c] Conflicts of Interest

The Company manages actual and potential conflicts of interest in accordance with its Code of Conduct and Director's Code of Conduct, both of which are available on the company's website in the Corporate Governance section. Directors have an obligation to identify, disclose, monitor and manage any conflict of interest. A director who has a material personal interest in a matter being considered at a directors' meeting must not be present while the matter is being considered at the meeting or vote on the matter unless the rest of the board have passed a consent resolution.

1.4 - Principle 4: Safeguard integrity in corporate reporting

[a] Audit Committee

The primary role of the Audit Committee is to assist the board in discharging its responsibilities in relation to the Company's financial reporting, internal control structure and the internal and external audit functions and to make appropriate recommendations in respect of those responsibilities. The Audit Committee has a formal charter which sets out the Committee's role and responsibilities, composition, structure and membership requirements and is available on the Company's website.

The Audit Committee is chaired by an independent director who is not the Chairman of the board and is constituted by at least three members, the majority of whom are independent. The Committee meets with the external auditor without management present at least twice a year to allow an opportunity to discuss any matters that the Committee or the external auditor believes should be discussed privately.

The qualifications of Audit Committee members and their attendance at meetings of the Committee are detailed in the Directors' Report.

[b] Financial Integrity

The board receives written certifications from the CEO and the CFO in relation to the Group's financial reporting processes for the full and half year reporting periods. 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.

[c] External Auditor

A representative of 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 attended the 2018 annual general meeting in order to answer shareholder questions about the conduct of the external audit and the preparation and content of the independent auditor's report.

The Company's 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.

1.5 - Principle 5: Make timely and balanced disclosure

The Company is committed to giving all shareholders timely and equal access to information and has developed policies to ensure that directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. The Continuous Disclosure Policy is published in the Corporate Governance section of the Company's website. In accordance with the Policy, information must not be selectively disclosed prior to being announced to the ASX.

When the Company makes an announcement to the market, that announcement is released to the ASX. The Company Secretary is responsible for communications with the ASX. All material information disclosed to the ASX is posted on the Company's website at www.horizonoil.com.au. The Company is committed to giving all shareholders timely and equal access to information concerning the Company.

Webcasting of material presentations, including annual and half-yearly results presentations, is provided for the benefit of shareholders, regardless of their location.

The Chairman, CEO and 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.

1.6 - Principle 6: Respect the rights of shareholders

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 provide an option for shareholders to register their e-mail address for direct e-mail updates from the Company of Company matters.

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.

Horizon encourages all shareholders to attend the AGM which is usually held in November each year. The AGM provides shareholders with an insight into the operations of the Group during the year. At the AGM, shareholders are entitled to ask questions about the management of Horizon and questions of the external auditor about the conduct of the audit and the preparation and content of the auditor's report. Shareholders who are unable to attend the AGM may vote by appointing a proxy using the form included with the notices of meeting or via an online facility.

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. Shareholders may elect to receive all (or some) communications from the registry electronically, including notices of meeting and annual reports with the aim of improving the speed, convenience and environmental friendliness of our reporting communications.

1.7 - Principle 7: Recognise and manage risk

The board, with the assistance of the Audit and Risk Management Committees, is responsible for overseeing the implementation of the Company's risk management framework and ensuring that internal compliance and control systems are in place. These systems require management to be responsible for identifying and managing the risks which may have a material impact on the strategic objectives.

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 always required 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, as at 30 June 2019, is composed of three non-executive directors. The board acknowledges that the Risk Management Committee is currently chaired by a non-independent director. The Company is confident that the Chairman of the Risk Management Committee has the experience and relevant qualifications to discharge his role and is not biased toward the substantial shareholder with whom he is associated.

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.

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. During FY19, the Company performed an assessment of Company's risks and identified measures to manage the risks to levels consistent with the risk appetite of the Company. A risk register for the Company is maintained to document the risks identified. Should the risk profile of the Company change, the risk register will be updated to reflect this, and any further control required will be implemented.

The Risk Management Committee Chairman (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.

A copy of the Risk Management Policy is published in the Corporate Governance section of the Company's website.

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.

The Company strongly values economic, environmental and social sustainability within the areas in which it operates. Horizon's approach to sustainability and ESG principles is developed and implemented through its broader risk management framework overseen by the Risk Management Committee and the board. 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.

Horizon views sustainability and ethical business practices as important for our business and shareholder value. Sustainability is about managing risks and opportunities in a way that best balances the long-term needs of all our stakeholders – our communities, employees, suppliers and investors – as well as the wider community and the environment at large. Horizon is working to better understand our material issues in relation to sustainability and continuing to build on our management of sustainability. Horizon also understands that this is an evolving agenda and seeks to progressively embed the management of sustainability matters into business as usual practice.

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.

1.8 - Principle 8: Remunerate fairly and responsibly

[a] Remuneration practices

The Remuneration and Nomination Committee supports and advises the board on remuneration related matters set out in its Charter. Details of attendance at meetings of the Committee during the financial year are detailed in the Directors' Report.

Information on the Company's remuneration practices and policies is set out in the Remuneration Report of the Annual Report.

[b] Non-executive Directors' remuneration

The Company clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors do not receive any incentive-based remuneration or employee performance rights or options and do not receive any retirement benefits other than statutory entitlements.

Information relating to the remuneration of non-executive directors is disclosed in the Remuneration Report of the Annual Report.

The Remuneration and Nomination Committee, as at 30 June 2019, is composed of three non-executive directors, of which the majority are independent (including the Chairman).

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.

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.