



HORIZON OIL LIMITED

(ABN: 51 009 799 455)

BOARD CHARTER

1 Role of the Board

This Board charter (“**Board charter**”) sets out the principles for the operation of the Board of directors (“**Board**”) of Horizon Oil Limited (“**Horizon Oil**”) and describes the functions of the Board and those functions delegated to management of Horizon Oil.

The Board has a primary responsibility to the shareholders for the welfare of Horizon Oil by guiding and monitoring the business and affairs of Horizon Oil. Horizon Oil recognises the importance of the Board in providing a sound base for good corporate governance in the operations of Horizon Oil. The Board must at all times act honestly, fairly and diligently in all respects in accordance with the law applicable to Horizon Oil. Furthermore, the Board will at all times act in accordance with all relevant Horizon Oil policies.

Each of the directors, when representing Horizon Oil, must act in the best interests of the shareholders of Horizon Oil and in the best interests of the company as a whole.

This charter and the various complementary charters adopted by the Board and the various committees have been prepared and adopted on the basis that there is a contribution that good governance can make to the performance of Horizon Oil.

2 Responsibilities of the Board

One of the key ways the Board can add value to Horizon Oil is by selecting the right chief executive officer for Horizon Oil. Beyond this, the Board will ensure that management has in place appropriate processes for risk assessment, management and internal control, and monitoring performance against agreed benchmarks. The Board will work with senior management as collaborators in advancing the interests of Horizon Oil.

This charter delegates authority and recognises that once delegated, management needs to be free to manage. The Board will not be too accepting of management’s views and will test and question management’s assertions, monitor progress, evaluate management’s performance and will, where warranted, take corrective action.

2.1 The Board is responsible for the stewardship of the affairs of Horizon Oil, including:-

- Financial strategic objectives.
- Evaluating, approving and monitoring the strategic and financial plans of Horizon Oil.
- Evaluating, approving and monitoring the annual budgets and business plans.
- Evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions, including the issue of securities of Horizon Oil.
- Approving financial reports and material reporting matters.

2.2 Executive management

- Appointing, monitoring, managing the performance of, and if necessary terminating (the employment of) the chief executive officer. Consistent with the obligation to monitor the chief executive officer, the Board has identified the role and responsibilities of the chief executive officer as described in Section 4.4 and 4.5. The Board will consider this job description and the chief executive officer’s authorities and accountabilities, as well as performance indicators to provide monitoring benchmarks.
- Managing succession planning for the position of chief executive officer, chief financial officer and others. It is envisaged that this would involve working with the chief

executive officer to identify the requirements for critical positions and individuals that can fill those positions on both an emergency basis and over the longer term.

- Overseeing and ratifying the appointment and termination of employment of the chief financial officer.
- Ratifying the terms of appointment of senior management, including in relation to the terms of equity remuneration.

2.3 Risk management

- Monitoring Horizon Oil's performance in relation to principles of best practice corporate governance as identified and resolved by the Board.
- Approving and monitoring Horizon Oil's risk management framework.
- Approving and monitoring compliance with Horizon Oil's key corporate policies and protocols.
- Monitoring Horizon Oil's operations in relation to, and compliance with relevant regulatory requirements.

2.4 Guidelines for risk management and strategic planning

- The Board will be actively and regularly involved in risk management and strategic planning. The intention of the Board is that these functions will be closely integrated. Strategic planning will be based on the identification of opportunities and the full range of business risks that will determine which of those opportunities are most worth pursuing. The Board recognises that strategic planning is an ongoing process that must be responsive to changes in the external environment and internal developments.
- The Board's involvement in strategic planning and the monitoring of risks does not mean the Board intends to manage the business, but it recognises the Board is responsible for overseeing management and holding it to account.
- The Board will oversee the process that management has in place to identify business opportunities and risks.
- The Board will consider the extent and types of risk that are acceptable for Horizon Oil to bear.
- The Board will monitor managements systems and processes for managing a broad range of business risks.
- The Board will, on an ongoing basis, review with management how the strategic environment is changing, what key business risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted.
- The Board intends to benchmark its activities regarding corporate governance against the following criteria for ongoing assessment:

Identification	Clarify Horizon Oil's core values for the organisation and identify these clearly.
Analysis	Examine the core values and develop a model for identifying events within the organisation that could adversely impact on the core values.
Assessment	Allocate priorities to the risk rated items and integrate these items within the existing (and/or contemplated) operational plans and structures.
Treatment	<p>Develop a scheme for integrating the outcomes within the organisational structure and delegations of authority to ensure responsibilities are matched with the necessary authority and appreciation of the core values.</p> <p>This involves the development of training programs foster the core values throughout Horizon Oil. This means for instance that every person dealing with the investment community appreciates the importance of ensuring that material or price sensitive information is not disclosed to investors if it is not publicly available.</p>
Ongoing monitoring	This is an essential element of Horizon Oil's program and includes an active program of continuous improvement, including keeping up to date on best practice, fostering a compliance culture, training and recognition.

2.5 Reporting

- The Board must supervise the Audit Committee's recommended disclosure in the annual report and report publicly any departures from the ASX best practice recommendations and any publicly available information about Horizon Oil's policies.
- Any decision to deviate from the best ASX practice recommendations must be recommended by the relevant committee and approved by a resolution of the Board.
- Horizon Oil will, where appropriate, include an appropriate statement regarding departures from ASX best practice recommendations in the annual report.
- The Board via the Continuous Disclosure Committee, will supervise the public disclosure of all matters that the ASX best practice recommendations recommend be publicly disclosed consistent with the Continuous Disclosure policy and will provide a commentary on any Board decision not to make such disclosure or to clarify what disclosure has been made.

3 Structure of the Board

The Board is to comprise a majority of non-executive directors who are considered by the Board to be independent, in accordance with the criteria in section 6.1.1, and will be of such size and competence necessary to understand properly and deal with the current and emerging issues of the business of Horizon Oil.

The directors will appoint as chairman of the Board, one of the non-executive directors who is independent.

Each director is bound by all Horizon Oil's charters, policies, and codes of conduct, including without limitation:

- Horizon Oil Securities trading policy;

- Horizon Oil Diversity Policy;
- Horizon Oil Directors' Code of Conduct; and
- Horizon Oil Code of Conduct.

The Board and/or the Committees have delegated carriage of the operation and management of Horizon Oil's business to the chief executive officer and, through the chief executive officer, to appropriate members of the senior management group.

This charter is designed to facilitate a mature and constructive relationship with Horizon Oil's management - one that is grounded in a mutual understanding of their respective roles and the ability of the Board to act independently in fulfilling its responsibilities.

The Board will approve and monitor delegations of authority from the chief executive officer to senior management.

4 Statement of the division of authority between the chairman and chief executive officer

4.1 Objective

Consistent with its commitment to best practice corporate governance, Horizon Oil recognises the importance of the office of chairman and the office of chief executive officer of Horizon Oil.

Horizon Oil recognises that it is important that the chairman and the chief executive officer have defined roles in the organisation and function in accordance with clear functional lines.

4.2 Role of Horizon Oil chairman

In accordance with clause 11.6.2 of the constitution, the Board has resolved to appoint a chairman and determine the period for which he or she holds office.

The chairman will be selected on the basis of relevant experience, skill and leadership abilities that the Board recognises from time to time.

The Board at the first board meeting following the annual general meeting will consider the position of chairman.

4.3 Specific duties of the chairman

The chairman will:

- chair board meetings;
- establish the agenda for board meetings, in consultation with the chief executive officer and company secretary;
- chair meetings of members, including the annual general meeting of Horizon Oil;
- chair the Nomination Committee, be a member of the Audit and Remuneration Committees and sit on other committees as agreed with the rest of the Board;
- be the primary spokesperson for Horizon Oil at the annual general meeting. The chairman and the chief executive officer will agree between themselves as to their respective roles in relation to all meetings (formal and informal) with shareholders and all public relations activities;
- in conjunction with/in consultation with the chief executive officer, approve and/or delegate authority for the approval of all material ASX, and other investor and shareholder releases;

- be the primary channel of communication and point of contact between the Board (and the directors) and the chief executive officer;
- be kept fully informed by the chief executive officer of all material matters which may be relevant to directors, in their capacity as directors of Horizon Oil;
- in conjunction with the chief executive officer and other appropriate members of senior management, review all matters material to the interests of Horizon Oil;
- provide guidance and mentoring to the chief executive officer;
- chair the chief executive officer evaluation process through the Nomination and/or Remuneration Committee;
- ensure the annual process of Board evaluation is conducted;
- ensure non-executive directors are made aware of significant emerging issues of which the Chairman is aware.

4.4 Role and responsibilities of the chief executive officer

The chief executive officer has primary responsibility to the Board for the affairs of Horizon Oil.

The Board appoints the chief executive officer to manage the business on its behalf (and shareholders) and must delegate sufficient powers to allow him or her to manage effectively. The chief executive officer must carry out the objectives of the Board in accordance with its instructions, and report to the Board all matters the chief executive officer considers to be material to the affairs of Horizon Oil.

4.5 Specific duties of the chief executive officer

The chief executive officer will:

- develop with the Board, implement, monitor and report on the strategic and financial plans for Horizon Oil;
- develop, implement, monitor and report on the annual budgets and business plans;
- plan, implement, monitor and report on all major capital expenditure, capital management and all major corporate transactions, including the issue of any securities of Horizon Oil;
- develop all financial reports, and all other material reporting and external communications by Horizon Oil, including material announcements and disclosures, in accordance with Horizon Oil's external communications policy;
- manage the appointment of the chief financial officer, company secretary and any other senior management positions;
- develop, implement, monitor and report on Horizon Oil's risk management framework;
- consult with the chairman and the company secretary in relation to establishing the agenda for Board meetings;
- agree with the chairman their respective roles in relation to all meetings (formal and informal) with shareholders and all public relations activities;
- in conjunction with/in consultation with the chairman, approve and/or delegate authority for the approval of all material ASX releases, and other investor and shareholder releases;

- be the primary channel of communication and point of contact between senior management and the Board (and the directors);
- keep the chairman fully informed of all material matters which may be relevant to the Board, in their capacity as directors of Horizon Oil;
- in conjunction with the chairman and other appropriate members of senior management, review all matters material to the interests of Horizon Oil;
- provide strong leadership to, and effective management of, Horizon Oil in order to:
 - encourage cooperation and teamwork
 - build and maintain staff morale at a high level;
 - build and maintain a strong sense of staff identity with, and a sense of allegiance to, Horizon Oil
- ensure a safe workplace for all personnel, including for contractors and consultants;
- ensure that Horizon Oil has regard to the interests of employees and customers of the company and the community and environment in which the company operates; and
- otherwise carry out the day-to-day management of Horizon Oil.

4.6 Limitations on delegated authority of the chief executive officer

The delegation of authority to the chief executive officer is subject to the limits determined by the Board.

The chief executive officer is formally delegated by the Board to authorise all expenditure as approved in the budget, provided that capital expenditure in excess of US\$1,000,000 not approved in the budget must be approved by the Board and all payments to the chief executive officer, outside of normal agreed monthly remuneration, must be authorised by the chairman and subsequently ratified by the Board.

5 Chief financial officer

The chief financial officer will:

- conduct his or her duty at the highest level of honesty and integrity, recognising that integrity is the benchmark against which the chief financial officer must conduct all decision making;
- observe the rule and the spirit of the law and comply with any relevant ethical and technical standard;
- maintain the confidentiality of all information acquired in the course of conducting the role and not make improper use of, or disclose to third parties, any confidential information unless that disclosure has been authorised by the Board, or is required by law or by the ASX Listing Rules;
- observe the principles of independence, accuracy and integrity in dealings with the Board, Audit Committees, Board Committees, external auditors and other senior managers within Horizon Oil;

- disclose to the Board any actual or perceived conflicts of interest, whether of a direct or indirect nature of, which the chief financial officer becomes aware and which the chief financial officer reasonably believes may compromise the reputation or performance of Horizon Oil;
- maintain transparency in the preparation and delivery of financial information to both internal and external users;
- exercise diligence, skill and good faith in the preparation of financial information and ensure that such information is accurate, timely and represents a true and fair view of the financial performance and condition of Horizon Oil and complies with all relevant legislative requirements;
- ensure the maintenance of a sound system of internal controls to safeguard Horizon Oil's assets and manage risk exposure through appropriate forms of risk control;
- set a standard of honesty, fairness, integrity, diligence and competency in respect of the position of chief financial officer; and
- observe, develop and implement the principles of this charter in a conscientious, consistent and rigorous manner.

6 Independence of directors

New standards of independence are emerging in Australia and overseas that will impact on the perception of who can be characterised as an independent non-executive director. The issue of "independence" is fluid and emerging relatively quickly. The following questions have been adopted by Horizon Oil to assist in defining independence. However, Horizon Oil is not proposing to adopt hard and fast "set and forget" rules.

6.1 Independence standard

The Board will regularly assess the independence of each existing non-executive director and new candidates at the time of election to the Board. The Board will consider independence having regard to the answers to the following questions and resolve whether to consider the relevant director independent.

- If 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?
- If the director 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?
- If the director is, or has been within the last three years, in a material business relationship (eg 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?
- If the director is a substantial security holder of the entity or an officer of, or otherwise associated with, a substantial security holder of the entity?
- If the director has a material contractual relationship with the entity or its child entities other than as a director?

- If the director has close family ties with any person who falls within any of the categories described above?
- If the director has been a director of the entity for such a period that his or her independence may have been compromised?

Materiality

The Board will from time to time determine relevant materiality thresholds for the purposes of independence. The general threshold for materiality is, in the case of service providers or similar, more than \$250,000 per annum and the relevant director does not receive any remuneration directly related to the Horizon Oil's use of the firm, for example "finder fees" etc.

6.2 Disclosure of independence

Each independent director of Horizon Oil must regularly provide the Board of Horizon Oil all information regarding his or her interests that is relevant to his or her independence having regard to the standard discussed in section 6.1. Where the independent status of a director is lost, this must be immediately disclosed to the market.

6.3 Annual report disclosure

The Board must ensure that each annual report of Horizon Oil meets the disclosure requirements of the Listing Rules.

7 Conflicts of interest

As a general principle each director must bring an enquiring, open and independent mind to board meetings, listen to the debate on each issue raised, consider the arguments for and against each motion and reach a decision that he or she believes, to be in the best interests of Horizon Oil as a whole free of any actual or possible conflict of interest and consistent with the Directors' code of conduct.

If the Board determines that a director might be in a position where there is a reasonable possibility of conflict between his or her personal or business interests, the interests of any associated person, or his or her duties to any other company, on the one hand, and the interests of Horizon Oil or his or her duties to Horizon Oil, on the other hand, the Board will require that the director:

- fully and frankly informs the Board about the circumstances giving rise to the conflict; and
- abstains from voting on any motion relating to the matter and absenting himself or herself from all board deliberations relating to the matter including receipt of board papers bearing on the matter.

If the Board resolves to permit a director to have any involvement in a matter involving possible circumstances of conflicting interests, the Board must minute full details of the basis of the determination and the nature of the conflict, including a formal resolution concerning the matter.

If a director believes that he or she may have a conflict of interest or duty in relation to a particular matter, the director should immediately consult with the chairman.

The company secretary will maintain a register of all possible conflict of interest situations.

8 Meetings

Directors should ordinarily receive board papers and related material not later than five days prior to the relevant meeting.

The chairman of the meeting should ensure the availability and, if necessary, the attendance at the relevant meeting, of any member of executive management responsible for a matter included as an agenda item at the relevant meeting.

The non-executive directors will meet from time to time to conduct a non-executive discussion of board and management issues. These meetings are to be used to provide feedback about board processes, including the adequacy and timeliness of information being provided to the Board. At times these meetings may focus on substantive issues that some board members may prefer to discuss without management present. These meetings may also discuss areas where the performance of independent directors could be strengthened.

Any issues arising from these meetings that bear on the relationship between the Board and management will be communicated quickly and directly to the chief executive officer by the chairman.

8.1 Agenda

An agenda will be prepared for each board and committee meeting. The Board meeting will generally follow the format outlined below.

- Review of previous minutes for meetings of directors
- Business arising
- Executed contracts register
- Health, safety and environment and community relations reports
- Corporate calendar
- Management report
- Financial Report
- Company announcements
- Any other business

Each meeting should allow for informal discussions between board members.

Circulating Resolutions

Urgent matters that cannot wait until the next board meeting can be dealt with by a circulating resolution. A circulating resolution should be approved by the chairman before being circulated and should normally be preceded by a telephone meeting if practical.

A circulating resolution must be signed by all directors approving the action and will be entered in the Board minute book. If all directors approving the action do not sign the resolution, the item is deferred to the next board meeting.

9 Board Committees

The Corporations Act 2001 (Cth) allows the directors to delegate their powers regarding financial matters to the Audit Committee. This charter relies on those delegation powers as specific authority for the rest of the Board to rely reasonably on information or advice

provided to the Board by its various committees, to assist the Board in the discharge of its responsibilities (either in whole, or in conjunction with the Board). The Board has established the following committees:

Audit Committee;
Remuneration Committee;
Nomination Committee;
Risk Management Committee;
Disclosure Committee

These committees are designed to consider specific matters and make recommendations to the Board. However, it is not intended that these committees restrict the ability of the Board to make an independent assessment of the recommendations, having regard to the Board's knowledge of Horizon Oil and the complexity of the structures and operations of Horizon Oil. The Board will consider the materials and recommendations presented to them and bring their own mind to bear on the issue using the skill and judgment they possess.

The Board will consider and approve the charters of the various committees.

The Board will receive copies of committee papers/minutes/agendas in respect of each committee and all non-executive directors may attend meetings of committees of which they are not members.

Each of the committees has the discretion to invite members of management to the committee meetings and may delegate tasks to management where appropriate.

10 The Board and executive management

Any director may communicate directly with employees of Horizon Oil but such communications are to be made having regard to the efficient operation of Horizon Oil and the need to preserve and maintain an effective chain of command and the confidentiality of the Board's deliberations.

Where individual directors wish to communicate with executive management or with other employees or representatives of Horizon Oil in relation to company business, all communications can be direct. All communications of a material or sensitive nature must be facilitated by the chairman.

11 Independent advice

A director of Horizon Oil is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) at Horizon Oil's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out below:

- a director must seek the prior approval of the chairman;
- in seeking the prior approval of the chairman, the director must provide the chairman with details of:
 - the nature of the independent professional advice;
 - the likely cost of seeking the independent professional advice; and
 - details of the independent adviser he or she proposes to instruct
- the chairman may prescribe a reasonable limit on the amount that Horizon Oil will contribute towards the cost of obtaining such advice;

- the chairman must approve of the independent adviser nominated by the director;
- all documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to Horizon Oil and to the director in his or her personal capacity. However, the right to advice does not extend to advice concerning matters of a personal or private nature, including for example, matters relating to the director's contract of employment with Horizon Oil (in the case of an executive director) or any dispute between the director and Horizon Oil;
- the chairman may determine that any advice received by an individual director will be circulated to the remainder of the Board.

12 Remuneration

Subject to the relevant provisions in Horizon Oil's Constitution, the level of non-executive director and chief executive officer remuneration will be set by the Remuneration Committee so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type.

In line with Horizon Oil's desire to maintain director independence, each director is permitted to deal in personal securities of Horizon Oil in accordance with the Securities trading policy.

13 Board performance

The Board believes that regular assessment of the Board's effectiveness and the contribution of individual directors is essential to improve governance of Horizon Oil.

At least once in each financial year, the Board must complete/facilitate the completion of a performance evaluation.

The focus of the evaluation will be on how performance can be made more meaningful in setting and achieving goals that add value. The results will be internal to the Board, but disclosure will be made in the annual report and Horizon Oil's website that such evaluations are undertaken.

The Board will determine the manner and form of the performance evaluation.

14 Access to Board Charter

This charter will be available, upon request, to each director of Horizon Oil, the senior management group, external auditors and shareholders.

This charter will be available to other interested parties upon request, and upon the approval of the chairman.

15 Review of Board Charter

The Board will, at least once in each financial year, review this charter, and the charter of each of the Committees, and make any amendments it determines are necessary or desirable.