



Horizon Oil Limited ABN 51 009 799 455

Level 6, 134 William Street, Woolloomooloo NSW Australia 2011

Tel +61 2 9332 5000, Fax +61 2 9332 5050 [www.horizonoil.com.au](http://www.horizonoil.com.au)

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The Manager, Company Announcements  
ASX Limited, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

### GRANT OF AWARD UNDER THE LONG-TERM INCENTIVE PLAN

Horizon Oil's board has granted a long-term incentive award (**LTI Award**) under the Long-Term Incentive Plan adopted by the company on 18 November 2010 (**LTI Plan**), to Michael Sheridan, Chief Executive Officer (**CEO**), subject to shareholders' approval at the Annual General Meeting.

Details of Mr Sheridan's LTI Award are set out below.

<b>Purpose of the issue</b>	To incentivise the long-term performance of the CEO to achieve the Company's strategic objectives and maximise shareholder value.
<b>Class of securities to be issued</b>	5,135,087 share appreciation rights ( <b>SARs</b> ).
<b>Issue price or consideration</b>	Nil; forming part of the CEO's at risk remuneration.
<b>Shareholder approval</b>	Shareholder approval will be sought for the issue of the SARs to Mr Sheridan at the Company's Annual General Meeting to be held on Wednesday, 28 November 2018.
<b>Principal terms of the LTI Award</b>	<p>The LTI Award is made under the LTI Plan. The board has determined that a fixed proportion of an executives' fixed remuneration would be LTIs in the form of SARs, with the number of SARs granted to be based on the present day value of a SAR.</p> <p>A SAR is a right to receive either or both a cash payment or shares in the Company, as determined by the board, subject to the Company satisfying performance conditions.</p> <p>The number of SARs that vest is determined by reference to the Company's total shareholder return (<b>TSR</b>) over the relevant period relative to that of the S&amp;P/ASX200 Energy Index (<b>Index</b>). The number of SARs that vest is:</p> <ul style="list-style-type: none"><li>• if the Company's TSR is equal to that of the Index (<b>Minimum Benchmark</b>), 50%;</li><li>• if the Company's TSR is 14% or more above that of the Index, 100% (<b>Maximum Benchmark</b>); and</li><li>• if the Company's TSR is more than the Minimum Benchmark but less than the Maximum Benchmark, a percentage between 50% and 100% based on the Company's TSR performance between the Minimum Benchmark and Maximum Benchmark.</li></ul> <p>The Maximum Benchmark of 14% above the Index return equates to the</p>

performance level likely to exceed the 75th percentile of market returns of companies (weighted by company size) in the Index.

Furthermore, even where these conditions are satisfied, the SARs will not vest unless the Company achieves a TSR of at least 10% over the relevant period.

The LTI Plan provides that the amount of the cash payment or the number of shares in the Company that the participant receives on exercise of the SAR is based on the value of the SAR at the time it is exercised (**SAR Value**). The SAR Value is the excess, if any, of the volume weighted average price (**VWAP**) of shares in the Company for the 10 business day period up to the day before the SAR is exercised over the VWAP of shares in the Company for the ten business day period up to the day before the Effective Allocation Date for the SARs, being in the case of Mr Sheridan's proposed SARs: **A\$0.1439**.

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

If the board determines that the SARs are to be satisfied in shares, the number of shares that the participant receives on the exercise of the SARs is the SAR Value divided by the VWAP of shares in the Company for the 10 business day period up to the day before the day the SARs are exercised.

The performance conditions are tested on the date that is three years after the Effective Grant Date of the SARs and are then retested every six months after that until the date that is five years after the Effective Grant Date of the SARs (the final retesting date). The performance conditions are also tested where certain circumstances occur, such as a takeover bid for the Company.

Yours faithfully,



**Kylie Quinlivan**  
General Counsel and Company Secretary

For more information please contact:

**Horizon Oil Limited**  
**Kylie Quinlivan** General Counsel/  
Company Secretary

T: +61 2 9332 5000  
F: +61 2 9332 5050  
E: [info@horizonoil.com.au](mailto:info@horizonoil.com.au)

Level 6, 134 William St  
Woolloomooloo NSW 2011  
[horizonoil.com.au](http://horizonoil.com.au)

**Media enquiries**  
**Gavan Coltery**  
ResourceComms Pty Ltd

M: +61 419 372 210  
E: [gavan@resourcecomms.com](mailto:gavan@resourcecomms.com)

