

9 June 2020

The Manager
Company Announcements
ASX Limited
Exchange Centre

20 Bridge Street
Sydney NSW 2000

INVESTIGATION INTO PNG TRANSACTION CONCLUDED

Horizon Oil Limited (Horizon or the Company) advises that its investigation into Horizon's payment to acquire an interest in Petroleum Retention Licence 21 (PRL 21) in the Western Province of Papua New Guinea (PNG) in 2011 has now concluded.

Horizon confirms no breach of foreign bribery law

The investigation, which included a forensic review of all aspects of the transaction, was conducted by Herbert Smith Freehills (HSF) and Deloitte with the oversight of an Independent Board Committee (IBC). Horizon confirms that no breach of any Australian foreign bribery law has been established. Horizon is not aware of any regulatory investigation into these matters involving the Company in Australia or Papua New Guinea.

The 2011 transaction was undertaken to advance Horizon's legitimate business interests in PNG. Horizon confirms that the structure of the transaction and the quantum of the purchase price paid by Horizon was consistent with market practice and comparable to other relevant transactions at the same time. In addition, Horizon confirms that no payments were made in excess of the agreed purchase price and Horizon has no knowledge of any subsequent transfers or transactions made by the counterparties after the purchase price was paid.

Further detail of the timeline of the 2011 transaction is set out in the Annexure.

Prompt and decisive action by the Horizon Board

Given the seriousness of the allegations first made in the Australian Financial Review on 10 February 2020, the significant adverse market impact to Horizon's shareholders resulting from the articles and that the transaction with Eleva Energy occurred more than 8 years ago, the Horizon Board initiated an immediate and in-depth investigation.

The investigation was to examine whether the Company's actions in respect of the 2011 transaction breached Australia's foreign bribery laws. HSF instructed Deloitte's forensic investigation team to identify and collate relevant factual information. The IBC directed HSF and Deloitte to have consideration to all information in the Company's possession in the conduct of that investigation.

Horizon confirms that the investigation did not establish any breach of Australian foreign bribery laws.

Mike Harding, Horizon's Chairman commented...

"The investigation, conducted by two highly reputable firms, has now concluded. No breach of Australian foreign bribery laws has been established. We recognise and regret the impact of these allegations. The disclosure and publication of company information without seeking to fully understand the facts around a transaction occurring more than 8 years ago has caused significant loss to shareholders and cost to the Company.

The investigation provides the necessary closure in relation to these allegations and after a challenging few months, we are now focussed on the process of regaining the confidence of our stakeholders, so that we can move forward with confidence and deliver on our corporate growth objectives"

Authorisation

This ASX announcement is approved and authorised for release by the Board.

Annexure – Timeline of the 2011 transaction

Beginning on 10 February 2020 the Australian Financial Review published a series of articles concerning Horizon's payment to acquire a 10 percent licence interest in PRL 21 in the Western Province of Papua New Guinea. PRL 21 is an area containing known discoveries of gas and condensate.

The transaction timeline is as follows:

- In August 2009, subsidiaries of Horizon, Santos and Talisman, a Canadian multinational oil and gas company, applied for an extension of Petroleum Retention Licence 5 (PRL 5) in PNG. The Minister for Petroleum and Energy refused the extension on the basis that licence conditions were not fulfilled. Horizon announced on 8 November 2010 that the joint venture submitted that it had satisfactorily complied with its licence conditions and PRL 5 was in good standing.
- Horizon commenced judicial review proceedings in respect of the Minister's decision.
- Horizon announced on 31 March 2011 that proceedings were settled on terms providing for Horizon to be granted a 70 percent interest in a new Petroleum Retention Licence 21 (PRL 21), covering exactly the same area as the former PRL 5.
- The remaining 30 percent interest was awarded to two local PNG companies: 10 percent to Elevala Energy, and 20 percent to Dabajodi International Energy.
- Pursuant to pre-existing contractual arrangements, Horizon transferred a 35 percent interest in PRL 21 to Talisman.
- Horizon acquired a 10 percent interest in PRL 21 from Elevala Energy for \$US10.3 million, and Talisman acquired a further 5 percent interest in PRL 21 from Dabajodi.
- Following these transactions in 2011, PRL 21 was held 45 percent by Horizon, 40 percent by Talisman and 15 percent by Dabajodi (now Kina Petroleum Limited).