

# OPHIR ENERGY PLC ANNUAL REPORT AND ACCOUNTS 2012



# OPHIR ENERGY CREATES VALUE BY EXPLORING AND APPRAISING OIL AND GAS ASSETS, OFFSHORE AND IN DEEPWATER.

THE GROUP HAS AN EXTENSIVE AND DIVERSE PORTFOLIO OF ASSETS ACROSS EAST AND WEST AFRICA AND IS FOCUSED ON MAXIMISING THEIR VALUE AS WELL AS CONTINUING TO EXPLORE NEW OPPORTUNITIES.

OPHIR IS LISTED ON THE LONDON STOCK EXCHANGE (FTSE 250).

## OPERATIONAL HIGHLIGHTS

### Drilling success

100%

8 successes from 8 wells  
(6 exploration and 2 appraisal)

### Net contingent (2C) resources (bboe)

1.002<sup>1</sup> +377%<sup>1</sup>

### New seismic programmes

10

Acquiring data covering over 13,000km<sup>2</sup>

### New deepwater blocks

4

Increasing total acreage by 10,000km<sup>2</sup> to 106,702km<sup>2</sup>

### New country entries

2

For more information go to:  
[www.ophir-energy.com](http://www.ophir-energy.com)



<sup>1</sup> Post-government back-in

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# OPHIR HAD A SUCCESSFUL 2012 WITH MAJOR OPERATIONAL PROGRESS THROUGH THE YEAR

## JANUARY

Ophir announced the start of a three-well exploration programme in Tanzania to be operated by Joint Venture partner BG Group: Jodari-1 and Mzia-1 in Block 1 and Papa-1 in Block 3. On the East Pande Block in Tanzania a 2,200km<sup>2</sup> 3D seismic programme began, designed to identify and define prospects for drilling.

In Gabon, a 2,198km<sup>2</sup> 3D seismic programme across Ophir's Mbeli and Ntsina licences began, designed to identify and define pre-salt targets for drilling.

In Equatorial Guinea, the semi-submersible Eirik Raude rig was contracted to drill Ophir's exploration campaign.

## FEBRUARY

Ophir completed the acquisition of Dominion Petroleum Ltd (Dominion) and added assets including Block 7 in Tanzania and Blocks L9 and L15 in Kenya – extending the Group's East African acreage position to the north of its existing Tanzanian assets.

## MARCH

The Jodari-1 well discovered gas estimated at 3.4TCF mean recoverable, exceeding pre-drill estimates. This was Ophir's fourth consecutive gas discovery in Tanzania and its biggest discovery to date.

## APRIL

The Group successfully placed 30.5 million shares, raising US\$242 million.



## MAY

The Mzia-1 well discovered gas then estimated at 3.5TCF mean in-place. It was the play-opening well in the Upper Cretaceous of the Rovuma Delta and Ophir's fifth consecutive gas discovery in Tanzania. This was another major step towards a Tanzanian hub development in Block 1.

## JULY

Ophir began its three-well drilling campaign in Equatorial Guinea: Tonel-1, Fortuna West and Fortuna East.

The Tonel-1 well was successful and discovered an estimated 814BCF of gas mean recoverable. This was Ophir's third gas discovery in Block R.

## SEPTEMBER

Additional seismic and petrophysical analysis of the Mzia-1 discovery in Tanzania increased the mean estimate gas in-place resource to 6TCF. This took total discovered gas in-place resources for Blocks 1, 3 and 4 to 13.5-21TCF, meeting the threshold for a two-train LNG development.

In Equatorial Guinea, the Fortuna West-1 well discovered gas estimated at 677BCF mean recoverable, including resources in the underlying Viscata discovery, and significantly derisked other exploration targets in the Block.

As a result, the Group increased its 2C resource estimate for Block R to 2.3 TCF and reduced the risk on the remaining estimated 10TCF of inventory.

In Tanzania, the Joint Venture resumed its drilling in Block 1 with a three-well appraisal programme: Jodari South-1, Jodari South ST-1 (a deviated side-track) and Jodari North 1. Its objective was to confirm the Jodari field as an anchor asset to support Tanzania's first multi-train LNG development.



## AUGUST

In Tanzania, the Papa-1 well discovered gas estimated at 0.5 – 2.0TCF in-place in Block 3. This was Ophir's first discovery in Block 3 and its sixth consecutive discovery in Tanzania.

In Equatorial Guinea, the Fortuna East-1 well discovered gas estimated at 421BCF mean recoverable. This was Ophir's fourth gas discovery in Block R and the sixth in the block to date.



## DECEMBER

Ophir entered Ghana with a 20% participating interest in the Offshore Accra Contract area and took over operatorship.

The Jodari South-1 and Jodari North-1 wells encountered gas columns of 50m and 32.4m respectively, confirming high quality Oligocene reservoir properties. Gross recoverable resources for the Jodari accumulation were re-confirmed at a mean case of 3.4TCF, with an upside P10 case of 3.7TCF. Separately the Jodari South ST-1 confirmed the viability of high angle or horizontal development wells for future exploitation. This will help development planning and will reduce the number of producing wells required and therefore field development costs.

All resource values are Ophir management estimates.

# OPHIR'S STRATEGIC, OPERATIONAL AND FINANCIAL PERFORMANCE THROUGH THE YEAR



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# CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S JOINT REVIEW

OPHIR MADE OUTSTANDING OPERATIONAL PROGRESS IN 2012  
- REINFORCING ITS REPUTATION AS A LEADING AFRICAN EXPLORER.







**NICHOLAS SMITH**  
Chairman of the Board



**NICK COOPER**  
Chief Executive Officer

The Group drilled six exploration and two appraisal wells with a 100% success rate. Ten seismic programmes were acquired and two new country entries were completed, into Kenya and Ghana. Financially the Group completed a US\$242 million placing in April<sup>1</sup> and ended the year with a cash position of US\$228 million.

The past year has reaffirmed Ophir's reputation as a leading African explorer. The success of 2012 is a direct result of continued focus on creating value with the drill bit. The Group's competitive advantage rests in a commitment to geoscience, a diverse and prospective portfolio, effective capital management and deepwater drilling excellence.

Ophir's business model is firstly to secure significant, operated equity positions in plays with substantial running room; secondly to fund extensive 3D seismic acquisition; and thirdly to partner with leading oil companies for deepwater exploration around Africa. As the sixth largest net acreage holder offshore Africa and having recently acquired a significant library of additional high quality 3D seismic data across most of this acreage, the Group is positioned to create further value from this model in the coming years. The ongoing seismic interpretations have further increased Ophir's drilling inventory to over 3.0bboe of net risked prospective resources before Government back-in. This inventory will enable near continuous, high impact drilling through 2013 and beyond.

Commitments to Health, Safety and the Environment (HSE) and to corporate social responsibility (CSR) are fundamental to Ophir's business practices. The Group is dedicated to high quality HSE performance and is pleased to report another lost time incident free year in 2012. At the same time, the Group strives to make a lasting, positive difference to the countries and communities that host its operations. Ophir values highly its country relationships, its reputation as a responsible corporate citizen and is committed to sensitive and sustained CSR programmes.

In 2012, Ophir has again delivered against its business plan and created significant value for shareholders: the Group discovered an estimated 896mmboe of net contingent resources<sup>2</sup> (an increase of 377%) for a top quartile finding cost of US\$0.58/boe. →

- 1 The placing occurred on 28 March 2012, with funds received in April 2012.
- 2 Pre-Government back-in, 792mmboe post-Government back-in. Net increase and finding cost calculated on post-Government back-in result.

## BUSINESS REVIEW

### CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S JOINT REVIEW CONTINUED

In East Africa, 2012 highlights include the Group's three significant, back-to-back exploration gas discoveries with the Jodari, Mzia and Papa wells, drilled with its Joint Venture partner BG Group in Tanzania, adding a combined 631mmboe of net contingent resources<sup>3</sup>. The appraisal of the Jodari and Mzia discoveries began towards year end. In addition, with the completion in February 2012 of the acquisition of Dominion Petroleum Ltd (Dominion), the Group secured new acreage in Block 7 (Tanzania) and Blocks L9 and L15 (Kenya). These additions made Ophir the largest independent oil and gas exploration company in terms of net acreage in the deepwater East African play. Seven additional seismic programmes have been acquired in 2012 by the Group across its East African acreage, a substantial investment that is now starting to pay off with the identification of significant new plays and prospects that are scheduled for drilling in 2013 and beyond.

In northern Tanzania, the initial mapping of recently received seismic data in Block 7 has identified exciting new prospectivity off the Dar es Salaam coastline, including the estimated 20+TCF estimated recoverable resource Mlinzi prospect. The Group plans to target Mlinzi as part of its 2013 operated drilling campaign.

In southern Tanzania, preliminary interpretation of the newly acquired outboard Kusini 3D seismic in Block 1, located across the international border from the significant recent Mozambique discoveries, has identified a series of prospects in both amalgamated channel and basin floor settings.

Looking to 2013 in East Africa, Ophir and BG Group will complete Tanzania's first offshore testing programme and then plan to recommence exploration and expect to drill the first well into this outboard terrain. Elsewhere, Ophir will begin its own operated exploration drilling in 2H 2013, with potential play opening wells planned in the Block 7 and East Pande licences (Tanzania) and in the L9 licence (Kenya)<sup>4</sup>.

In West Africa, 2012 highlights include the Group's three successful exploration wells in Block R, Equatorial Guinea. The Tonel, Fortuna East and Fortuna West discoveries added a combined 262mmboe of net contingent resources and have partially de-risked a further drilling inventory. Total net contingent resources on Block R have exceeded pre-drill expectations and are now estimated at 312mmboe<sup>5</sup>. Discussions are now in progress with the authorities and with prospective partners regarding commercialisation of these resources via LNG export.

<b>Acreage (km<sup>2</sup>)</b>	+10%
2011	96,941
2012	106,702
<b>Seismic (km<sup>2</sup>)</b>	+70%
2011	19,017
2012	32,398
<b>Net resources (bboe)<sup>1,2</sup></b>	+377%
<b>2c contingent</b>	
2011	0.210
2012	1.002
<b>Risked prospective</b>	+45%
2011	1.882
2012	2.725



1 Ophir management estimates including the previous operator's estimate for the Starfish prospect in Ghana.

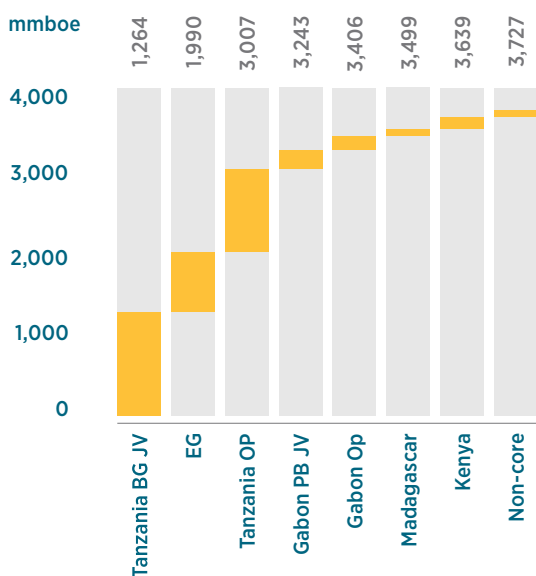
2 Assuming all Governments exercise their back-in rights in full.

3 Management estimate (pre-Government back-in), 526mmboe post-Government back-in, 358mmboe from the 2012 MER.

4 Advanced negotiations are underway to farm down the Group's participating interest to third parties.

5 Management estimate, 256mmboe 2012 MER.

**Net contingent Resource and Prospective Resource**



In December 2012, Ophir entered Ghana by taking a 20% operated stake in the Offshore Accra PSC, targeting potential continuation of the regional West African Transform Margin play. In Gabon, Ophir acquired three 3D surveys during 2012 – one focused on the pre-salt play and the other two targeted the Maastrichtian play that has been recently identified in the offsetting Sergipe-Alagoas Basin of Brazil. Processing of these datasets is nearing completion.

In 2013 in West Africa, planning for an extensive drilling programme is underway. Ophir intends to drill one well in Ghana commencing in July and up to three wells in Gabon commencing in late 2013, two of which will be pre-salt targets with our Joint Venture partner Petrobras. A further exploration and appraisal drilling programme is also envisaged in Equatorial Guinea, after the introduction of new partners into the licence. Ophir plans to use a combination of effective portfolio management and/or equity to fund the next twelve months forecast expenditure. On 4 March 2013 the Company announced its intention to raise equity proceeds by way of a Placing and Right's Issue.

The Board is justifiably proud of Ophir's talented team, who are based in various locations in Africa, in Australia and in the UK. The Board thanks them for their contribution to the successes in 2012. This team has continued to grow during the year, particularly in the key geoscience and drilling functions, and Ophir is proud to be able to continue to attract top talent. In 2012, Dr Alan Stein, a co-founder of the Company, stepped down from his executive and Board roles. Alan's contribution to Ophir's growth has been immense and the Board thanks him and wishes him well for the future. →



## BUSINESS REVIEW

### CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S JOINT REVIEW CONTINUED

2012 proved to be a successful and significant year for Ophir, with the eight wells drilled delivering six exploration successes and two appraisal successes and finding 896mmboe of additional net resource<sup>6</sup>. 2013 sees the Group planning a 10+ well programme across four oil plays and two gas plays. The Board would like to thank Ophir's shareholders for their continued support in 2012. Looking forward, the 2013 drilling programme has the potential to transform the portfolio yet again.

#### NICHOLAS SMITH

Chairman of the Board

#### NICK COOPER

Chief Executive Officer

<sup>6</sup> Pre-Government back-in, 792mmboe post Government back-in, 565mmboe 2012 MER.



OPHIR CONTINUES TO ESTABLISH ITSELF AS A PRE-EMINENT AFRICAN ENERGY COMPANY THROUGH THE STRENGTH OF ITS RELATIONSHIPS AND TEAM AND THE WAY IT EXPLORES AND MANAGES ITS PORTFOLIO.

## 1. ESTABLISH RELATIONSHIPS IN AFRICA

Ophir's overarching strategy continues to consolidate the Group's position as the leading independent African energy company. To this end Ophir has access to an extensive network of relationships in Africa. By combining these relationships with its geoscience and commercial expertise Ophir has acquired and developed a diverse portfolio of oil and gas interests in Africa.

Ophir intends to build on its success as the leading explorer in its areas of interest and to enhance its reputation for delivering value to its various stakeholders. As part of this, the full Board visited Tanzania in November. The visit included meeting members of Government and national agencies, the business community and a visit to Mtwara. There was a full site review of the oil field supply facility and visits to Ophir's local CSR initiatives.

## 2. MAKE THE MOST OF AN EXPERIENCED AND MOTIVATED MANAGEMENT TEAM

Ophir recruits, develops and retains an experienced and motivated group of senior staff with a view to identifying attractive investment opportunities, decreasing exploration risk and adding value to its portfolio by applying advanced geoscience technology.

## 3. CONTROL THE PACE AND DIRECTION OF EXPLORATION

Wherever practical, Ophir seeks to accelerate its exploration activities, while maintaining high professional and corporate responsibility standards – demonstrating the Group's commitment to realise value from its assets in a timely fashion for shareholders and partners. Ophir believes that continuing this approach will enhance its ability to win new business in the future.

## 4. ACTIVELY MANAGE OPHIR'S PORTFOLIO

Ophir prefers to take significant early entrant equity positions in core projects while retaining the flexibility to divest through farm-outs or exchanges of interests as projects mature.

Ophir intends to expand its portfolio by investing in new ventures, particularly where the application of advanced geoscience technology can add significant value by reducing exploration risk.



# WHERE WE OPERATE

OPHIR HAS AN EXTENSIVE PORTFOLIO OF ASSETS, INCLUDING 20 LICENCES, 18 OF WHICH ARE OFFSHORE, IN 10 COUNTRIES ACROSS EAST AND WEST AFRICA.

### Ophir's headquarters

London (UK)

### Operational offices

Perth (Australia)

Malabo (Equatorial Guinea)

Dar es Salaam and Mtwara (Tanzania)

Libreville and Port Gentil (Gabon)

Accra (Ghana)

Nairobi (Kenya)

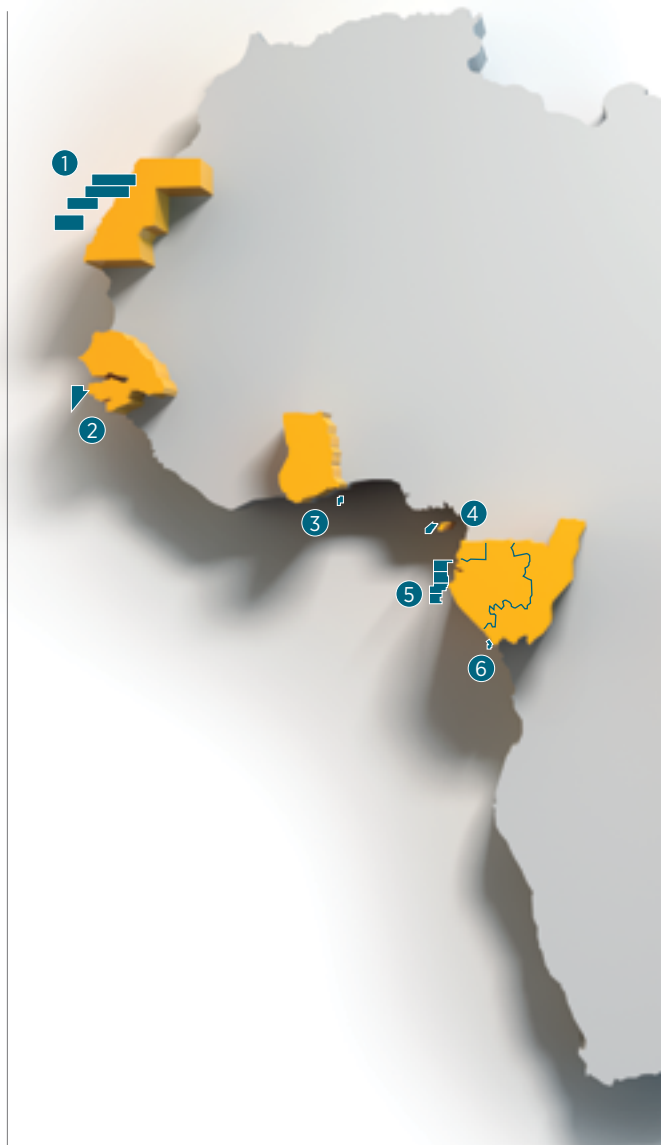
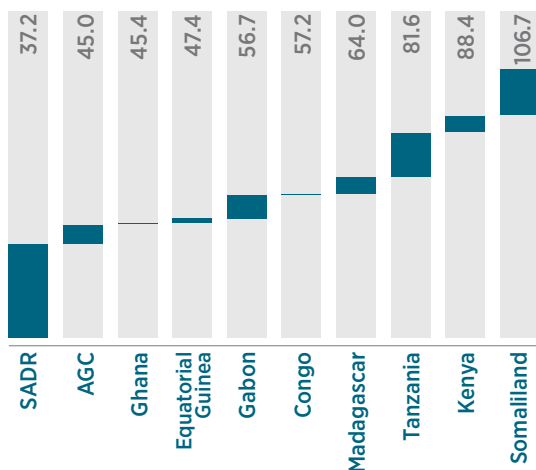
Brazzaville (Congo)

Ophir holds the sixth largest deepwater acreage portfolio in Africa, is present in four key emerging sub-Saharan exploration areas, and has the largest net acreage in offshore East Africa of any independent oil and gas exploration and production company in the play.

# 106,700km<sup>2</sup>

Overall, Ophir has over 100,000km<sup>2</sup> of offshore and onshore assets across East and West Africa

### Net acreage



## OIL PLAYS GAS PLAYS

### 1. SAHARAWI ARAB DEMOCRATIC REPUBLIC (SADR)

A 50% operated interest in four blocks, Daora, Haouza, Mahbes and Mijek, with a gross area of 74,327km<sup>2</sup> in water depths of 200m to 2,500m.

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### 2. OFFSHORE SENEGAL AND GUINEA BISSAU JOINT DEVELOPMENT ZONE (AGC)

A 44.2%<sup>1</sup> operated interest in the Profond Block with a gross area of 9,838km<sup>2</sup> in water depths of 75m to 3,500m

See page 30

### 3. GHANA

A 20% operated interest in the Offshore Accra Contract Area with a gross area of 2,000km<sup>2</sup> in water depths of 20m to 3,000m.

See page 29

### 4. EQUATORIAL GUINEA

An 80% operated interest in Block R with a gross area of 2,447km<sup>2</sup> in water depths of 600m to 1,950m.

See page 26

### 5. GABON

Operated interests in four blocks, Manga (100%), Gnondo (100%), Mbeli (50%) and Ntsina (50%), with a gross area of 12,712km<sup>2</sup> in water depths of 100m to 2,500m.

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### 6. CONGO

A 48.46% operated interest in the Marine IX Block with a gross area of 1,044km<sup>2</sup> in water depths of 400m to 1,600m.

See page 29

### 7. SOMALILAND

A 75% operated interest in the Berbera blocks (SL 9 and SL 12), with a gross area of 24,420km<sup>2</sup> in water depths up to 1,425m.

See page 25

### 8. KENYA

90% operated interests<sup>2</sup> in two offshore blocks, L9 and L15, with a gross area of 7,441km<sup>2</sup> in water depths up to 1,400m.

See page 24

### 9. TANZANIA

Interests in five blocks (two operated) with a gross area of 33,078km<sup>2</sup> in water depths up to 3,000m – a 40% interest in Blocks 1, 3 & 4, an 80% operated interest in Block 7 and a 70% operated interest in East Pande.

See page 21

### 10. MADAGASCAR

An 80% operated interest in the onshore Marovoay Block with a gross area of 8,447km<sup>2</sup>.

See page 25

1 L'Entreprise AGC S.A. ("Entreprise") has a 12% carried participating interest, with an option to increase such participating interest by a maximum of 5% in return for the reimbursement of 5% of the costs expended on petroleum operations prior to such date and is carried through the exploration and appraisal phases. Noble Energy and Rocksource assigned their respective participating interests to Ophir Profond on 31 December 2012.

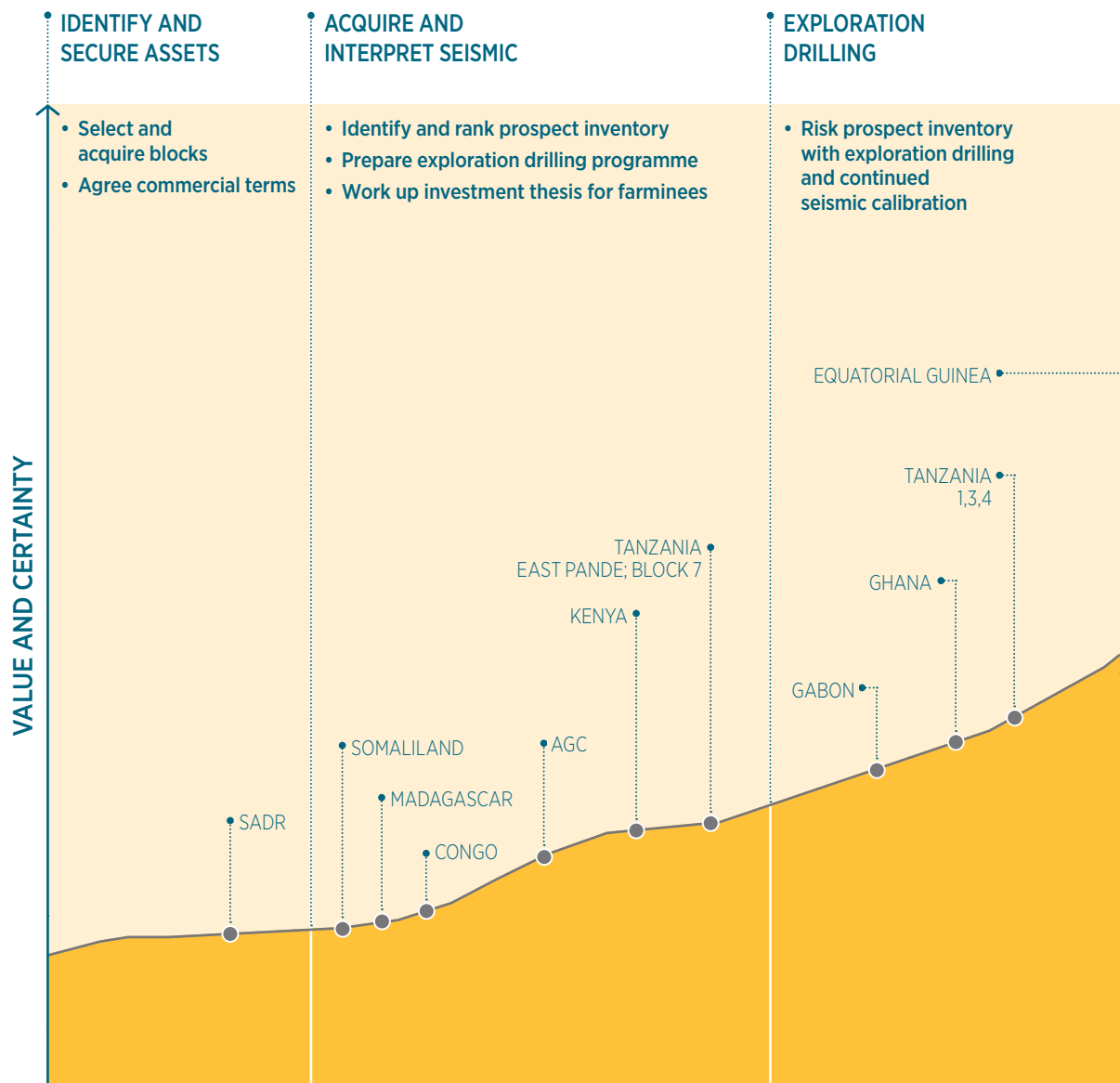
A letter of no objection to the assignments, dated 29 January 2013, has been received from the AGC and approval of the assignments is pending the issue of an order by the AGC. Following the issue of such order, Ophir's participating interest will be 79.2%.

2 The Group currently has a 90% participating interest with the Government of Kenya having a 10% carried interest. In Block L9, DPK is currently in advanced negotiations to offer up to 40% of its interest in the PSC to third parties.

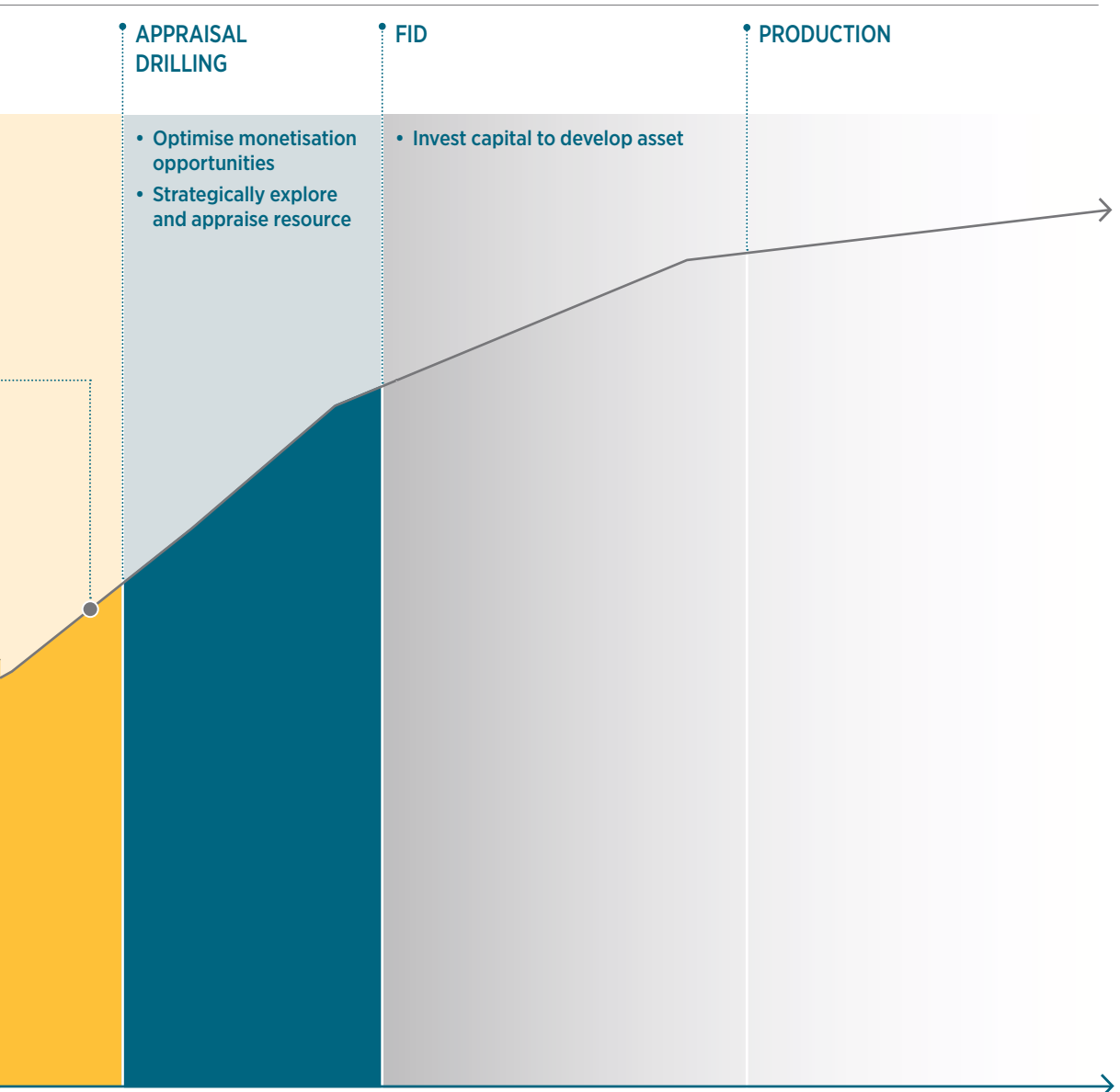
# OUR BUSINESS MODEL

OPHIR CREATES VALUE WITH THE DRILL BIT; FOCUSING ITS GEOSCIENCE EXPERTISE, DIVERSE AND PROSPECTIVE PORTFOLIO, EFFECTIVE CAPITAL MANAGEMENT AND DEEPWATER DRILLING CAPABILITY ON MAXIMISING VALUE AT EVERY STAGE OF EXPLORATION AND APPRAISAL.

## OUR BUSINESS MODEL







# OUR COMPETITIVE ADVANTAGES

OPHIR HAS FOUR COMPETITIVE ADVANTAGES: GEOSCIENCE EXPERTISE, A DIVERSE AND PROSPECTIVE PORTFOLIO, EFFECTIVE CAPITAL MANAGEMENT AND DEEPWATER DRILLING CAPABILITY.

## COMPETITIVE ADVANTAGES



**PROGRESS IN 2012**

- Ten seismic surveys, over 13,000km<sup>2</sup>
- Four new deepwater licences, totalling 17,916km<sup>2</sup>
- 100% drilling success: six discoveries from six exploration wells
- Net 2C resource increase from 0.21bboe to greater than 1.0bboe
- Net risked prospective resource increase from 1.88bboe to 3.07bboe<sup>1</sup>
- Increased geology and geophysics team by 18%

**PLANS FOR 2013**

- Interpret 2012 inventory of seismic to increase, and mature existing prospect inventory
- Target additional resources through exploration drilling

- Successfully completed corporate acquisition of Dominion Petroleum Ltd (Dominion), increasing Ophir's acreage position by +9% and significantly increasing its prospect inventory
- Rationalised portfolio: sold Democratic Republic of the Congo (DRC) asset and commenced Uganda exit
- Farmed into Accra Block in offshore Ghana under attractive terms

- Secure strategic partnerships in advance of drilling across the portfolio
- Advance Tanzania and Equatorial Guinea commercialisation plans

- Efficient use of capital – discovered 792mmboe contingent resource<sup>2</sup> at a finding cost of US\$0.58/boe
- Successfully placed 30.5 million shares to raise US\$242 million to fund exploration activities

- Maintain low finding cost
- Continue to strengthen balance sheet for increased exploration pace and preserve strategic high-equity stakes
- Optimise commercialisation opportunities

- Safely operated drilling of three wells in Equatorial Guinea in water depths ranging from 1,600m to 1,853m
- Successfully supported transition of deepwater Tanzanian drilling operations in Blocks 1, 3 and 4 to BG Group

- Planning to operate multiple deepwater drilling programmes in East and West Africa

<sup>1</sup> Pre-Government back-in.

<sup>2</sup> Post-Government back-in.

# KEY PERFORMANCE INDICATORS

## LOST TIME INCIDENT FREQUENCY (LTIF)

Ophir Energy Group – LTIF	Includes London, Perth and Senior Expat Staff	
Period	2012	2011
Average Number of Employees	57	41
Total Man Hours Worked	99,561	72,747
LTI's	0	0
LTIF Rate	0	0

### Strategy

The health, safety and welfare of people working for and on behalf of our business underpins everything we do. Our health and safety culture is based on individual responsibility and commitment from the very top of the organisation.

Accountability rests within each and every employee including our shareholders and senior executives, who uphold their obligations through a resolute commitment that includes the active management of our health and safety agenda.

### Performance

With safety our number one priority, and in a year when we drilled eight wells with 100% success, we are proud there were no lost time accidents. Staying safe requires vigilance, effort and investment at all levels of the organisation and is testament to the quality and professionalism of our team.

## STAFF TURNOVER

2012 staff turnover was

8.6%

### Classification

The rate of turnover relates to employees who have left the Company voluntarily during the year. The figure excludes employees who left as a direct result of redundancy or dismissal on the grounds of poor performance.

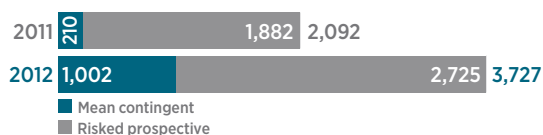
### Business Impact

Turnover rates have been steady across the Group. They have, however, remained within manageable levels and have not had a negative impact upon our technical disciplines. New hires to replace leavers have been less easy to source particularly within support functions.

### Outlook

The Company aims to monitor and reduce turnover rates and will continue to provide highly competitive pay and benefits to attract and retain key personnel.

## RESOURCES (mmboe)



Our net working interest resources have been significantly increased during 2012 by successful drilling campaigns in Tanzania and Equatorial Guinea. In addition to the drilling campaigns, ten seismic surveys were carried out which have already indicated excellent prospectivity. We are confident that this provides a sound basis for continuing resource growth in 2013 and future years.

The chart shows the Group's net resources at 31 December 2011 and at 31 December 2012, assuming that Governments exercise their back-in right in every case.

## FINDING COST

## 2012 Finding Cost

# \$0.58/boe

The basis of the finding cost calculation is straightforward – all expenditure other than acquisition costs (which will return benefit over several years) is divided by Contingent Resources discovered in the year. It is, however, an onerous definition as all seismic, G & G and overhead expenditure is included even though this will probably not lead to reserve additions in the year of expenditure. We, as a purely exploration company, nevertheless believe that this is the truest measure of the Group's efficiency over time.

# REVIEW OF OPERATIONS

OPHIR HAD A STRONG YEAR ACROSS ALL ASPECTS OF ITS BUSINESS – FROM THE SUCCESS OF ITS SEISMIC AND DRILLING PROGRAMMES THROUGH TO THE ACQUISITION OF NEW ASSETS, PORTFOLIO MANAGEMENT AND A STRENGTHENED BALANCE SHEET.



## EAST AFRICA

 TANZANIA


Gross area: **33,078km<sup>2</sup>**      Water depth: **3,000m**

**Overview**

Ophir has interests in five blocks with a gross area of 36,828km<sup>2</sup> in water depths up to 2,220m – a 40% interest in Blocks 1, 3 and 4, an 80% operated interest in Block 7 and a 70% operated interest in East Pande.

- The BG Group-Ophir Joint Venture has carried out a successful six-well exploration and two-well appraisal drilling programme on the intraslope play from 2010 to date
- Block 1 significantly de-risked, underpinning its potential to anchor Tanzania's first multi-train LNG development
- Play opening discoveries at Mzia and Papa in the Upper Cretaceous intraslope play of the Rovuma and Rufiji Deltas
- First gas discovery in Block 3
- Kusini outboard 3D was acquired to explore for the basin floor play that has proven so prolific off Mozambique
- Ophir acquired and is interpreting new 3D seismic data for Block 7 and East Pande to prepare for a 2013/2014 operated drilling programme in both blocks.

Blocks 1, 3 and 4 are a Joint Venture with the BG Group, which holds 60% and operates.

**Further appraising and de-risking Block 1**

In 2012 the Joint Venture successfully completed a two-well appraisal programme on the Jodari field in Block 1, using the Deep Sea Metro 1 drillship.

The appraisal programme achieved its objectives: demonstrating the consistent, high quality reservoir across the Jodari field; confirming the 3.4TCF mean recoverable resource estimate; and confirming the feasibility of high-angle (sub-horizontal) drilling, thereby reducing development costs and positively impacting the economics of the asset and potentially increasing well recoveries.

The Jodari-1 well discovery, at 3.4TCF recoverable, materially exceeded pre-drill estimates.

The two wells drilled into the discovery were Jodari South-1 (including Jodari South ST-1 a deviated side-track from the Jodari South well) and Jodari North-1.

Jodari South-1 was drilled 3.5km southwest of the Jodari-1 discovery well in 1,040m of water to a total depth of 3,441m TVDSS in order to evaluate the southern end of the Jodari field. The well was side-tracked to drill Jodari South ST-1 and drilled to 3,282m TVDSS as a high angle (sub-horizontal) well into the reservoir. Jodari North-1 was then drilled 6km north of the original Jodari-1 discovery well in 1,288m of water to 3,389m TVDSS to evaluate the northern accumulation.

The Jodari South-1 and Jodari North-1 wells encountered gas columns of 50m and 32.4m respectively. These appraisal results were in line with pre-drill prognoses and have confirmed the widespread, high quality Oligocene reservoir properties. Gross recoverable resources for the Jodari asset have been re-confirmed at a mean case of 3.4TCF, with an upside P10 case of 3.7TCF. Separately the Jodari South ST-1 has confirmed the viability of high angle or horizontal development wells. This will help development planning studies and will reduce the number of producing wells required, with a consequent positive impact on field development costs.

The appraisal programme has significantly de-risked the Jodari field, confirming its potential to anchor Tanzania's first multi-train LNG development.

The Deep Sea Metro 1 drillship then moved to the Mzia discovery in Block 1 to drill the Mzia-2 exploration and appraisal well, located 4km to the southeast of the Mzia-1 discovery well.

A play-opening discovery in the Upper Cretaceous of the Rovuma Delta, Mzia-1 was Ophir's fifth consecutive gas discovery in Tanzania. The four previous wells had discovered total mean recoverable resources of 7TCF. Mzia-1 added substantially to this field. →

## BUSINESS REVIEW

### REVIEW OF OPERATIONS CONTINUED

Mzia-2 was completed successfully in late January 2013. Mzia-2 encountered 62m of net gas pay in Cretaceous reservoirs and established pressure communication between the Mzia-2 and Mzia-1 gas columns. This result confirms a vertical gas column of at least 200m for the Mzia field.

Management estimates for gas in-place for Mzia have been revised upwards from 2-6TCF to 4-9TCF with a mean of 6TCF. The Jodari and Mzia discoveries in Block 1 are both now likely to be anchor assets for Tanzania's first LNG development.

In 2012 the Joint Venture acquired the Kusini 3D seismic survey in the outboard eastern area of Block 1 and interpretation of the data continues. Basin floor fans and amalgamated channel sequences of Tertiary age have been interpreted, which are geologically analogous to those seen on the adjacent, Mozambique side of the Rovuma Delta, where significant recent success has been announced.

#### Discovering gas in Block 3

Papa-1 was the first Cretaceous gas discovery outboard of the Rufiji Delta in Block 3 and the sixth consecutive discovery by the Joint Venture offshore Tanzania. Based on the available preliminary data, Ophir estimates in-place gas volumes of 0.5 – 2.0TCF. Detailed core and petrophysical analysis will confirm the scale of the discovered resource. The Papa-1 discovery further de-risks the deeper, Upper Cretaceous intraslope play in Tanzania.

#### Joint Venture collaboration

Ophir was originally awarded a 100% interest in Block 1 on 29 October 2005. Blocks 3 and 4 were subsequently awarded on 19 June 2006, again on a 100% basis. The Tanzania Petroleum Development Corporation (TPDC) has back-in rights of 12% in Block 1 and 15% in Blocks 3 and 4.

In April 2010 Ophir entered into a farm-out agreement with BG Group for a 60% interest in each block, with Ophir retaining 40%. After drilling the first three discovery wells, on 1 July 2011 operatorship of all three blocks was formally transferred to BG Group. As part of this arrangement, BG Group also took over operatorship of the Mtwara port facility on behalf of the other participating operators (Ophir, Petrobras and Statoil). During 2011 the Mtwara base was upgraded to accommodate multiple operators working simultaneously.

BG Group and Ophir continue to collaborate on the commercialisation and development options for the Joint Venture, including commencing site selection for the LNG plant.

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#### Successful exploration wells during 2012

6

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#### Successful drilling campaigns during 2012

2





### Acquiring and analysing 3D seismic in East Pande

Ophir has 70% of the East Pande licence and operates the block. Ophir's partner, Ras Al Khaimah Gas Company (RAK Gas), holds the remaining 30%. Adjacent and to the west of Blocks 1, 3 and 4, East Pande is strategically located. Any discoveries in East Pande are likely to be close to the export pipeline which will be used to transport gas to any future onshore LNG plant supplied from Blocks 1, 3 and 4.

East Pande is believed to contain the up-dip extension of the Tertiary and Cretaceous intraslope play systems, which have been proven in the deep water. In 2012 Ophir acquired the 2,200km<sup>2</sup> Ndizi 3D seismic survey and interpretation commenced at the end of the year. Ophir is continuing to map prospects and is currently planning to drill in Q4 2013. In addition to the gas potential, Ophir believes East Pande also has potential for an oil charge.

### Gathering data for drilling prospects in Block 7

Ophir is the Operator in Block 7 with an 80% participating interest. Mubadala Oil and Gas holds the remaining 20%. The 8,475km<sup>2</sup> block is located offshore east of Dar es Salaam.

In May 2012, Ophir took advantage of a seismic vessel which became available at short notice and which provided an opportunity to acquire three 3D seismic surveys back to back, across Tanzania Block 7 and Kenya's Blocks L9 and L15. The Block 7 survey (Upanga) covers 1,828km<sup>2</sup> and Ophir is currently working to interpret the data and identify potential drilling prospects, in advance of the planned drilling of one well in Q4 2013. The initial indications are very promising and interpretation of the preliminary 3D seismic validates the earlier 2D interpretation of the potentially 20+TCF Mlinzi prospect.

### Looking ahead

In Block 1, the Joint Venture is commencing a programme to flow test earlier discoveries. These will be the first drill stem tests (DSTs) in the Tanzania deepwater offshore area. The Deep Sea Metro 1 drillship is currently on location at the Jodari field, where gas is in Oligocene-aged reservoirs. The testing programme is expected to be completed in March. Due to the high quality reservoir properties proven by drilling in the Jodari field, the Joint Venture anticipates that the actual flow rate obtained on test may be constrained by the limits of testing equipment.

The Joint Venture is currently analysing data from Mzia-2, with a view to the Deep Sea Metro 1 drillship re-entering the well to conduct a DST of the Cretaceous-aged Mzia reservoir. The Mzia flow test will confirm deliverability from the core part of the Mzia field and would be expected to be completed in April. Test rates from the Cretaceous reservoir at Mzia are expected to be lower than from the Tertiary reservoir at Jodari due to differences in burial depth and the relative porosity-permeability characteristics of the two reservoir types.

Following completion of testing, the Joint Venture plans to recommence exploration drilling in Block 1 with an anticipated three-well programme starting in May 2013. The Joint Venture is actively interpreting and mapping an inventory of prospects, following which Ophir will update the market with both target sizes and proposed well locations. Subject to Joint Venture approval, the first of these wells is likely to be on the recently acquired outboard Block 1 3D dataset.

The acquisition of a new 2,500km<sup>2</sup> Block 1 inboard 3D seismic survey is also underway. This will further broaden Ophir's understanding of the prospects across Block 1 and potentially open up additional drilling targets going forward.

In its operated Tanzanian acreage, Ophir continues to analyse data for East Pande and Block 7 in order to identify drilling prospects in preparation for a planned drilling programme commencing Q4 2013. Suitably qualified parties may be invited to farm-in to East Pande and Block 7 in advance of the planned drilling. →



Gross area:  
**7,441km<sup>2</sup>**

Water depth:  
**1,400m**

#### Overview

**Ophir holds a 90% interest<sup>1</sup> in two offshore blocks, L9 and L15, with a gross area of 7,441km<sup>2</sup> in water depths up to 1,400m.**

- Acted quickly to acquire 3D seismic data across our acreage
- Currently analysing the data and plan to drill in 2014

Ophir has a good footprint in the rapidly emerging play offshore Kenya.

#### Exciting prospects

Block L-9 covers 5,110km<sup>2</sup> offshore Kenya on the Davy-Walu structural trend. During the first two-year exploration period, Ophir has a commitment to shoot 500km<sup>2</sup> of 3D seismic data, reprocess 2,500km<sup>2</sup> of 2D seismic and carry out geological and geophysical field studies.

The Lamu Basin has the potential to contain both gas and liquids as demonstrated by previous wells in the area. Synthetic aperture radar has also identified possible oil seeps locally. Adjacent to L-9 are blocks being operated by Apache and Anadarko. The Mbawa-1 discovery, which was drilled by Operator Apache in 2012 in Block L-8, is along trend lines from similar features in L-9 and has proven the presence of hydrocarbons in the area. Ophir signed an agreement to work together with Apache to acquire a 3D seismic programme in 2012 over the L-8/L-9 Mbawa South area.

Block L-15 lies in the Lamu Basin offshore Kenya and covers an area of 2,331km<sup>2</sup>. It lies to the north of L-9 and also extends onto the Davy-Walu structural high. Kofia-1, which was drilled by Union Oil in 1985, is the only well which has been drilled to date in Block L-15 and encountered oil and gas shows in the Palaeogene and Upper Cretaceous intervals. The L-15 PSC was signed on 5 October 2011 and Ophir now holds 90% working interest and operatorship in the block.

#### Exploring the potential

Capitalising on synergies with its Tanzanian Block 7, Ophir acted quickly to acquire two 3D seismic surveys in 2012 in order to enable the Group to unlock the potential of its Kenyan assets. The Ndoto 3D survey in Block L-15 was designed to target two plays: the western edge of the Lamu Toe Thrust and Tertiary and Cretaceous Fault Blocks of the Davy Walu High. The Nala 3D survey in Block L-9 was designed to test three targets: the southern extent of the Mbawa Inversion zone; Mbawa South, an en-echelon play; and the Simba Graben, an onlap play.

Ophir is currently analysing the data from these surveys with a view to drilling high-graded prospect(s) in the first half of 2014. Suitably qualified parties may be invited to farm-in to Block L-9 in advance of the planned drilling.

1 The Group currently has a 90% participating interest with the Government of Kenya having a 10% carried interest. In Block L9, DPK is currently in advanced negotiations to offer up to 40% of its interest in the PSC to third parties.



## MADAGASCAR



Gross area:  
8,444km<sup>2</sup>

### Overview

Ophir holds an 80% operated interest in the onshore Marovoay Block with a gross area of 8,444km<sup>2</sup>.

- Continued our technical assessment of the block
- Plan to introduce partners and drill during 2014.

Ophir carried out the final interpretation of seismic data in 2012 and elected to take on a drilling commitment in the block. Ophir has begun operational planning for a well which, due to weather-related restrictions on operations, it plans to drill during 2014. Its focus on exploring the onshore potential in north west Madagascar is reinforced by the exploration of contiguous plays offshore by other companies.

## SOMALILAND



Gross area: 24,420km<sup>2</sup>      Water depth: 1,425m

### Overview

Ophir holds a 75% operated interest in the Berbera blocks (SL 9 and SL 12) with a gross area of 24,420km<sup>2</sup> in water depths of 0m to 1,425m.

- Continued to explore the potential of its interests in Somaliland
- Plan to acquire an additional 750km of 2D seismic data in 2013.

Ophir continues to work closely with the Government of Somaliland to agree a forward timetable and revise the Petroleum Sharing Contract to reflect the expected work programme prior to taking on a drilling commitment. The agreed amendments to date have included the award of additional acreage to the west of the original block boundary.

During 2012 Ophir's geoscience team continued to interpret existing legacy data and to fully integrate surface geological information with the seismic data. Ophir is in discussion with a number of companies regarding plans to acquire an additional 750km of 2D seismic data. This data gathering and analysis will be used to determine possible future drill locations. →



## WEST AFRICA

### EQUATORIAL GUINEA



**Gross area:**  
**2,450km<sup>2</sup>**

**Water depth:**  
**1,900m**

#### Overview

Ophir has an 80% operated interest in Block R with a gross area of 2,450km<sup>2</sup> in water depths of 1,500m to 1,900m.

- Drilled a further three successful exploration wells in 2012
- Increased gross Block R contingent resources (2C) from 697BCF (116mmboe) to circa 2.3TCF (390mmboe)
- Reduced the risk on the remaining estimated 10TCF (1.6bboe) of inventory
- Progressing discussions towards commercialisation.

Ophir continues to develop its assets in Equatorial Guinea towards commercialisation. So far, Ophir has made five gas discoveries in Block R and, subject to the introduction of a suitably qualified farm-in partner in 2013, is planning a further post farm-in drilling campaign of up to six wells in 2013/2014. First gas in from the block is provisionally estimated as 2017/2018.

#### Drilling three successful wells

2012 saw significant success in Equatorial Guinea, with three successful exploration and appraisal wells and continued progress towards commercialisation. Based on the results of the drilling, Ophir has increased its Block R contingent resources (2C) from 697BCF (116mmboe) to 2.3TCF (390mmboe) and has reduced the risk on the remaining estimated 10TCF (1.6bboe) of inventory.

The three-well drilling campaign in 2012 included Fortuna East and Fortuna West, representing both appraisal and satellite exploration drilling around Ophir's previous Fortuna-1 (R-2) gas discovery. The Tonel well targeted a prospect on acreage acquired via the addition of part of the relinquished Block C to Block R in 2011. The additional acreage covered an area of 773km<sup>2</sup>

and increased the area of Block R to 2,447km<sup>2</sup>. The acreage had previously been relinquished by Repsol and Exxon and includes two gas discoveries (Oreja Marina and Estrella del Mar which together contain circa 250BCF of dry gas in place) as well as the Tonel prospect.

At the beginning of 2012 Ophir contracted the Eirik Raude, a sixth generation semi-submersible deepwater rig, for the three-well drilling campaign. To maximise the efficiency of the campaign, the Eirik Raude drilled the top-hole sections at both Fortuna East and Fortuna West before moving to Tonel-1, where it drilled the entire well. The rig then returned to complete the Fortuna West and Fortuna East drilling.

All three wells exceeded pre-drill recoverable resource estimates.

The Tonel-1 (R-4) well discovered an estimated mean gas in-place of 1.1TCF (177mmboe) and a recoverable mean resource of 814BCF (136mmboe). A 182m gas column was encountered in the mid-Miocene sandstone target with a total 117m of net pay. This was the fifth and largest gas discovery in Block R to date, representing a very strong start to Ophir's 2012 campaign in Equatorial Guinea.

The Fortuna East-1 (R5) step out exploration well followed Tonel and successfully achieved all three of its objectives, encountering gas in the eastern lobe of the Fortuna Complex. The estimated recoverable mean resource in the eastern lobe is 421BCF (71mmboe), exceeding by 40% the mean pre-drill recoverable resource expectation of 304BCF (51mmboe). In addition, the well discovered gas in the deeper Viscata exploration target. The well also encountered the lateral stratigraphic equivalent interval of the Tranquilla and lambe exploration prospects, confirming good quality reservoir and significantly de-risking the Forethrust play across the block.

#### Three successful exploration and appraisal wells

# 3

The Fortuna West-1 (R6) step-out exploration test added 677BCF (113mmboe) of recoverable resources and significantly de-risked other exploration targets within the block. The well encountered gas in the primary target of the western lobe of the Fortuna Complex, in the secondary deeper Viscata prospect and there is further potential upside in the Felix prospect.

#### Progress towards commercialisation

Ophir is working closely with the Government of Equatorial Guinea and other partners on the best route to commercialisation. Equatorial Guinea has an established 3.7mtpa LNG plant at Punta Europa (EGLNG 1) that is operated by Marathon with Sonagas, Mitsui and Marubeni as joint venture partners.

The Government has established a Project Delivery Team (PDT) which is responsible for ensuring the effective development of gas resources in the country. This team consists of representatives from the Ministry of Energy (MMIE), the National Oil Company (GEPetrol) and the National Gas Company (Sonagas).

In 2012, together with all partners across Blocks O, I and R, Ophir agreed with the Government further principles for the commercial structure of a second LNG train. The partners are now moving to the next phase of the project, which will determine the development plan, plant size and timing. One option being reviewed by the partners would result in Final Investment Decision during 2014, with first LNG from Block R being targeted by management for 2018.

A further option which is being considered is to supply gas from Block R to the first LNG train at Punta Europa as recovery from the Alba Field declines and a final decision will depend on the results of ongoing commercial discussions.

A third possibility as an alternative development using floating LNG (FLNG) technology is also under consideration. The dry nature of the gas, together with the benign metocean conditions in the Gulf of Guinea, makes this an ideal location for such a development. FLNG technology is sufficiently advanced to provide a viable alternative to a conventional onshore LNG scheme and thus will continue to be an option until the project Final Investment Decision (FID), planned for 2014.

#### Looking ahead

Ophir's drilling successes through 2012 have increased the Group's confidence in resource volumes and provided further encouragement to proceed with commercialising gas via LNG export.

Ophir will look to introduce partners into Block R in 2013 and, post farm-in, is planning a follow-up exploration and drilling programme of up to six wells, commencing in late 2013 to further advance its valuable gas asset towards development. →



 GABON



Gross area:  
12,712km<sup>2</sup>

Water depth:  
2,500m

#### Overview

Ophir has operated interests in four blocks, Manga (100%), Gnondo (100%), Mbeli (50%) and Ntsina (50%), with a gross area of 12,712km<sup>2</sup> in water depths of 100m to 2,500m.

- A 3D seismic survey, specifically designed to image pre-salt has been acquired and processed in the northern two blocks
- Two additional 3D surveys have been acquired in the southern two blocks
- Exploring post-salt Maastrichtian plays analogous to recent discoveries on the Brazilian conjugate margin
- Plan to drill a number of exploration wells in late 2013.

Ophir has the largest offshore footprint in the North Gabon Basin. This has the potential to be a major new oil play for Ophir and the Group is looking to drill towards the end of 2013.

Across its four blocks Ophir has identified three primary plays: the pre-salt play, the Ogooué Delta play and the deepwater, post-salt Maastrichtian play.

#### The pre-salt play

The pre-salt play exists in Ophir's two northern blocks, Mbeli and Ntsina. It has recently come to prominence through a series of world-class discoveries on the conjugate margin in Brazil, and in 2012 in Angola. Across the conjugate margin from Gabon, Petrobras' Carmopolis Field has an estimated 1.7bbbl in place. The pre-salt play exists onshore from Ophir's two northern blocks, where more than a billion barrels has been discovered in the Rabi Kounga Field, as well as offshore in South Gabon.

Based on the relative immaturity of the play, Ophir elected to bring a joint venture partner with significant pre-salt experience and consequently concluded a farm-out to Petrobras for 50% equity in each of the Mbeli and Ntsina Blocks in 2011. Under the terms of the agreement, Petrobras funded the cost of a new 2,200km<sup>2</sup> 3D seismic survey (the Stenella survey) specifically designed to image the pre-salt play system. The survey was acquired by PGS early in 2012 and detailed pre-stack depth migration (PSDM) processing of the data is now being completed.

Preliminary products from the new 3D have provided significant encouragement – they have refined the initial mapping and have confirmed the presence of two pre-salt mega-closures. Each mega-closure has a number of sub-culminations with billion barrel potential. Interpretation of the final dataset early in 2013 will further improve Ophir's understanding of risk and define drillable prospects with a view to drilling in late 2013.

Across Ophir's two 100% owned blocks, Manga and Gnondo, the Group is focusing principally on the deepwater, post-salt Maastrichtian play.

#### The deepwater, post-salt Maastrichtian play

This is considered to be analogous to the successful Barra play, discovered in 2010/11 by Petrobras in the conjugate Sergipe Alagoas basin of Brazil.

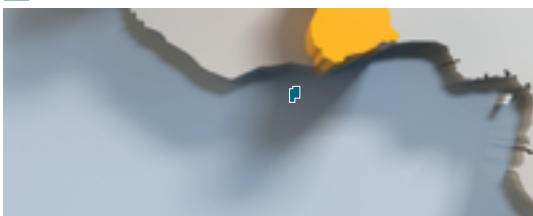
The play has promise in Ophir's southern blocks, particularly in the area to the west of the Loiret Dome where a series of stratigraphic onlap plays and leads have been identified. The Afo structure has the potential to be volumetrically significant. Ophir undertook a 3D seismic programme in Manga in early 2012 with the intention to mature these into drillable prospects. The play system also extends into the southern part of the Ntsina Block and the 3D survey has extended into this block.

Data from this survey is now available and, once this has been interpreted, Ophir will look to bring in a partner for the next stage, which will include potential drilling in late 2013.

#### Looking ahead

Ophir intends to drill up to three wells in 2013 across the Gabonese plays. The most likely targets based on current data and interpretation are Padouck Deep (pre-salt), in the Ntsina Block, with 1.15 BBbls mean recoverable; the Northern Cluster (pre-salt), in the Mbeli Block, with approximately 885mmbbl mean recoverable; and Affanga Deep in the Gnondo Block, with approximately 220mmbbl mean recoverable. Suitably qualified parties may be invited to farm-in to the Gnondo Marin and Manga Marin Blocks in 2013.

## GHANA



Gross area: **2,000km<sup>2</sup>**  
Water depth: **3,000m**

### Overview

Ophir has a 20% participating interest in the Offshore Accra Contract Area of Ghana with a gross area of 2,000km<sup>2</sup> in water depths of 20m to 3,000m.

- Received governmental approval to take a 20% participating interest in December 2012
- Obtained consent to operate in December 2012
- Exploration drilling of the Starfish prospect is planned for mid 2013.

### An exciting oil play

The newest addition to Ophir's portfolio is in Ghana – an exciting new oil play for the Group. The acreage is located in the West African Transform Margin play that includes, further to the west, the Jubilee, Tweneboa, Odum, Teak and Pecan discoveries. An inventory of oil prospects within pre- and post-rift Cretaceous has been identified in the block from the 2011 3D seismic dataset.

Ophir obtained consent to operate in December 2012 and is looking to drill the Starfish prospect in mid 2013. Starfish-1 will target the stratigraphic onlap of a stacked Turonian-Albian sequence – the proven reservoir interval for the West African Transform Margin play.

## CONGO



Gross area: **1,044km<sup>2</sup>**  
Water depth: **1,600m**

### Overview

Ophir has a 48.46% operated interest in the Marine IX Block with a gross area of 1,044km<sup>2</sup> in water depths of 400m to 1,600m.

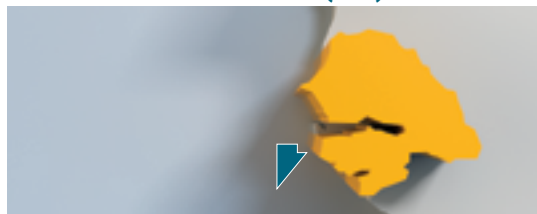
- Continue to explore a pre-salt play
- The assessment will underpin a decision on possible future drilling.

Ophir has been the Operator of the block since 1 May 2011 and has identified three play systems. Two of these systems (a Tertiary play and an Albian 'raft' play) have been fully explored and have limited potential. The Joint Venture gained a 12-month extension to the current PSC term in 2011 in order to carry out a full assessment of the third, pre-salt play and acquired a gradiometry survey in February 2012 to advance this. Results of this survey are currently being integrated with existing seismic data and in parallel the Joint Venture is discussing the commercial basis for a pre-salt exploration programme with the Government in order to make a final decision on possible future drilling. →

## BUSINESS REVIEW

### REVIEW OF OPERATIONS CONTINUED

#### OFFSHORE SENEGAL AND GUINEA BISSAU JOINT DEVELOPMENT ZONE (AGC)



Gross area:  
**9,838km<sup>2</sup>**

Water depth:  
**3,500m**

#### Overview

Ophir has a 44.2% operated interest<sup>1</sup> in the Profond Block with a gross area of 9,838km<sup>2</sup> in water depths of 75m to 3,500m.

- Continued to carry out technical assessments following the drilling of Kora-1 in 2011
- A decision will be made regarding future drilling targets during 2013.

Ophir drilled Kora-1, the first well on the block, to a total depth of 4,447.5m subsea in July 2011. The primary (Albian) and secondary (Coniacian and Barremian) reservoir intervals were penetrated close to their anticipated depths, but the well encountered a predominantly claystone and thinly bedded limestone sequence, rather than the predicted sandstone reservoir facies. Kora-1 was subsequently plugged and abandoned. The well did, however, provide valuable information on the potential charging mechanisms in the block and encouragement for future exploration. Through 2012 Ophir therefore continued to integrate the well results with the seismic datasets to characterise the remaining potential of the Profond Block. This assessment will be completed during 2013 when a decision will be taken regarding the identification of further drilling targets for a possible future drilling programme. Suitably qualified parties may be invited to farm-in to the Profond Block in 2013.

<sup>1</sup> L'Entreprise AGC S.A. ("Entreprise") has a 12% carried participating interest, with an option to increase such participating interest by a maximum of 5%. In return for the reimbursement of 5% of the costs expended on petroleum operations prior to such date and is carried through the exploration and appraisal phases. Noble Energy and Rocksource assigned their respective participating interests to Ophir Profond on 31 December 2012. A letter of no objection to the assignments, dated 29 January 2013, has been received from the AGC and approval of the assignments is pending the issue of an order by the AGC. Following the issue of such order, Ophir's participating interest will be 79.2%.

#### SAHARAWI ARAB DEMOCRATIC REPUBLIC (SADR)



Gross area:  
**74,327km<sup>2</sup>**

Water depth:  
**2,500m**

#### Overview

Ophir has a 50% operated interest in four blocks, Daora, Haouza, Mahbes and Mijek, with a gross area of 74,327km<sup>2</sup> in water depths of 200m to 2,500m.

- Ophir continues to monitor regional activity and opportunities to commence operations in SADR.

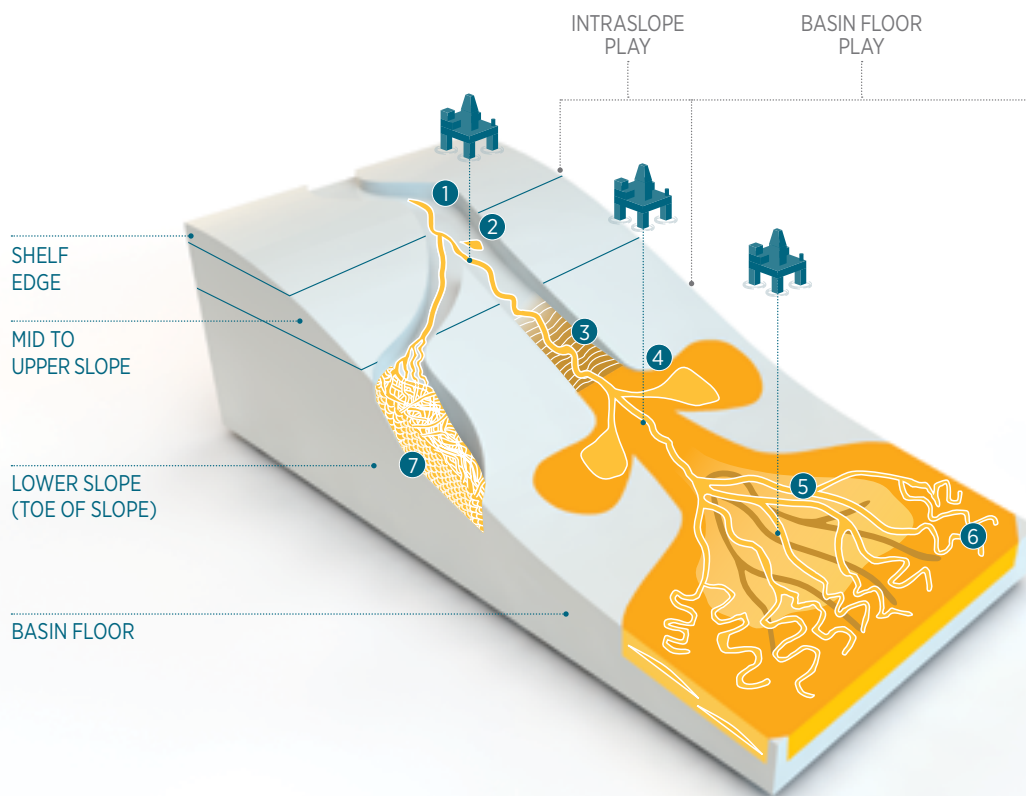




DEPOSITIONAL ENVIRONMENTS

- ① INCISED SLOPE CHANNEL
- ② INTRA SLOPE PONDING
- ③ CHANNEL LEVEE COMPLEX
- ④ CREVASSE SPLAY
- ⑤ UPPER FAN
- ⑥ DISTAL FAN
- ⑦ AMALGAMATED CHANNEL COMPLEXES

 WELL LOCATION



# FINANCIAL REVIEW

## CORPORATE AND FINANCIAL ACTIVITIES

Ophir acquired Dominion Petroleum Ltd (Dominion) in February 2012 and then successfully integrated the acquired assets in 2012. This added Block 7 in Tanzania and Blocks L9 and L15 in Kenya to Ophir's East African offshore footprint, making Ophir the largest independent oil and gas exploration company in the play by net acreage position.

In April 2012, Ophir strengthened its balance sheet by offering 30.5 million shares for subscription which raised US\$242 million.

Ophir divested Block V in the Democratic Republic of the Congo (DRC) receiving US\$8.7 million in July. The Company is in the process of relinquishing and exiting the Area 4B Block in Uganda. Both these assets were acquired as a result of the Dominion acquisition.

## RESULT FOR THE PERIOD

The Group recorded a post-tax loss of US\$40.7 million for the year ended 31 December 2012 (31 December 2011: US\$19.1 million). No dividends were paid or declared by the Group during the period.

The loss for the period includes exploration expenditure expensed of US\$4.5 million (31 December 2011: US\$15.7 million), administrative costs of US\$36.4 million (31 December 2011: US\$16.2 million), finance income of US\$0.6 million (31 December 2011: expense of US\$1.0 million) interest income of US\$1.0 million (31 December 2011: US\$0.8 million) and other expenses of US\$1.7 million (31 December 2011: US\$0.9 million).

## Exploration expenditure

Exploration expenditure of US\$4.5 million (31 December 2011: US\$15.7 million) resulted from our exploration and appraisal activities predominantly focused in Tanzania, Kenya, and Equatorial Guinea, and to a lesser extent in AGC, Somaliland, Gabon, Congo (Brazzaville), Madagascar and Ghana. It comprises pre-licence exploration costs of US\$4.5 million (31 December 2011: US\$2.3 million) charged directly to the Income Statement. Unsuccessful exploration expenditure was nil compared to the same period last year when US\$13.4 million was written off in accordance with the Group's accounting policy.

## General & administration expenses

General & administrative expenses including personnel costs, share-based payments charges, administration costs, professional and corporate costs (audit, legal, other professional advisors' costs and Directors' fees) totalled US\$36.4 million (31 December 2011: US\$16.2 million). The result was impacted by increased share option incentive costs of US\$7.7 million (31 December 2011: US\$2.7 million); additional personnel and administration costs associated with expansion of the Group's operations and increase in headcount to 71 (2011: 42); and increased corporate related activity.

## Finance income and expenses

Finance income for the period of US\$0.6 million (31 December 2011: expense of US\$1.0 million) was associated with foreign exchange gains and losses arising on the fluctuation of the Group's functional currency, the US Dollar, against other currencies the Group holds.

## Cash flow

Overall, the Group cash outflow was US\$167.6 million (31 December 2011: inflow of US\$306.7 million).

## Operating cash flow

The Group's net cash used in operating activities was US\$29.9 million (31 December 2011: US\$22.5 million).

## Investing activities

Cash flow used in investing was US\$380.7 million (31 December 2011: US\$43.9 million). Investment of US\$359.4 million on exploration (31 December 2011: US\$65.6 million) and acquisition of Dominion US\$38.7 million was offset by a cash inflow of US\$15.9 million for cash acquired with Dominion. The exploration expenditure incurred mainly related to:

- BG Joint Venture and drilling programme in Blocks 1, 3 and 4 in Tanzania
- Drilling programme in Block R in Equatorial Guinea
- Seismic activity in Blocks L9 and L15 in Kenya
- Seismic activity in Block 7 and East Pande in Tanzania

## Financing activities

The net cash inflow for financing activities was US\$243.0 million (31 December 2011: US\$373.1 million) which was as primarily a result of the funds raised from the share placement completed in April 2012<sup>1</sup>. Gross funds received from issuing of shares were US\$250.4 million with associated costs of US\$7.4 million.

At year end the Group's cash and cash equivalents were US\$227.7 million (31 December 2011: US\$396.6 million).

## Exploration and evaluation assets

As at 31 December 2012, exploration and evaluation assets totalled US\$961.7 million (31 December 2011: US\$327.1 million). The movement was due to expenditure incurred during the year of US\$415.5 million (31 December 2011: US\$70.4 million) and US\$219.2 million net fair value adjustments resulting from the acquisition of Dominion in February and subsequent sale of the Group's interest in Block V in DRC which took place in July.

The main areas of exploration expenditure were:

- Tanzania Blocks 1, 3 and 4 drilling programme and expenditure of US\$159.0 million as Joint Venture partner with BG
- Tanzania Block 7 (US\$16.1 million) and East Pande (US\$23.6 million) of expenditure was incurred relating to seismic data acquisition and studies
- Kenya Block L9 and L15 seismic activity resulted in expenditure of US\$48.9 million
- Drilling programme costs of US\$144.0 million in Equatorial Guinea

## Current assets

The Group held cash and short term deposits of US\$227.7 million (31 December 2011: US\$396.6 million). Inventories of US\$12.8 million (31 December 2011: US\$6.2 million) comprise of drilling materials for future drilling campaigns held in Tanzania and Equatorial Guinea.

Trade and other receivables were US\$9.5 million (31 December 2011: US\$9.2 million).

## Liabilities

The Group continues to have no borrowings (31 December 2011: Nil).

Trade and other payable including accruals were US\$119.4 million (31 December 2011: US\$27.7 million). The notable increase in trade and other payables is mainly as a result of ongoing drilling programmes in Tanzania.

## Funding of activities

Ophir currently conducts its exploration activities using existing funds from capital raised in the June 2011 IPO and the March 2012 equity placing. Ophir plans to use a combination of effective portfolio management and/or equity to fund the next 12 months' forecast expenditure. On 4 March 2013 the Company announced its intention to raise equity proceeds by way of a Placing and Rights Issue. Accordingly, the financial statements have been prepared on a going concern basis as the Directors are of the opinion that the Company will have sufficient funds to meet its obligations and committed capital expenditure requirements over the next 12 months.

## OUTLOOK

Ophir Energy has started 2013 well with the successful appraisal of our Mzia discovery, and our drilling and operational programmes proceed to schedule. During the next 12 months, we are planning 10+ wells targeting approximately 1.3bboe net risked resource<sup>2</sup>. This is a high impact pan African drilling programme with both gas and liquid targets. Based on the prospectivity of our acreage, Ophir possesses the potential in 2013 to deliver value to shareholders on a scale commensurate with our exploration programmes of previous years.

- 1 Placing occurred on 28 March 2012; funds received in April 2012.
- 2 Ophir Management estimates as at February 2013.



# CORPORATE AND SOCIAL RESPONSIBILITY

**OPHIR AIMS TO LEAD THE WAY IN RESPONSIBLE EXPLORATION – MAKING A LASTING CONTRIBUTION TO THE COUNTRIES AND COMMUNITIES THAT HOST ITS OPERATIONS.**

## **OPHIR'S CORE COMMITMENT**

Ophir is committed to establishing and following the highest standards of Corporate and Social Responsibility (CSR) across the Group. CSR is a fundamental part of Ophir's business and as with all core activities the Group follows the same principles of determination, innovation and excellence. Ophir aims for best practice wherever it operates – acting in an ethical, responsible, apolitical, independent and transparent way at all times.

Ophir's commitment to CSR not only plays an important part in managing and mitigating risks but moreover reflects its belief that responsibly exploring for oil and gas to the highest international standards is the right thing to do.

Ophir encourages all its employees and contractors to work to the highest CSR standards.

The Group focuses CSR activities on four key areas:

- Environment initiatives
- Healthcare initiatives
- People initiatives
- Community development initiatives

This year Ophir has expanded its reporting to include all services companies and contractors employed on our projects.

## **ENVIRONMENT**

Ophir is committed to meeting all its environmental obligations and to limiting its environmental impact wherever it operates.

### **Environment highlights**

Ophir applies the same high international standards and best practices for the environment wherever it operates, taking into account each local situation.

In Uganda, where Ophir acquired assets as part of its purchase of Dominion Petroleum Ltd (Dominion), the Group worked closely with the Government on the clean-up of a previous drilling site to international best practice standards. Ophir is in the process of returning

the site to its original condition as part of its commitment to close down the drill site and exit from Uganda in a responsible and ethical way.

In all cases Ophir leads with high standards and best practices. When the Group is shooting seismic or drilling offshore, it communicates and follows up fully with all local villages to ensure full project close out. This forms part of Ophir's strategy to build and maintain good relations with all the coastal communities.

In line with the Group-wide HSE policy, before initiating any exploration project Ophir conducts comprehensive and integrated Environmental Impact Assessments (EIAs). Ophir repeats these assessments at each stage of the project using recognised consultants and methods. As part of this process Ophir consults with local authorities, NGOs and communities to ensure the Group complies with both industry best practices and any local regulations and guidelines.



**The Group focuses CSR activities on four key areas:**

- Environment initiatives
- Healthcare initiatives
- People initiatives
- Community development initiatives

**Managing waste locally**

In Equatorial Guinea, Ophir was the first oil and gas operating company to use a local incinerator to handle waste from its offshore and onshore operations. Ophir approached the local facility, ensured it was properly tested and licensed and that it met Group HSE standards and began using it. This eliminated the financial costs and environmental impact of transporting the waste to another more distant site for processing while also supporting the locally owned and operated business.

**HEALTH AND SAFETY**

It is paramount that Ophir puts health and safety first and carries out all its operations in accordance with local and international health and safety best practices.

Ophir expects all its employees and contractors to work to the highest HSE standards. The Group also expects subcontractors and suppliers to provide a safe and healthy working environment for their employees and to provide appropriate training and protective equipment. Regular checks are carried out to ensure HSE compliance.

These standards are regularly reviewed by Ophir's HSE Committee, which takes responsibility for monitoring Group-level health, safety, security and environmental (HSSE) risk assessments. In addition, the Committee reviews reports on serious accidents and fatalities to ensure that management is responding appropriately. The Committee also ensures the Company is fully compliant by commissioning periodic independent audits on HSE matters. →



## BUSINESS REVIEW

### CORPORATE AND SOCIAL RESPONSIBILITY CONTINUED

#### Reorganising Group-wide HSE

In 2012, with the help of an expert external consultant, Ophir reorganised and harmonised to a high standard the way it manages HSE across the business. As a result it has further upgraded procedures and policies and has applied these consistently across the Group.

A comprehensive suite of new documentation sets out for everyone, both employees and contractors, how Ophir approaches HSE and spells out clearly the Group HSE expectations.

The new approach covers every aspect of Ophir's HSE functions, from drilling risk assessments to crisis management, and applies to everyone. Training is a key aspect and Ophir has been educating everyone on their responsibilities in line with its commitment to making high HSE standards part of the everyday Group-wide Ophir culture.

Ophir applied the new approach to its drilling programme in Equatorial Guinea in the summer of 2012, where it drilled three wells in Block R – Tonel, Fortuna East and Fortuna West. The wells were all drilled successfully with no major HSE incidents recorded. The drilling programme was followed up with a major review in November where Ophir refined the entire approach to HSE ahead of rolling it out across the Group while taking into account local differences.

Ophir's HSE team is based in Dar es Salaam and in London.

#### Health and safety highlights

In 2012 Ophir had no lost time incidents (LTIs) at any of its operations.

Ophir's operated activities included drilling three wells in Equatorial Guinea, three seismic programmes in Gabon, a further two seismic programmes in Kenya and one in Tanzania.

Ophir continued to provide maritime security in Tanzania and Kenya in response to offshore security risks, notably piracy. Working closely with the naval forces of each country, Ophir meticulously plans and executes full offshore security plans to protect personnel and assets. There were no security incidents through the year.

Ophir provides all staff and contractors who are working in high disease risk areas appropriate education, prevention kits for testing and medicine.

The Group's offices in Gabon and Equatorial Guinea have also implemented mosquito eradication programmes.

The Group provides internationally accredited driving and first aid courses to all local employees as part of a comprehensive training programme tailored for the staff. Road Traffic Accidents (RTAs) are widely acknowledged worldwide as a major risk that can be effectively mitigated using simple measures such as driver training.

#### PEOPLE

Ophir relies on and values the skills and expertise of its people. They are at the heart of the Group's success and Ophir recognises the importance of looking after them and developing their potential.

#### People highlights

Across its operations Ophir employs local people wherever possible and looks to train and develop them so they can realise their potential and contribute as much as possible. This includes structured development programmes for key staff and educational sponsorships.

Through annual reviews Ophir looks at how all its people can develop in their roles to provide value to Ophir and to increase their skills and performance. The objective is to help individuals advance in their interests and the interests of Ophir through a combination of on the job experience, external training and internal development.

Ophir places great emphasis on the safety and well-being of everyone who works for the Group. As in other key areas of its business Ophir encourages continuous improvement. To this end in 2012, as part of its Group-wide reorganisation of HSE, Ophir further developed its duty of care services for employees and contractors. This includes procedures and services for medical evacuation, safety and security and travel tracking.

In November 2012, Ophir's Board visited several of the Group's CSR initiatives and reviewed certain HSE procedures in Tanzania.

## COMMUNITY DEVELOPMENT

Ophir is proud to contribute to the development of the local communities where it operates and to have a sustainable positive impact. To this end, Ophir takes a highly collaborative approach, working closely with all stakeholders to identify and carry out activities that benefit communities sustainably and for the long term.

### Community development highlights

In 2012 Ophir established a consistent Group-wide approach to community development. It is based on a bottom-up needs analysis carried out with the local community to identify the best fit for laying the foundation of Ophir's contribution in order to build progressively from a solid base and make a valuable difference. Ophir focuses on three core areas for this foundation: medical, education and social.

In Tanzania for example, Ophir has built rooms in a local primary school and donated desks, text books and computers. In January 2012 Ophir held an art competition in Mtwara, Tanzania for primary school students to learn about the oil and gas industry and its benefits to Mtwara and the community. Students were given the chance to express their knowledge and thoughts of the industry through art.

Ophir has been active in Tanzania for a number of years. The Group has invested in developing the Mtwara port as an international oil and gas supply base, a project which is bringing significant employment to the surrounding region. The project was backed up by a comprehensive Environmental Impact Assessment.

Other schemes Ophir has supported in the Mtwara port town include the Mtwara local clinic for women which is run by Benedictine nuns. The clinic provides support, education and facilities for local women and new-born babies.

In Equatorial Guinea, Ophir contributes to the ITNHGE Programme, a collaborative educational initiative run for adult students in Equatorial Guinea.

Ophir also sponsored the construction of a nursery school in the village of Ebein Yenkeng in the Niefang Region, Central South Equatorial Guinea. Stage 1 has been completed; stage 2 is progressing.

The Group has also acquired and installed electricity generators into hospitals in Evinayong, Kogo Mbini and Acurenam.

## Zero lost time incidents

0

### CASE STUDY Community Development



#### Funding health care in a remote area

In 2012 construction of an accommodation site for the doctors and nurses working at the Tchisseka Health Care Centre was completed. Located in the remote village of Tchisseka, Brazzaville, Congo and funded by Ophir Congo (Marine IX) Limited and joint venture partners Kufpec Congo (Marine IX) Limited, the Centre provides much needed health care for the local community, and the accommodation provides a much needed place to stay for the people working there.

### CASE STUDY People



#### Improving the skills of local people

Ophir tailors the training of its people and contractors to their particular needs and the local needs of the business. In Equatorial Guinea and Gabon Ophir ran a comprehensive training programme for staff including English language courses and IT and word processing classes.

# PRINCIPAL RISKS AND UNCERTAINTIES

OPHIR RECOGNISES THAT AS AN UPSTREAM OIL AND GAS BUSINESS IT IS POTENTIALLY EXPOSED TO MANY DIFFERENT RISKS. EFFECTIVE RISK MANAGEMENT IS AN INTEGRAL PART OF THE GROUP'S ACTIVITIES. IT INVOLVES IMPLEMENTING ACTION PLANS AROUND AND WITHIN THE GROUP'S ACTIVITIES IN ORDER TO PROTECT BUSINESS INTERESTS FROM RISKS.

Ophir's executive directors, Senior Management Team and Country Managers are responsible for identifying, evaluating and managing risks.

### Risk identification and management

Risk management is embedded within Ophir's organisation structure, operations and management. The executive directors continually monitor the Group's risk matrix and register and report updates to the Audit Committee and Board of Directors on a six monthly basis, or more frequently if required.

The key elements of Ophir's Group risk management processes are:

- Risk assessment
- Risk analysis and evaluation
- Risk mitigation
- Risk monitoring and reviewing
- Communication and consultation

The principal risks that have been identified within the Group are summarised as follows:

Type	Risk	Mitigants
Strategic	Political risk	<ul style="list-style-type: none"> <li>• The Group maintains a balanced asset portfolio across different jurisdictions in a region where the Group is most accustomed to operating</li> <li>• The Group strives continually to maintain positive relationships in all host countries that it operates. Ophir aims to work to the highest industry standards with all regulators and compliance with the Company's licence and PSC obligations is closely monitored</li> </ul>
	Inadequate resource and reliance on key personnel	<ul style="list-style-type: none"> <li>• Ophir relies on a small team of experienced oil and gas professionals for its operational success. In order to retain, motivate and recruit suitably qualified employees it ensures its remuneration packages are competitive. It has established a long term incentive programme for executives and a deferred share plan for staff</li> </ul>
	Investment decisions	<ul style="list-style-type: none"> <li>• The Group and its advisors are experienced within the industry in which it operates and complete a proper review against the Group's strategy and investment criteria. Full due diligence is undertaken on all potential new entries. The current portfolio is closely monitored</li> </ul>
Operational	Drilling operations risk	<ul style="list-style-type: none"> <li>• Maintenance of clearly defined operational procedures whereby compliance is always expected</li> <li>• The contracting &amp; procurement process ensures suitably qualified contractors are employed</li> <li>• Regular training in the processes and continual monitoring of adherence are undertaken</li> </ul>
	HSE incident risk	<ul style="list-style-type: none"> <li>• Maintenance of a comprehensive system of HSE procedures that should always be followed and the undertaking of pre-project risk assessments. The systems are overseen by management and the HSE Committee which regularly meets to review and monitor compliance</li> <li>• Comprehensive Environmental Impact Assessments are performed. Oil spill and emergency response plans are in place. Provision of equipment and regular training in the procedures occurs with specialist service providers</li> </ul>



Type	Risk	Mitigants
	<b>Discovery risk and success rate</b>	<ul style="list-style-type: none"> <li>The Group has a technically and regionally experienced management and a geoscience team who have a proven track record of success. To reduce risk, substantial technical analysis is undertaken to evaluate and manage opportunities</li> <li>All exploration and appraisal programmes are consistently reviewed and monitored before being recommended to the Board for approval</li> </ul>
	<b>IT risk</b>	<ul style="list-style-type: none"> <li>Systems are in place to manage unscheduled power loss, virus outbreaks and network disruptions and thereby minimise downtime to operations and corporate offices</li> </ul>
	<b>Availability of rigs and services</b>	<ul style="list-style-type: none"> <li>Regular market review of services and rig availability occurs. Engagement of experienced advisors to ensure a rapid response to opportunities and an ability to close binding agreements quickly</li> <li>A dedicated drilling project manager and C&amp;P manager ensure a clear contracting strategy and project plan are produced early in the procurement planning stage</li> </ul>
<b>Financial</b>	<b>Inability to fund exploration work programmes</b>	<ul style="list-style-type: none"> <li>Regular review of cash flow, working capital and funding options and a prudent approach to budgeting and planning to ensure sufficient capital to meet commitments</li> </ul>
	<b>Counterparty credit risk</b>	<ul style="list-style-type: none"> <li>Close monitoring of all trade debtors who are subject to internal credit review</li> </ul>
	<b>Cost and capital spending</b>	<ul style="list-style-type: none"> <li>A formalised annual budget process and ongoing monthly reviews of actual versus budget analysis. Delegation of authority, approval processes and contracts &amp; procurement procedures. Board approval of Annual Work Programme</li> </ul>
	<b>Interest rate and foreign exchange risk</b>	<ul style="list-style-type: none"> <li>Cash balances are primarily held in US Dollars to provide a natural hedge to reflect majority of the Group's business is managed and conducted using US Dollars. Small balances are retained in other currencies for operating and administrative needs</li> <li>Cash balances are held in current or short term deposits</li> <li>Further details on principal financial risks are addressed in Note 19 in the Group's consolidated financial statements</li> </ul>
<b>External</b>	<b>Sovereign and country risk</b>	<ul style="list-style-type: none"> <li>Regular monitoring for changes and reviewing of all jurisdictions in which it operates. The Group's management are experienced within the industry and maintain close relations and continually focus on working with each jurisdiction's Governments</li> </ul>
	<b>Legal, regulatory or litigation risk</b>	<ul style="list-style-type: none"> <li>Activities are subject to various different jurisdictional laws, customs, fiscal and administrative regulations. The Group employs suitably experienced and qualified staff and when required external advisors to ensure full compliance</li> <li>Key policies and procedures consider the requirements of the UK Bribery Act</li> <li>Legal risk assessment and due diligence (where appropriate) is undertaken for all counterparties the Group deals with</li> <li>Maintenance and monitoring of a Business Code of Conduct and Anti-corruption policies. Ongoing training take places with all employees on policies implemented</li> </ul>
	<b>Investor and stakeholder sentiment</b>	<ul style="list-style-type: none"> <li>The Group fosters strong relations with the local communities and host country governments in jurisdictions that it operates. It proactively interacts with all relevant stakeholders</li> <li>Maintaining regular dialogue and provision of information to all key shareholders. Internal investor relations and advisers ensure all material information is released to the market on a timely basis and in accordance with applicable regulations</li> </ul>

# OPHIR'S ONGOING COMMITMENT TO HIGH STANDARDS OF CORPORATE GOVERNANCE



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# BOARD OF DIRECTORS



**1. NICHOLAS SMITH****Chairman of the Board**

Nicholas Smith was appointed as a non-executive director in October 2007 and as Chairman in September 2009. He is a member of the Remuneration Committee and Chairman of the Nomination Committee.

Nicholas Smith trained as a chartered accountant before joining the Jardine Fleming Group, becoming Chief Financial Officer from 1993-1997. He is a non-executive director of Schroder Asia Pacific Fund plc, Asian Citrus Holdings Ltd and Aberdeen New Thai Investment Trust plc.

**2. NICK COOPER****Chief Executive Officer**

Nick Cooper was appointed as a director and Chief Executive Officer in June 2011.

Prior to joining Ophir, Nick Cooper was Chief Financial Officer and co-founder of Salamander Energy plc. He began his career as a geophysicist with BG and Amoco before joining Booz-Allen & Hamilton. From 1999-2005 he was a member of the oil and gas team at Goldman Sachs. Nick has a BSc and PhD in Geophysical Sciences and an MBA from INSEAD.

**3. JONATHAN TAYLOR****Executive director and founder**

Jonathan Taylor was a founding director of Ophir in 2004 and is a member of the HSE Committee.

Jonathan Taylor was Exploration Director of Fusion Oil & Gas plc from November 1998 until March 2004. Before Fusion he held a range of technical and asset management roles in Africa, Europe, the Far East and the Middle East for Amerada Hess Ltd, Clyde Petroleum plc and Gulf Canada Resources Ltd.

**4. DENNIS MCSHANE****Executive director of Corporate Strategy**

Dennis McShane was appointed as a non-executive director in October 2007 and as senior independent director in September 2009. On 18 February 2013, Dennis was appointed as Director of Corporate Strategy and a member of the executive management.

Dennis McShane is a founding principal of Midas Resource Partners. From 2004 to 2008 he was executive director of strategy for the Ferrexpo group of companies. Prior to this he was an investment banker with JPMorgan Chase emerging markets and mining and metals practices in New York, London and Sydney.

**5. RONALD BLAKELY****Senior independent non-executive director**

Ronald Blakely was appointed as a non-executive director in July 2011 and as senior independent director on 18 February 2013. He is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

Ronald Blakely spent over 38 years working for Royal Dutch Shell companies. On his retirement in October 2008 he held the role of Executive Vice President Global Downstream Finance, while previous roles included CFO of Shell Oil Products in the USA and CFO of Shell Canada.

**6. JOHN LANDER****Independent non-executive director**

John Lander was appointed as a non-executive director in November 2008. He is Chairman of the Remuneration Committee and a member of the Audit and HSE Committees.

John Lander has over 40 years' experience in the international oil and gas industry. He began as a geophysicist with Shell prior to holding executive positions at RTZ Oil and Gas Limited, Pict Petroleum plc, Premier Oil plc, British-Borneo Petroleum Syndicate plc and Tullow Oil plc. He is a non-executive director of Neon Energy Limited.

**7. LYNDON POWELL****Independent non-executive director**

Lyndon Powell was appointed as a non-executive director in November 2008. He is Chairman of the HSE Committee and a member of the Remuneration and Nomination Committees.

Lyndon Powell spent the majority of his career in the armed services, gaining a wide spectrum of experience in operational and strategic security management. This included providing protection to the Foreign & Commonwealth Office and commanding four major units. He is director and owner of Barbican Global Ltd, specialising in providing independent security advice to the corporate sector.

**8. WILLIAM (BILL) SCHRADER****Independent non-executive director**

Bill Schrader was appointed as a non-executive director on 18 February 2013.

Bill Schrader has over 25 years' experience working at BP, including as Chief Executive Officer of several country operations, as President of the Azerbaijan International Operating Company and as chief operating officer of TNK-BP. Throughout his career Bill Schrader has been commended for his strong leadership qualities, strategic vision and capability in managing complex operating and government relationships.

**Directors who resigned and retired during the year****ALAN STEIN****Deputy Chairman and founder**

Retired 19 June 2012

**RAJAN TANDON****Non-executive director, shareholder representative**

Resigned 19 June 2012

**JAROSLAW PACZEK****Alternate to Rajan Tandon, shareholder representative**

Resigned 19 June 2012

**PATRICK SPINK****Independent non-executive director**

Resigned 6 August 2012

## GOVERNANCE

### DIRECTORS' REPORT

#### RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Company's results for the financial year are shown in the consolidated financial statements on pages 78 to 81.

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Ophir is a FTSE 250 independent oil and gas exploration business with a focus on Africa. Ophir Energy plc, the parent company of the Group, is incorporated in England and Wales with headquarters in London and operational offices in Perth (Australia), Dar es Salaam and Mtwara (Tanzania), Malabo (Equatorial Guinea), Port Gentil (Gabon), Brazzaville (Congo), Nairobi (Kenya) and Accra (Ghana).

Since its foundation in 2004, the Company has acquired an extensive portfolio of oil and gas interests and its current portfolio comprises 20 licences in 10 countries in Africa. The majority of these interests lie offshore in water depths greater than 250m and are thus classified as "deepwater". Through its drilling campaigns to date, the Company has made a total of 11 gas discoveries: six in Tanzania and five in Equatorial Guinea.

Through this Annual Report, including the Chairman's and Chief Executive Officer's joint review and the business review sections (pages 6 to 39) and the corporate governance and remuneration reports which follow on pages 48 to 72, the Board seeks to present a balanced and clear assessment of the Company's activities, position and prospects. Each of these sections is incorporated by reference into this Directors' Report.

#### DIVIDEND POLICY

The Directors have not recommended a final dividend for the year ended 31 December 2012 and did not declare any interim dividends during the year. The Directors do not anticipate that the Company will pay dividends in the near future. The Directors envisage that, as the Company advances the development of its operations, a dividend policy will be determined based on, and dependent on, the results of the Company's operations, financial condition, cash requirements, prospects, profits available for distribution and other factors deemed to be relevant at the time.

#### SHARE CAPITAL

The called-up share capital of the Company, together with details of shares allotted during the year, is shown in note 13 to the Company financial statements. The Company does not hold any shares in treasury.

At the 2012 AGM, the Company was authorised by shareholders to repurchase 39.75 million of its own ordinary shares, representing just under 10% of its issued share capital as at the date of the AGM.

No buyback programme has been undertaken to date. While the Board does not currently intend to exercise the authority, it will seek a further renewal at the 2013 AGM and will keep the use of the authority under review, taking into account other investment opportunities.

#### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012 and 4 March 2013 being the date of this report, the Company was notified of the following substantial holdings of voting rights in the issued share capital of the Company in accordance with the Disclosure and Transparency Rules:

Name	No. shares held at 31.12.12	% holding at 31.12.12	No. shares held on 04.03.13	% holding at 04.03.13
Capital Group Companies Inc.	52,074,532	13.02%	56,105,773	14.02%
Kulczyk Group	40,433,833	10.17%	40,433,833	10.17%
Och-Ziff Group	36,399,266	9.16%	below threshold	below threshold
Mittal Investments S.à.r.l.	36,163,790	9.09%	18,081,895	4.51%
RS Global Natural Resources Fund	below threshold	below threshold	12,163,223	3.04%

## SHAREHOLDERS' RIGHTS

The following section summarises the rights and obligations in the Company's articles of association (the articles) relating to the ordinary shares of the Company. The articles can be found on the Company's website.

**Voting:** At a general meeting, subject to any special rights or restrictions attached to any class of shares: (a) on a show of hands, every member present in person and every duly appointed proxy present shall have one vote; (b) on a show of hands, a proxy has one vote for and one vote against the resolution if the proxy has been duly appointed by more than one member entitled to vote on the resolution and the proxy has been so instructed; and (c) on a poll, every member present in person or by proxy has one vote for every share held by him. Unless the Directors resolve otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any call or other sum due from him to the Company in respect of that share remains unpaid.

**Transfer of shares:** Transfers of certificated shares must be effected in writing, and signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. The Directors may decline to register any transfer of a certificated share, unless (a) the instrument of transfer is in respect of only one class of share, (b) the instrument of transfer is lodged at the transfer office, duly stamped if required, accompanied by the relevant share certificate(s) or other evidence reasonably required by the Directors to show the transferor's right to make the transfer or, if the instrument of transfer is executed by some other person on the transferor's behalf, the authority of that person to do so, and (c) the certificated share is fully paid up. The Directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

**Directors' powers:** The Directors shall manage the business and affairs of the Company and may exercise all powers of the Company other than those that are required by the Companies Act 2006 (the 2006 Act) or by the articles to be exercised by the Company at the general meeting. The Directors may delegate any of their powers or discretions, including those involving the payment of remuneration or the conferring of any other benefit to the Directors, to such person or committee and in such manner as they think fit. Any such person or committee shall, unless the Directors otherwise resolve, have the power to sub-delegate any of the powers or discretions delegated to them.

**Dividends:** The Company may, by ordinary resolution, declare final dividends to be paid to its shareholders. However, no dividend shall be declared unless it has been recommended by the Directors and does not exceed the amount recommended by the Directors.

If the Directors believe that the profits of the Company justify such payment, they may pay dividends on any class of share where the dividend is payable on fixed dates. They may also pay interim dividends on shares of any class in amounts and on dates and periods as they think fit. Unless the share rights otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, and apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. Any unclaimed dividends may be invested or otherwise applied for the benefit of the Company until they are claimed. Any dividend unclaimed for 12 years from the date on which it was declared or became due for payment shall be forfeited and shall revert to the Company. The Directors may, if authorised by ordinary resolution, offer to ordinary shareholders the right to elect to receive, in lieu of a dividend, an allotment of new ordinary shares credited as fully paid.

**Borrowing powers:** The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

## DIRECTORS

Biographical details for the Directors of the Company at the date of this report are set out on pages 42 to 43.

Details of directors' service contracts or letters of appointment, their interests in the ordinary shares of the Company and in any of the Group's long term incentive and other share schemes are set out in the Directors' Remuneration Report which can be found on pages 60 to 72.

## EMPLOYEES

The Company is committed to actively communicating with employees in many ways, including regular briefings on financial performance and training on health and safety matters.

The Group continues to have a diverse workforce comprising local employees, contractors and expatriates at most sites. The Group is an equal opportunities employer and where existing employees become disabled, it is the Company's policy to provide continuing employment under similar terms and conditions, wherever practicable, and to provide training and career development.

As at 31 December 2012, the Group employed 71 people (2011: 42 people). →

## GOVERNANCE

### DIRECTORS' REPORT CONTINUED

#### CHARITABLE AND POLITICAL DONATIONS

The Group made donations of US\$10,859 to charitable causes during 2012 (2011: Nil). These donations focused on African causes. As part of its commitments to the various countries where Ophir operates, it participates in social and community-related as well as economic programmes. Further information on these activities is set out in the Corporate Responsibility Report on pages 34 to 37.

The Company does not make political donations and has no intention of making donations to what are generally regarded as political parties. As a precautionary measure, and in the light of the wide definitions of European Union political organisations for the purposes of the 2006 Act, a resolution permitting the Company to make political donations and incur political expenditure will be proposed at the 2013 AGM. A similar resolution was proposed and passed at the AGM in 2012.

#### CORPORATE RESPONSIBILITY, BUSINESS CONDUCT AND ETHICS

The Company is committed to sound business conduct in its relationships with stakeholders (shareholders, employees, customers, business partners and suppliers), governments and regulators, communities and the environment. The Group seeks to conduct its operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees and, as such, ensures that its anti-bribery policy is fully understood and implemented by all employees and other key stakeholders.

The Board is also fully committed to ensuring that high standards of health, safety and environmental practices are implemented and maintained by the Group.

Further details are set out in the Corporate Responsibility Report on pages 34 to 37.

#### SUPPLIER PAYMENT POLICY

The Company's policy, and that of the Group, is to settle all debts on a timely basis and within terms of payment agreed with each supplier on the approval of the relevant contract. At 31 December 2012, the Group had an average of 34 days' purchases outstanding in creditors (2011: 29 days).

#### CHANGE OF CONTROL

The Group has entered into a number of commercial contracts which might take effect, alter or terminate on a change of control of the Company. However, none of these is considered to be significant in terms of their likely impact on the business of the Group as a whole.

Details of change of control clauses contained in the contracts of employment of the executive directors are set out on page 66 of the Directors' Remuneration Report. Certain members of the Group's senior management team have agreements providing for compensation for loss of office or employment that occurs because of a change of control.

All the Company's share incentive plans contain provisions relating to a change of control and full details of these plans are provided in the Directors' Remuneration Report on pages 64 to 65. Generally, outstanding awards under the Foundation Incentive Plan, the 2006 Plan and the Deferred Share Plan will vest in full and become exercisable on or before a change of control. The Remuneration Committee may allow outstanding awards under the Long Term Incentive Plan (LTIP) to vest to the extent that any performance condition is satisfied at the date of that event and, unless the Remuneration Committee decides otherwise, such level of vesting to be reduced to take account of the fact that the award is vesting early. LTIP awards may instead be exchanged for equivalent awards over shares in the acquiring company.

#### DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 43. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information (that is information that is needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware.
- Each director has taken all the steps a Director might reasonably be expected to have to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

#### AUDITOR

Details of the Company's policy on external auditor rotation are set out on page 55 of the Corporate Governance Report. Notwithstanding that the Company will undertake a review of its external audit services during 2013, the current auditor, Ernst & Young LLP, has indicated its willingness to continue in office and resolutions to re-appoint Ernst & Young LLP as the Company's auditor and to authorise the Directors to set the auditor's remuneration will be proposed at the 2013 AGM.



## GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 6 to 39. The financial position of the Group, consisting of cash resources of US\$227.7 million, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 32 to 33. In addition, note 19 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

In making their going concern assessment, the Directors have considered Group budgets and cash flow forecasts for a period of at least the next 12 months. Ophir plans to use a combination of effective portfolio management and/or equity to fund the next 12 months' forecast expenditure. On 4 March 2013 the Company announced its intention to raise equity proceeds by way of a Placing and Rights Issue. As a consequence, the Directors believe that the Group is now well placed to meet its exploration and appraisal expenditure commitments for at least the next 12 months.

As a result of this review the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## POST BALANCE SHEET EVENTS

A summary of the key post balance sheet events is set out in note 28 to the Group financial statements.

### By order of the Board

#### LISA MITCHELL

Chief Financial Officer and Company Secretary

4 March 2013

Registered office:

50 New Bond Street, London W1S 1BJ

Company registered in England and Wales No. 5047425

## CHAIRMAN'S OVERVIEW

Dear Shareholder



The Board regards the implementation of high standards of corporate governance throughout the Group as one of its fundamental responsibilities. It is imperative that the policies and practices adopted by the Board are fully integrated into the Company's business and strategy. In this way, corporate governance can benefit all stakeholders rather than being seen as a regulatory necessity with no discernible link to the day-to-day business of the Group.

2012 was the Company's first full year as a listed entity following its admission to the premium segment of the UK Listing Authority's Official List and to trading on the main market of the London Stock Exchange in July 2011. As a premium listed entity, the Company is required to comply with the principles and provisions of the UK Corporate Governance Code (the Code) or to explain to shareholders the reason for any non-compliance. The Code sets out main and supporting principles and provisions in five areas: Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders. It is available on the website of the Financial Reporting Council — [www.frc.org.uk](http://www.frc.org.uk).

### Compliance with the Code

The Board is pleased to confirm that, for the year ended 31 December 2012, the Company fully complied with the provisions of the UK Corporate Governance Code. In the following pages, made up of the Directors' Report on pages 44 to 47, the Corporate Governance Report on pages 48 to 53, and the Directors' Remuneration Report on pages 60 to 72 Ophir provides details of the Company's governance policies, processes and structures and how putting these into practice has enabled the Company to comply with the Code.

## Evaluation

Towards the end of 2012, the Board undertook its first formal evaluation. Socia Ltd was appointed to facilitate the evaluation, which focused on the structure of the Board together with the skills, experience and development of its members. Details of the process undertaken and a summary of the conclusions reached are set out on page 52.

## Board structure

On 19 February 2013 Ophir announced that Dennis McShane had accepted an offer to become part of the Company's executive team. He will fulfil his role as Director of Corporate Strategy alongside Nicholas Cooper and Jonathan Taylor and will be a key member of the Executive Committee and senior management team. Dennis' contractual terms and conditions are in line with the Company's policy as set out in the Remuneration Report on pages 60 to 72.

On 19 February 2013 Ophir also announced the appointment of William (Bill) Schrader as a non-executive director. Bill brings with him a wealth of energy industry experience with over 25 years' experience working at BP, including as Chief Executive Officer of several of the company's country operations. Bill also led BP's joint ventures in the Caucasus and in Russia for five years as President of the Azerbaijan International Operating Company and chief operating officer of TNK-BP. Throughout his career Bill Schrader has been commended for his strong leadership qualities, his strategic vision and his capability in managing complex operating and government relationships. The Board is confident that this experience and expertise will prove valuable for Ophir as it continues to build and expand its portfolio across the African region.

## NICHOLAS SMITH

Chairman

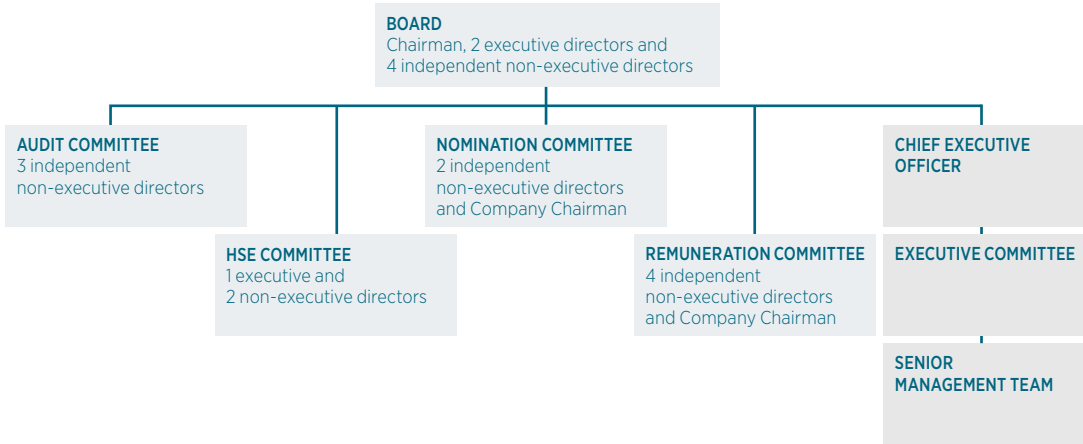
## LEADERSHIP

### The Board

The Board is collectively responsible to shareholders for the continuing success of the Company. To achieve this, the Board provides leadership to the business and, either directly or through the operation of its Committees and delegating authority, brings an independent judgement on all matters of strategy, performance, resources, standards of conduct and accountability. As at 31 December 2012, the Board and its Committees were structured as set out in the chart on page 49. The Board has adopted a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its Committees. The matters specifically reserved for the Board are set out in writing and summarised below:

- To approve the Group's long term objectives, commercial and scientific strategy and attitudes to risk;
- To approve the corporate operating and capital expenditure budgets;

- To approve the interim and final results, the annual report and accounts, including the corporate governance statement and remuneration report, the dividend policy and any declaration of dividend;
- To approve any material acquisition, disposal, contract or expenditure;
- To approve, following recommendation from the Nomination or Remuneration Committees as appropriate, appointments to the Board, that of the Company Secretary and other key senior management, committee membership and remuneration for directors and senior executives;
- To review, following recommendation from the Audit Committee the effectiveness of the Company's internal control and risk management systems;
- To approve, following recommendation from the HSE Committee, the Group's health, safety, environmental and other relevant policies; and
- To approve the Company's corporate governance policies and procedures and set the Company's values and standards.



**Roles of the Chairman and Chief Executive Officer**

The roles and responsibilities of the Chairman and Chief Executive Officer are clearly established, separate and have been set out in writing. Their respective roles and responsibilities were reviewed during the 2012 evaluation, updated and re-approved.

Nicholas Smith was appointed as Chairman of the Company in 2009, having been a non-executive director since 2007. As Chairman, he is responsible for the effective running of the Board and for ensuring that it plays a full and constructive part in the development and determination of the Company’s strategy. Together with the Chief Executive Officer and the Company Secretary, the Chairman sets the agenda for Board meetings, ensuring that the decision making process adopted by the Board allows for open and constructive debate. The Chairman works closely with the Chief Executive Officer, providing support and advice as well as ensuring that the strategies and actions agreed by the Board are effectively implemented.

The Chairman was considered to be independent in character and judgement on his appointment.

Nick Cooper was appointed as Chief Executive Officer in June 2011. He is responsible for managing the day-to-day business of the Company, proposing and developing strategy and overall commercial objectives in consultation with the Board and, as leader of a strong and experienced executive team, implementing the decisions of the Board and its Committees.

A summary of the division of responsibilities between the Chairman and Chief Executive Officer as at 31 December 2012 is set out in the box to the right.

**Role of the Chairman**

The Chairman is responsible for leadership of the Board. In particular, he will:

- Ensure that the Board and its Committees operate in a way that conforms to expected high standards of corporate governance.
- Set the style and tone of Board discussions, promote constructive debate and ensure an accurate, timely and clear flow of information to the Directors.
- Lead the Nomination Committee in the appointment of an effective and complementary Board, review succession planning and evaluate the performance of the Board, its Committees and individual directors.
- Foster effective Board relationships between the executive and non-executive members, support and advise the Chief Executive Officer generally and in the implementation of agreed strategy.
- Ensure effective communication with the Company’s stakeholders and that their views are understood by the Board.

**Role of the Chief Executive Officer**

The Chief Executive Officer is responsible for day-to-day management of the business within the authorities delegated by the Board. In particular, he will:

- Propose, develop and supervise the Group’s strategy and overall commercial objectives and ensure that agreed strategies are implemented by the business.
- Build and develop an appropriate organisational structure for the business, establish processes and systems and plan resourcing to ensure that the Company has the capability to achieve its aims.
- Lead the executive team including undertaking appraisals, reviewing development needs and making recommendations to the Remuneration Committee with regard to remuneration.
- Promote and conduct the affairs of the Group with the highest standards of integrity, probity and corporate governance.
- Progress the Company’s communication programme with shareholders and ensuring that financial results, business strategies and targets are appropriately communicated to Company’s investors. →

## GOVERNANCE

### CORPORATE GOVERNANCE REPORT CONTINUED

#### Non-executive directors

The independent non-executive directors bring a wealth of knowledge and business experience from other sectors and industries to the Board and its Committees. Through their contributions, the independent non-executive directors provide the Company with independent views on matters of strategy, performance, risk and conduct.

Non-executive directors are appointed for an initial three year term with the expectation that a further term will follow, subject to review by the Board. The terms and conditions of appointment of the non-executive directors are available for inspection at the registered office during normal business hours. While the expected time commitment from non-executive directors is set out in their letter of appointment as approximately 2-4 days per month, plus preparation time, each is required to confirm that they are able to devote such time as is necessary for the satisfactory performance of their duties.

The length of tenure and independence of the non-executive directors as at year end is shown below:

	Date of Appointment	Tenure from appointment to 2013 AGM	Considered to be independent
Ronald Blakely	July 2011	2 years	✓
John Lander	November 2008	4½ years	✓
Dennis McShane <sup>1,2</sup>	October 2007	5½ years	✓
Lyndon Powell	October 2007	5½ years	✓

- 1 Dennis McShane ceased to be a non-executive director following his appointment as executive director of Corporate Strategy on 18 February 2013.
- 2 William (Bill) Schrader was appointed as an independent non-executive director on 18 February 2013.

The Board considers that all its non-executive directors at year end, namely Ronald Blakely, John Lander, Dennis McShane and Lyndon Powell, were independent in character and judgement and free from relationships or circumstances that might affect their judgement. During the year under review, the majority of the non-executive directors, excluding the Chairman, were independent non-executive directors and met the criteria for independence set out in the Code.

Throughout 2012 and up to the date of publication of this annual report, a majority of the Board members, excluding the Chairman, were independent non-executive directors.

#### Senior independent director

Dennis McShane was the senior independent director during the year under review. In light of his appointment to an executive role on the Board, Ronald Blakely assumed the role of senior independent director with effect from 18 February 2013.

The senior independent director is charged with maintaining a communication channel between the Chairman and the non-executive directors and for leading the non-executive directors in the annual performance evaluation of the Chairman. In addition, the senior independent director is available to shareholders who have concerns that have not, or cannot, be resolved through the normal channels of the Chairman or the Chief Executive Officer or where such contact is inappropriate.

The specific terms of the role of the senior independent director have been set out in writing and approved by the Board.

#### Company Secretary

Lisa Mitchell, Chief Financial Officer, was appointed as Company Secretary in August 2012. Prior to Ms Mitchell's appointment, the role of Company Secretary was undertaken by Prism Cossec Ltd. Prism Cossec continues to provide corporate governance advice and services to the Company and to act as minute secretary to the Board and its Committees.

#### EFFECTIVENESS

##### Board composition

At 31 December 2012 the Board was comprised of the Chairman, two executive directors and four independent non-executive directors. Subsequently, on 18 February 2013, Bill Schrader was appointed as a non-executive director and Dennis McShane as an executive director. As at the date of this report therefore, the Board comprises the Chairman, three executive directors and four independent non-executive directors.

The Board believes that this balance of executive and non-executive directors provides for high quality discussion and consideration of the key issues concerning the Company.

The composition of the Board is regularly reviewed to ensure that the Directors have the required skills, knowledge and experience to meet the needs of the business. Biographical details for each of the current directors are set out on page 43.

The following changes to the Board took place during the year ended 31 December 2012 and up to the date of this report:

### 19 June 2012

As announced in December 2011, Alan Stein, executive deputy Chairman and founder of the Company, retired from the Board at the conclusion of the 2012 Annual General Meeting (the AGM).

Rajan Tandon, non-executive director and representative for Mittal Investments S.a.r.l. (Mittal) under the terms of the Relationship Agreement between Mittal and the Company, also retired from the Board at the conclusion of the 2012 AGM. As a consequence of this retirement, the appointment of Jaroslaw Paczek as Rajan Tandon's alternate also terminated.

### 6 August 2012

Patrick Spink, independent non-executive director, resigned from the Board to pursue other interests.

### 18 February 2013

Dennis McShane, independent non-executive director and senior independent director was appointed as an executive director.

William (Bill) Schrader was appointed as an independent non-executive director.

### Diversity

The Board is committed to equal opportunities in its recruitment and succession planning policies and continues to welcome the current emphasis on diversity in general.

While, as yet, none of the Board Directors are women, women made up 20% of the Executive Committee, 22% of the Senior Management Team and 42% of the total workforce as at 31 December 2012. Ophir remains dedicated to encouraging diversity at all levels of the business, acknowledging that a more diverse workforce, with the right mix of skills, experience and knowledge, can make a valuable contribution to the Company.

### Meeting attendance

The Board held five formal meetings during 2012, including a meeting to consider the strategic direction of the business. In addition, five further meetings were called at short notice in order to consider specific items of business. Details of the attendance of all Directors who served during the year ended 31 December 2012 and up to the date of this report at the formal and short-notice Board meetings are shown in the table below:

	Scheduled Board Meetings	Board Meetings held at short notice
<b>Current directors</b>		
Nicholas Smith, Chairman	5/5	5/5
Nick Cooper, Chief Executive Officer	5/5	5/5
Jonathan Taylor, executive director	5/5	5/5
Ronald Blakely, non-executive director	5/5	5/5
John Lander, non-executive director	5/5	5/5
Dennis McShane, non-executive director	5/5	4/5
Lyndon Powell, non-executive director	5/5	4/5
<b>Former directors</b>		
Alan Stein, Executive Deputy Chairman <sup>1</sup>	1/3	0/1
Patrick Spink, non-executive director <sup>2</sup>	3/3	2/2
Rajan Tandon, non-executive director <sup>3</sup>	1/3	1/1

1 Alan Stein retired from the Board at the conclusion of the Company's AGM on 19 June 2012.

2 Patrick Spink resigned from the Board on 6 August 2012.

3 Rajan Tandon resigned from the Board at the conclusion of the Company's AGM on 19 June 2012. →

## GOVERNANCE

### CORPORATE GOVERNANCE REPORT CONTINUED

#### Board process

Directors are provided with full and timely information before meetings, including detailed financial information where applicable. The Chief Executive Officer sets the agenda for Board meetings in consultation with the Company Secretary and the Chairman and formal minutes are prepared to record all decisions made.

To facilitate the efficient dissemination of information to directors, the Board is in the process of implementing electronic board meeting software.

Minutes of Board and committee meetings are formally approved at the next full meeting. In the meantime, draft minutes are circulated to each director or committee member as appropriate as soon as practicable after the conclusion of the meeting. Minutes of committee meetings may be made available to other Board members on request and as appropriate.

If a director objects to a particular proposal, this will be recorded in the minutes of the relevant meeting. During the year ended 31 December 2012 there were no such objections.

#### Insurance and indemnification

The Company provides its directors and officers with the benefit of appropriate insurance, which is reviewed annually. In addition, directors and officers have received an indemnity from the Company against (a) any liability incurred by or attaching to the director or officer in connection with any negligence, default, breach of duty or breach of trust by them in relation to the Company or any associated company; and (b) any other liability incurred by or attaching to the director or officer in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office other than certain excluded liabilities including to the extent that such an indemnity is not permitted by law.

#### Appointment, induction and training

The Chairman is responsible for ensuring that an appropriate induction is given to new Board members. The induction programme is specifically tailored to the needs of the incoming director and will include training on the business and strategy of the Company, copies of Board policies and procedures, meetings with senior management and site visits, where appropriate. Ongoing development and training is provided to directors at Board and committee meetings.

During 2012, the Directors received specific training on:

- Macro, equity markets and gas market trends;
- Asia-Pacific liquefied natural gas;
- Competitor activity in East and West Africa;
- UK Bribery Act update;
- HSE, including crisis management; and
- Updates on specific areas of risk.

In November 2012 the Directors participated in a site visit to Tanzania including a visit to the port facility located at Mtwara, Tanzania.

#### Independent advice

All directors have access to the advice and services of the Company Secretary and the Board has established a procedure whereby any director may take independent professional advice at the Company's expense on any matter in the furtherance of their duties.

#### Re-election

In accordance with the provision of the Code, all continuing directors of the Company offer themselves for annual re-election at the AGM.

#### External directorships

The Company had adopted a policy which allows the executive directors to accept directorship of other quoted companies provided that they have obtained the prior permission of the Chairman. As set out in the Code, no executive director would be permitted to take on more than one non-executive directorship in a FTSE 100 company or the chairmanship of such a company. During the year ended 31 December 2012, none of the Company's executive directors held directorships in any other quoted company.

#### Board evaluation

Socia Ltd was appointed to undertake the first evaluation of the Board, its members and processes. The evaluation focused on three key areas: ensuring the fitness of the Board to meet the demands of the future of this fast-developing business; ensuring the Board has the right blend of skills and experience; and continuing to develop the dynamics of the Board so that it remains an effective decision making body.

The external facilitator conducted interviews with each Board member, the Chief Financial Officer, General Counsel and Company Secretary, asking each to assess the Board's performance in five areas. The resulting report, including recommendations for action, was considered by the Board and a response plan agreed.

The main focus of the response plan is to strengthen and develop the skills and knowledge of the Directors and senior management team. Formal monthly meetings have been instigated between the Chairman, Chief Executive Officer and the senior independent director. The appointment of a new non-executive director in February 2013 enhanced the Board's African operational experience. The Chairman and Company Secretary will monitor progress over the year and the findings will play a key role in the structure and focus of the 2013 evaluation.

The senior independent director led a review of the Chairman's performance by the non-executive directors. The result of the Chairman's review, where he was perceived to be performing well in all categories, was consistent with the findings of the evaluation undertaken by Socia.

Socia Ltd does not provide any other services to the Company.

#### **Conflicts of interest**

Every director has a duty to avoid a conflict between their personal interests and those of the Company. The provisions of Section 175 of the Companies Act 2006 and the Company's articles of association permit the Board to authorise situations identified by a director in which he or she has, or may have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company.

Prior to year end, the Board reviewed the outside positions and interests or arrangements with third parties held by each director and, following consideration, the positions and interests disclosed were authorised.

The Board will continue to undertake an annual review of directors' situational conflicts. Notwithstanding the above, each director is aware of his duty to notify the Board should there be any material change to their positions or interests during the year.

Directors do not participate in Board discussion or decisions which relate to any matter in which they have or may have a conflict of interest.

## **RELATIONS WITH SHAREHOLDERS**

### **Dialogue with shareholders**

The Chief Executive Officer is primarily responsible for investor relations within the Group, supported by the investor relations function. Presentations were made to analysts on publication of the Company's full year 2011 results in April and half-year results in August 2012. The Company also held its second capital markets day in London in October to enhance investor knowledge of the Company and its strategy.

All financial and regulatory announcements, as well as other important business announcements, are published to the investor relations section of the Company's website and stakeholders can subscribe to receive new updates by email by registering online on the website.

### **Annual General Meeting**

Our first Annual General Meeting (AGM) as a premium listed entity was held in London in June 2012 and was attended by all continuing members of the Board. The AGM included a presentation about the business by the Chief Executive Officer and an opportunity for shareholders to ask questions, both on the formal business of the meeting and generally.

Voting on all resolutions at the AGM was by means of a poll. The results of the poll, including votes withheld on each resolution, are available on the investor relations section of the Company's website.

The 2013 AGM will be held on 6 June 2013 at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ. Full details of the business of the AGM will be set out in the Notice of Meeting and sent to shareholders, together with any related documentation, at least 20 clear business days before the date of the meeting in accordance with the requirement of the Code.

### **COMMITTEES OF THE BOARD**

In order to facilitate the business of the Company, the Board has delegated certain responsibilities to its standing committees in line with the provisions of the Code. The reports of the Audit, Health, Safety and Environment, Nomination, and Remuneration Committees, are set out on the following pages.

**GOVERNANCE**  
**REPORT OF THE AUDIT COMMITTEE**

**REPORT OF THE AUDIT COMMITTEE**

Dear Shareholder



During this first full year as a listed entity, the Audit Committee developed an agenda to include regular reviews of controls in the various financial and business processes. To highlight examples, a third party was contracted to review the procurement process and as a result of that work, several changes were implemented to improve processes and controls. An independent review was also completed to review the accounts payable process, where control weaknesses were identified and steps taken to strengthen the controls.

In general, as Ophir moved from a private to a listed entity, the control framework was good. However, given a relatively small staff and paper intensive work processes, a number of controls have been identified to improve areas such as segregation of duties and documentation. These reviews will form an ongoing part of the Committee agenda in the coming year.

Also during the year, the decision was taken to establish an internal audit function which will initially

be performed by third party contractors with the specialist skills for joint venture as well as internal auditing. The first of these audits will be performed in 2013 and the Committee will receive reports on the internal audits at each of its meetings going forward.

The Committee also gave oversight to the implementation of training, education and communication related to the UK Bribery Act such that all employees understand their responsibilities. Particular emphasis was given to the implementation with third party service providers.

During the year, the Committee refined the risk management process with management to ensure a systematic evaluation of the major risks to the Company such that particular risks can be reviewed and discussed by the Board at future meetings.

The past year saw good progress in improvements to the control framework.

**RONALD BLAKELY**  
**Audit Committee Chairman**

**MEMBERSHIP AND ATTENDANCE**

The members of the Committee during the year ended 31 December 2012, together with details of their individual attendance at Committee meetings held during the year, are set out below:

Committee Members	Meeting attendance
Ronald Blakely (Committee Chairman)	3/3
John Lander	3/3
Dennis McShane	3/3

The Board considers all members of the Committee to be independent and that Ronald Blakely has recent and relevant financial experience and competence in accounting as required by section C.3.1 of the Code and section 7.1.1 of the Disclosure and Transparency Rules respectively.

The Chief Executive Officer, Chief Financial Officer and representatives of the external auditor attend Committee meetings on a regular basis. In addition, the Group Financial Controller and the General Counsel may be invited to attend all or part of Committee meetings as required. The external auditors are also given the opportunity to meet with the Committee without executive management being present.

Following Dennis McShane's appointment as executive director in February 2013, Mr McShane will step down from his position on the Audit Committee and a replacement will be appointed in due course.

**ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE**

During 2012, the Committee reviewed its objectives and terms of reference to ensure that they remained appropriate. The Committee's full terms of reference are available on the Company's website but, in summary, the Committee's main role and responsibilities are:

- monitoring the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;
- keeping under review the effectiveness of the Company's internal financial controls and internal control and risk management systems together with reviewing and approving statements to be included in any public document concerning internal controls and risk management;
- reviewing the adequacy and security of the Company's procedures and arrangements for detecting fraud, bribery and money laundering and ensuring that employees and contractors are able to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- monitoring and reviewing the effectiveness of the Company's internal audit processes in the context of the Company's overall risk management system;



- considering and making recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor, their terms of appointment and remuneration and assessing annually their independence and objectivity; and
- developing and implementing a policy on the supply of non-audit services by the external auditor.

### FINANCIAL REPORTING

During the year, the Committee reviewed and approved for consideration by the Board the financial results for the year ended 31 December 2011 together with the results for the half-year to 30 June 2012. On both occasions, the Committee considered the appropriateness of preparing the accounts on a going concern basis, a particular area of scrutiny and review given that the Company continues to be an exploration rather than producing entity. The going concern reviews included consideration of forecast plans and supporting assumptions as well as the options available to the Company for obtaining additional funding, such as portfolio management and equity.

At both full and half-year, the Committee agreed that the Company's financial position was such that it continued to be appropriate for accounts to be prepared on a going concern basis.

Other matters considered by the Committee during the year, and which are not covered elsewhere in this report, include:

- purchase price allocation and financial system integration following the acquisition of Dominion Petroleum Ltd;
- control processes for contracts and procurement;
- full and half-year external audit plans;
- processes and controls for analysing exploration results and contingent reserves;
- review of fraud detection procedures; and
- review of insurance cover.

### EXTERNAL AUDITOR

Ernst & Young LLP (Ernst & Young) has acted as auditor since 2004. During the year, the Committee considered and agreed that the Company's external audit services should be put out to tender at least once every 10 years, as set out in the revised Code. The Chief Financial Officer, on behalf of the Committee, has therefore been delegated with the task of undertaking a review of audit services, including a tender by suppliers, ahead of the 2014 audit.

The Company's audit partner will mandatorily rotate from the account following the conclusion of the 2012 audit in accordance with the requirements of the ethical standards of the Accounting Practices Board. The Committee Chairman discussed the Company's requirements with Ernst & Young and met the proposed audit partner prior to his appointment. The new audit partner attended his first Committee meeting in November 2012.

The Committee has reviewed and confirmed the Company's policy governing the provision of audit and non-audit services provided by the auditor and its associates. The policy clearly identifies permitted and prohibited services and sets out the procedure to be followed for the approval of all audit and non-audit services. All engagements with an expected fee in excess of US\$100,000 require the prior approval of the Committee. The Committee reviews statements on the independence and objectivity of the external auditor at least twice a year in order to satisfy itself that independence and objectivity has been safeguarded.

During the year ended 31 December 2012 the Committee approved fees for audit services of US\$302,000 together with fees for non-audit work of US\$709,000. The nature of the services provided is set out in note 5 to the consolidated financial statements. There is no limitation of liability in the terms of appointment of Ernst & Young as auditor to the Company.

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has delegated its responsibility for monitoring the Group's system of internal control and for reviewing its effectiveness on a continual basis to the Committee.

The Group's system of internal control is designed to safeguard the Company's assets and to ensure the reliability of financial information for internal and external use. Any system of controls can provide only reasonable, not absolute, assurance that assets are safeguarded, transactions authorised and correctly recorded and that any material errors and irregularities are detected within a reasonable timeframe. The Group's internal controls are therefore designed to manage, rather than eliminate, risk, recognising that not all risks can be eliminated and the cost of control procedures should not exceed the expected benefits. →

## GOVERNANCE

### REPORT OF THE AUDIT COMMITTEE CONTINUED

The Committee regularly reviews the effectiveness of the Group's system of internal controls which covers financial, operational and risk management processes. Lines of responsibility have been clearly defined and a delegated authority schedule approved and implemented.

During the year, the Company undertook a bottom-up review of risk. The Group operates a risk management process under which key risks are identified, their likelihood and impact considered and actions taken to manage those risks. The Committee reviews the Group's risk register every six months. The principal risks identified by the Group are set out on pages 38 to 39.

The Board has reviewed the effectiveness of the internal control systems in operation during the financial year and, where necessary and appropriate, action has been taken to remedy any identified failings or weaknesses. The processes as set out above have been in place for the year under review and up to the date of this annual report.

#### INTERNAL AUDIT

During the year the Committee reviewed the requirement for the Company to establish an internal audit function. It was agreed that the Company's development over the year warranted the establishment of an internal audit function, albeit on an outsourced basis initially. The tender for internal audit services is expected to complete in early 2013.

#### ANTI-BRIBERY AND WHISTLEBLOWING

During the year, the Committee reviewed the Company's processes and procedures in relation to The UK Bribery Act 2010 (the Act) and obtained confirmation that these were being properly implemented.

The main emphasis during the year has been to ensure that third party contractors were following the Company's anti-bribery policy and to the implementation of contracting and procurement procedures. In addition, a gifts and hospitality register had been developed and a system for dealing with per diems for government officials was being considered prior to developing a formal policy.

The Company is committed to the highest standards of business conduct and has adopted a whistleblowing policy as a mechanism to support the achievement of this goal. Employees are encouraged to raise genuine concerns which are carefully and thoroughly investigated to assess what action, if any, should be taken. Employees, officers and business partners are able to raise any concerns in a confidential manner with either the compliance officer (who is the General Counsel), Lyndon Powell (independent non-executive director), or the Chief Executive Officer.

During the year ended 31 December 2012, no issues were raised via the whistleblowing policy.

#### AUDIT COMMITTEE EVALUATION

Before the year end, the Committee undertook a questionnaire-based evaluation of itself and its responsibilities. The evaluation focused on whether members of the Committee were satisfied that it was fulfilling all its duties and whether more or less time should be spent considering certain topics. Committee members were also asked whether they were satisfied with the advice obtained from the Company on audit issues.

As a result of the evaluation, minor amendments were proposed to the Committee's terms of reference, which were subsequently approved by the Board. No additional topics were identified for the Committee's consideration and all members were comfortable with the level of advice and openness from executive management.

Finally, it was agreed that consideration should be given to undertaking an externally facilitated Committee evaluation during 2013.

**REPORT OF THE HSE COMMITTEE**

Dear Shareholder



Ophir's enhanced seismic and drilling programme for 2012 has been a major focus of the Committee's schedule during the year. Maritime security issues were key components of the drilling campaigns in both East and West Africa and will continue to be at the forefront of the Committee's considerations as the Group explorations expand.

During the year, the Committee reviewed and approved several key policies and ensured that appropriate training was provided to all stakeholders, including contractors. In July, Ian Borthwick, an HSE consultant and advisor to the Company, provided the Board with HSE training and engaged all Perth-based employees in HSE requirements. He also mentored Ophir's Crisis Management Team in the procedures for managing a crisis.

There have been no fatalities or significant HSE incidents during the year. Although there has been excellent HSE performance in 2012, the Committee's main focus will continue to be the oversight of the Group's safety performance, and to this end the Committee encourages all stakeholders to continue their diligence and commitment to the Group's HSE policies and practices.

**LYNDON POWELL**  
HSE Committee Chairman

**MEMBERSHIP AND ATTENDANCE**

The members of the Committee, the majority of whom are independent non-executive directors, together with details of their individual attendance at meetings held during the year ended 31 December 2012, are set out below:

Committee Members	Meeting attendance
Lyndon Powell (Committee Chairman)	3/3
John Lander	3/3
Patrick Spink (to 6 August 2012)	2/2
Jonathan Taylor	2/3

Jonathan Taylor was unable to attend one meeting during the year due to being overseas on business for the Company.

The Company Chairman and Chief Executive Officer have an open invitation to attend all Committee meetings. In addition, the Group HSE Manager is invited to attend each meeting to present his report to the Committee. Other senior members of staff and external advisors may be invited to attend as necessary.

**ROLE AND RESPONSIBILITIES OF THE HSE COMMITTEE**

The role of the Committee is to ensure that appropriate policies and systems are developed and implemented in order to identify and manage health, safety, social, security and environmental matters within all Group operations. Full terms of reference for the Committee are available on the Company's website but, in summary, its main responsibilities include to:

- evaluate the effectiveness of the Group's policies and systems for identifying and managing health, safety, social, security and environmental risks within the Group's operations and assess the performance of the Group with regard to the impact of its HSE decisions;
- receive, on behalf of the Board, reports from management concerning all fatalities and serious accidents within the Group and actions taken by management as a result;
- review external stakeholder reporting concerning health, safety, security, social and environmental performance and issues; and
- review the results of independent audits of the Group's performance in regard to health, safety, social, security or environmental matters, and to review any strategies and action plans developed by management in response to issues raised.

**HSE COMMITTEE ACTIVITIES**

The focus for the Committee during the year ended 31 December 2012 has been maritime security for the Group's drilling campaigns in East and West Africa. While there has been a significant reduction in piracy activity overall, the Committee ensured that appropriate maritime security plans were developed and implemented, including the modus operandi for the use of armed personnel, during drilling off Tanzania and Equatorial Guinea in 2012 and for the drilling campaigns scheduled for 2013.

The Committee reviewed the policies on health, safety and environment and corporate social responsibilities during the year which, following Board approval, have been disseminated through the Group. The Committee also received information on other policies being implemented by the Company.

During the year, the Committee also considered:

- HSE key performance indicators;
- crisis management plans;
- HSE training for the Board, all employees and contractors;
- appropriateness of undertaking HSE audits of joint venture partners;
- reports on health, safety and environmental incidents within the Group, including a particular focus on lost time injuries and the results of any investigations;
- HSE and CSR external communications; and
- approval of the 2013 HSE budget for submission to the Board. →

## GOVERNANCE

### REPORT OF THE HSE COMMITTEE CONTINUED

Further information on the Company's approach to corporate responsibility and HSE matters can be found in the Corporate Responsibility Report on pages 34 to 37.

#### HSE COMMITTEE EVALUATION

Before the year end, the Committee undertook a questionnaire-based evaluation of itself and its responsibilities. Stakeholders (including institutional and retail shareholders, voting agencies, environmental groups and local communities) are placing increasing importance on whether companies are being managed in a socially responsible manner and companies are expected to demonstrate that sustainability is integrated into the business model.

The evaluation focused on ascertaining whether the members believed that the Committee was adequately fulfilling all of its duties. This included consideration of whether the Committee composition was appropriate, whether satisfactory advice was being received from the Company and the level of engagement with and advice and guidance from external advisers. As a result of the responses received, the Committee will invite operational members of the senior management team and third party providers to attend and report to future meetings.

### REPORT OF THE NOMINATION COMMITTEE

#### REPORT OF THE NOMINATION COMMITTEE Dear Shareholder



In February 2013 I succeeded Dennis McShane as Chairman of the Nomination Committee, having served as a member of the Committee since it was established in 2008. I would like to congratulate Dennis on his appointment as executive director of Corporate Strategy and thank him for his excellent chairmanship during the last three years.

Following the successful IPO in 2011, the Committee focused on the key issues of reinforcing the senior executive team, succession planning and Board composition.

With regard to the latter, Rajan Tandon, Mittal Investments' representative on the Board, stepped down as a director in June 2012. Paddy Spink did the same in August 2012. Their wise counsel has been missed.

During the latter part of the year Egon Zehnder was appointed to assist with the selection of further non-executives to the Board. The criteria of expertise were strong technical, engineering and/or gas commercialisation expertise. I am pleased that Bill Schrader has now joined the Board and we are sure that his wealth of energy industry experience will be of utmost value to the Company.

Succession planning will remain a key focus for 2013. This has been helped by the development and adoption of a robust response plan to the points identified in the 2012 Board evaluation.

**NICHOLAS SMITH**  
Nomination Committee Chairman

#### MEMBERSHIP AND ATTENDANCE

The membership of the Nomination Committee, together with details of their individual attendance at meetings held during the year ended 31 December 2012, are set out below:

Committee Members	Meeting attendance
Dennis McShane (Committee Chairman)	3/3
John Lander (retired from the Committee 14 November 2012)	3/3
Nicholas Smith	3/3
Ronald Blakely (with effect from 14 November 2012)	0/0

In order to adopt a more even allocation of Committee membership among the independent non-executive directors, the Board approved the appointment of Ronald Blakely as a member of the Committee in place of John Lander on 14 November 2012. No Committee meetings were held following this change and prior to the year end.

The Board considers all members of the Committee who served during the year to be independent, including the Chairman of the Board, who was independent on appointment.

Further to his appointment as executive director in February 2013, Dennis McShane stepped down from his position as Chairman of the Committee, and was replaced by Nicholas Smith. At the same time Lyndon Powell was appointed to the Committee.

### **ROLE AND RESPONSIBILITIES OF THE NOMINATION COMMITTEE**

The full terms of reference of the Committee are available on the Company's website. In summary, the Committee's main responsibilities include to:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- give full consideration to succession planning for directors and other senior executives;
- ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings and review annually the time commitment required from the Company's non-executive directors;
- review the results of the Board performance evaluation process that relate to the composition of the Board;
- review the membership of the Audit and Remuneration Committees and any other Board committees as appropriate, in consultation with the chairmen of those committees; and
- consider the re-appointment of any non-executive director at the conclusion of their specified term of office, giving due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.

### **NOMINATION COMMITTEE ACTIVITIES**

The key focus of the Committee during 2012 has been succession planning and Board composition. In particular, the Committee reviewed the constituents of the Company's senior management team, whether further appointments were required to strengthen the team and how best to provide appropriate training to current members.

Following the retirement of Rajan Tandon at the conclusion of the AGM and the resignation of Patrick Spink in August 2012, the Committee considered Board composition and the importance of refreshing Board and committee membership. Egon Zehnder, a professional search agency specialising in the recruitment of high calibre non-executive directors, was engaged to identify candidates with strong technical or engineering or gas commercialisation expertise. As a result of this process, Bill Schrader was appointed to the Board in February 2013.

During its deliberations, the Committee also reviewed the membership of all Board committees and made a recommendation for minor changes to the Board for approval. Egon Zehnder does not provide any other services to the Company.

### **NOMINATION COMMITTEE EVALUATION**

Before the year end, the Committee undertook a questionnaire-based evaluation of itself which focused on whether its terms of reference remained fit for purpose. The outcome of the evaluation was that the Committee did not believe that any changes to its terms of reference were necessary at the present time. However, as with the Audit Committee, the Nomination Committee agreed that consideration should be given to undertaking an externally facilitated evaluation of all Board committees during 2013.

**INTRODUCTION FROM THE CHAIRMAN  
OF THE REMUNERATION COMMITTEE**

Dear Shareholder



On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2012. As usual, we will be seeking your approval of this report at our AGM on 6 June 2013.

**Performance and reward**

As described in the Chairman's and Chief Executive Officer's joint review, 2012 was another year of significant progress at Ophir. Our success has come in terms of successful drilling results in Tanzania and Equatorial Guinea and in the acquisition of major 3D seismic data in a number of our key countries of operation. All operations were conducted safely. These activities result in our net risked prospective resources growing to circa 900 million barrels of oil equivalent, based on independent audits.

Against this background, the Remuneration Committee (the Committee) considers the remuneration paid to our management team to fairly reflect their performance during the year. Ophir includes a broad range of the Company's KPIs in its annual bonus plan and the Company delivered substantial progress against each metric during the year in delivering the strong performance noted above. As a result, annual bonuses were paid at 89.33% of the maximum.

There were no long term incentive awards vesting during the year in light of the relatively short period since the Company listed on the FTSE All-Share Index (November 2011).

**Remuneration policy for 2013**

In line with the Company's policy, remuneration for executive directors is generally weighted towards variable pay, with fixed pay set below comparable median benchmarks.

Since the Company operates in a sector where investment decisions have multi-year impacts, the majority of variable pay is weighted towards long term share-based incentives which operate in tandem with minimum share ownership guidelines. This structure ensures that clear alignment is achieved between executives and shareholders.

For 2013, the Committee approved modest increases in basic salary of 3.5% with effect from 1 January 2013 for the executive directors. This increase was also consistent with the typical salary budget operated for the Group as a whole.

With the exception of introducing clawback provisions into the Company's incentive plans for executive directors for 2013, there are no changes to our annual bonus or our long term incentive policies for 2013 (either in terms of quantum or structure). Full details of these are set out on pages 61 to 63. Clawback provisions have been introduced in response to developments in best practice.

**Risk**

The Committee undertakes a careful review of its remuneration policy annually to ensure that it is consistent with the business strategy and does not, as an unintended consequence, encourage or reward inappropriate risk-taking by the executives. The Committee is comfortable that the current structure, weighted towards long-term variable pay, and operating with share ownership guidelines and clawback provisions, does not inadvertently encourage undue risk taking.

**Voting at the 2012 AGM**

As required by the regulations, the Directors' Remuneration Report for 2011 was put to shareholders for an advisory vote at the 2012 AGM. The report was approved by 87.61% of those shareholders who voted (being 76.87% of the total issued capital as at the date of the AGM).

In addition, the Exceptional Long-Term Incentive Award granted to the Chief Executive Officer during the year under review, was also the subject of shareholder vote at our 2012 AGM. The binding vote was approved by 81.21% of those shareholders who voted (being 78.78% of the total issued capital as at the date of the AGM).

These results followed extensive discussion with a number of our major shareholders and I remain committed to continuing engagement with shareholders as our remuneration policy develops.

**UK legislative changes**

In June 2012, the Department for Business, Innovation & Skills (BIS) published the draft legislation in relation to directors' remuneration reporting regulations. The final regulations are expected to be published in July 2013 and will change the way in which all companies, including Ophir, are required to report and make decisions in respect of executive directors' remuneration. The revised reporting requirements are anticipated to apply to Ophir for the financial year commencing on 1 January 2014.

In order to provide for a smooth transition towards the first year of mandatory disclosure, and in order to comply as much as possible with current best practice reporting amongst FTSE 350 companies, the Company has elected to present the Directors' Remuneration Report for 2012 in two sections: a forward looking Remuneration Policy Report and backward looking Remuneration Implementation Report. However, the overall report will remain subject to a single advisory vote, in line with current legislation, at the 2013 AGM and the 'Remuneration Policy Report' section will not be put to a binding vote at this stage.

Finally, reflecting the current legislative requirements, this report continues to satisfy the reporting requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008.

**JOHN LANDER**

Remuneration Committee Chairman

4 March 2013

**PART A: UNAUDITED INFORMATION  
REMUNERATION POLICY REPORT**

A key element of the Company’s remuneration policy is to achieve a level of remuneration which will attract, motivate and retain executives of the highest calibre. The Company operates in a sector where investment decisions have multi-year impacts. For this reason the Committee has elected to adopt an executive remuneration policy which is structured so that a significant proportion is made up of long term share-based incentives.

The Committee has elected to retain the basic level of pay, benefits and pension contributions for executive directors at or below the average benchmark industry levels, and to more adequately reward the Directors if they meet or exceed the targets set under the variable components of their remuneration packages. The effect of this approach is to ensure that executive management are neither encouraged to undertake, nor rewarded, for inappropriate risk-taking and their interests are more closely aligned with those of the Company’s shareholders.

The remuneration structure for executive directors is made up of two elements: fixed remuneration (consisting of base salary, benefits (including non-contributory health insurance and life assurance) and pension contributions) and variable remuneration (annual bonus scheme and long term share incentives).

**New Board appointments**

Base salary levels will be set to reflect the experience of the individual, appropriate market data and internal relativities but with a view to operating within the Company’s overall policy framework. If it is considered appropriate to appoint a new director on a below market salary, they may be the subject of a series of increases to a desired salary positioning over an appropriate timeframe (e.g. 2 to 3 years) subject to performance in post.

Normal policy will be for the new director to participate in the remuneration structure detailed above. The Committee may also grant a share option award to a newly appointed executive director to assist facilitating his recruitment under the Company’s 2006 share option scheme.

Should it be the case that the Committee considered it necessary to buyout incentive pay which an individual would forfeit on leaving their current employer, such compensation, where possible, would be structured so that the terms of the buy-out mirrored the form and structure of the remuneration being replaced (e.g. vested share awards may be replaced with shares in Ophir while recently granted long term incentive awards may be replaced with an exceptional performance related LTIP award or share option award).

**Base salary**

Base salaries are reviewed annually. New Bridge Street periodically provides the Committee with benchmark data for review. After considering the performance of the executives and the Company as a whole over the year, an increase of 3.5% to the basic salary of executive directors was agreed, effective from 1 January 2013. As for the prior year, the increase is in line with the cost of living index and comparable to that provided to Group employees.

With effect from 1 January 2013 the basic salaries for the executive directors will therefore be: Nick Cooper – £407,530 and Jonathan Taylor – £380,363.

**Pension and other benefits**

Executive directors are also provided with the following benefits: (i) Company pension superannuation contributions of the greater of the statutory minimum or 11% of basic salary paid into their personal pension arrangements; (ii) eligibility to participate in any share option scheme for employees; (iii) permanent health insurance; (iv) private health insurance (including spouse and children); (v) life assurance; (vi) medical evacuation insurance; (vii) 25 days’ paid holiday in addition to British bank and other public holidays; and (viii) six consecutive months’ paid sick leave in any 12-month period.

**Annual bonus**

The annual bonus plan has been designed to provide reward for above average performance. The performance targets for the bonus plan, linked to agreed key performance indicators (KPI), are reviewed by the Committee annually.

In relation to performance-related annual bonuses for the year ending 31 December 2013, the Committee has set KPI targets relating to the following measures:

Measure	As a percentage of maximum bonus opportunity*
Health, safety and environmental performance/corporate social responsibility	30%
Personal performance	30%
Increase in Reserves and Resources	30%
Financial Planning and Control	30%
Portfolio Management/new business	30%

\*The Committee retains discretion to reduce the total bonus payment to executive directors in the event of a serious HSE incident or series of incidents.

The maximum annual bonus opportunity for executive directors is 150% of basic salary. No bonus is payable for below target performance, with bonuses earned on a sliding scale (where appropriate) based on the Committee’s assessment of achievement against the targets set.

## GOVERNANCE

### REMUNERATION REPORT CONTINUED

#### Long term incentives

Details of long term incentives held by the executive directors in post during the year under review are shown in the table on page 71. No executive directors exercised any share options during the year (2011: Nil).

#### 2006 Share Option Plan

As previously advised, the Company's 2006 Share Option Plan (2006 Plan) is no longer being used as a principal feature of the Company's remuneration arrangements. In order to retain flexibility when considering the remuneration arrangements for senior executive management, the Committee has retained the 2006 Plan for use on an exceptional basis only (e.g. to facilitate a senior recruitment). No awards under the 2006 Plan were made to the executive directors during the year ended 31 December 2012.

#### Long-Term Incentive Plan 2011

The Company operates a Long Term Incentive Plan (LTIP) under which conditional awards or nominal cost options may be granted linked to the long term performance of the Group. The maximum value of shares that can be granted to any participant is 200% of salary each year, although awards can be made up to 300% of salary in exceptional circumstances.

Awards in 2013 (and subsequent years) will be determined using the weighted average share price for the period from 15 November to 14 February. This policy employs the same averaging period as per 2012 (three months to smooth short term fluctuations) but establishes a new policy that will take the average up to the time that the Committee normally approves the individual LTIP allocations (i.e. its February meeting). This is considered to result in the number of shares comprising individual awards better reflecting the information presented to the Committee at the time of approving the awards in principle. Awards will continue to be granted as soon as the preliminary results are announced (or later if a close period continues to apply as of that date). The normal LTIP performance period would remain as three calendar years beginning on 1 January of the year of grant and ending on 31 December of the third year.

Awards vest on a straight line basis relative to the Company's total shareholder return (TSR) performance over a three year period compared to a comparator group set on grant. No vesting occurs for below median performance. At median 25% of the award vests, with full vesting at the upper quartile. In addition, the Committee may reduce the number of shares in respect of which an award would otherwise vest based upon TSR performance if it considers that the TSR achieved over the three year period does not reflect the underlying financial performance of the Company or that key operational metrics have not been met.

The Committee has also confirmed that relative TSR performance remains the most appropriate metric for use by the Company in relation to LTIP awards. The constituents of the comparator group were reviewed during the year and, for the 2013 award, Petroceltic International plc replaced Melrose Resources plc following their merger. The constituents of the LTIP comparator group are therefore:

Afren plc	Bowleven plc
Cairn Energy plc	Chariot Oil & Gas Limited
Cobalt International Energy, Inc.	Kosmos Energy Ltd
EnQuest plc	Essar Energy plc
Faroe Petroleum plc	Genel Energy plc
Gulf Keystone Petroleum Limited	Heritage Oil plc
JKX Oil & Gas plc	Maurel & Prom
Petroceltic International plc	Premier Oil plc
Rockhopper Exploration plc	Salamander Energy plc
Soco International plc	Tullow Oil plc

For 2013, the Committee is also to introduce clawback provisions that will enable the Committee to clawback value overpaid in the event of a material misstatement of the Company's results within a two year period in relation to the award.

#### Deferred Share Plan 2012

The Deferred Share Plan 2012 was approved by shareholders at the 2012 AGM. It is intended to facilitate the deferral of a portion of participants' annual bonuses into ordinary shares.

Awards under the Deferred Share Plan 2012 are on broadly the same terms as the LTIP.



**Chief Executive Officer’s exceptional LTIP award**

In June 2012, following consultation with the Company’s major shareholders and their approval at the AGM, an exceptional one-off award of ordinary shares (the exceptional award) was granted to Nick Cooper under the LTIP. The purpose of the exceptional award was to put Nick Cooper in a position which would partially replicate that of the Company’s founders and thereby ensure that he remained motivated to continue generating substantial returns to shareholders.

To ensure that the exceptional award, totalling 880,000 shares, encouraged Nick Cooper to generate sustainable long term returns to shareholders, the award was effectively split into three tranches which will vest based on independent three year performance periods for which relative TSR and/or absolute TSR targets are intended to apply, as follows:

Award Tranche	Size of award	Performance period	Performance conditions
Tranche 1	240,000 shares	19.06.2012-18.06.2015	Absolute TSR
Tranche 2	320,000 shares	19.06.2013-18.06.2016	50:50 relative TSR: absolute TSR
Tranche 3	320,000 shares	19.06.2014-18.06.2017	50:50 relative TSR: absolute TSR

For Tranche 1, the absolute TSR performance condition will be based on the 90 day average share price ending on the last day of the relevant performance period. 25% of the award will vest at 20% compound annual growth rate (CAGR) above £4.95 (£8.55 at the end of the three year period) with full vesting at 35% CAGR (£12.18). Straight line vesting takes place between performance points. In setting these targets, the Committee considered Ophir’s cost of capital and the expectations of investors. This award was granted in addition to an award under the LTIP in 2012 (see page 71) so that his aggregate incentive incorporated both a relative TSR and absolute TSR performance target. Both awards formed part of the 2012 consultation with shareholders prior to the AGM.

For Tranche 2, the same relative TSR performance target as described for the 2013 LTIP awards above will apply to half of the shares comprising Tranche 2 (with the performance period running from 19 June 2013 to 18 June 2016) with the remaining half subject to absolute TSR targets that require the same compound annual growth rates as detailed above for Tranche 1.

For Tranche 3, the same broad outline of performance targets is anticipated to apply with the Committee to review the composition of the TSR comparator group prior to the start of the performance period to ensure it remains fit for purpose and companies may be removed, replaced or added as the Committee thinks appropriate. The Committee will also consider whether it remains appropriate to apply the same CAGR targets of 20%-35% before start of Tranche 3’s performance period. Shareholders will be consulted in the event that the Committee considers that any material changes are necessary to Tranche 3’s performance conditions.

For each of the above tranches, the extent of vesting based on the TSR conditions may be reduced if the vesting result is not considered a fair reflection of the underlying financial performance of the Company (which will also enable the Committee to take into account the Company’s HSE performance).

The above award is also subject to clawback provisions that will enable the Committee to clawback value overpaid in the event of a material misstatement of the Company’s results within a two year period.

Following the grant of the exceptional award, Nick Cooper will not receive any further LTIP awards until 2015.

**Share ownership guidelines**

The Board has adopted share ownership guidelines requiring all executive directors in post as at 31 December 2012 to hold ordinary shares equivalent in value to 300% of their annual salary (the guidelines). Until the required holding is achieved, the Chief Executive Officer will be expected to retain 100% of shares resulting from the exercise of share options granted to him or shares received under the LTIP (net of any shares sold to meet tax liabilities or exercise costs) while other executive directors will be expected to retain 50% of shares.

Any executive director appointed after 31 December 2012 will be expected to hold ordinary shares equivalent in value to 100% of their annual salary. →

## GOVERNANCE

### REMUNERATION REPORT CONTINUED

The table below sets out the key elements of executive director pay as at 1 January:

Purpose and link to strategy	Operation
<b>Base salary</b>	
To provide the core reward for the role. Sufficient level to help recruit and retain employees. Reflects role and experience of individual.	Reviewed annually and effective from 1 January. Decision influenced by: <ul style="list-style-type: none"><li>• Role, experience and performance</li><li>• Average change in total workforce salary</li><li>• Total organisational salary budgets</li></ul> Salaries are set by reference to companies of a similar size and complexity.
<b>Benefits</b>	
To recruit and retain employees.	Directors are entitled to health insurance, life assurance, medical evacuation insurance, holiday pay and sick leave.
<b>Pension</b>	
To provide long term savings via pension provision.	The Company operates a defined contribution pension scheme or may contribute directly into an executive director's personal pension. Pension benefits are accrued according to length of service up to retirement.
<b>Annual Bonus</b>	
To incentivise the execution of business strategy. Rewards the achievement of annual financial and strategic business targets and delivery of personal objectives.	Targets are renewed annually and relate to the business as a whole. Bonus level, payable in cash, is determined by the Committee following the end of the financial year and is based on performance against targets.
<b>Long term Incentive Plan</b>	
To incentivise the achievement of business strategy over the longer term.	The Company's Long Term Incentive Plan (LTIP) was approved by shareholders in 2011 and amended in 2012. Awards are granted subject to challenging three year performance targets.
<b>Chief Executive Officer Exceptional Long-Term Incentive Award</b>	
To motivate the Chief Executive Officer to continue generating substantial returns to shareholders. Award structured to align the individual with the founders of Ophir and reflect additional responsibilities applying to the Chief Executive Officer following the 2012 Board restructuring.	An exceptional one-off award of 880,000 shares was made to the Chief Executive Officer on 19 June 2012. The award has three separate tranches (Tranche 1: 240,000 shares, Tranche 2: 320,000 shares and Tranche 3: 320,000 shares). The performance period for each tranche is three years. Clawback provisions apply that will enable the Committee to clawback value overpaid in the event of a material misstatement of the Company's results within a two year period.
<b>Share ownership</b>	
To align the interests of directors with those of the Company's shareholders.	300% of salary holding required for executive directors in post as at 31 December 2012. Executive directors appointed after this date to hold 100% of salary. The Chief Executive Officer is required to retain 100% of the vested or exercised shares (net of tax) until the shareholding guideline is met. Any other executive director is required to retain 50% of the vested or exercised shares (net of tax) until the shareholding guideline is met.

Opportunity	Performance Metric	Changes for 2013
<p>Continuing directors' salaries are eligible for review annually in line with the Company's policy.</p> <p>The salaries for the executive directors for 2012 were:</p> <ul style="list-style-type: none"> <li>• Nick Cooper: £393,750</li> <li>• Jonathan Taylor: £367,500</li> </ul> <p>The Committee retains discretion to grant greater increases following promotion or mid-year changes in responsibility or to new or recent hires where the initial base salary is significantly below benchmarked salaries.</p>	None	Directors' salaries will increase by 3.5% in 2013 in line with the pay review for UK based employees
n/a	n/a	No change
<p>The executive directors receive a Company contribution into their personal pensions to the greater of the statutory minimum and 11% of salary.</p>	n/a	No change
<p>The maximum award under the annual bonus scheme is 150% of salary.</p>	<p>The bonus is based on the achievement of a number of equally weighted business objectives, including:</p> <ol style="list-style-type: none"> <li>1. Health, safety and environmental performance/corporate social responsibility</li> <li>2. Personal objectives</li> <li>3. Reserves and Resources</li> <li>4. Finance</li> <li>5. Portfolio Management/new business</li> </ol> <p>The Committee retains discretion to reduce the bonus payment in the event of a serious HSE incident or series of incidents.</p>	<p>Reflecting developments in institutional investors' best practice, clawback provisions will apply to the 2013 annual bonus that will enable the Committee to clawback value overpaid in the event of a material misstatement of the Company's results within a two year period.</p>
<p>The maximum annual award is 200% of salary although the Committee is able to grant an award of up to 300% in exceptional circumstances.</p>	<p>Awards vest based on the Company's total shareholder return (TSR) performance over a three year performance period compared to a comparator group set on grant.</p> <p>25% of the award vests at median, rising on a straight line basis to 100% for upper quartile performance. No vesting occurs for below median performance.</p> <p>An underpin applies that enables the TSR vesting result to be scaled back if the vesting result is not consistent with underlying financial performance and/or key operational financial metrics have not been achieved.</p>	<p>The Chief Executive Officer will not receive an LTIP award in 2013 as a result of his Exceptional Long-Term Incentive Award granted in 2012.</p> <p>Clawback provisions will also apply for awards granted in 2013 which broadly mirror the clawback provisions for the annual bonus above.</p>
<p>The three tranches comprising the award vest independently in 2015, 2016 and 2017.</p>	<p>Tranche 1 is subject to an absolute TSR performance condition which will require compound TSR growth of at least 20% p.a. (from a share price of £4.95) for 25% to vest through to 35% p.a. TSR growth for full vesting. Performance is measured from 19 June 2012 to 18 June 2015.</p> <p>An underpin applies that enables the TSR vesting result to be scaled back if the vesting result is not consistent with underlying financial performance and/or key operational financial metrics have not been achieved.</p> <p>Tranche 2 is subject to an equal split of relative TSR (as above for the LTIP) and absolute TSR performance (as above for Tranche 1). Performance is measured from 19 June 2013 to 18 June 2016.</p> <p>It is intended that Tranche 3 will operate based on the same conditions. Performance will be measured from 19 June 2014 to 18 June 2017. This target will be subject to review prior to becoming effective with any changes subject to dialogue with shareholders.</p> <p>Tranches 2 and 3 will operate subject to the same underpin as Tranche 1.</p>	No change
n/a	n/a	No change

## GOVERNANCE

### REMUNERATION REPORT CONTINUED

#### Overall approach to reward

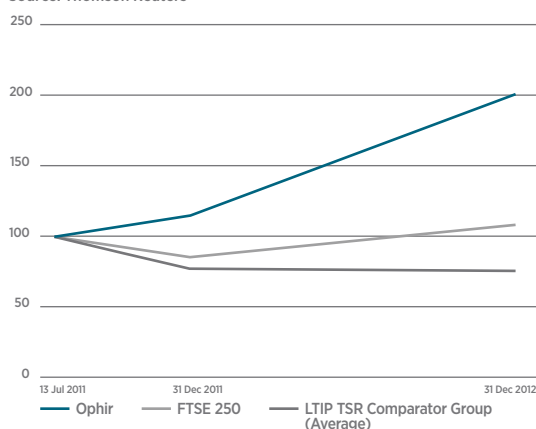
When setting the remuneration policy for executive directors, the Committee takes into account the pay and employment conditions for other employees in the Group. This process ensures that any increase to the basic pay of executive directors is not out of proportion with that proposed for other employees.

#### Performance graphs

The following graph shows the Company's TSR performance since trading of the Company's shares began on the London Stock Exchange on 13 July 2011 against the group of companies used as the TSR comparator group for the 2012 LTIP awards. The graph also shows the Company's TSR performance since trading of the Company's shares began on the London Stock Exchange on 13 July 2011 against the FTSE 250, the broad equity index of which Ophir is a constituent.

#### Total shareholder return

Source: Thomson Reuters



This graph shows the value, by 31 December 2012, of £100 invested in Ophir Energy plc on 13 July 2011 (the date of listing on the London Stock Exchange) compared with the value of £100 invested in the FTSE 250 Index and the LTIP TSR Comparator Group companies.

#### EXECUTIVE DIRECTORS: SERVICE CONTRACTS AND REMUNERATION

Nick Cooper and Jonathan Taylor have rolling term service agreements with the Company. The Company may terminate either executive director's employment by giving not less than 12 months' written notice and Jonathan Taylor may terminate his employment by giving not less than six months' written notice. Nick Cooper may terminate his employment by giving not less than 12 months' written notice.

Up to the date of his departure from the Company, Alan Stein had a rolling term employment contract with the Company and Ophir Services Pty Limited, a subsidiary of the Company. Ophir Services was entitled to terminate Dr Stein's employment by giving not less than 12 months' written notice and Alan Stein was entitled to terminate his employment by giving not less than six months' written notice.

The service contracts each contain a payment in lieu of notice provision together with a provision enabling the relevant employer to put the executive director on garden leave for up to six months at any time after notice to terminate the service contract has been given by the executive director or the relevant employer or the executive director has resigned without giving due notice and the relevant employer has not accepted the resignation. Any payment in lieu of notice is limited to basic salary.

The service contracts of Nick Cooper and Jonathan Taylor provide that if within three months of a change of control of the Company, the relevant employer and the executive director have failed to agree new terms and conditions of employment, then the relevant employer shall be deemed to have terminated the service contract immediately and the executive director will be entitled to be paid 12 months' basic salary. A similar clause was contained within the service contract of Alan Stein prior to his leaving employment on 19 June 2012. The executive directors will not be entitled to any other payment or notice or payment in lieu of notice in addition to this change of control payment. The inclusion of such provision on a change of control is now considered a legacy issue by the Committee with executives in post prior to the IPO having consistent provisions in this regard. Such provisions will not form part of future contracts for executive directors, in accordance with best practice.

A summary of the terms of the service contracts of executive directors in position as at 31 December 2012 is set out below:

Name	Continuous employment	Contract date	Notice by Company	Notice by Executive
Nicholas Cooper	1 June 2011	20 March 2012	12 months	12 months
Jonathan Taylor	1 June 2004	16 October 2007	12 months	6 months

Copies of the service agreements for executive directors, together with the letters of appointment for the non-executive directors detailed below, are available for inspection during normal business hours at the Company's registered office.

**External appointments**

With the prior permission of the Board, executive directors are permitted to accept external directorships and to retain any fees payable in respect of those roles. Neither Nick Cooper nor Jonathan Taylor held any such directorship during the year under review. Alan Stein serves as Chairman of Neon Energy Limited, an unrelated entity listed on the Australian Stock Exchange. For the period to 19 June 2012, being the date on which Alan Stein resigned as a director of the Company, he received remuneration of US\$28,918 in relation to this appointment (2011 (full year): US\$53,248).

**NON-EXECUTIVE DIRECTORS: LETTERS OF APPOINTMENT AND FEES**

Each independent non-executive director during the year, and to the date of this report being Nicholas Smith, Ronald Blakely, John Lander, Dennis McShane (until 18 February 2013), Bill Schrader (from 18 February 2013) and Lyndon Powell, has a letter of appointment from the Company. The letters of appointment do not specifically provide for terms of appointment, termination notification periods or entitlement to payment on termination, however there is an expectation that all independent directors will serve for an initial three year term. The Company may terminate the appointment under each letter of appointment if the independent non-executive director has committed a serious or repeated breach or non-observance of his obligations to the Company.

Prior to his resignation on 6 August 2012, Patrick Spink's letter of appointment as an independent non-executive director of the Company contained the same terms as above. Patrick Spink did not receive any payment on the termination of his appointment.

The fees for the Company's chairman and independent non-executive directors are determined by the Board as a whole (with the relevant individuals absenting themselves from discussions relating directly to their own remuneration). The Board's policy in relation to the fee payable to the Chairman is that it should be comparable to the median fee payable for non-executive chairmen of companies of a comparable size and complexity. Remuneration paid to independent non-executive directors is set at a level to attract persons with the necessary experience and ability to make a significant contribution to the Company's operations. Remuneration levels are agreed based on external advice and give consideration to the time commitment and responsibilities of the role.

Following a review of the fee payable to the Company's chairman and its independent non-executive directors no increase has been proposed to the basic fee for 2013. As a result, the fees payable to the Chairman and the independent non-executive directors for 2012, and proposed for 2013, are:

Chairman's fee	£140,000 per annum
Non-executive director basic fee	£70,000 per annum
Committee chairmanship fee	£5,000 per annum

An additional one-off fee of £10,000 was paid to John Lander in relation to the exceptional time commitment required for chairing and preparing papers for the high number of Committee meetings held in the year under review. This additional commitment was, in part, effected by Ophir's transition to the Official List. The Committee expects to hold a smaller number of meetings during 2013 and beyond and the exceptional time commitment required from the Committee chairman in 2012 is not expected to recur. →

## GOVERNANCE

### REMUNERATION REPORT CONTINUED

Prior to his retirement from the Board on 19 June 2012, Rajan Tandon held office as a non-executive director by virtue of a relationship agreement between the Mittal Group and the Company. Neither Rajan Tandon nor the Mittal Group received any remuneration in respect of Rajan Tandon's services as a director nor was he entitled to any payment on the termination of his services.

The Chairman and non-executive directors are not entitled to participate in the Company's executive remuneration programmes or pension arrangements. During the year, the Company did not issue options to any of the non-executive directors nor to any entity in which they are deemed to be interested.

#### REMUNERATION IMPLEMENTATION REPORT REMUNERATION COMMITTEE MEMBERSHIP AND ATTENDANCE

The members of the Remuneration Committee during the year ended 31 December 2012, together with details of their individual attendance at Committee meetings held during the year, are set out below:

Committee Member	Meeting Attendance
John Lander, Committee Chairman	10/10
Ronald Blakely	2/2
Dennis McShane	10/10
Lyndon Powell	10/10
Nicholas Smith	10/10

Ronald Blakely was appointed to the Committee on 19 June 2012 and has attended every subsequent meeting. Members of the Committee are appointed by the Board and all of its members are considered to be independent. The Chairman of the Company, Nicholas Smith, who is a member of the Committee, was independent on appointment.

The Chief Executive Officer and advisors to the Committee may also be invited to attend meetings as necessary. During the year, the Chief Executive Officer, General Counsel and representatives from New Bridge Street, Eversheds LLP and Prism Cossec attended meetings and provided guidance and advice as necessary.

Executive directors and other attendees are not entitled to vote on any matter put before the Committee and do not participate in any discussion relating to their own remuneration or remit.

#### ROLE AND RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

The role of the Committee is to determine the remuneration policy of the Company in order to facilitate the recruitment, retention and motivation the executive directors and key senior management. The policy is reviewed at least annually in order to ensure that it is consistent with business strategy. The Committee also monitors the overall remuneration structure across the Group to ensure that a balanced approach is adopted in relation to all employees. The Committee's full terms of reference, which are reviewed annually, are available on the Company's website.

#### ADVISER TO THE COMMITTEE

New Bridge Street, an Aon Hewitt company, was appointed as independent consultants to the Committee in relation to advice on remuneration and share incentives both for Executive directors and the wider senior executive management population in September 2011. New Bridge Street provides services to the Company on a "called on" rather than retained basis. New Bridge Street is a member of the Remuneration Consultants Group and complies with its code of conduct. Details of the terms of engagement for New Bridge Street are available on request from the Company Secretary. Neither New Bridge Street, nor any other Aon Hewitt company, provide other services to the Company.

## PART B: AUDITED INFORMATION

### DIRECTORS' FEES AND EMOLUMENTS

The salaries, fees and benefits paid to the executive and non-executive directors for the year ended 31 December 2012 are detailed below:

Director US\$'000	Base Salary/ Fees	Bonus	Pension	Termination Payments	Other Benefits	Total 2012	Total 2011
Executive directors							
Nick Cooper <sup>2</sup>	624	413	69	-	8	1,113	382 <sup>1</sup>
Jonathan Taylor <sup>2</sup>	582	749	64	-	-	1,395	990
Chairman and Non-executive directors							
Nicholas Smith	222	-	-	-	-	222	177
Ronald Blakely <sup>3</sup>	122	-	-	-	-	122	52
John Lander <sup>4</sup>	135	-	-	-	-	135	104
Dennis McShane	119	-	-	-	-	119	126 <sup>5</sup>
Lyndon Powell	119	-	-	-	-	119	104
Former directors							
Alan Stein <sup>6</sup>	477	1,192	13	992	-	2,674	1,249
Patrick Spink	76	-	-	-	-	76	52
Rajan Tandon	-	-	-	-	-	-	-

1 Prior year emoluments reflect the fact that Nick Cooper was only appointed as Chief Executive Officer and as a director of the Company on 1 June 2011.

2 Subsequent to the year end, Nick Cooper and Jonathan Taylor were awarded annual bonuses of £527,625 and £492,450 respectively, in relation to 2012.

3 Includes US\$2,900 Audit Committee chairmanship fee for 2011 paid during the year.

4 Includes a one-off fee of US\$15,848 in relation to the exceptional time commitment provided in 2012.

5 Prior year included a one-off fee of US\$22,187 in relation to additional duties undertaken during the reconstitution of the Board.

6 Following the 2012 AGM, at which he did not stand for re-election, Alan Stein's service agreement with the Company terminated.

The payments received in 2012 by Alan Stein therefore, included:

- his base salary and pension for his period of employment through to 19 June 2012 of US\$490,000;

- Payment in lieu of notice, to which he was entitled under the terms of his contract on termination of his employment, equal in value to 12 months' base salary plus accrued leave (including long service payments) to the value of US\$992,000;

- Annual bonus payments of US\$920,077 relating to performance in the 2011 financial year and US\$272,255 relating to performance in the 2010 financial year (where the bonus payments were spread over four quarterly instalments commencing in July 2011 and concluding in April 2012).

- Alan Stein did not receive any bonus payments for performance in 2012.

## GOVERNANCE

### REMUNERATION REPORT CONTINUED

#### BASIC SALARY

As reported in last year's Directors' Remuneration Report, the Committee approved an increase of 5% to the base salaries of executive directors for 2012. This increase, which took into account personal performance, Company performance, changes in responsibilities and competitive market practices, reflected the general increases made to other members of the senior executive team and was in line with the cost of living index.

#### DIRECTORS' PENSION ARRANGEMENTS

Nick Cooper and Jonathan Taylor do not participate in a Group pension scheme. The Company contributes the greater of the statutory minimum or 11% of basic salary into their personal pension arrangements. Where the level of contribution is higher than that which is eligible for tax relief, the excess can be converted into additional salary.

#### ANNUAL BONUS PLAN

For 2012, the Committee set KPI targets for the executive directors in respect of Health, Safety and Environmental performance (including and reviewing HSE incidents during the period); Leadership performance (including succession planning); an increase in Reserves and Resources (to be independently verified); Finance (including maintenance of ongoing funding requirements); and Portfolio Management/new business (including drilling campaigns and asset management). Following consideration of each executive director's performance during the year, the Committee recommended, and the Board approved, bonus payments equivalent to 134% of basic salary (being 89.33% of the maximum bonus payable). As a result, Nick Cooper and Jonathan Taylor received bonus payments of £527,625 and £492,450 respectively for 2012.

#### LONG TERM INCENTIVE PLAN

The award levels granted to the executive directors in the year under review (calculated based on the three month average share price prior to the date of grant) were:

- Chief Executive Officer: 300% of salary; and
- Executive director & founder (Jonathan Taylor): 200% of salary.

The 300% of salary LTIP award to the Chief Executive Officer was in excess of the normal 200% of salary LTIP limit and was granted in light of the Company's exceptional performance since Nick Cooper's appointment (e.g. encompassing completion of an equity placing of 30.5 million new ordinary shares, continued drilling successes etc.). This award was granted in tandem with the Chief Executive Officer's exceptional LTIP award (described on page 63), with both awards considered to align the individual's interests with those of Ophir's founders and to reflect the additional responsibilities applying to the Chief Executive Officer following the 2012 Board restructuring. As previously noted, the exceptional award received shareholder approval with 81.21% of the shareholders voting at last year's AGM supporting the arrangement.

The performance condition that applied to the LTIP awards granted to the executive directors in 2012, was as per the description for the 2013 award on page 62. The sole difference between the 2012 LTIP awards and those for 2013 was the inclusion of Petroceltic International plc in place of Melrose Resources plc in the TSR comparator group following their merger.

#### DIRECTORS' INTERESTS IN SHARES

##### Ordinary Shareholdings

The beneficial interests of the Directors and relevant persons in the ordinary shares of the Company as at 31 December 2012 are:

Director	As at 1 January 2012	Acquisitions	Disposals	As at 31 December 2012
Nicholas Smith <sup>1</sup>	108,000	0	0	108,000
Nick Cooper <sup>2</sup>	120,000	572	0	120,572
Jonathan Taylor <sup>3</sup>	6,836,320	0	0	6,836,320
Ronald Blakely <sup>4</sup>	12,000	0	0	12,000
John Lander <sup>5</sup>	172,000	51,960	0	223,960
Dennis McShane <sup>6</sup>	104,000	0	0	104,000
Lyndon Powell	24,000	0	0	24,000

- 1 Nicholas Smith holds a beneficial interest in 108,000 ordinary shares. The legal interest is held by Chase Nominees Limited.
- 2 Nick Cooper and members of his family hold a beneficial interest in 120,572 ordinary shares. The legal interests are held by Goldman Sachs International and James Capel (Nominees) Limited.
- 3 Includes 101,080 ordinary shares Jonathan Taylor holds on trust for his children.
- 4 Ronald Blakely and members of his family hold a beneficial interest in 12,000 ordinary shares. The legal interest is held by Hanover Nominees.
- 5 John Lander and members of his family hold a beneficial interest in 223,960 ordinary shares. The legal interest is held by WB Nominees Ltd.
- 6 Dennis McShane holds a beneficial interest in 104,000 ordinary shares. The legal interest is held by Greenwood Nominees Limited.

There were no changes to the holdings disclosed above between 31 December 2012 and 4 March 2013 being the date of this report.



## Directors' options and share-based awards

Director and Scheme	Date of Grant	Vesting Date	Lapse Date	Shares under Award at 1 January 2012	Shares Awarded	Shares lapsed/ cancelled or forfeited	Shares under Award at 31 December 2012	Exercise Price (pence)
<b>NICK COOPER</b>								
Share Option Plan 2006	01/06/2011	01/06/2013	31/05/2021	500,000	-	-	500,000	250.00
Long Term Incentive Plan	01/06/2011 <sup>1</sup>	01/06/2013	31/05/2014	534,233	-	-	534,233	0.00
Long Term Incentive Plan	01/06/2011 <sup>3</sup>	01/06/2014	31/05/2015	150,000	-	-	150,000	0.00
Long Term Incentive Plan	01/06/2011 <sup>3</sup>	01/06/2014	31/05/2015	214,286	-	-	214,286	0.00
Long Term Incentive Plan	22/11/2011 <sup>3</sup>	01/06/2014	31/05/2015	85,714	-	-	85,714	0.00
Long Term Incentive Plan	13/04/2012 <sup>2</sup>	13/04/2015	12/04/2016	-	322,737	-	322,737	0.00
Long Term Incentive Plan	19/06/2012 <sup>4</sup>	19/06/2015	18/06/2016	-	240,000	-	240,000	0.00
Long Term Incentive Plan	19/06/2012 <sup>4</sup>	19/06/2016	18/06/2017	-	320,000	-	320,000	0.00
Long Term Incentive Plan	19/06/2012 <sup>4</sup>	19/06/2017	18/06/2018	-	320,000	-	320,000	0.00
<b>JONATHAN TAYLOR</b>								
Long Term Incentive Plan	26/05/2011 <sup>3</sup>	26/05/2014	25/05/2015	200,000	-	-	200,000	0.00
Long Term Incentive Plan	22/11/2011 <sup>3</sup>	26/05/2014	25/05/2015	121,220	-	-	121,220	0.00
Long Term Incentive Plan	13/04/2012 <sup>2</sup>	13/04/2015	12/04/2016	-	200,814	-	200,814	0.00
<b>ALAN STEIN</b>								
Long Term Incentive Plan	26/05/2011 <sup>3</sup>	26/05/2014	25/05/2015	321,220	-	-	321,220	0.00
Long Term Incentive Plan	13/04/2012 <sup>5</sup>	26/05/2014	25/05/2015	-	128,487	-	128,487	0.00

The table below shows the various share awards held by executive directors under the Company's incentive schemes as at 31 December 2012:

- The award of 534,233 nil-cost options to Nick Cooper under the LTIP is not subject to any performance conditions as it was granted to compensate him for the fact that awards over shares in his previous employer lapsed when he joined the Company.
- Details of the performance condition for the 2012 LTIP award are set out on page 62.
- The performance condition for the LTIP awards granted on 26 May 2011, 1 June 2011 (with the exception to that detailed in (1) above) and Alan Stein's award on 13 April 2012 are identical to that of the 2012 LTIP award other than in respect of some constituents of the TSR comparator group.
- Details of the performance condition for the Chief Executive Officer's special LTIP award are set out on page 63.
- As disclosed in last year's remuneration report, Alan Stein received an award in 2012 to reflect the difference between the assumed price at the time of grant prior to the IPO on 26 May 2011 and the actual share price on grant of £2.50 per share. This award topped up his 2011 annual grant and similar treatment was applied to all other LTIP participants, who received their equivalent awards in November 2011 with all top-up awards subject to the same performance period and criteria. In light of the announcement of his departure from the Company, Alan Stein did not receive a normal annual LTIP grant in 2012. Pursuant to the rules of the LTIP, the Remuneration Committee determined Mr Stein to be a good leaver in respect of his outstanding LTIP awards. As a result his awards became eligible to vest in full, subject to the application of performance targets, in line with the discretion afforded to the Committee under the LTIP rules.

## GOVERNANCE

### REMUNERATION REPORT CONTINUED

#### 6 Share ownership guidelines

Details of the guidelines adopted by the Committee are set out on page 63. Taking into account the information set out on page 70, the holdings of the executive directors in the ordinary shares of the Company as at 31 December 2012 are shown in the table below:

<b>Director</b>	Basic Salary (at 31 December 2012)	Ordinary Shares	% salary held
Nick Cooper	£393,750	120,572	153%
Jonathan Taylor	£367,500	6,836,320	over 300%

#### Mid-market share prices

The Company's mid-market share price at the close of business on 31 December 2012 was 504.5 pence. The highest and lowest mid-market share prices during the year ended 31 December 2012 were 641.0 pence and 291.5 pence respectively. No share based awards held by executive directors vested, were exercised or lapsed during the year.

By Order of the Board

**JOHN LANDER**

**Chairman of the Remuneration Committee**

4 March 2013

## RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

I confirm on behalf of the Board that to the best of their knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Directors' Report and the Group Operating and Financial review include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board and signed on their behalf on 4 March 2013

**NICK COOPER**  
Chief Executive Officer

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE GROUP FINANCIAL STATEMENTS AND ANNUAL REPORT

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements under IFRSs as adopted by the European Union.

Under Company Law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements the Directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

Approved by the Board on 4 March 2013

**NICK COOPER**  
Chief Executive Officer

# OPHIR'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012



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## CONSOLIDATED FINANCIAL STATEMENTS INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPHIR ENERGY PLC

We have audited the Group financial statements of Ophir Energy plc for the year ended 31 December 2012 which comprise the Consolidated Income Statement and Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities Statement the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement in the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board of directors' remuneration.

**Other matter**

We have reported separately on the parent company financial statements of Ophir Energy plc for the year ended 31 December 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

**STEVEN DOBSON**

**(Senior Statutory Auditor)**

for and on behalf of Ernst & Young LLP

Statutory Auditor

London

4 March 2013

Notes:

- 1 The maintenance and integrity of the Ophir Energy plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**CONSOLIDATED FINANCIAL STATEMENTS**  
**CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
<b>CONSOLIDATED INCOME STATEMENT</b>			
<b>Continuing Operations</b>			
Interest income	3 (a)	1,009	834
Gain on farm out	3 (a)	-	13,844
Other income	3 (a)	12	-
<b>Revenue</b>		<b>1,021</b>	<b>14,678</b>
Exploration expenses	3 (b)	(4,521)	(15,688)
Finance income/(expenses)	3 (c)	627	(1,039)
General & administration expenses	3 (d)	(36,394)	(16,156)
Other expenses	3 (e)	(1,676)	(870)
<b>Loss from continuing operations before taxation</b>		<b>(40,943)</b>	<b>(19,075)</b>
Taxation	7	228	-
<b>Loss from continuing operations for the year attributable to:</b>		<b>(40,715)</b>	<b>(19,075)</b>
Equity holders of the Company		(40,609)	(19,075)
Non-controlling interest		(106)	-
		<b>(40,715)</b>	<b>(19,075)</b>
<b>Loss per share (pence) attributable to equity holders of the parent</b>			
Basic and diluted EPS on loss for the year (per share)	8	<b>(6) pence<sup>1</sup></b>	<b>(5) pence<sup>2</sup></b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>Loss from continuing operations for the year</b>		<b>(40,715)</b>	<b>(19,075)</b>
<b>Other comprehensive income</b>			
Exchange differences on retranslation of foreign operations net of tax		(28)	144
<b>Other comprehensive income for the year, net of tax</b>		<b>(28)</b>	<b>144</b>
<b>Total comprehensive loss for the year, net of tax attributable to:</b>			
Equity holders of the Company		(40,637)	(18,931)
Non-controlling interest		(106)	-
		<b>(40,743)</b>	<b>(18,931)</b>

1 (10) cents per share.

2 (7) cents per share.



**CONSOLIDATED FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 31 DECEMBER 2012

	Notes	As at 31 Dec 2012 \$'000	As at 31 Dec 2011 \$'000
<b>Non-current assets</b>			
Exploration and evaluation assets	9	961,713	327,060
Goodwill	10	57,165	-
Property, plant and equipment	12	2,447	2,205
Financial assets	13	10,593	670
		<b>1,031,918</b>	<b>329,935</b>
<b>Current assets</b>			
Inventory	14	12,811	6,233
Trade and other receivables	15	9,500	9,215
Cash and short term deposits	16	227,743	396,585
		<b>250,054</b>	<b>412,033</b>
<b>Total assets</b>		<b>1,281,972</b>	<b>741,968</b>
<b>Current liabilities</b>			
Trade and other payables	17	(119,416)	(27,704)
Provisions	18	(833)	(820)
		<b>(120,249)</b>	<b>(28,524)</b>
<b>Non-current liabilities</b>			
Deferred income tax	7	(56,996)	-
Provisions	18	(277)	(384)
		<b>(57,273)</b>	<b>(384)</b>
<b>Total liabilities</b>		<b>(177,522)</b>	<b>(28,908)</b>
<b>Net assets</b>		<b>1,104,450</b>	<b>713,060</b>
<b>Capital and reserves</b>			
Called up share capital	20	1,739	1,448
Share premium account	21	1,213,978	789,714
Reserves	21	(111,021)	(78,102)
<b>Equity attributable to equity shareholders of the Company</b>		<b>1,104,696</b>	<b>713,060</b>
Non-controlling interest		<b>(246)</b>	-
<b>Total equity</b>		<b>1,104,450</b>	<b>713,060</b>

Approved by the Board on 4 March 2013

**NICHOLAS SMITH**  
Chairman

**NICK COOPER**  
Chief Executive Officer

**CONSOLIDATED FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2012

	Called Up Share Capital \$'000	Share Premium \$'000	Options Premium Reserve \$'000	Special Reserve \$'000	Cons Reserve \$'000	Equity Component On Convertible Bond \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Losses \$'000	Non- Controlling Interest \$'000	Total Equity \$'000
<b>As at 1 January 2011</b>	<b>1,042</b>	<b>417,048</b>	<b>23,852</b>	<b>156,435</b>	<b>(500)</b>	<b>669</b>	<b>5,736</b>	<b>(248,037)</b>	<b>-</b>	<b>356,245</b>
Loss for the period, net of tax	-	-	-	-	-	-	-	(19,075)	-	(19,075)
Other comprehensive income, net of tax	-	-	-	-	-	-	144	-	-	144
Total comprehensive Income, net of tax	-	-	-	-	-	-	144	(19,075)	-	(18,931)
New ordinary shares issued to third parties	385	384,648	-	-	-	-	-	-	-	385,033
Exercise of options	21	9,717	-	-	-	-	-	-	-	9,738
Share issue costs	-	(21,699)	-	-	-	-	-	-	-	(21,699)
Share-based payments	-	-	2,674	-	-	-	-	-	-	2,674
<b>As at 31 December 2011</b>	<b>1,448</b>	<b>789,714</b>	<b>26,526</b>	<b>156,435</b>	<b>(500)</b>	<b>669</b>	<b>5,880</b>	<b>(267,112)</b>	<b>-</b>	<b>713,060</b>
Loss for the period, net of tax	-	-	-	-	-	-	-	(40,609)	(106)	(40,715)
Other comprehensive income, net of tax	-	-	-	-	-	-	(28)	-	-	(28)
Total comprehensive income, net of tax	-	-	-	-	-	-	(28)	(40,609)	(106)	(40,743)
New ordinary shares issued to third parties	276	423,156	-	-	-	-	-	-	-	423,432
Exercise of options	15	8,480	-	-	-	-	-	-	-	8,495
Share issue costs	-	(7,372)	-	-	-	-	-	-	-	(7,372)
Share-based payments	-	-	7,718	-	-	-	-	-	-	7,718
Acquisition of subsidiary (Note 11)	-	-	-	-	-	-	-	-	(140)	(140)
<b>As at 31 December 2012</b>	<b>1,739</b>	<b>1,213,978</b>	<b>34,244</b>	<b>156,435</b>	<b>(500)</b>	<b>669</b>	<b>5,852</b>	<b>(307,721)</b>	<b>(246)</b>	<b>1,104,450</b>

**CONSOLIDATED FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
<b>Operating activities</b>			
Loss before taxation		(40,943)	(19,075)
<b>Adjustments to reconcile loss before tax to net cash flows:</b>			
Interest income		(1,009)	(834)
Depreciation of property, plant and equipment	12	1,037	871
Amortisation of deferred costs		4	-
(Profit)/Loss on disposal of assets		636	(1)
Provision for employee entitlements		(94)	283
Share-based payments	6	7,718	2,674
Exploration expenditure not included in operating activities	3b	4,521	15,688
Gain on joint venture farm out	3a	-	(13,844)
<b>Working capital adjustments</b>			
(Decrease)/Increase in inventory		-	(4,622)
Decrease/(Increase) in trade and other payables		5,108	1,849
Increase/(Decrease) in trade and other receivables		1,468	(5,887)
Increase/(Decrease) in other current assets		(9,923)	-
<b>Cash flows from operating activities</b>		<b>(31,477)</b>	<b>(22,898)</b>
Income taxes paid	7	-	-
Interest Income		1,570	429
<b>Net cash flows used in/(from) operating activities</b>		<b>(29,907)</b>	<b>(22,469)</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment	12	(1,010)	(1,313)
Exploration expenditure		(359,436)	(65,618)
Proceeds on disposals of assets	9	8,721	-
(Purchase)/disposal of inventory		(6,191)	1,078
Funds on farm out of joint venture		-	21,960
Acquisition of subsidiary	11	(38,682)	-
Cash acquired on acquisition of subsidiary		15,908	-
<b>Net cash flows used in investing activities</b>		<b>(380,690)</b>	<b>(43,893)</b>
<b>Financing activities</b>			
Share issue costs		(7,372)	(21,699)
Issue of ordinary shares		250,385	394,771
<b>Net cash flows from financing activities</b>		<b>243,013</b>	<b>373,072</b>
<b>(Decrease)/increase in cash and cash equivalents for the year</b>		<b>(167,584)</b>	<b>306,710</b>
Effect of exchange rates on cash and cash equivalents		(1,258)	(50)
Cash and cash equivalents at the beginning of the year		396,585	89,925
<b>Cash and cash equivalents at the end of the year</b>		<b>227,743</b>	<b>396,585</b>

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Corporate information

Ophir Energy plc (the “Company” and the ultimate parent of the Group) is a public limited company incorporated, domiciled and listed in England and Wales. Its registered offices are located at 50 New Bond Street, London W1S 1BJ.

Ophir Energy’s business is the development of offshore and deepwater oil and gas exploration assets. The Company has an extensive and diverse portfolio of exploration interests across East and West Africa.

The Group’s financial statements for the year ended 31 December 2012 were authorised for issue by the Board of Directors on 4 March 2013 and the Statement of Financial Position was signed on the Board’s behalf by Mr Nicholas Smith and Nick Cooper.

### 2 Basis of preparation and significant accounting policies

#### 2.1 Basis of preparation

The Group’s financial statements have been prepared in accordance with IFRS as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a historical cost basis except for revaluation of certain derivative instruments measured at fair value. The consolidated financial statements are presented in US Dollars rounded to the nearest thousand dollars (\$’000) except as otherwise indicated.

Comparative figures for the period to 31 December 2011 are for the year ended on that date.

#### New and Amended Accounting Standards and Interpretations

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2012:

- IFRS 7 Financial Instruments: Disclosures (Amendment)
- IAS 1 Presentation of Items of Other Comprehensive Income (Amendment)
- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

These amendments and interpretations have not materially affected amounts reported or disclosed in the Group’s financial statements.

#### Standards and Interpretations issued but not yet effective

Standards issued but not yet effective at the date of these Financial Statements are listed below.

	Effective Date (for periods beginning on or after)
IAS 19 Employee Benefits (Amendment)	1 January 2013
IAS 27 Separate Financial Statements (as revised in 2011)	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)	1 January 2013
IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)	1 January 2013
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2014
IFRS 11 Joint Arrangements	1 January 2014
IFRS 12 Disclosure of Involvement with Other Entities	1 January 2014
IFRS 13 Fair Value Measurement	1 January 2013
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments)	1 January 2014

The Group has commenced a review of the impact to financial reporting from the changes to IFRS 10, 11 and 12. The impact of the adoption of other standards noted above has not been assessed by the Group. The Group plans to adopt the standards in line with the effective dates above.

## 2.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and the entities it controls (its subsidiaries) drawn up to 31 December each year.

### Basis of consolidation from 1 January 2010

#### *Subsidiaries*

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising therefrom, are eliminated.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it (i) derecognises the assets (including goodwill) and liabilities of the subsidiary; (ii) derecognises the carrying amount of any non-controlling interest; (iii) derecognises the cumulative translation differences, recorded in equity; (iv) recognises the fair value of the consideration received; (v) recognises the fair value of any investment retained; and (vi) recognises any surplus or deficit in profit and loss; (vii) reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

#### *Non-controlling interests*

Non-controlling interests represent the equity in a subsidiary not attributable, directly and indirectly, to the parent company and is presented separately within the Consolidated statement of financial position, separately from equity attributable to owners of the parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

#### *Basis of consolidation prior to 1 January 2010*

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

Non-controlling interest represents the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the Consolidated statement of financial position, separately from parent shareholder's equity. Acquisitions of non-controlling interests were accounted for using the equity concept method.

Losses incurred by the Group were attributed to the minority interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.

## 2.3 Summary of significant accounting policies

### **(a) Exploration and evaluation expenditure**

The Company applies the successful efforts method of accounting for the exploration and evaluation ("E&E") costs as permitted by IFRS 6 "Exploration for and Evaluation of Mineral Resources."

All costs incurred after the rights to explore an area have been obtained, such as licence acquisition costs, geological and geophysical costs and other direct costs of E&E are accumulated and capitalised as E&E assets, in well, field or licence-specific exploration cost centres as appropriate pending determination.

Costs (other than payments to acquire the legal right to explore) incurred prior to acquiring rights to explore and general exploration costs not specific to any particular licence or prospect are charged directly to the income statement.

E&E assets are not amortised prior to the determination of the results of exploration activity. At completion of evaluation activities, if technical and commercial feasibility is demonstrated, then, following recognition of commercial reserves, the carrying value of the relevant E&E asset will be reclassified as a development and production asset, subject to the carrying value of the relevant E&E asset being assessed for impairment.

## **2 Basis of preparation and significant accounting policies continued**

If, on completion of evaluation of prospects or licences, it is not possible to determine technical feasibility and commercial viability or if the legal right to explore expires or if the Group decides not to continue E&E activity, then the costs of such unsuccessful E&E are written off to the income statement in the period of that determination.

The carrying value of E&E assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Where this is indicated, management will assess the recoverability of the carrying value of the asset. The review is based upon a status report detailing the Group's intention for development of the asset. Where it cannot be recovered via successful development or sale, all costs are written off.

The Group may enter into farm-in or farm-out arrangements, where it may introduce partners to share in the development of an asset. For transactions involving assets at the exploration and evaluation phase, the Group adopts an accounting policy as permitted by IFRS 6 such that the Group does not record any expenditure made on its behalf under a "carried interest" by a farm in partner. Where applicable past costs are reimbursed, the value of the cash consideration is credited against costs previously incurred. Farmed out oil and gas properties are accounted for in accordance with IAS 16 "Property, Plant and Equipment".

### **(b) Intangibles**

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

Where this is indicated, management will assess the recoverability of the carrying value of the asset. The review is based upon a status report detailing the Group's intention for development of the asset. Where it cannot be recovered via successful development or sale, all costs are written off.

### **(c) Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest ("NCI") over the fair value of the identifiable net assets acquired and liabilities assumed. If this consideration is lower than the fair value of the identifiable net assets of the subsidiary acquired, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units ("CGUs") that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

In assessing whether goodwill has been impaired, the carrying amount of the CGU or reportable segment is compared with its recoverable amount. In determining whether goodwill is impaired the Group reviews the status of projects including recent farm-out transactions and whether the Group's intention is to further develop the Group's various assets.

### **(d) Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (NCI) in the acquiree. For each business combination, the acquirer elects to measure the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's

identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Those oil & gas reserves that are able to be reliably measured are recognised in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognised.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date (being the date the acquirer gains control) through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

#### **(e) Property, plant and equipment**

Property, plant and equipment, which comprises furniture and fittings and computer equipment, is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on property, plant and equipment calculated using the straight line method at rates to write off the cost, less estimated residual value based on prices prevailing at the statement of financial position date, of each asset over expected useful lives ranging from 3 to 10 years.

#### **(f) Investments in subsidiaries**

The Company holds monetary balances with its subsidiaries of which settlement is neither planned nor likely to occur in the foreseeable future. Such balances are considered to be part of the Company's net investment in its subsidiaries.

The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### **(g) Financial instruments**

##### *i. Cash and short term deposits*

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less, or deposits that are held for meeting short term cash requirements which are readily convertible to cash and are subject to insignificant risks of changes in value. Cash and cash equivalents excludes any restricted cash which is not available for use by the Group and therefore is not considered highly liquid – for example cash set aside to cover rehabilitation obligations.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

##### *ii. Trade and other receivables*

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Allowance is made when there is objective evidence that the Group will not be able to recover balances in full. Evidence on non-recoverability may include indications that the debtor or group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or default or delinquency in repayments. Balances are written off when the probability of recovery is assessed as being remote. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

##### *iii. Trade and other payables*

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obligated to make future payments in respect of the purchase of those goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**2 Basis of preparation and significant accounting policies** continued

*iv. Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when liabilities are derecognised as well as through the amortisation process. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

**(h) Inventories**

Inventories which comprise drilling consumables are stated at the lower of cost and net realisable value. Cost is determined by using weighted average cost method and comprises direct purchase costs, cost of transportation and other related expenses.

**(i) Provisions**

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. If the effect of the time value of money is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

**(j) Pensions and other post-retirement benefits**

The Group does not operate its own pension plan but makes pension or superannuation contributions to private funds of its employees which are defined contribution plans. The cost of providing such benefits are expensed in the income statement as incurred.

**(k) Employee benefits**

*Salaries, wages, annual leave and sick leave*

Liabilities for salaries and wages, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*Long service leave*

The liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(l) Equity instruments**

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

**(m) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.



The Group has leases where the Lessor retains substantially all the risks and benefits of ownership of the asset. Such leases are classified as operating leases and rentals payable are charged to the income statement on a straight line basis over the lease term.

#### **(n) Interests in joint ventures**

The Group has a number of contractual arrangements with other parties which represent joint ventures. A joint venture is a contractual arrangement whereby the Group and other parties undertake economic activity.

Where a Group company undertakes its activities under joint venture arrangements the Group's share of jointly controlled assets, liabilities and related income and expenses are included in the financial statements in their respective classification categories.

The Group's interests in joint ventures, which are in the form of jointly controlled assets, are identified in note 23.

The Group has a number of interests in joint ventures, which are considered jointly controlled assets, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the asset. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealised gains and losses on such transactions between the Group and its joint venture. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in the income statement. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

#### **(o) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received and receivable, excluding discounts, rebates, VAT and other sales taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised:

##### *Interest income*

Interest income is recognised as it accrues using the effective interest rate method, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

#### **(p) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

All other borrowing costs are expensed in the income statement in the period in which they are incurred.

#### **(q) Share-based payments**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined with reference to the market value of the underlying shares using a pricing model appropriate to the circumstances which requires judgements as to the selection of both the valuation model and inputs. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

## **2 Basis of preparation and significant accounting policies continued**

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other vesting conditions are satisfied.

At each statement of financial position date before vesting, the cumulative expense is calculated on the basis of the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous statement of financial position date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

For equity-settled share-based payment transactions with third parties, the goods or services received are measured at the date of receipt by reference to their fair value with a corresponding entry in equity. If the Group cannot reliably estimate the fair value of the goods or services received, their value is measured by reference to the fair value of the equity instruments granted.

### **(r) Foreign currency translation**

The functional currency for each entity in the Group is determined on an individual basis according to the primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All exchange differences are taken to the income statement.

The assets and liabilities of the Company and those foreign operations whose functional currency is other than that of the presentation currency of Ophir Energy Group are translated into the presentation currency, at the rate of exchange ruling at the statement of financial position date. Income and expenses are translated at the weighted average exchange rates for the period. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

### **(s) Income taxes**

#### *Current tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Current income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

#### *Deferred tax*

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting nor taxable profit or loss;

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Deferred income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise deferred income tax is recognised in the income statement.

#### **(t) Impairment**

The Group assesses at each reporting date whether there is an indication that an intangible asset or item of property plant & equipment may be impaired. If any indication exists, or when annual impairment testing for is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

#### **2.4 Significant accounting judgements, estimates and assumptions**

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The Group has used estimates and assumptions in deriving certain figures within the financial statements. Such accounting estimates may not equate with the actual results which will only be known in time. The key areas of estimation are noted below with further details of the assumptions used listed in the relevant note.

**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**2 Basis of preparation and significant accounting policies** continued

*Item notes:*

Exploration and Evaluation assets 2.2(a)

Share-based payments 2.2(q)

Deferred tax 2.2(s)

Impairment 2.2(t)

**3 Operating loss before taxation**

The Group operating loss from continuing operations before taxation is stated after charging/(crediting):

(a) Revenue

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Gain on farm out	-	13,844
Interest income	1,009	834
Other income	12	-
	1,021	14,678

The gain on farm out relates to the partial farm out of the Group's AGC Profond interests. Cash proceeds of \$20.0 million received were applied against the Group's carrying value of the AGC project, with the surplus proceeds being booked to profit.

(b) Exploration expenses

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
- Pre licence exploration costs	4,521	2,324
- Exploration expenditure written off	-	13,364
	4,521	15,688

(c) Finance (income)/expenses

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
- Net foreign currency exchange (gains)/losses	(627)	1,039
	(627)	1,039

(d) General & administration expenses include

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
- Operating lease payments - minimum lease payments	2,332	1,475
- Share-based compensation charge	7,718	2,674
	10,050	4,149

(e) Other expenses

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
- Loss/(gain) on disposal of assets	635	(1)
- Depreciation of property plant & equipment	1,041	871
	1,676	870

#### 4 Segment Information

The Group operates in one segment being the exploration and evaluation of oil & gas related projects located in Africa.

#### 5 Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
<b>Paid/Payable to Ernst &amp; Young LLP</b>		
Audit of the financial statements	302	240
Other services pursuant to legislation	156	134
Tax services	-	39
Corporate finance services	482	2,563 <sup>1</sup>
Local statutory audits of subsidiaries	71	-
	1,011	2,976
1 Costs relating to the Group's IPO in July 2011		
<b>Paid/Payable to auditor if not Ernst &amp; Young LLP</b>		
Local statutory audits of subsidiaries	15	-
Taxation services	1	-
Other services	2	-
	18	-
	1,029	2,976

#### 6 Staff costs and Directors' emoluments

##### (a) Staff costs

Employee costs (including payments to directors) during the year comprised:

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Salaries and wages	19,400	11,558
Social security costs	2,519	883
Contributions to pension plans/superannuation funds	969	833
Share based payments (note 22)	7,718	2,674
	30,606	15,948

##### (b) Key management

The table below sets out the details of the emoluments of the Group's key management including directors:

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Aggregate compensation:		
Salaries and wages	8,347	4,916
Social security costs	823	346
Contributions to pensions/superannuation funds	321	287
Post-employment benefits	992	722
Share-based payments (note 22)	7,453	1,741
	17,936	8,012

**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**6 Staff costs and Directors' emoluments** continued

(c) Directors' emoluments

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
(i) Aggregate compensation:		
Salaries and wages	2,481	2,937
Social security costs	345	288
Contributions to pensions/superannuation funds	146	148
Bonuses	2,370	441
Post-employment benefits	992	870
Other benefits	8	13
	6,342	4,549
(ii) Share-based payments (note 22)	5,544	1,195
(iii) Amounts paid to director-related entities not included in (i) above (note 27)	1	54
Number of directors to whom superannuation or pension benefits accrued during the year	3	4

(d) Average number of persons employed (full time equivalents):

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
CEO	1	1
Exploration and technical	22	23
Commercial and support	30	15
	53	39

**7 Taxation**

(a) Income tax (credit)/expense

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Current income tax:		
UK corporation tax	-	-
UK current tax adjustment in respect of prior periods	(63)	-
Foreign tax	49	-
Adjustments in respect of prior periods	10	-
Total current income tax	(4)	-
Deferred tax:		
Origination and reversal of temporary differences	(224)	-
<b>Tax (credit)/expense in the income statement</b>	<b>(228)</b>	<b>-</b>

## 7 Taxation continued

### (b) Reconciliation of the total tax (credit)/expense

The tax benefit not recognised in the income statement is reconciled to the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are reconciled below:

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Loss on operations before taxation	(40,943)	(19,075)
Loss on operations before taxation multiplied by the UK standard rate of corporation tax of 24.5% (2011: 26.5%)	(10,031)	(5,055)
Non-deductible expenditure	2,919	36
Share-based payments	495	720
Non-taxable income	-	(3,669)
(Income)/expenditure in tax exempt jurisdictions	(173)	216
Unrecognised deferred tax assets	6,615	7,761
Other	-	(9)
Adjustment in respect of prior year periods	(53)	-
<b>Total tax (credit)/expense in the income statement</b>	<b>(228)</b>	<b>-</b>

### (c) Deferred income tax

Deferred income tax balances at 31 December relate to the following:

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Deferred tax liabilities:		
Property plant and equipment	-	(96)
Fair value adjustment in respect of exploration assets	(56,996)	-
Revenue tax losses	-	96
	<b>(56,996)</b>	<b>-</b>

### (d) Unrecognised tax losses

The Group has further tax losses arising in the UK and Australia totalling \$93,190,734 (2011: \$55,656,114) that are available to carry forward indefinitely to offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as there is not sufficient certainty that taxable income will be realised in the future due to the nature of the Group's international exploration activities and the long lead times in either developing or otherwise realising exploration assets.

### (e) Other unrecognised temporary differences

The Group has other unrecognised temporary differences in the UK, Australia and various African countries totalling \$190,976,200 (2011: \$148,534,880) in respect of provisions and exploration expenditure for which deferred tax assets have not been recognised.

### (f) Change in corporation tax rate

Deferred tax has been calculated at the rates substantively enacted at the statement of financial position date.

The main United Kingdom rate of corporation tax decreased from 26% to 24% with effect from 1 April 2012, and legislation to reduce the rate to 23% with effect from 1 April 2013 has been substantively enacted during the year. In addition the United Kingdom Government announced as part of the 2012 Autumn statement that the corporation tax rate was to be reduced to 21% (previously 22%) from 1 April 2014.

**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**8 Earnings per share**

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations:

	<b>Year ended 31 Dec 2012 \$'000</b>	Year ended 31 Dec 2011 \$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share		
Loss for the year	(40,715)	(19,075)
Less non-controlling interest	106	-
Loss attributable to equity holders of the parent	<b>(40,609)</b>	<b>(19,075)</b>
	<b>Year ended 31 Dec 2012 No.</b>	Year ended 31 Dec 2011 No.
<b>Number of shares</b>		
Basic weighted average number of shares	387,194,504	271,664,087

There were 11,131,204 (2011: 12,849,413) outstanding share options and warrants at 31 December 2012 which were anti-dilutive.

There have been no issues of shares between the reporting date and the date of these Financial Statements.

**9 Exploration and evaluation assets**

	<b>Year ended 31 Dec 2012 \$'000</b>	Year ended 31 Dec 2011 \$'000
Costs at the beginning of the year	327,060	270,043
Additions	415,484	70,381 <sup>1</sup>
Acquisition of subsidiary <sup>2</sup>	228,000	-
Expenditure written off	-	(13,364) <sup>3</sup>
Disposals <sup>4</sup>	(8,831)	-
<b>Balance at the end of the year</b>	<b>961,713</b>	<b>327,060</b>

1 Net of recovery of costs incurred on farm out of exploration interests of \$8.1 million (31 December 2011)

2 The amount of \$228.0 million was recognised on the acquisition of Dominion Petroleum Limited (note 11)

3 Includes costs of \$12.7 million relating to the write off of the Kora-1 dry well in the AGC exploration block.

4 Net book value of 46.75% interest in Block V in the Albertine Graben in the Democratic Republic of Congo sold for \$8.7 million on 20 July 2012.



## 10 Goodwill

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Balance at the beginning of the year	-	-
Acquisition of subsidiary (note 11)	57,389	-
Disposal <sup>1</sup>	(224)	-
<b>Balance at the end of the year</b>	<b>57,165</b>	<b>-</b>

1 Unwinding of goodwill on disposal of interest in Block V in the Albertine Graben in the Democratic Republic of Congo.

The goodwill balance is largely the result of recognising a deferred tax liability on the fair value uplifts of assets acquired through the Dominion acquisition.

### Allocation of Goodwill

Goodwill has been allocated to a cash-generating unit (CGU) or groups of CGU's no larger than the reportable segment which are expected to benefit from the related acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This is usually considered a single operation or in some cases a number of operations that are in close geographic proximity or share operational efficiencies. The carrying values of goodwill by CGU are as follows:

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Tanzania (Block 7)	107	-
Kenya (Block L9)	62	-
	<b>169</b>	<b>-</b>

The following goodwill balances result from the requirement on acquisition to recognise a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquisition assets and liabilities and their tax bases. For the purposes of testing this goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that remain at balance date are treated as part of the relevant CGU or group of CGU's.

Tanzania (Block 7)	36,190	-
Kenya (Block L9)	20,806	-
Deferred tax liability	56,996	-
<b>Balance at the end of the year</b>	<b>57,165</b>	<b>-</b>

### Impairment test for Goodwill

The Group performs goodwill impairment testing on an annual basis at reporting date. The most recent test was carried out at 31 December 2012. In assessing whether goodwill has been impaired, the carrying amount of the CGU or reportable segment is compared with its recoverable amount. In determining whether goodwill is impaired the Group reviewed the status of projects including recent farm-out transactions and whether the Group's intention is to further develop the Groups various assets.

No impairment expense was recognised for the year ended 31 December 2012 (31 December 2011: nil).

**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**11 Business combinations**

The Group acquired 100% of the share capital of Dominion Petroleum Limited (“Dominion”), an AIM quoted group of companies operating in the oil and gas exploration industry on 2 February 2012 (the acquisition date). The Group announced that the scheme of arrangement approved by Dominion’s shareholders on 12 December 2011 was sanctioned by the Supreme Court in Bermuda effective on 2 February 2012.

As a result of the acquisition the Group acquired a portfolio of assets in offshore Tanzania, Kenya, Uganda and DRC, two of which are operated by Ophir and which strengthens the Group’s position as a leading oil and gas explorer in the East African offshore play.

The financial statements include the statement of financial position of Dominion including fair value adjustments. Revenues and expenses from the acquired assets are consolidated with effect from the acquisition date.

The purchase consideration of \$220,221,437 was satisfied by a combination of cash and equity. The Group issued 38,790,455 new shares in consideration for the entire share capital of Dominion. The fair value of the shares was the published price of the shares of the Group at the acquisition date which was £2.951 (\$4.68). Therefore, the fair value of the share consideration given was \$181,539,329. The remaining purchase consideration amount of \$38,682,108 was paid in cash. Transaction costs relating to the acquisition of \$3,709,030 have been expensed and are included in administration costs.

The fair value assessment of the Dominion assets and liabilities acquired has been reviewed in accordance with the provisions of IFRS 3 – Business Combinations. Details of the Group accounting policies in relation to business combinations are contained in note 2.3(d).

The fair values of the identifiable assets and liabilities of Dominion as at the date of acquisition and the corresponding carrying values immediately before the acquisition were:

	<b>Fair Value recognised 2 February 2012 \$'000</b>
Exploration & evaluation assets (note 9)	228,000
Property, plant & equipment	441
Cash	15,908
Other current assets	7,063
Trade payables	(1,612)
Taxes payable	(588)
Other liabilities	(29,300)
Deferred tax liability	(57,220)
<b>Net assets</b>	<b>162,692</b>
Non-controlling interest	140
<b>Total net assets acquired</b>	<b>162,832</b>
Goodwill arising on acquisition (note 10)	57,389
<b>Total purchase consideration</b>	<b>220,221</b>
<b>Purchase consideration:</b>	
Fair value of shares issued	181,539
Cash paid	38,682
<b>Total purchase consideration</b>	<b>220,221</b>

Goodwill of \$57.4 million arises on acquisition. The goodwill on the transaction has principally arisen as a result of the requirement to recognise \$57.2 million of deferred income tax liabilities representing the tax effect of the differences between the fair value and the tax bases of assets acquired. None of the goodwill recognised is expected to be deductible for income tax purposes.

The balance of the goodwill being \$0.2 million is attributable to the synergies expected to arise from Ophir's current operations which are based in the same East African offshore play as other exploration and evaluation assets acquired.

From the date of acquisition to 31 December 2012 Dominion contributed \$12,268 to Group revenue and \$9,819,734 to Group loss. If the combination had taken place at the beginning of the year, Dominion's contribution to Group revenue and loss for the period to 31 December 2012 would have been \$22,268 and \$13,970,602 respectively.

## 12 Property, plant and equipment

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
<b>Office furniture and equipment</b>		
<b>Cost</b>		
Balance at the beginning of the year	5,431	4,115
Foreign currency translation	90	5
Additions	1,010	1,313
Acquisition of subsidiary	441	-
Disposals	(475)	(2)
Balance at the end of the year	6,497	5,431
<b>Depreciation</b>		
Balance at the beginning of the year	3,226	2,372
Foreign currency translation	59	(15)
Depreciation charge for the year	1,037	871
Disposals	(272)	(2)
Balance at the end of the year	4,050	3,226
<b>Net book value</b>		
Balance at the beginning of the year	2,205	1,743
Balance at the end of the year	2,447	2,205

## 13 Financial assets

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
<b>Non-Current</b>		
Security deposits - Rental properties	1,562	670
Security deposits - Exploration commitments <sup>1</sup>	9,031	-
	10,593	670

1 Floating interest deposits pledged to third parties or banks as security in relation to the Group's exploration commitments.

There are no receivables that are past due or impaired.

**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**14 Inventory**

	<b>Year ended 31 Dec 2012 \$'000</b>	Year ended 31 Dec 2011 \$'000
Drilling consumables	12,811	6,233

**15 Trade and other receivables**

	<b>Year ended 31 Dec 2012 \$'000</b>	Year ended 31 Dec 2011 \$'000
Trade and other debtors	8,726	8,749
Prepayments	774	466
	<b>9,500</b>	<b>9,215</b>

All debtors are current. There are no receivables that are past due or impaired. Trade and other debtors primarily relate to receivables from joint venture partners.

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

**16 Cash and short term deposits**

	<b>Year ended 31 Dec 2012 \$'000</b>	Year ended 31 Dec 2011 \$'000
Cash	227,743	65,359
Short-term deposit	-	331,226
	<b>227,743</b>	<b>396,585</b>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group, and earn interest at the various short-term deposit rates. Short term deposits are readily convertible to cash and are subject to insignificant risks of changes in value. The fair value of cash and cash equivalents is \$227.7 million (31 December 2011: \$396.6 million).

**17 Trade and other payables**

	<b>Year ended 31 Dec 2012 \$'000</b>	Year ended 31 Dec 2011 \$'000
Trade payables	17,648	4,866
Accruals	27,324	22,838
Payables in relation to joint venture partners	74,444	-
	<b>119,416</b>	<b>27,704</b>

Trade payables are unsecured and are usually paid within 30 days of recognition.

## 18 Provisions

	Employee Annual Leave \$'000	Employee Long Service Leave \$'000
At 1 January 2012		
Current	820	-
Non-current	-	384
Arising during the year	838	67
Utilised	(547)	-
Amounts released	(278)	(174)
At 31 December 2012		
Current	833	-
Non-current	-	277

The provisions are made for statutory or contractual employee entitlements. It is anticipated that these costs will be incurred when employees choose to take their benefits and as such there is an inherent uncertainty as to the timing of the relevant outflows required by the provisions.

## 19 Financial instruments

### Capital management

Capital consists of equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure it has sufficient funds to carry out its exploration activities and safeguard the Group's ability to continue as a going concern. The Group is not subject to any externally imposed capital requirements.

To maintain or adjust the capital structure, the Group may issue new shares for cash, engage in active portfolio management, or other such restructuring activities as appropriate.

No significant changes were made in the objectives, policies or processes during the year ended 31 December 2012.

### Financial risk management

The Group's principal financial assets and liabilities comprise trade and other receivables (note 15), cash and short-term deposits (note 16) and trade and other payables (note 17), which arise directly from its operations. The main purpose of these financial instruments is to manage short-term cash flow and provide finance for the Group's operations.

Details of significant accounting policies and methods adopted in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to these financial statements.

The Group's senior management oversees the management of financial risk and the Board of Directors has established an Audit Committee to assist in the identification and evaluation of significant financial risks. Where appropriate, consultation is sought with an external advisor to determine the appropriate response to identified risks. The Group does not trade in derivatives for speculative purposes.

The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are credit, interest rate, foreign currency and liquidity risks.

#### (a) Credit risk

Credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to the Group. The Group's maximum exposure to credit risk of third parties is the aggregate of the carrying value of its security deposits, cash and short-term deposits, and trade and other receivables.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant. No impairment loss has been recognised at the year ended 31 December 2012 (31 December 2011: nil).

**CONSOLIDATED FINANCIAL STATEMENTS**  
NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**19 Financial instruments** continued

Credit quality of financial assets

	Equivalent S&P rating <sup>1</sup>		Internally rated	
	A-1 and above	A-2 and below	No default customers	Total
<b>Year ended 31 December 2012</b>				
<b>Current financial assets</b>				
Cash and cash equivalents	227,743	-	-	227,743
Trade and other receivables	-	-	9,500	9,500
	227,743	-	9,500	237,243
<b>Non-current financial assets</b>				
Security deposits	6,063	4,530	-	10,593
	6,063	4,530	-	10,593

1 The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

	Equivalent S&P rating <sup>1</sup>		Internally rated	
	Equivalent A-1 and above	S&P rating <sup>1</sup> A-2 and below	No default customers	Total
<b>Year ended 31 December 2011</b>				
<b>Current financial assets</b>				
Cash and cash equivalents	376,229	20,320	-	396,549
Trade and other receivables	-	-	7,740	7,740
	376,229	20,320	7,740	404,289
<b>Non-current financial assets</b>				
Security deposits	-	670	-	670
	-	670	-	670

1 The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

Credit risk on cash and short-term deposits is managed by limiting the term of deposits to periods of less than twelve months and selecting counterparty financial institutions with reference to long and short-term credit ratings published by Standard & Poor's.

*Fair values*

The maximum exposure to credit risk is the fair value of security deposits and receivables. Collateral is not held as security.

The fair values and carrying values of non-current receivables of the Group are as follows:

	31 December 2012		31 December 2011	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Security deposits	10,593	10,578	670	631
	10,593	10,578	670	631

The fair values are based on cash flows discounted at a rate reflecting current market rates adjusted for counterparty credit risk. The fair values of all other financial assets and liabilities approximate their carrying values.

### (b) Interest rate risk

As of 31 December 2012, the Group has no borrowings (31 December 2011: Nil) so interest rate risk is limited to interest receivable on deposits and bank balances.

The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's cash assets held in short-term cash deposits. The Board monitors its cash balance on an ongoing basis and liaises with its financiers regularly to mitigate the risk of a fluctuating interest rate. The benchmark rate used for short-term deposits is US LIBOR.

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
<b>Financial assets</b>		
Security deposits	10,593	670
Cash and cash equivalents	227,743	396,585
Net exposure	238,336	397,255

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate deposits and cash equivalent).

The analysis below reflects a reasonably possible change in interest rates compared to 2011.

Increase/decrease in Interest rate	Effect on loss 31 Dec 2012	Effect on loss 31 Dec 2011
+0.5%	1,192	1,986
-0.5%	(1,192)	(1,986)

The sensitivity in 2012 was maintained at 0.5% as interest rate volatilities remain similar to those in the prior period.

### (c) Foreign currency risk

The Group has currency exposures arising from assets and liabilities denominated in foreign currencies and transactions executed in currencies other than the respective functional currencies.

The Group, with the exception of Ophir Services Pty Ltd, have adopted US Dollars as their functional and reporting currencies as this represents the currency of their primary economic environment as the majority of the Group's funding and expenditure is US Dollars. Ophir Services Pty Ltd has adopted the Australian Dollar as its functional currency.

The Group's exposure to foreign currency risk is managed by holding the majority of its funds in US Dollars, as a natural hedge, with remaining funds being held in Pounds Sterling ("GBP"), Australian Dollars ("AUD"), Euros ("EUR"), Tanzanian Shillings ("TZS") and CFA Franc BEAC ("XAF") to meet commitments in those currencies.

As at 31 December 2012, the Group's predominant exposure to foreign exchange rates related to cash and cash equivalents held in Pounds Sterling by companies with US Dollar functional currencies.

**CONSOLIDATED FINANCIAL STATEMENTS**  
NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**19 Financial instruments** continued

At the statement of financial position date, the Group had the following exposure to GBP, XAF, TZS, EUR and AUD foreign currency that is not designated in cash flow hedges:

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
<b>Financial assets</b>		
Cash and cash equivalents		
AUD	357	382
EUR	443	176
GBP	34,676	23,909
TZS	14	5
XAF	306	176
	<b>35,796</b>	<b>24,648</b>
<b>Financial liabilities</b>		
Trade and other payables		
AUD	(221)	(213)
EUR	(114)	(105)
GBP	(3,859)	(1,160)
	<b>(4,194)</b>	<b>(1,478)</b>
<b>Net Exposure</b>	<b>(31,602)</b>	<b>23,170</b>

The below table demonstrates the sensitivity to reasonable possible changes in GBP, XAF, TZS, EUR and AUD against the US Dollar exchange rates with all other variables held constant, of the Group's loss before tax and equity (due to the foreign exchange translation of monetary assets and liabilities).

	Loss before tax Higher/(Lower)		Equity Higher/(Lower)	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
US Dollar to GBP +5% (2011: +5%)	1,541	(1,137)	-	-
US Dollar to GBP -5% (2011: -5%)	(1,541)	1,137	-	-
US Dollar to AUD +5% (2011: +5%)	7	8	1	7
US Dollar to AUD -5% (2011: -5%)	(7)	(8)	(1)	(7)
US Dollar to EUR +5% (2011: +5%)	16	3	-	-
US Dollar to EUR -5% (2011: -5%)	(16)	(3)	-	-
US Dollar to XAF +5% (2011: +5%)	15	9	-	-
US Dollar to XAF -5% (2011: -5%)	(15)	(9)	-	-
US Dollar to TZS +5% (2011: +5%)	1	-	-	-
US Dollar to AUD -5% (2011: -5%)	(1)	-	-	-

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic forecaster's expectations.
- The reasonably possible movement was calculated by taking the US Dollar spot rate as at statement of financial position date, moving this spot rate by the reasonably possible movements and then re-converting the US Dollar into the respective foreign currency with the new spot rate. This methodology reflects the translation methodology undertaken by the Group.



#### (d) Liquidity risk

The Group has a liquidity risk arising from its ability to fund its liabilities and exploration commitments. This risk is managed by ensuring that the Group has sufficient funds to meet those commitments by monitoring the expected total cash inflows and outflows on a continuous basis.

All of the Group's trade creditors and other payables (note 17) are payable in less than six months.

The Group did not make use of derivative instruments during the year or during the prior year.

#### (e) Disclosure of fair values

The carrying value of security deposits and financial liabilities disclosed in the financial statements as at 31 December 2012 approximate their fair value.

#### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Level 1	-	-
Level 2	-	-
Level 3	10,578	670
	10,578	670

There were no transfers between levels during the year.

## 20 Share capital

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
<b>a) Authorised</b>		
2,000,000,000 ordinary shares of 0.25p each	7,963	7,963
<b>b) Called up, allotted and fully paid</b>		
327,123,901 ordinary shares in issue at the beginning of the year of 0.25p each (31 December 2011: 225,345,528)	1,448	1,042
3,589,833 ordinary shares issued of 0.25p each on exercise of options and warrants during the year (31 December 2011: 5,426,493)	15	21
69,290,455 <sup>1</sup> ordinary shares issued of 0.25p each during the year (31 December 2011: 96,351,880)	276	385
400,004,189 ordinary shares of 0.25p each (31 December 2011: 327,123,901)	1,739	1,448

1 38,790,455 ordinary shares issued as part of the Dominion acquisition (note 11). 30,500,000 ordinary shares were issued at £4.95 each in relation to the placement and capital raising announced by the Company on 28 March 2012.

The balances classified as called up; allotted and fully paid share capital represents the nominal value of the total number of issued shares of the Company of 0.25p each.

Fully paid shares carry one vote per share and carry the right to dividends.

**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**21 Reserves**

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Share premium account <sup>1</sup>	1,213,978	789,714
Option premium reserve <sup>2</sup>	34,244	26,526
Special reserve <sup>3</sup>	156,435	156,435
Consolidation reserve <sup>4</sup>	(500)	(500)
Equity component of convertible bond <sup>5</sup>	669	669
Foreign currency translation reserve <sup>6</sup>	5,852	5,880
Accumulated losses	(307,721)	(267,112)
Non-controlling interest <sup>7</sup>	(246)	-
	<b>111,267</b>	<b>711,612</b>

1 The share premium account represents the total net proceeds on issue of the Company's shares in excess of their nominal value of 0.25p per share less amounts transferred to the special reserve.

2 The option premium reserve represents the cost of share-based payments to Directors, employees and third parties.

3 The special reserve was created on reduction of the Company's share capital on 26 July 2007. The account will be available to offset accumulated losses once all creditors who were in existence at the date of the transfer from share premium have been settled.

4 The consolidation reserve represents a premium on acquisition of a minority interest in a controlled entity.

5 This balance represents the equity component of the convertible bond, net of costs and tax as a result of the separation of the instrument into its debt and equity components. The bond was converted into 21,661,476 ordinary shares of 0.25p each on 21 May 2008.

6 The foreign currency translation reserve is used to record unrealised exchange differences arising from the translation of the financial statements of entities within the Group that have a functional currency other than US Dollars.

7 The non-controlling interest relates to Dominion Uganda Ltd, where the Group acquired a 95% shareholding during the year.

**22 Share-based compensation**

**(a) Employee incentive share option plans**

**Ophir Energy Company Foundation Incentive Scheme**

Ophir Energy Company Foundation Incentive Scheme was established on 12 May 2004 shortly after the formation of the Company to attract new employees on start up. The plan provided for a total of 1,450,000 options to acquire ordinary shares at 1p per share to be issued to eligible employees. The Scheme was terminated on 24 November 2005 and all options issued under the scheme have fully vested.

**Ophir Energy Company 2006 Share Option Plan**

On 5 April 2006 the Board resolved to establish the Ophir Energy Company Limited 2006 Share Option Plan.

Any employee of the Company or any Subsidiary or any Director of the Company or any subsidiary who is required to devote substantially the whole of his working time to his duties is eligible to participate under the Plan. At the grant date the Board of Directors determine the vesting terms, if any, subject to the proviso that no more than one half of the options become exercisable on the first and second anniversaries of the date of grant and any performance conditions are satisfied. Options have an exercise period of up to 10 years from the date of grant.

**Ophir Energy Long Term Incentive Share Option Plan**

On 26 May 2011 the Board resolved to establish the Ophir Energy Long Term Incentive Share Option Plan. This was introduced to give awards to Directors and senior management subject to outperforming a comparator group of similarly focused oil and gas exploration companies in terms of shareholder return over a three year period. The Plan awards a number of shares to Directors and senior management based on a multiple of salary. However, these shares only vest after a three year period and the full award is made only if Ophir has performed in the top quartile when compared against a selected peer group of upstream oil and gas companies.

### Ophir Energy plc 2012 Deferred Share Plan

On 19 June 2012 the Board resolved to establish the Ophir Energy plc Deferred Share Plan 2012 (DSP). The plan was introduced to provide executive management with a means of retaining and incentivising employees. The structure of the DSP will enable a portion of participants' annual bonuses to be deferred into options to acquire ordinary shares in the capital of the Company. All options issued to date vest after a three year period. Options have an exercise period of 10 years from the date of grant.

The DSP operates in conjunction with the Ophir Energy plc Employee Benefit Trust. The Trust will hold ordinary shares in the Company for the benefit of its employees and former employees, which may then be used, on a discretionary basis, to settle the DSP Awards as and when they are exercised.

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the period for the above schemes. These are denominated in Pounds Sterling and have been translated to US Dollars using the closing exchange rate for presentation purposes.

	2012		2011	
	Number	WAEP	Number	WAEP
Outstanding options beginning of year	11,752,240	\$2.37/£1.53	7,460,580	\$2.50/£1.62
Granted during the year	2,458,753	\$1.17/£0.74	5,525,980	\$2.24/£1.45
Exercised during the year	(2,492,660)	\$3.17/£2.00	(729,320)	\$1.27/£0.82
Expired during the year	(587,129)	\$2.12/£1.34	(505,000)	\$3.86/£2.50
Outstanding options at end of year	11,131,204	\$2.21/£1.40	11,752,240	\$2.37/£1.53
Exercisable at end of year	4,208,600	\$2.63/£1.66	6,726,260	\$2.63/£1.70

The weighted average fair value of options granted during the year was \$1.17. The range of exercise prices for options outstanding at the end of the year was \$0.00 to \$10.08 (2011: \$0.00 to \$3.86) with a remaining exercise period in the range of 3 to 9 years.

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The table below lists the inputs to the model used for the year ended 31 December 2012.

	2006 Share Option Plan		Long Term Incentive Plan		2012 Deferred Share Plan	
	2012	2011	2012	2011	2012	2011
Dividend yield (%)	-	-	-	-	-	n/a
Exercise Price	\$3.96/£2.50	\$3.86/£2.50	nil	nil	nil	n/a
Share Volatility (%)	50%	45%	52%	45%	50%	n/a
Risk-free interest rate (%)	1%	1%	0.40%	0.8%	1%	n/a
Expected life of option (years)	4-9	4	3-6	4	3	n/a
Weighted average share price	\$8.13/£5.13	\$3.86/£2.50	\$8.13/£5.13	\$3.86/£2.50	\$8.13/£5.13	n/a

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not be the actual outcome.

**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**22 Share-based compensation** continued

(b) Share-based payments to suppliers of goods and services

	2012		2011	
	Number	WAEP	Number	WAEP
Outstanding options and warrants at beginning of year	1,097,173	\$1.13/€0.73	5,794,346	\$1.76/€1.11
Granted during the year	-	-	-	-
Exercised during the year	(1,097,173)	\$1.33/€0.84	(4,697,173)	\$1.84/€1.19
Outstanding options and warrants at end of year	-	-	1,097,173	\$1.13/€0.73

No options or warrants were granted during the year or prior year. The range of exercise prices of options and warrants outstanding at the end of the year was \$nil to \$nil (2011: \$0.0039 to \$3.55) with a remaining contractual life in the range of 6 months.

(c) Share-based payments to directors

During the year a total of 1,532,038 (2011: 1,834,674) Nil cost options to acquire ordinary shares were granted to directors under the Ophir Energy Long Term Incentive Plan.

During the year a further total of Nil (2011: 1,000,000) options at a price of £2.50 (\$3.86) to acquire ordinary shares were granted to directors under the Ophir Energy Company 2006 Share Option Plan.

## 23 Interests in jointly controlled assets

The Group has the following interests in jointly controlled assets:

Country	Asset	Beneficial Interest 2012 (%)	Beneficial Interest 2011 (%)
AGC (Operator)	Profond	44.2 <sup>1</sup>	44.2
Congo (Brazzaville) (Operator)	Marine IX	48.46	48.46
Equatorial Guinea (Operator)	Block R	80	80
Gabon (Operator)	Mbeli	50 <sup>2</sup>	50 <sup>2</sup>
Gabon (Operator)	Ntsina	50 <sup>2</sup>	50 <sup>2</sup>
Gabon (Operator)	Manga	100 <sup>2</sup>	100 <sup>2</sup>
Gabon (Operator)	Gnondo	100 <sup>2</sup>	100 <sup>2</sup>
Ghana (Operator)	Accra	20 <sup>3</sup>	-
Kenya (Operator)	Block L9	90 <sup>4</sup>	-
Kenya (Operator)	Block L15	90 <sup>4</sup>	-
Madagascar (Operator)	Marovoaya	80	80
SADR (Operator)	Daora	50	50
SADR (Operator)	Haouza	50	50
SADR (Operator)	Mahbes	50	50
SADR (Operator)	Mijek	50	50
Somaliland (primarily onshore) (Operator)	Berbera	75 <sup>5</sup>	75
Tanzania	Block 1	40 <sup>6</sup>	40
Tanzania	Block 3	40 <sup>6</sup>	40
Tanzania	Block 4	40 <sup>6</sup>	40
Tanzania	Block 7	80 <sup>7</sup>	-
Tanzania (Operator)	East Pande	70 <sup>8</sup>	70
Uganda	EA4B	95	-

1 L'Entreprise AGC S.A. ("Entreprise") has a 12% carried participating interest, with an option to increase such participating interest by a maximum of 5%, in return for the reimbursement of 5% of the costs expended on petroleum operations prior to such date and is carried through the exploration and appraisal phases. Such interest would be acquired from the other parties on a pro rata basis. Noble Energy and Rocksource assigned their respective participating interests to Ophir Profond on 31 December 2012. A letter of no objection to the assignments, dated 29 January 2013, has been received from the AGC and approval of the assignments is pending the issue of an order by the AGC. Following the issue of such order, Ophir's participating interest will be 79.2%.

2 The Government of Gabon has the option to participate in the petroleum operations through a 10% participating interest in Mbeli Marin, Ntsina Marin and Gnondo Marin; and a 15% participating interest in Manga Marin. Such interest would be acquired from the other parties on a pro rata basis.

3 The Group's effective interest is 18% pursuant to the carried 10% interest of the Government of Ghana. The Government of Ghana may also elect to acquire an additional interest up to a further 15% in each development and production area. Such interest would be acquired from the other parties on a pro rata basis.

4 The Group currently has a 90% participating interest with the Government of Kenya having a 10% carried interest. The Company is currently in advanced negotiations to offer up to 40% of its interest in Block L9 to third parties.

5 The Government of Somaliland has a 10% back in right, exercisable within 60 days of a commercial discovery. Such interest would be acquired from the other parties on a pro rata basis.

6 The TPDC has a 12% back in right in each of Blocks 1, 3 and 4 and a further 3% back in right in each of Blocks 3 and 4 following a declaration of commerciality. Such interest would be acquired from the other parties on a pro rata basis.

7 The TPDC has a 15% back in right in Block 7. Such interest would be acquired from the other parties on a pro rata basis.

8 The TPDC has a 20% back in right the East Pande Block exercisable any time after approval of a development licence. Such interest would be acquired from the other parties on a pro rata basis.

Capital commitments relating to these projects are included in note 25. There are no contingent liabilities associated with these projects. Refer to note 2.3(n) for the Group's accounting policy for jointly controlled assets and liabilities.

## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS CONTINUED

#### Farm out arrangements

In the prior year the Group entered into a farm out arrangement with Noble Energy Inc to share costs and risks associated with exploration activities on the AGC Profond Block. The former partners (Noble Energy Inc. and Rocksource) withdrew from the Profond Block during the year ended 31 December 2012. The Group and the remaining partner (FAR Limited) elected to remain in the permit. The former partner's assigned their respective participating interests to the Group and is pending the issue of an order by the AGC approving the assignments. Following the issue of such order, Ophir's participating interest will be 79.2%.

#### Farm in arrangements

The Group has entered into a farm in arrangement with TAP Oil (Ghana) Limited, Afex Oil (Ghana) Limited, Vitol Upstream (Accra) Limited and Rialto Energy (Ghana) Limited to share the costs and risks associated with exploration activities in the Offshore Accra Contract Area. The Group has acquired a 18% beneficial interest (20% paying interest) and operatorship of the block in return for a payment of US\$1.8 million relating to back costs.

#### Acquisitions

During the year ended 31 December 2012 the Group acquired the Dominion group of companies (note 11) and it's portfolio of blocks in offshore Tanzania, Kenya, Uganda and DRC. The Group has acquired a 90% beneficial interest in Kenya Blocks L9 and L15 and are required to contribute 100% of all costs and capital expenditure. In addition the Group has acquired a 80% beneficial interest in Tanzania Block 7 and are required to contribute 80% of all costs and capital expenditure.

Since the acquisition, the Group has disposed of its interest in the DRC (note 9) and formally applied to the Ugandan government to withdraw from Block E4AB. The process of withdrawing from Uganda is on-going and subject to the Group meeting certain commitments.

#### 24 Operating lease commitments

At 31 December 2012 the Group was committed to making the following future minimum lease payments in respect of operating leases over land and buildings with the following lease termination dates:

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Due within one (1) year	2,076	1,296
Due later than one (1) year but within five (5) years	3,961	1,772
Due later than two (2) years but within five (5) years	2,097	10
	<b>8,134</b>	<b>3,078</b>

#### 25 Capital commitments

##### Exploration

In acquiring its oil and gas interests the Group has pledged that various work programmes will be undertaken on each permit/interest. The exploration commitments below are an estimate of the net cost to the Group of performing these work programmes.

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Due within one (1) year	184,488	113,571
Due later than one (1) year but within two (2) years	33,951	775
Due later than two (2) years but within five (5) years	-	60
	<b>218,439</b>	<b>114,406</b>

## 26 Contingent Liabilities

As reported in the 2011 financial statements an individual had previously commenced action against the Group relating to an evaluation of an interest that was held in exploration blocks within the portfolio. The Group applied for summary judgement of the claim, which was heard in the High Court on 27 April 2012. On 15 June 2012, summary judgement was made in favour of the Group in respect of the whole of the claim. The 21 day period during which the claimant could appeal the judgement has now expired.

## 27 Related party disclosures

### (a) Identity of related parties

The Group has related party relationships with its subsidiaries (refer to note 6(b) of the Company financial statements), joint ventures (note 23) and its Directors and companies associated with its Directors identified in the following paragraph.

Recharges from the Company to subsidiaries in the year were \$6,217,298 (2011: \$4,457,140). Transactions between the Company and its subsidiaries have been eliminated on consolidation.

In April 2012 the Group completed an equity placing of 30.5 million new ordinary shares of 0.25 pence at a price of 495 pence raising \$243.0 million (£150.9 million).

Pursuant to the placing the Company placed 1,650,000 new ordinary shares with the Kulczyk Group a related party of the Company for the purpose of the Listing Rules as it held in excess of 10% of the issued share capital of the Company at 28 March 2012. The placing to the Kulczyk Group was on the same terms as to other subscribers and no commission was payable to them in respect of such placing.

The aggregate value of the new ordinary shares placed to the Kulczyk Group at the placing price of 495 pence per ordinary share was £9.17 million representing 0.42% of the market capitalisation of the Company as at the close of business on 27 March 2012 and as a result of which the Kulczyk Group held 10.20% of the issued share capital of the Company as at 2 April 2012.

### (b) Other transactions with key management personnel

The Company made payments of \$1,168 (year ended 31 December 2011: \$47,868) to Vectis Petroleum Limited, a company associated with Mr J Lander, for the provision of Mr Lander's service as a director.

Compensation of key management personnel (including directors) is disclosed in note 6(b).

## 28 Events after the reporting period

On 4 March 2013 the Group announced a placing and a fully underwritten Right's Issue.

## COMPANY FINANCIAL STATEMENTS

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

### IN RELATION TO THE COMPANY FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Company financial statements for each financial year. Under that law, the Directors are required to prepare Company financial statements under IFRSs as adopted by the European Union.

Under Company Law the Directors must not approve the Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Company financial statements the Directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state whether the Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

Approved by the Board on 4 March 2013

**NICK COOPER**  
Chief Executive Officer



## COMPANY FINANCIAL STATEMENTS

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPHIR ENERGY PLC

We have audited the parent company financial statements of Ophir Energy plc for the year ended 31 December 2012 which comprise the Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' responsibilities Statement the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**COMPANY FINANCIAL STATEMENTS**  
INDEPENDENT AUDITOR'S REPORT TO  
THE MEMBERS OF OPHIR ENERGY PLC CONTINUED

**Other matter**

We have reported separately on the group financial statements of Ophir Energy plc for the year ended 31 December 2012.

**STEVEN DOBSON**

**(Senior Statutory Auditor)**

for and on behalf of Ernst & Young LLP

Statutory Auditor

London

4 March 2013

Notes:

- 1 The maintenance and integrity of the Ophir Energy plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

COMPANY FINANCIAL STATEMENTS  
 COMPANY STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2012

	Notes	As at 31 Dec 2012 \$'000	As at 31 Dec 2011 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	5	717	507
Investments in subsidiaries	6	1,133,350	393,592
Other financial assets	7	5,774	387
		<b>1,139,841</b>	<b>394,486</b>
<b>Current assets</b>			
Trade and other receivables	8	1,591	2,154
Cash and short term deposits	9	45,380	386,190
		<b>46,971</b>	<b>388,344</b>
<b>Total assets</b>		<b>1,186,812</b>	<b>782,830</b>
<b>Current liabilities</b>			
Trade and other payables	10	(4,258)	(4,007)
Provisions	12	(372)	(242)
<b>Total liabilities</b>		<b>(4,630)</b>	<b>(4,249)</b>
<b>Net assets</b>		<b>1,182,182</b>	<b>778,581</b>
<b>Capital and reserves</b>			
Called up share capital	13	1,739	1,448
Share premium account	14	1,213,978	789,714
Reserves	14	<b>(33,535)</b>	<b>(12,581)</b>
<b>Total equity</b>		<b>1,182,182</b>	<b>778,581</b>

Approved by the Board on 4 March 2013

**NICHOLAS SMITH**  
 Chairman

**NICK COOPER**  
 Chief Executive Officer

**COMPANY FINANCIAL STATEMENTS**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2012

	Called Up Share Capital \$'000	Share Premium \$'000	Options Premium Reserve \$'000	Special Reserve \$'000	Equity Component On Convertible Bond \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
<b>As at 1 January 2011</b>	<b>1,042</b>	<b>417,048</b>	<b>23,852</b>	<b>156,435</b>	<b>669</b>	<b>11,839</b>	<b>(191,140)</b>	<b>419,745</b>
Loss for the period, net of tax	-	-	-	-	-	-	(16,910)	(16,910)
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income, net of tax	-	-	-	-	-	-	(16,910)	(16,910)
New ordinary shares issued to third parties	385	384,648	-	-	-	-	-	385,033
Exercise of options	21	9,717	-	-	-	-	-	9,738
Share issue costs	-	(21,699)	-	-	-	-	-	(21,699)
Share-based payments	-	-	2,674	-	-	-	-	2,674
<b>As at 31 December 2011</b>	<b>1,448</b>	<b>789,714</b>	<b>26,526</b>	<b>156,435</b>	<b>669</b>	<b>11,839</b>	<b>(208,050)</b>	<b>778,581</b>
Loss for the period, net of tax	-	-	-	-	-	-	(28,672)	(28,672)
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income, net of tax	-	-	-	-	-	-	(28,672)	(28,672)
New ordinary shares issued to third parties	276	423,156	-	-	-	-	-	423,432
Exercise of options	15	8,480	-	-	-	-	-	8,495
Share issue costs	-	(7,372)	-	-	-	-	-	(7,372)
Share-based payments	-	-	7,718	-	-	-	-	7,718
<b>As at 31 December 2012</b>	<b>1,739</b>	<b>1,213,978</b>	<b>34,244</b>	<b>156,435</b>	<b>669</b>	<b>11,839</b>	<b>(236,722)</b>	<b>1,182,182</b>

**COMPANY FINANCIAL STATEMENTS**  
**COMPANY STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
<b>Operating activities</b>			
Loss before taxation		(28,672)	(16,910)
<b>Adjustments to reconcile loss before tax to net cash flows:</b>			
Interest income		(3,976)	(815)
Depreciation of property, plant and equipment	5	210	129
Amortisation of deferred costs		5	-
Provision for employee entitlements		130	50
Share-based payments	4	7,718	2,674
Impairment of loans to subsidiaries	6	1,021	-
<b>Working capital adjustments</b>			
(Increase) in trade and other payables		(251)	(895)
Decrease in trade and other receivables		563	3,184
(Increase)/decrease in other financial assets		(5,387)	-
<b>Cash flows from operating activities</b>		<b>(28,639)</b>	<b>(12,583)</b>
Income taxes paid		-	-
Interest Income		1,433	409
<b>Net cash flows used in operating activities</b>		<b>(27,206)</b>	<b>(12,174)</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment	5	(605)	(272)
Loans to subsidiaries		(517,320)	(48,801)
Acquisition of subsidiary		(38,682)	-
<b>Net cash flows used in investing activities</b>		<b>(556,607)</b>	<b>(49,073)</b>
<b>Financing activities</b>			
Share issue costs		(7,372)	(21,699)
Issue of ordinary shares		250,385	394,771
<b>Net cash flows from financing activities</b>		<b>243,013</b>	<b>373,072</b>
<b>(Decrease)/increase in cash and cash equivalents for the year</b>		<b>(340,800)</b>	<b>311,825</b>
Effect of exchange rates on cash and cash equivalents		(10)	1
Cash and cash equivalents at the beginning of the year		386,190	74,364
<b>Cash and cash equivalents at the end of the year</b>	9	<b>45,380</b>	<b>386,190</b>

## COMPANY FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Corporate information

Ophir Energy plc (the “Company”) is a public limited company incorporated, domiciled and listed in England and Wales. Its registered offices are located at 50 New Bond Street, London W1S 1BJ.

Ophir Energy’s business is the development of offshore and deepwater oil and gas exploration assets. The Company has an extensive and diverse portfolio of exploration interests across East and West Africa.

The Company’s financial statements for the year ended 31 December 2012 were authorised for issue by the Board of Directors on 4 March 2013 and the Statement of Financial Position was signed on the Board’s behalf by Nicholas Smith and Nick Cooper.

The Company has taken advantage of the exemption provided under s408 of the Companies Act 2006 not to publish its individual income statement and related notes.

#### 2 Basis of preparation and significant accounting policies

##### 2.1 Basis of preparation and statement of compliance

The Company’s financial statements have been prepared in accordance with IFRS as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a historical cost basis except for revaluation of certain derivative instruments measured at fair value. The financial statements are presented in US Dollars rounded to the nearest thousand dollars (\$’000) except as otherwise indicated.

Comparative figures for the period to 31 December 2011 are for the year ended on that date.

##### New and Amended Accounting Standards and Interpretations

The Company has adopted new and amended IFRS and IFRIC interpretations as of 1 January 2012. These are detailed in note 2 of the group financial statements.

##### 2.2 Significant accounting policies

###### (a) Investment in subsidiaries

The Company holds monetary balances with its subsidiaries of which settlement is neither planned nor likely to occur in the foreseeable future. Such balances are considered to be part of the Company’s net investment in its subsidiaries.

The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

###### (b) Financial instruments

###### *i. Cash and short term deposits*

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less or deposits that are held for meeting short term cash requirements which are readily convertible to cash and are subject to insignificant risks of changes in value. Cash and cash equivalents excludes any restricted cash which is not available for use by the Group and therefore is not considered highly liquid – for example cash set aside to cover rehabilitation obligations.

For the purpose of the company statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

###### *ii. Trade and other receivables*

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Allowance is made when there is objective evidence that the Company will not be able to recover balances in full. Evidence on non-recoverability may include indications that the debtor or group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or default or delinquency in repayments. Balances are written off when the probability of recovery is assessed as being remote. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

## **2 Basis of preparation and significant accounting policies** continued

### *iii. Trade and other payables*

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obligated to make future payments in respect of the purchase of those goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### **(c) Property, plant and equipment**

Property, plant and equipment, which comprises furniture and fittings and computer equipment, is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

#### *Depreciation*

Depreciation is provided on property, plant and equipment calculated using the straight line method at rates to write off the cost, less estimated residual value based on prices prevailing at the statement of financial position date, of each asset over expected useful lives ranging from 3 to 10 years.

### **(d) Provisions**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. If the effect of the time value of money is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

### **(e) Pensions and other post-retirement benefits**

The Company does not operate its own pension plan but makes pension or superannuation contributions to private funds of its employees which are defined contribution plans. The cost of providing such benefits are expensed in the income statement as incurred.

### **(f) Employee benefits**

#### *Salaries, wages, annual leave and sick leave*

Liabilities for salaries and wages, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

### **(g) Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### **(h) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company has leases where the Lessor retains substantially all the risks and benefits of ownership of the asset. Such leases are classified as operating leases and rentals payable are charged to the Income Statement on a straight line basis over the lease term.

### **(i) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received and receivable, excluding discounts, rebates, VAT and other sales taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised:

#### *Interest income*

Interest income is recognised as it accrues using the effective interest rate method, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

**2 Basis of preparation and significant accounting policies continued**

**(j) Share-based payments**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined with reference to the market value of the underlying shares using a pricing model appropriate to the circumstances which requires judgements as to the selection of both the valuation model and inputs. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other vesting conditions are satisfied.

At each statement of financial position date before vesting, the cumulative expense is calculated on the basis of the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous statement of financial position date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

For equity-settled share-based payment transactions with third parties, the goods or services received are measured at the date of receipt by reference to their fair value with a corresponding entry in equity. If the Company cannot reliably estimate the fair value of the goods or services received, their value is measured by reference to the fair value of the equity instruments granted.

**(k) Foreign currency translation**

The functional currency of the Company is determined on an individual basis according to the primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All exchange differences are taken to the income statement.

The assets and liabilities of the Company whose functional currency is other than that of the presentation currency of Ophir Energy Group are translated into the presentation currency, at the rate of exchange ruling at the statement of financial position date. Income and expenses are translated at the weighted average exchange rates for the period. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.



## **(l) Income taxes**

### *Current tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Current income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

### *Deferred tax*

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Deferred income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise deferred income tax is recognised in the income statement.

## **(m) Impairment**

The Company assesses at each reporting date whether there is an indication that an intangible asset or item of property plant & equipment may be impaired. If any indication exists, or when annual impairment testing for is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGU's to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

## 2 Basis of preparation and significant accounting policies continued

### 2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Company financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The Company has used estimates and assumptions in deriving certain figures within the financial statements. Such accounting estimates may not equate with the actual results which will only be known in time. The key areas of estimation are detailed in note 2.4 of the group financial statements.

### 3 Loss/profit attributable to members of the parent company

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The loss attributable to the members of the Company for the year ended 31 December 2012 is \$28.7 million (31 December 2011: \$16.9 million).

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## 4 Share-based compensation

### (a) Employee incentive share option plans

#### Ophir Energy Company Foundation Incentive Scheme

Ophir Energy Company Foundation Incentive Scheme was established on 12 May 2004 shortly after the formation of the Company to attract new employees on start up. The plan provided for a total of 1,450,000 options to acquire ordinary shares at 1p per share to be issued to eligible employees. The Scheme was terminated on 24 November 2005 and all options issued under the scheme have fully vested.

#### Ophir Energy Company 2006 Share Option Plan

On 5 April 2006 the Board resolved to establish the Ophir Energy Company Limited 2006 Share Option Plan.

Any employee of the Company or any Subsidiary or any Director of the Company or any subsidiary who is required to devote substantially the whole of his working time to his duties is eligible to participate under the Plan. At the grant date the Board of Directors determine the vesting terms, if any, subject to the proviso that no more than one half of the options become exercisable on the first and second anniversaries of the date of grant and any performance conditions are satisfied. Options have an exercise period of 10 years from the date of grant.

#### Ophir Energy Long Term Incentive Share Option Plan

On 26 May 2011 the Board resolved to establish the Ophir Energy Long Term Incentive Share Option Plan. This was introduced to give awards to Directors and senior management subject to outperforming a comparator group of similarly focused oil and gas exploration companies in terms of shareholder return over a three year period. The Plan awards a number of shares to Directors and senior management based on a multiple of salary. However, these shares only vest after a three year period and the full award is made only if Ophir has performed in the top quartile when compared against a selected peer group of upstream oil and gas companies.

#### Ophir Energy plc 2012 Deferred Share Plan

On 19 June 2012 the Board resolved to establish the Ophir Energy plc Deferred Share Plan 2012 (DSP). The plan was introduced to provide executive management with a means of retaining and incentivising employees. The structure of the DSP will enable a portion of participants' annual bonuses to be deferred into options to acquire ordinary shares in the capital of the Company. All options issued to date vest after a three year period. Options have an exercise period of 10 years from the date of grant.

#### 4 Share-based compensation continued

The DSP operates in conjunction with the Ophir Energy plc Employee Benefit Trust. The Trust will hold ordinary shares in the Company for the benefit of its employees and former employees, which may then be used, on a discretionary basis, to settle the DSP Awards as and when they are exercised.

The following table illustrates the number and weighted average exercise prices (“WAEP”) of, and movements in, share options during the period for the above schemes. These are denominated in Pounds Sterling and have been translated to US Dollars using the closing exchange rate for presentation purposes.

	2012		2011	
	Number	WAEP	Number	WAEP
Outstanding options beginning of year	11,752,240	\$2.37/£1.53	7,460,580	\$2.50/£1.62
Granted during the year	2,458,753	\$1.17/£0.74	5,525,980	\$2.24/£1.45
Exercised during the year	(2,492,660)	\$3.17/£2.00	(729,320)	\$1.27/£0.82
Expired during the year	(587,129)	\$2.12/£1.34	(505,000)	\$3.86/£2.50
Outstanding options at end of year	11,131,204	\$2.21/£1.40	11,752,240	\$2.37/£1.53
Exercisable at end of year	4,208,600	\$2.63/£1.66	6,726,260	\$2.63/£1.70

The weighted average fair value of options granted during the year was \$1.17. The range of exercise prices for options outstanding at the end of the year was \$0.00 to \$10.08 (2011: \$0.00 to \$3.86) with a remaining exercise period in the range of 3 to 9 years.

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The table below lists the inputs to the model used for the year ended 31 December 2012.

	2006 Share Option Plan		Long Term Incentive Plan		2012 Deferred Share Plan	
	2012	2011	2012	2011	2012	2011
Dividend yield (%)	-	-	-	-	-	n/a
Exercise Price	\$3.96/£2.50	\$3.86/£2.50	Nil	Nil	Nil	n/a
Share Volatility (%)	50%	45%	52%	45%	50%	n/a
Risk-free interest rate (%)	1%	1%	0.40%	0.8%	1%	n/a
Expected life of option (years)	4-9	4	3-6	4	3	n/a
Weighted average share price	\$8.13/£5.13	\$3.86/£2.50	\$8.13/£5.13	\$3.86/£2.50	\$8.13/£5.13	n/a

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not be the actual outcome.

**COMPANY FINANCIAL STATEMENTS**  
NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(b) Share-based payments to suppliers of goods and services

	2012		2011	
	Number	WAEP	Number	WAEP
Outstanding options and warrants at beginning of year	1,097,173	\$1.13/£0.73	5,794,346	\$1.76/£1.11
Granted during the year	-	-	-	-
Exercised during the year	(1,097,173)	\$1.33/£0.84	(4,697,173)	\$1.84/£1.19
Outstanding options and warrants at end of year	-	-	1,097,173	\$1.13/£0.73

No options or warrants were granted during the year or prior year. The range of exercise prices of options and warrants outstanding at the end of the year was \$nil to \$nil (2011: \$0.0039 to \$3.55) with a remaining contractual life in the range of 6 months.

(c) Share-based payments to directors

During the year a total of 1,532,038 (2011: 1,834,674) Nil cost options to acquire ordinary shares were granted to directors under the Ophir Energy Long Term Incentive Plan.

During the year a further total of Nil (2011: 1,000,000) options at a price of £2.50 (\$3.86) to acquire ordinary shares were granted to directors under the Ophir Energy Company 2006 Share Option Plan.

**5 Property, plant and equipment**

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
<b>Office furniture and equipment</b>		
<b>Cost</b>		
Balance at the beginning of the year	767	495
Additions	605	272
Disposals	(185)	-
Balance at the end of the year	1,187	767
<b>Depreciation</b>		
Balance at the beginning of the year	260	131
Disposals	-	-
Depreciation charge for the year	210	129
Balance at the end of the year	470	260
<b>Net book value</b>		
Balance at the beginning of the year	507	364
Balance at the end of the year	717	507

## 6 Investments in subsidiaries

### (a) Subsidiary companies

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
<b>Non-current loans to subsidiaries</b>		
Balance at the beginning of the year	499,714	450,913
<b>Advances during the year</b>		
Ophir Holdings Limited	248,800	48,801
Ophir Services Pty Limited	4,800	-
Ophir Ventures (Jersey) Limited	241,893	-
Dominion Petroleum Limited	95	-
Dominion Petroleum Acquisitions Limited	17,103	-
Dominion Oil & Gas (Tanzania) Limited	80	-
Dominion Tanzania Limited	758	-
Dominion Uganda Limited	1,021	-
Dominion Petroleum Administrative Services Limited	4,162	-
Dominion Petroleum Kenya L15 (Kenya) Limited	283	-
Dominion Petroleum Kenya Limited	8,059	-
Dominion Petroleum Congo SPRL	(6,496)	-
Balance at end of year	1,020,272	499,714
<b>Allowance for impairment</b>		
Balance at the beginning of the year	(106,122)	(106,122)
Additional allowance	(1,021)	-
Balance at the end of the year	(107,143)	(106,122)
Total	913,129	393,592
<b>Book value</b>		
At the beginning of the year	393,592	344,791
At the end of the year	913,129	393,592

Loans to subsidiaries are unsecured, interest free and form part of the Company's investments in subsidiaries. The loans have no particular repayment terms and the Company has indicated that it does not intend to demand repayment in the foreseeable future. The impairment charge primarily relates to a reduction in value of the subsidiaries associated with the write off of exploration expenditure.

Loans to subsidiaries are denominated in US Dollars.

COMPANY FINANCIAL STATEMENTS  
NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**6 Investments in subsidiaries** continued

(b) The Company has investments in the following subsidiary undertakings:

	Country of incorporation	Principal activity	Class of shares	Holding	Book value of investment 31 Dec 2012 (\$)	Book value of investment 31 Dec 2011 (\$)
<b>Subsidiaries of Ophir Energy plc</b>						
Ophir Services Pty Limited	Australia	Group Services	Ordinary	100%	2	2
Ophir Holdings Limited	Jersey C.I.	Holding	Ordinary	100%	8	8
Ophir Asia Limited	Jersey C.I.	Dormant	Ordinary	100%	-	-
Ophir Ventures (Jersey) Limited	United Kingdom	Holding	Ordinary	100%	145	-
Dominion Petroleum Limited	Bermuda	Exploration	Ordinary	100%	220,221,437	-
					220,221,592	10

The Group acquired 100% of the share capital of Dominion Petroleum Limited, (Dominion), an AIM quoted group of companies operating in the oil and gas exploration industry on 2 February 2012.

The net book value of investment in subsidiaries disclosed above at 31 December 2012 is \$1,133.4 million (31 December 2011: \$393.6 million)

	Country of incorporation	Principal activity	Class of shares	Holding 31 Dec 2012	Holding 31 Dec 2011
<b>Subsidiaries of Ophir Holdings Limited</b>					
Ophir AGC (Profond) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Congo (Marine IX) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Equatorial Guinea Holdings Limited	Jersey C.I.	Holding	Ordinary	100%	100%
Ophir Gabon (Gnondo) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Gabon (Manga) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Gabon (Mbeli) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Gabon (Ntsina) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir JDZ Limited	Jersey C.I.	Holding	Ordinary	100%	100%
Ophir Somaliland (Berbera) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Madagascar Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir East Africa Holdings Limited	Jersey C.I.	Holding	Ordinary	100%	100%
Ophir East Africa (I) Limited	Jersey C.I.	Dormant	Ordinary	100%	100%
Ophir Ghana (Accra) Limited	Jersey C.I.	Exploration	Ordinary	100%	-
<b>Subsidiaries of Ophir Equatorial Guinea Holdings Limited</b>					
Ophir Equatorial Guinea (Block R) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
<b>Subsidiary of Ophir JDZ Limited</b>					
Ophir Energy Company Nigeria (JDZ) Limited	Nigeria	Dormant	Ordinary	100%	100%
<b>Subsidiaries of Ophir East Africa Holdings Limited</b>					
Ophir Tanzania (Block 1) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Tanzania (Block 3) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Tanzania (Block 4) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir East Africa Ventures Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Pipeline Limited	Jersey C.I.	Holding	Ordinary	100%	-
Ophir Gas Marketing Limited	Jersey C.I.	Holding	Ordinary	100%	-
Ophir LNG Limited	Jersey C.I.	Holding	Ordinary	100%	-
<b>Subsidiaries of Dominion Petroleum Limited</b>					
Dominion Petroleum Acquisitions Limited	Bermuda	Exploration	Ordinary	100%	-
DOMPet Limited	Bermuda	Exploration	Ordinary	100%	-
Dominion Investments Limited	Tanzania	Exploration	Ordinary	99.96%	-

	Country of incorporation	Principal activity	Class of shares	Holding 31 Dec 2012	Holding 31 Dec 2011
Dominion Acquisitions Limited	BVI	Exploration	Ordinary	100%	-
Dominion Petroleum Administrative Services Limited	United Kingdom	Exploration	Ordinary	100%	-
Dominion Kenya Holdings Limited	Kenya	Exploration	Ordinary	100%	-
Dominion Petroleum Congo SPRL	DRC	Exploration	Ordinary	1%	-
<b>Subsidiaries of Dominion Petroleum Acquisitions Limited</b>					
Dominion Tanzania Limited	Tanzania	Exploration	Ordinary	0.1%	-
Dominion Oil and Gas Limited	BVI	Exploration	Ordinary	100%	-
Dominion Oil and Gas Limited	Tanzania	Exploration	Ordinary	100%	-
<b>Subsidiaries of Dominion Oil &amp; Gas Limited</b>					
Dominion Oil and Gas Limited	Tanzania	Exploration	Ordinary	99.9%	-
<b>Subsidiaries of DOMPet Limited</b>					
Dominion Tanzania Limited	Tanzania	Exploration	Ordinary	99.9%	-
<b>Subsidiaries of Dominion Acquisitions Limited</b>					
Dominion Uganda Limited	Uganda	Exploration	Ordinary	95%	-
Dominion Somaliland Limited	Somaliland	Exploration	Ordinary	100%	-
Dominion Petroleum Congo SPRL	Congo	Exploration	Ordinary	99%	-
<b>Subsidiaries of Dominion Petroleum Administrative Services Limited</b>					
Dominion Petroleum Kenya Limited	Kenya	Exploration	Ordinary	50%	-
Dominion Petroleum L15(Kenya) Limited	Kenya	Exploration	Ordinary	50%	-
<b>Subsidiaries of Dominion Kenya Holdings Limited</b>					
Dominion Petroleum Kenya Limited	Kenya	Exploration	Ordinary	50%	-
Dominion Petroleum L15(Kenya) Limited	Kenya	Exploration	Ordinary	50%	-

All subsidiaries have a functional currency of US Dollars with the exception of Ophir Services Pty Ltd which has an Australian Dollar functional currency.

## 7 Other financial assets

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Non-Current		
Security deposits - Rental properties	1,274	387
Security deposits - Exploration commitments <sup>1</sup>	4,500	-
	5,774	387

<sup>1</sup> Floating interest deposits pledged to third parties or banks as security in relation to the Group's exploration commitments.

There are no receivables that are past due or impaired.

## 8 Trade and other receivables

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Other debtors	585	2,473
Prepayments	744	-
Amounts due to subsidiary undertakings	262	319
	1,591	2,154

All debtors are current. There are no receivables that are past due or impaired.

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

## 9 Cash and short term deposits

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Cash	45,380	54,964
Short-term deposit	-	331,226
	45,380	386,190

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group and earn interest at the various short-term deposit rates. Short term deposits are readily convertible to cash and are subject to insignificant risks of changes in value. The fair value of cash and cash equivalents is \$45.4 million (31 December 2011: \$386.2 million).

## 10 Trade and other payables

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Trade creditors	1,398	998
Accruals	2,410	3,009
Amounts due to subsidiary undertakings	450	-
	4,258	4,007

Trade payables are unsecured and are usually paid within 30 days of recognition.



## 11 Financial instruments

The Company utilises the same financial risk and capital management as the Group. Refer to note 19 of the group financial statements for further details.

### (a) Credit quality of financial assets

	Equivalent S&P rating <sup>1</sup>		Internally rated	
	A-1 and above \$'000	A-2 and below \$'000	No default customers \$'000	Total \$'000
<b>Year ended 31 December 2012</b>				
Current financial assets				
Cash and cash equivalents	45,380	-	-	45,380
Trade and other receivables	-	-	585	585
	45,380	-	585	45,965
Non-current financial assets				
Security deposits	-	5,774	-	5,774
	-	5,774	-	5,774

1 The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

	Equivalent S&P rating <sup>1</sup>		Internally rated	
	A-1 and above \$'000	A-2 and below \$'000	No default customers \$'000	Total \$'000
Year ended 31 December 2011				
Current financial assets				
Cash and cash equivalents	366,190	20,000	-	386,190
Trade and other receivables	-	-	1,688	1,688
	366,190	20,000	1,688	697,868
Non-current financial assets				
Security deposits	-	387	-	387
	-	387	-	387

1 The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

Credit risk on cash and short-term deposits is managed by limiting the term of deposits to periods of less than twelve months and selecting counterparty financial institutions with reference to long and short-term credit ratings published by Standard & Poor's.

### Fair values

The maximum exposure to credit risk is the fair value of security deposits and receivables. Collateral is not held as security.

The fair values and carrying values of non-current receivables of the Company are as follows:

	31 Dec 2012		31 Dec 2011	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Year ended 31 December 2012</b>				
Security deposits	5,774	5,774	387	387
	5,774	5,774	387	387

The fair values are based on cash flows discounted at a rate reflecting current market rates adjusted for counterparty credit risk. The fair values of all other financial assets and liabilities approximate their carrying values.

**COMPANY FINANCIAL STATEMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**11 Financial instruments** continued

**(b) Interest rate risk**

As of 31 December 2012, the Company has no borrowings (31 December 2011: Nil) so interest rate risk is limited to interest receivable on deposits and bank balances.

The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's cash assets held in short-term cash deposits. The Board monitors its cash balance on an ongoing basis and liaises with its financiers regularly to mitigate the risk of a fluctuating interest rate. The benchmark rate used for short-term deposits is US LIBOR.

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Financial assets		
Security deposits	5,774	387
Cash and cash equivalents	45,380	386,190
Net exposure	51,154	386,577

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's loss before tax (through the impact on floating rate deposits and cash equivalent).

The analysis below reflects a reasonably possible change in interest rates compared to 2011.

	Effect on loss 31 Dec 2012 \$'000	Effect On Loss 31 Dec 2011 \$'000
Increase/decrease in interest rate		
+0.5%	256	1,935
-0.5%	(256)	(1,935)

The sensitivity in 2012 was maintained at 0.5% as interest rate volatilities remain similar to those in the prior period.

**(c) Foreign currency risk**

The Company adopts the same policies to manage foreign currency risk as the Group. Refer to note 19(c) of the group financial statements for further details.

As at 31 December 2012, the Company's predominant exposure to foreign exchange rates related to cash and cash equivalents held in Pounds Sterling.

At the statement of financial position date, the Company had the following exposure to GBP and EUR foreign currency that is not designated in cash flow hedges:

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Financial assets		
Cash and cash equivalents		
EUR	44	48
GBP	347	23,891
	391	23,939
Financial liabilities		
Trade and other payables		
GBP	(3,809)	(998)
	(3,809)	(998)
Net exposure	(3,418)	22,941

## 11 Financial instruments continued

The below table demonstrates the sensitivity to reasonable possible changes in GBP and EUR against the US Dollar exchange rates with all other variables held constant, of the Company's loss before tax and equity (due to the foreign exchange translation of monetary assets and liabilities).

	Loss before tax higher/(lower)	
	2012 \$'000	2011 \$'000
US Dollar to GBP Sterling +5% (2011: +5%)	(173)	1,145
US Dollar to GBP Sterling -5% (2011: -5%)	173	(1,145)
US Dollar to EUR +5% (2011: +5%)	2	2
US Dollar to EUR -5% (2011: -5%)	(2)	(2)

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- 1 Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic forecaster's expectations.
- 2 The reasonably possible movement was calculated by taking the US Dollar spot rate as at statement of financial position date, moving this spot rate by the reasonably possible movements and then re-converting the US Dollar into the respective foreign currency with the new spot rate. This methodology reflects the translation methodology undertaken by the Company.

### (d) Liquidity risk

The Company has a liquidity risk arising from its ability to fund its liabilities. This Company utilises the same policies to mitigate liquidity risk as the rest of the Group. Refer to note 19(d) of the group financial statements for further details.

All of the Company's trade creditors and other payables (note 7) are payable in less than six months.

The Company did not make use of derivative instruments during the year or during the prior year.

### (e) Disclosure of fair values

The carrying value of security deposits and financial liabilities disclosed in the financial statements as at 31 December 2012 approximate their fair value.

#### Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Level 1	-	-
Level 2	-	-
Level 3	5,774	387
	5,774	387

There were no transfers between levels during the year

**COMPANY FINANCIAL STATEMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**12 Provisions**

	<b>Employee annual leave \$'000</b>
At 1 January 2012	242
Arising during the year	422
Utilised	(292)
At 31 December 2012	372

The provisions are made for statutory or contractual employee entitlements. It is anticipated that these costs will be incurred when employees choose to take their benefits and as such there is an inherent uncertainty as to the timing of the relevant outflows required by the provisions.

**13 Share capital**

**(a) Authorised**

	<b>Year ended 31 Dec 2012 \$'000</b>	Year ended 31 Dec 2011 \$'000
2,000,000,000 ordinary shares of 0.25p each	7,963	7,963

**(b) Called up, allotted and fully paid**

	<b>Year ended 31 Dec 2012 \$'000</b>	Year ended 31 Dec 2011 \$'000
327,123,901 ordinary shares in issue at the beginning of the year of 0.25p each (31 December 2011: 225,345,528)	1,448	1,042
3,589,833 ordinary shares issued of 0.25p each on exercise of options and warrants during the period (31 December 2011: 5,426,493)	15	21
69,290,455 <sup>1</sup> ordinary shares issued of 0.25p each during the period (31 December 2011: 96,351,880)	276	385
400,004,189 ordinary shares of 0.25p each (31 December 2011: 327,123,901)	1,739	1,448

<sup>1</sup> 38,790,455 ordinary shares issued as part of the Dominion acquisition (refer to note 11 of the group financial statements). 30,500,000 ordinary shares were issued at £4.95 each in relation to the placement and capital raising announced by the Company on 28 March 2012.

The balances classified as called up; allotted and fully paid share capital represents the nominal value of the total number of issued shares of the Company of 0.25p each.

Fully paid shares carry one vote per share and carry the right to dividends.

## 14 Reserves

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Share premium account <sup>1</sup>	1,213,978	789,714
Other reserves:		
Option premium reserve <sup>2</sup>	34,244	26,526
Special reserve <sup>3</sup>	156,435	156,435
Equity component of convertible bond <sup>4</sup>	669	669
Foreign currency translation reserve <sup>5</sup>	11,839	11,839
Retained earnings	(236,722)	(208,050)
	(33,535)	(12,581)

1 The share premium account represents the total net proceeds on issue of the Company's shares in excess of their nominal value of 0.25p per share less amounts transferred to the special reserve.

2 The option premium reserve represents the cost of share-based payments to Directors, employees and third parties.

3 The special reserve was created on reduction of the Company's share capital on 26 July 2007. The account will be available to offset accumulated losses once all creditors who were in existence at the date of the transfer from share premium have been settled.

4 This balance represents the equity component of the convertible bond, net of costs and tax as a result of the separation of the instrument into its debt and equity components. The bond was converted into 21,661,476 ordinary shares of 0.25p each on 21 May 2008.

5 The foreign currency translation reserve is used to record unrealised exchange differences arising from the translation of the financial statements of entities within the Group that have a functional currency other than US Dollars.

## 15 Operating lease commitments

At 31 December 2012 the Company was committed to making the following future minimum lease payments in respect of operating leases over land and buildings with the following lease termination dates:

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Due within one (1) year	1,423	557
Due later than one (1) year but within five (5) years	3,320	669
Due later than two (2) years but within five (5) years	2,097	-
	6,840	1,226

## 16 Borrowing facilities

The Company had no borrowing facilities as at 31 December 2012 (2011: Nil).

## **17 Related party transactions**

### **(a) Identity of related parties**

The Company has related party relationships with its subsidiaries (note 6) and its Directors and companies associated with its Directors identified in the following paragraph.

### **(b) Other transactions with key management personnel**

The Company made payments of \$1,168 (year ended 31 December 2011: \$47,868) to Vectis Petroleum Limited, a company associated with Mr J Lander, for the provision of Mr Lander's service as a Director.

In April 2012 the Company completed an equity placing of 30.5 million new ordinary shares of 0.25 pence at a price of 495 pence raising \$242.0 million (£150.9 million).

Pursuant to the placing the Company placed 1,650,000 new ordinary shares with the Kulczyk Group a related party of the Company for the purpose of the Listing Rules as it held in excess of 10% of the issued share capital of the Company at 28 March 2012. The placing to the Kulczyk Group was on the same terms as to other subscribers and no commission was payable to them in respect of such placing.

The aggregate value of the new ordinary shares placed to the Kulczyk Group at the placing price of 495 pence per ordinary share was £9.17 million representing 0.42% of the market capitalisation of the Company as at the close of business on 27 March 2012 and as a result of which the Kulczyk Group held 10.20% of the issued share capital of the Company as at 2 April 2012.

Compensation of key management personnel (including directors) is disclosed in note 6(b) of the group financial statements.

## **18 Contingent Liabilities**

As reported in the 2011 financial statements an individual had previously commenced action against the Group relating to an evaluation of an interest that was held in exploration blocks within the portfolio. The Group applied for summary judgement of the claim, which was heard in the High Court on 27 April 2012. On 15 June 2012, summary judgement was made in favour of the Group in respect of the whole of the claim. The 21 day period during which the claimant could appeal the judgement has now expired.

## **19 Events after reporting period**

On 4 March 2013 the Group announced a placing and a fully underwritten Right's Issue.

## SHAREHOLDER INFORMATION

### Registered and Other Offices

The Company's registered office and head office is:

50 New Bond Street  
First Floor  
London W1S 1BJ  
Telephone: +44 (0)20 7290 5800  
Website: [www.ophir-energy.com](http://www.ophir-energy.com)

### Other offices are located in:

#### Australia

464 Hay Street  
Subiaco, WA 6008  
Postal address: PO Box 463  
West Perth, WA 6872  
Australia  
Tel: +61 (0)8 9212 9600

#### Tanzania

Plot 1228, Block 2 Masaki Street  
Msasani Peninsula  
Postal address: PO Box 23184  
Dar es Salaam  
United Republic of Tanzania  
Tel: +255 (0)22 221 5500

#### Equatorial Guinea

APDO 274, Ophir House  
Km 5, Carretera Aeropuerto  
Malabo  
Equatorial Guinea  
Tel: +240 333 09 84 74

### Registrars

The Company has appointed Capita Registrars to maintain its register of members. Shareholders should contact Capita using the details below in relation to all general enquiries concerning their shareholding:

#### Capita Registrars

The Registry  
34 Beckenham Road  
Beckenham, Kent BR3 4TU  
Telephone: 0871 664 0300\*  
International dialling: +44 20 8639 3399  
Website: [www.capitaregistrars.com](http://www.capitaregistrars.com)

\*Lines are open Monday - Friday from 9.00am - 5.30pm, excluding bank holidays. Calls to 0871 numbers are charged at 10p per minute from a BT landline. Other telephone providers' costs may vary.

### Financial Calendar

Annual General Meeting	6 June 2013
Half year results announcement	14 August 2013
Full year results announcement	March 2014

### Trading Market and Shareholder Profiles

Ophir Energy plc's shares are traded on the London Stock Exchange with ticker OPHR. The Company's SEDOL number is B24CT19 and ISIN number is GB00B24CT194.

### Unsolicited Mail

The Company is required by law to make its share register available on request to unconnected organisations. As a consequence, shareholders may receive unsolicited mail, including mail from unauthorised investment firms. If you wish to limit the amount of unsolicited mail received, please contact the Mailing Preference Service, an independent organisation whose services are free for consumers. Further details can be obtained from:

Mailing Preference Service  
MPS Freepost LON 20771  
London W1E 0ZT  
Website: [www.mpsonline.org.uk](http://www.mpsonline.org.uk)

Further information on share fraud and unauthorised investment firms targeting UK investors ("boiler room scams") may be obtained from the website of the Financial Services Authority:

([http://www.fsa.gov.uk/pages/consumerinformation/scamsandswindles/investment\\_scams/boiler\\_room/index.shtml](http://www.fsa.gov.uk/pages/consumerinformation/scamsandswindles/investment_scams/boiler_room/index.shtml))

**SHAREHOLDER INFORMATION**  
CONTINUED

**Shareholder profile by size of holding as at 31 December 2012**

Range	No. of Holders	% of total	Shares held 31.12.2012	% of total
1 - 1,000	413	35.73%	165,980	0.04%
1,001 - 10,000	311	26.90%	1,022,455	0.26%
10,001 - 100,000	212	18.34%	8,099,810	2.02%
10,001 - 1,000,000	159	13.75%	52,747,662	13.19%
1,000,001 - 10,000,000	55	4.76%	142,090,698	35.52%
10,000,000+	6	0.52%	195,877,584	48.97%
	1,156	100.00%	400,004,189	100.00%

**Shareholder profile by category as at 31 December 2012**

Category	No. of Holders	% of total	Shares held 31.12.2012	% of total
Private shareholders	331	28.63%	9,041,863	2.26%
Nominees and other institutional investors	825	71.37%	390,962,326	97.74%
	1,156	100.00%	400,004,189	100.00%

It should be noted that many private investors hold their shares through nominee companies and therefore the percentage of shares held by private shareholders may be higher than that shown.



## **Advisors**

### **Auditors:**

Ernst & Young LLP  
One More London Place  
London SE1 2AF  
United Kingdom

### **Bankers:**

HSBC Bank plc  
70 Pall Mall  
London SW1 5EY  
United Kingdom

HSBC Bank Australia Limited  
188-190 St George's Terrace  
Perth WA 6000  
Australia

### **Financial PR Advisors:**

Brunswick Group LLP  
16 Lincoln's Inn Fields  
London WC2A 3ED  
United Kingdom

### **Solicitors:**

Linklaters  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

### **Corporate brokers:**

J.P. Morgan Cazenove  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

Oriel Securities Limited  
150 Cheapside  
London EC2V 6ET  
United Kingdom

RBC Capital Markets  
Thames Court, One Queenhithe  
London EC4V 3DQ  
United Kingdom

## GLOSSARY

### Appraisal well

A well drilled to follow up a discovery and evaluate its commercial potential

### AVO

Amplitude variation with offset

### bbl.

Barrel(s) of oil or condensate

### BCF

Billion cubic feet

### bscf

Billion standard cubic feet

### bo

Oil shrinkage factor

### boe

barrel of oil equivalent

### bopd

barrels of oil per day

### Capex

Capital expenditure

### CF

Cash flow

### CFD

Contract for difference

### Contingent resources

quantities of resources estimated, at a given date, to be potentially recoverable from known accumulations by the application of development projects, but not currently considered to be commercially recoverable due to one or more contingencies

### CRM

Cost Relationship Management

### CR

Corporate responsibility

### CSR

Corporate social responsibility

### DHI

Direct hydro carbon indicators

### E&P

Exploration and Production

### E&A

Exploration and Appraisal

### EEA

Exclusive Exploitation Authorisation

### EITI

Extractive Industries Transparency Initiative

### EIA

Environmental Impact Assessment

### EHSS

Environment, Health, Safety and Security

### ERP

Emergency Response Plan

### Exploration well

A well drilled to explore a potential discovery

### Farm-in

To acquire an interest in a license from another party

### Farm-out

To assign an interest in a license to another party

### FLNG

Floating LNG technology

### GAV

Gross Asset Value

### GIP

Gas In Place

### Greenfield projects

a project which lacks any constraints by prior work.

### HSE

Health, Safety, Environment

### IAS regulation

International Accounting Standards

### IFRS

International Financial Reporting Standards

### IFRIC

International Financial Reporting Interpretation

### IOC

International Oil Companies

### IPO

Initial Public Offerings

### ITNHGE

A collaborative educational initiative

### JOA

Joint Operating Agreement

### JV

Joint Venture

### LNG

Liquefied natural gas

### LTI

Lost Time Incident

### LTIP

Long Term Investment Plan

### Mmmbbl

Million barrels

### Mmcfd

million cubic feet of gas per day

### NAV

Net Asset Value

### NGO

Non-Governmental Organisation

### NOC

National Oil Companies

### O&G

Oil and Gas

### OIM

Offshore Installation Manager

### Opex

Operating expenditure

### PSA

Pooling and sharing agreement

### PSC

Production Sharing Contract

### PSDM

Pre Stack Depth Migration

### PV

Present value of money

### ROI

Return on investment

### Spud

To commence drilling a well

### TCF

Trillion cubic feet

### TD

Total Depth

### TPDC

Tanzania Petroleum Development Corporation

### TVDSS

True Vertical Depth SubSea

### 2C

Best estimate of contingent resources

### 1P

Proven

### 2P

Proven and Probable

### 3P

Proven, Probable and Possible



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