



**Annual Report
and Accounts 2013**

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 listed on the London Stock Exchange (FTSE 250).

Our vision is to be a leading independent, oil and gas exploration company.

The key elements of our strategy are:

- 1 A strong, in-house geoscience team
- 2 A diverse portfolio
- 3 A deepwater drilling team and capability
- 4 Efficient capital management



Read more at
ophir-energy.com



Strategy

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Look out for the business model progress key throughout the report

Business model explained

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Demonstrated success

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Strategic Report

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Financial and operational highlights

Ophir delivered another successful year operationally, ending 2013 with record net contingent resources of 1,256mboe. The Company demonstrated the value it has created to date with the partial monetisation of its interests in Tanzania for US\$1.288 billion¹. The reported net loss for the year was US\$245.8 million, reflecting asset impairments and exploration write-offs.

Financial

Financially Ophir is well-placed to execute in 2014 its most active exploration programme since inception.

US\$667m

Net cash and cash investments
at 31 December: US\$667 million

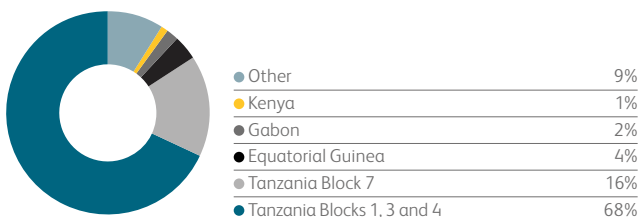


US\$0.90/boe
Three-year average finding costs of US\$0.90/boe

US\$389m
Invested US\$389 million during the year

20%
Sale of 20% of Blocks 1, 3 and 4 to Pavilion Energy for US\$1.288 billion¹

Exploration and evaluation expenditure US\$389.1m



US\$838m

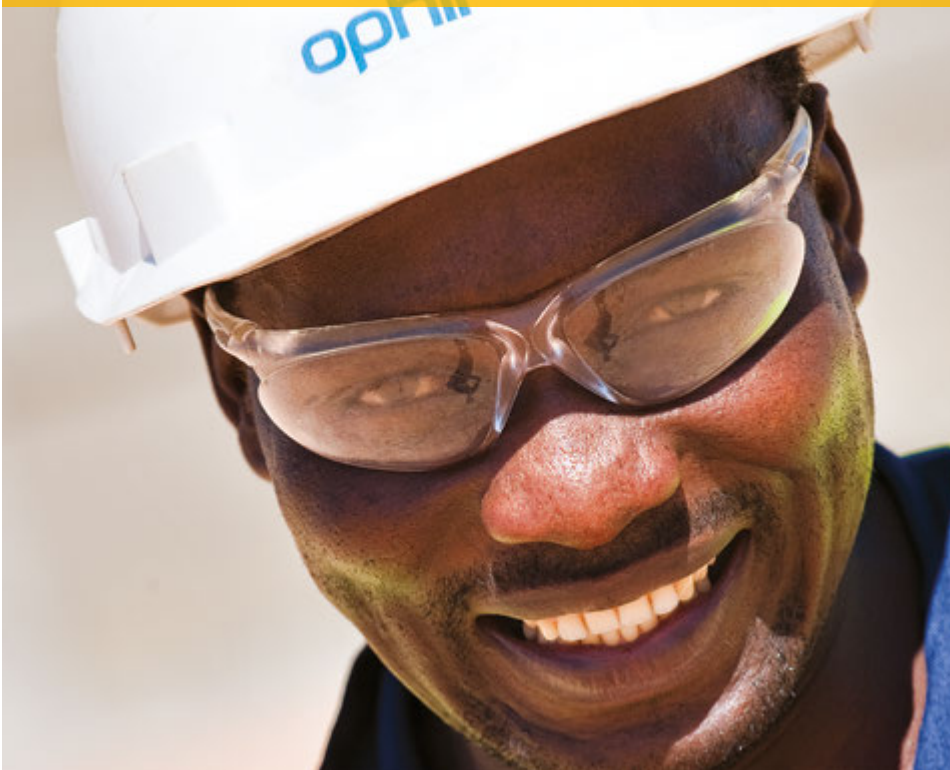
Successfully raised US\$838 million
of new equity

¹ On 14 November 2013, Ophir announced that it had entered into an agreement to sell to Pavilion Energy a 20% interest in Blocks 1, 3 and 4. This transaction is unconditional and subject to completion.

Operational

1,256

Net contingent resources
at year end: 1,256mmboe



3

Three DSTs performed
in Tanzania at rates
above expectations

73%

73% success rate since
inception (19 out of 26 wells)

75%

2013 – six out of eight wells
were successful – 75% success rate

254

254mmboe of contingent
resource added

Where we operate

We have 18 blocks in seven countries across East and West Africa, one of the largest deepwater acreage positions in Africa held by an Independent E&P company.

East Africa

1 Tanzania

40% non-operated interest, Blocks 1, 3 and 4¹

80% operated interest, Block 7

70% operated interest, East Pande licence

Gross area: 28,817km²

Water depths up to 3,000m

- Further exploration and appraisal success in 2013 on Blocks 1, 3 and 4, gross recoverable resources now stand at 15.7 TCF
- Plans progressing for a two Train LNG development
- 20% interest in Blocks 1, 3 and 4 farmed-down to Pavilion Energy for US\$1.288 billion¹
- Mlinzi Mbali-1 well drilled on Block 7, commercially unsuccessful
- Well planned in 2014 on East Pande licence.

2 Kenya

90% operated interest, Block L9²

Gross area: 3,833km²

Water depths up to 1,400m

- Interpretation of Nala 3D seismic survey ongoing
- Prospects being worked up for potential drilling in 2015.

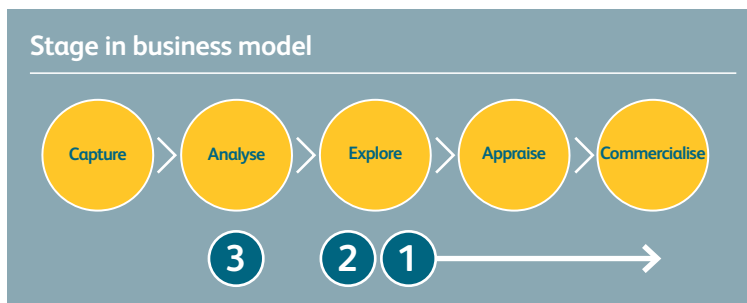
3 Somaliland

25% non-operated interest, Blocks SL 9 and SL 12

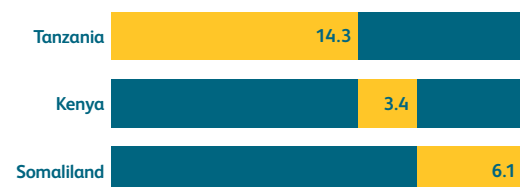
Gross area: 24,420km²

Onshore and offshore, water depths up to 1,425m

- Interest farmed-down from 75% to 25% during 2013
- Plans to acquire further seismic in 2014.



Net acreage (km²)

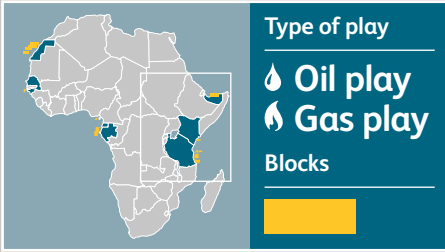


1 On 14 November 2013, Ophir announced that it had entered into an agreement to sell to Pavilion Energy a 20% interest in Blocks 1, 3 and 4. This transaction is unconditional and subject to completion.
2 Ophir has entered into an agreement to sell to FAR Limited a 30% interest in Block L9, Kenya. Completion of this transaction remains subject to satisfaction of certain conditions.

Type of play

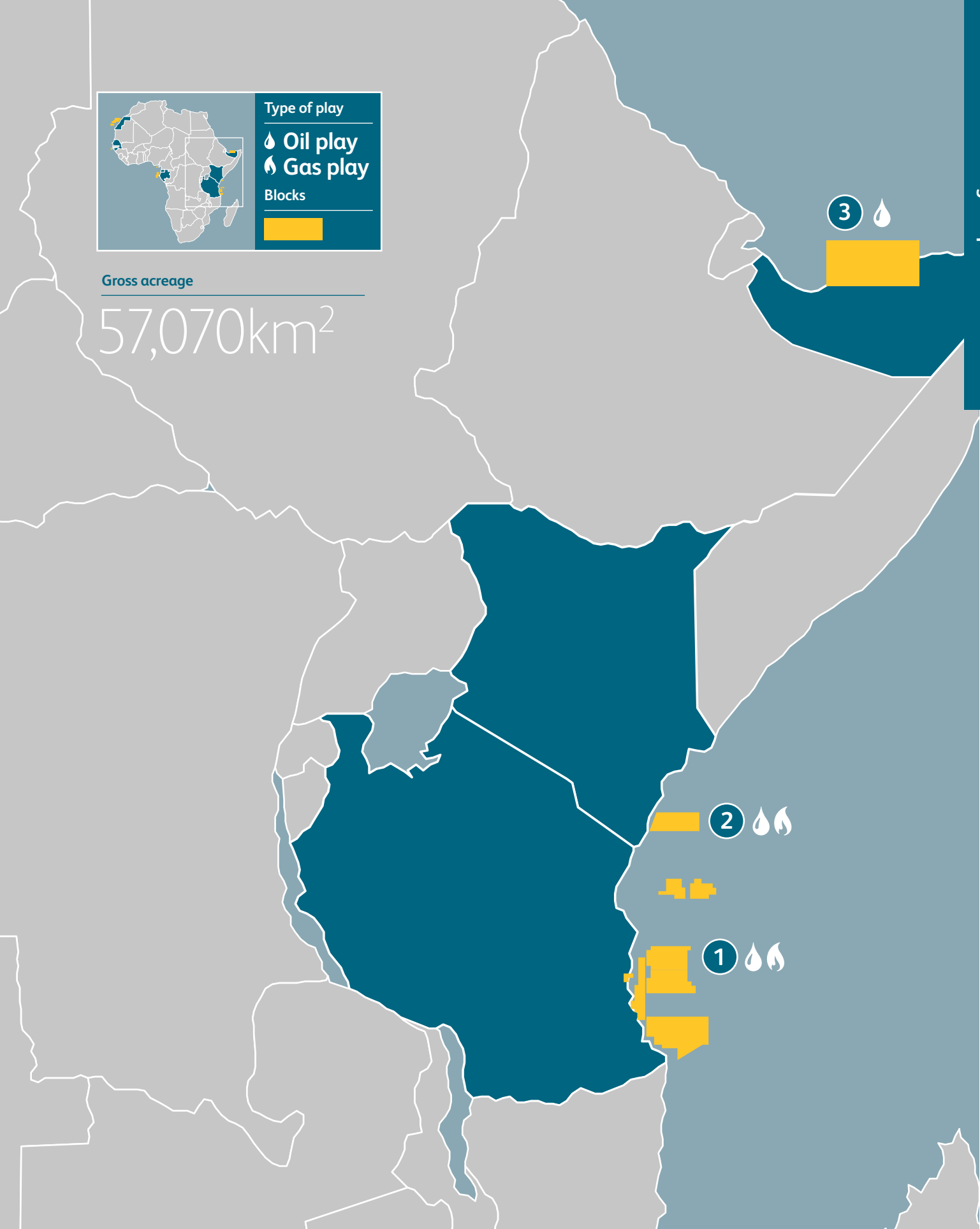
- Oil play
- Gas play

Blocks



Gross acreage

57,070km²



Where we operate continued

West Africa

4 Equatorial Guinea

80% operated interest, Block R

Gross area: 2,051km²

Water depths up to 1,950m

- Gross contingent resource of 2.6 TCF discovered to date
- Progress being made to commercialise volumes utilising an FLNG development solution
- Three-well programme planned in 2014 to add additional resource, firm up existing volumes and test reservoir deliverability.

6 Offshore Senegal and Guinea Bissau Joint Development zone (AGC)

79.2% operated interest, Profond Block

Gross area: 9,838km²

Water depths up to 3,500m

- Leads and prospects being matured on a number of plays
- Drilling unlikely before PSC expiry in Q3 2014.

5 Gabon

50% operated interest, Mbeli and Ntinsa Blocks¹

100% operated interest, Gnondo and Manga Blocks²

Gross area: 12,712km²

Water depths up to 2,500m

- Three-well programme in 2014 targeting both the pre-salt and Ogooué Delta plays; first pre-salt well Padouck Deep-1 commercially unsuccessful but has de-risked certain play elements
- New blocks outboard of existing acreage provisionally awarded subject to PSC negotiation
- Significant 3D seismic survey programme planned across the emerging deepwater play.

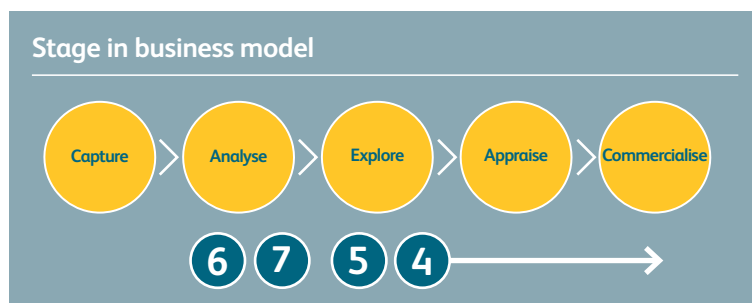
7 Saharawi Arab Democratic Republic (SADR)

50% operated interest, Daora, Haouza, Mahbes and Mijek Blocks

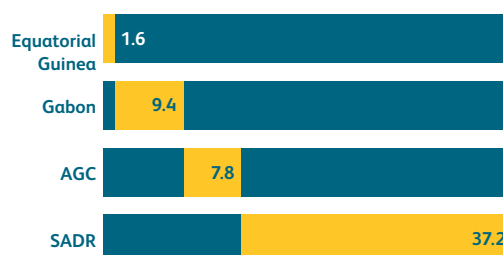
Gross area: 74,327km²

Water depths up to 2,500m

- Continuing to monitor political developments.

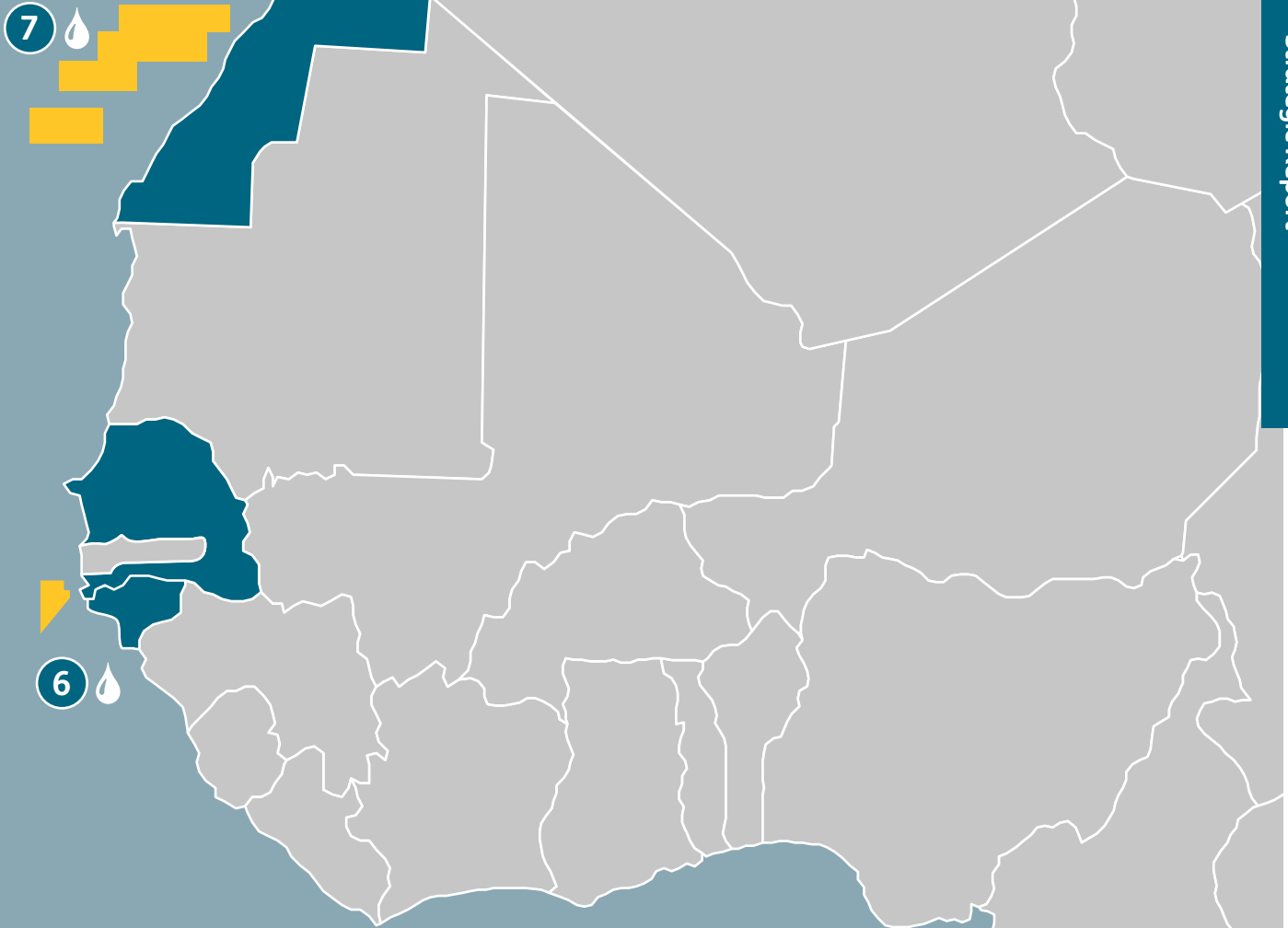


Net acreage (km²)



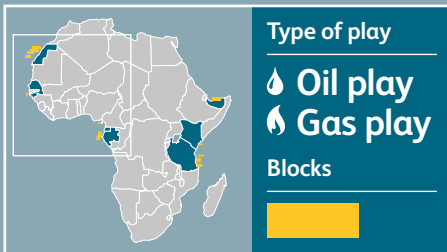
¹ On 18 December 2013, Ophir announced that it had entered into an agreement to sell to OMV a 10% interest in each of the Mbeli and Ntinsa Blocks. Completion of this transaction remains subject to satisfaction of certain conditions.

² On 18 December 2013, Ophir announced that it had entered into an agreement to sell to OMV a 30% interest in each of the Manga and Gnondo Blocks. Completion of this transaction remains subject to satisfaction of certain conditions.



Gross acreage

98,928km²



Market overview

Short-term volatility in commodity prices has little impact on our operations although longer-term price expectations will influence the market value of our exploration discoveries. The market for new opportunities remains competitive; however, Ophir continues to capture new licences and blocks in its core areas.



Acreage and licensing rounds

Competition for quality exploration acreage remains strong, especially deepwater licences which hold the potential for significant discoveries. The recent trend for the International Oil Companies (IOCs) to focus more resource on their exploration portfolios continued in 2013 and Africa remains a core area for several in the sector. However, recent restraints on capital spending from the IOCs may result in a reduction in the level of competition for new acreage throughout 2014.

Deepwater licensing rounds remain a source of new opportunities and there were a number of notable rounds globally in 2013, including offshore Brazil. In Africa, new acreage was offered in Gabon and Tanzania, core areas for Ophir, and offshore South Africa.

While Africa has been the focus to date for the Company's operations, Ophir continues to look for new opportunities elsewhere, where it can leverage its geological expertise in analogous basins and plays. In Asia, Ophir has applied for new acreage in the deepwater licensing round offshore Myanmar, where there is the potential for significant gas prospectivity. Several basins in Asia contain deepwater, under-explored, hydrocarbon systems, which may fit well with Ophir's demonstrated exploration expertise.

Fiscal terms continue to vary significantly across licences, depending on basin maturity and competition. Early entry into new unproven basins generally continues to offer more favourable terms, reflecting the higher risk profile.



Exploration cost drivers

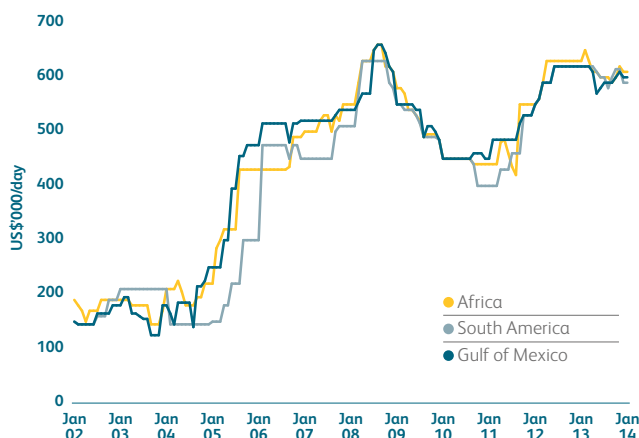
Ophir's strategy relies on 3D seismic surveys to de-risk prospects and plays prior to drilling. This is the case in Gabon, where we are planning a comprehensive 3D survey across the deepwater portion of the existing acreage and on a number of new blocks that have been provisionally awarded to the Company (subject to successful PSC negotiation).

Over recent years, the day rate costs for seismic vessels have risen with increased streamer capacity. However, improved productivity has offset this increase, such that overall survey costs have remained stable. Vessel availability also remains in good supply and Ophir's position in Africa, especially West Africa, is ideally located to contract vessels as they migrate between the survey seasons in the northern (typically North Sea and the Arctic) and southern (South East Asia, India, South America) hemispheres, which helps reduce mobilisation costs.

The period 2002-2008 saw an unprecedented rise in day rates for drillships and deepwater semi-submersible rigs, buoyed by rising commodity prices and the knock-on effect of increased drilling activity. Rates dipped in 2009/10 with the global financial crisis, before rising again in 2011. Since 2011, rates have generally stabilised and the tightness in the rig market has partially eased. To a certain extent, this has been driven by both an increase in supply as new rigs have been built, and by a shift in rig demand, where long-term contracts roll off and are not renewed.

The preference for rig owners remains to secure long-term, multi-well contracts, which gives an advantage to those companies offering multi-well campaigns. This was demonstrated during 2013 with Ophir's ability to secure competitively priced, high-quality rigs for both its East and West African drilling programmes.

Deepwater rig rates



Source: RS Platou – units with capability of operating in water depths of >7,500 ft



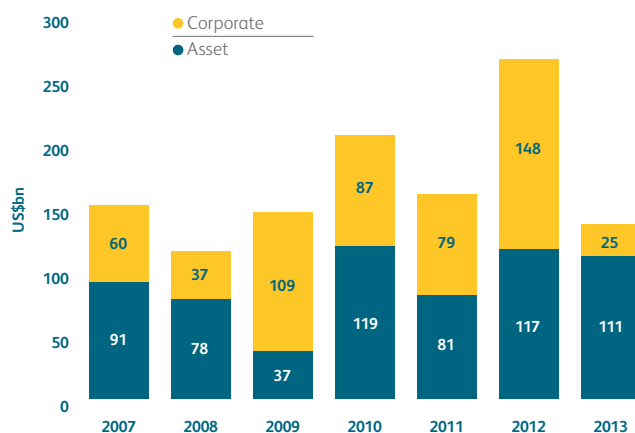
Business model
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M&A activity

A key element of Ophir's strategy remains the partial or total monetisation of its resource base ahead of significant development spend. This is particularly the case with gas resources, which in general have longer development times to bring to market. 2013 was a busy year for acquisition and divestment activities globally, especially in North America. While the value of corporate transactions was lower than in 2012, the value of asset transactions was at a similar level to the prior year. Asian National Oil Companies (NOCs) remain active but appear to be more selective while IOCs have reacted to greater capital discipline by focusing more on divestments than acquisitions. However, quality assets that have both economic and strategic merit are still likely to be attractive to a number of buyers. This was in evidence during the process to farm-out a 20% stake in Tanzania Blocks 1, 3 and 4, which resulted in the successful sale to Pavilion Energy announced in November 2013.¹

Global oil and gas M&A deal value



Source: 1Derrick

¹ On 14 November 2013, Ophir announced that it had entered into an agreement to sell to Pavilion Energy a 20% interest in Blocks 1, 3 and 4. This transaction is unconditional and subject to completion.



Commodity prices – gas and oil

At present the Company has no producing assets, therefore current oil and gas prices have negligible impact on Ophir's near-term cashflow. However, they indirectly impact the Company's cost base and its access to services and supplies. In addition, the long-term expectations for commodity prices will ultimately affect the economic value of its discovered resource base.

Brent crude oil prices have been relatively stable throughout 2013 in comparison to prior years, starting and ending the year at c.US\$110/bbl and trading within a US\$20/bbl range. This stability has continued into 2014. Although consensus is for oil prices to ease in the medium term, aided by rising supply and modest global demand growth, the average long-term forecast from commodity researchers is for oil prices to remain above US\$90/bbl. LNG contract pricing, specifically in Asian markets, is currently closely linked to oil prices and this is expected to continue in the medium term for new contracts. However, a partial linkage to other benchmarks such as US Henry Hub gas pricing, alongside crude oil prices, is likely to be a consideration going forward for certain LNG buyers.

The Company continues to base its investment decisions on long-term oil and LNG prices that are below current market levels and consensus forward forecasts.

Securing rigs under long-term contract

During 2013 Ophir secured two rigs under long-term contract, to cover its 2013-2014 drilling plans for both West and East Africa. In East Africa, alongside BG Group, a contract out to late 2014 was renewed for the Deepsea Metro I drillship, to cover the drilling programmes of both companies in Tanzania and Kenya. In West Africa, Ophir sub-contracted from Petrobras the Vantage Titanium Explorer to drill a minimum of six wells in Gabon and Equatorial Guinea. Both contracts allow for extensions and additional slots, giving Ophir the flexibility to appraise and explore further in the event of success with any of its new play opening wells, or if new drill-ready acreage is acquired. The ability to secure these contracts was a result of both the breadth of Ophir's portfolio and strength of its balance sheet.

Chairman and Chief Executive Officer's joint review

The Company continued to deliver on its strategic goals in 2013 and remains focused on creating shareholder value through its exploration activities.



2013 was another year of significant operational and strategic progress for Ophir. The Company enters 2014 with the largest discovered resource base and the strongest financial position in its history, well placed to deliver a potentially transformational exploration programme and capitalise on new opportunities to enhance the portfolio and add value.

Delivering on our clear and focused strategy

Our strategy and business model are straightforward and remain unchanged. Our aim is to create shareholder value through the exploration and appraisal phase of the E&P cycle and then at the appropriate time monetise that value. We demonstrated this during 2013 with the announcement of the sale of 20% of our interest in Blocks 1, 3 and 4 in Tanzania to Pavilion Energy for US\$1.288 billion¹. This transaction was the culmination of several years of hard work, technical achievement and industry leadership. The project saw Ophir enter a then unfashionable play in East Africa and achieve material exploration success to the point where the discovered gas resources are now on the cusp of commercial development. In addition, we executed an extensive farm-out agreement with OMV across our acreage in Gabon², and relinquished acreage in Madagascar, Congo, Ghana and Kenya as we continue to focus investment on areas that can add the highest value for shareholders.

Further drilling success and resource additions in Tanzania

During 2013 Ophir drilled eight exploration and appraisal wells. Six of these were successful, with the two disappointments being the Starfish-1 exploration well offshore Ghana and the Mlinzi Mbali-1 exploration well in Block 7 Tanzania. All appraisal wells in Tanzania either confirmed or increased the discovered gas resources in Blocks 1, 3 and 4. We undertook successful appraisal drilling with our Joint Venture partner BG Group on the Jodari, Mzia and Pweza discoveries, which included gas flow tests on all three fields that came in ahead of expectations. These results have de-risked the commerciality of the resource base and are likely to lead to significant cost savings on the upstream development due to a reduction in the number of planned development wells.

1 On 14 November 2013, Ophir announced that it had entered into an agreement to sell to Pavilion Energy a 20% interest in Blocks 1, 3 and 4. This transaction is unconditional and subject to completion.

2 On 18 December 2013, Ophir announced that it had entered into an agreement to sell to OMV a 10% interest in each of the Mbali and Ntsina Blocks and a 30% interest in each of the Gnondo and Manga Blocks. Completion of this transaction remains subject to satisfaction of certain conditions.

3 On 20 February 2014, Ophir announced that it had signed a non-binding Letter of Intent with Petrofac to provide services as operator of the proposed gas development up to the FID.

We made two new exploration discoveries, Mkizi and Ngisi, which, along with the appraisal results, increased the total discovered resource on Blocks 1, 3 and 4 to 15.7 TCF at year-end. This volume will underpin a minimum two, 5-million tonne per annum LNG Train development along with domestic market commitments under the PSCs, and provides encouragement for a potential third LNG Train. We have made good progress on project planning for the LNG development with the preferred site for the onshore processing and liquefaction facilities having been submitted to the Government of Tanzania for approval.

Through the drilling success in Tanzania, Ophir added 254mmboe to the Company's net 2C contingent resources with a three-year average finding cost of US\$0.90/boe.

Equatorial Guinea FLNG moving forward

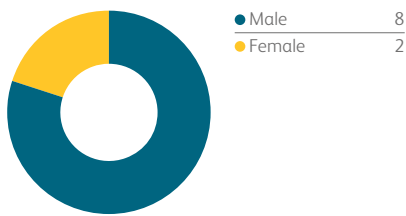
In 2013 Ophir agreed to progress a Floating LNG (FLNG) project on Block R with the Government of Equatorial Guinea. This led to preparations for a three-well exploration and appraisal programme on the block that is planned for mid-2014. In February 2014 we announced an agreement with Petrofac to provide upstream development services³ and that we had also received several proposals for the provision of the FLNG vessel and related midstream services. We are confident that 2014 will see continued progress in both the resource base and commercialisation of Block R's substantial gas resources.

2014 represents a potentially transformational year with the drillbit

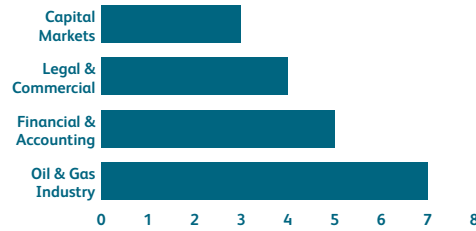
Interpretation of the substantial number of 3D seismic surveys we acquired across the portfolio in 2012 and early 2013 has allowed us to firm up a high-impact exploration and appraisal drilling programme in 2014 which will see up to 11 wells drilled. Further drilling is planned in Tanzania on Blocks 1, 3 and 4 and we will also drill a well on the Tende prospect on the East Pande licence, which is primarily prospective for gas but could have the potential for liquids.

In West Africa, a multi-well campaign has commenced offshore Gabon. Although the first well on the pre-salt play, Padouck Deep-1, has been commercially unsuccessful, it has reduced a number of play risks providing encouragement for further exploration. This will be followed by the Affanga Deep-1 well on an extension to the Ogooué Delta play and then another pre-salt test, Okala-1. Having made progress on the development of our discovered resource base in Equatorial Guinea, we plan three more wells in 2014 to add further resource, to appraise the existing discoveries and to test the deeper liquids play on Block R.

Board diversity



Board experience (No. of Board members)



In 2013 we secured access to two drilling rigs under long-term contract with options to extend; these being the Deepsea Metro I drillship for our programmes in Tanzania and potentially Kenya, and the Vantage Titanium Explorer for our programmes in Gabon and Equatorial Guinea. If successful, Ophir has additional slots under option on both rigs to accelerate appraisal and further exploration.

Ophir continued to broaden its exploration portfolio in 2013 with new blocks provisionally awarded in Gabon, subject to the successful negotiation of PSCs, which cover the emerging deepwater play outboard of our existing acreage and more recently in February 2014 with entry into acreage offshore the Seychelles in the Indian Ocean⁴.

Capital management

In March 2013 Ophir raised US\$837.6 million through a Placing and Rights Issue and ended the year with net cash balances of US\$667 million. This excludes the proceeds from the sale of a 20% interest in Blocks 1, 3 and 4 to Pavilion Energy⁵.

A key element of our strategy is to maintain a strong balance sheet and Ophir is well funded both to meet its 2014 commitments and to capture new opportunities to create shareholder value.

Commitment to Health, Safety and the Environment

A resounding commitment to Health, Safety and the Environment remains at the core of our business and it is pleasing to report that in 2013 we had only one minor Lost Time Injury. Ophir continues to support sustainable CSR programmes in the countries we operate, and we value highly our reputation as an integral, positive part of the communities that host our personnel and operations.

Strengthening the team

During 2013 we added significant further expertise throughout the Company, particularly at an operational and technical level. We also strengthened the Board at an executive and non-executive level, with four new members. Jonathan Taylor, a co-founder of the Company, stepped down from his executive and Board roles. Jonathan has played a pivotal part in the first chapter of Ophir's growth and the Board thanks him for his invaluable efforts over the past eight years.

Disappointing share price performance

Whilst 2013 was a year of considerable achievement for the Company, it was not without its disappointments, including the unsuccessful Starfish-1 and Mlinzi Mbali-1 wells. On Block 1 in Tanzania we were unable to reach agreement with the operator BG Group to drill the high-impact 1C prospect after seismic interpretation failed to de-risk its potential. We delivered two material commercial transactions (Pavilion Energy and OMV deals) but we were not able to farm-down our interest in Block 7 ahead of drilling. Drilling in Gabon was also delayed as we were unable to secure a drilling unit as early as expected and the first well in 2014, Paduck Deep-1, has been unsuccessful.

Although we believe our accomplishments during the year significantly outweighed these disappointments, the sector, especially exploration-focused stocks is currently out of favour with investors. Ophir was not alone amongst our peers in suffering a year of negative market returns and we are clearly disappointed with our share price performance. The Board and management remain focused on operational delivery and executing our business model, which we believe will ultimately reward shareholders over the long term.

In summary, 2013 was an extremely active period for Ophir both operationally and commercially, with record net discovered resources, continued success with the drillbit and the partial sale of our interests in Tanzania underpinning the shareholder value created since our formation. While the progress we have made in growing the net asset value of the firm has clearly not been reflected in the performance of the share price, we thank shareholders for their patience and their ongoing support and our staff for their hard work and dedication during the year. The Board looks forward to 2014 with enthusiasm and anticipation as we embark on one of the most extensive and dramatic drilling programmes undertaken by a European E&P company in recent times.

Mr Nicholas Smith
Chairman

Dr Nick Cooper
Chief Executive Officer

⁴ On 4 March 2014, Ophir announced that it had entered into an agreement with WHL Energy to acquire a 75% operated interest in Blocks PEC-5B/1 and PEC-5B/2. Completion of this transaction remains subject to satisfaction of certain conditions.

⁵ On 14 November 2013, Ophir announced that it had entered into an agreement to sell to Pavilion Energy a 20% interest in Blocks 1, 3 and 4. This transaction is unconditional and subject to completion.

A clear strategy to create exploration-led growth

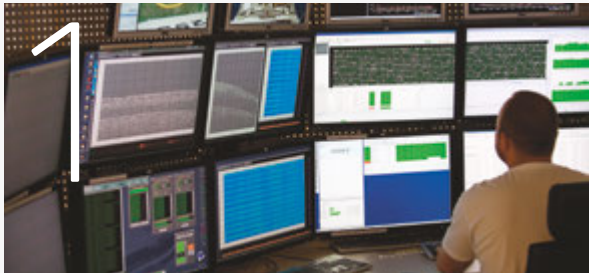
Vision

Our vision is to be a leading independent, oil and gas exploration company.

Strategy

Ophir Energy's aim is to create value through exploring for oil and gas, predominately offshore in deepwater. Once we have maximised value through successful exploration and subsequent appraisal, we will generally look to monetise and reinvest proceeds into further exploration activities and over the long term, maximise returns for shareholders.

The key elements of the strategy are:



1 A strong, in-house geoscience team

A strong, in-house geoscience team to rigorously hi-grade and challenge opportunities to ensure we target only the best prospects



2 A diverse portfolio

A diverse portfolio to ensure the Company is not overly exposed to one play or prospect



3 A deepwater drilling team and capability

A deepwater drilling team and capability to allow Ophir to operate its wells without reliance on third-party consultants



4 Efficient capital management

Efficient capital management to ensure the Company is well financed to execute its plans from a position of balance sheet strength. This includes active portfolio management to reduce exposure to exploration costs and release capital at the appropriate time in the asset cycle. In the medium term the Company is looking to become more self-sufficient with regards to funding its longer-term exploration plans and reduce its reliance on equity markets

Key Performance Indicators

We continue to measure our success on the resource we add, the ability to achieve this at economic rates and to do it as safely as possible. 2013 was another strong year of delivery against these key metrics.

Finding cost

2013 three-year average finding cost

US\$0.90/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 added in the year. Despite this onerous definition, Ophir, as a purely exploration company, nevertheless believes that this is the truest measure of the Company's efficiency. This year we are reporting our three-year average finding cost, which we believe is a more relevant metric and is more widely used by our peers as a benchmark.

2013 finding cost:

US\$1.67/boe

(2012: US\$0.58/boe)

In 2012 we reported the single-year finding cost as one of our principal metrics and, for comparison, we include the calculation for 2013. Finding costs increased year-on-year, due largely to a focus on appraisal activities on Blocks 1, 3 and 4, Tanzania in 2013 and the effect of the unsuccessful Mlinzi Mbali-1 well in which Ophir had an 80% net interest. Nonetheless, they continue to remain competitive by industry standards.

Staff turnover

11.9%

(2012: 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.

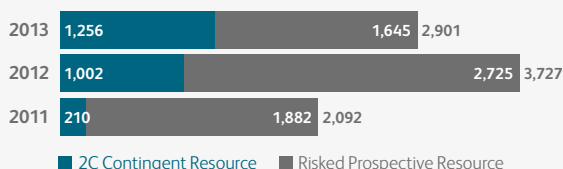
Business impact

Turnover rates were slightly higher than in the previous year. Turnover has, however, remained within manageable levels and has not had a negative impact upon technical disciplines. There was an increase in recruitment across all areas of the business commensurate with an increase in planned operational activity during 2014 and we continue to be able to attract high calibre staff.

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)



Ophir's net 2C contingent resources increased again during 2013, due to the successful exploration and appraisal programme in Tanzania. Net 2C contingent resource of 254mmboe was added, the majority related to Tanzania, with a small positive revision to resource estimates in Equatorial Guinea.

Risked prospective resources have reduced, reflecting, amongst others, the unsuccessful Mlinzi Mbali-1 well which was the single largest unrisks prospect in the portfolio. However, the year-end number excludes any significant potential from the deeper water play in Gabon, which will see 3D seismic acquired in 2014, nor does it include prospects from the new licences acquired after the year end in the Seychelles which are subject to Government approval.

The chart shows the Company's net resources at 31 December 2011, 2012 and 2013, assuming the governments exercise their back-in rights in every case. The calculation of resource numbers does not take account of the effects of the Pavilion Energy and OMV farm-downs, which had not completed at year-end.

Lost Time Incident Frequency Rate (LTIFR)

Ophir Energy – LTIF	2013	2012
Average number of employees and contractors	197	108
Total man-hours worked	522,056	307,161
LTIs	1	0
LTIF rate (incidents/million man-hours work)	1.9	0

Strategy

The health, safety and welfare of people working for and on behalf of Ophir's business underpins everything the Company does. Ophir's health and safety culture is based on individual responsibility and commitment from the very top of the organisation.

Accountability rests with every employee, including management and senior executives, who uphold their obligations through the active management of Ophir's health and safety agenda.

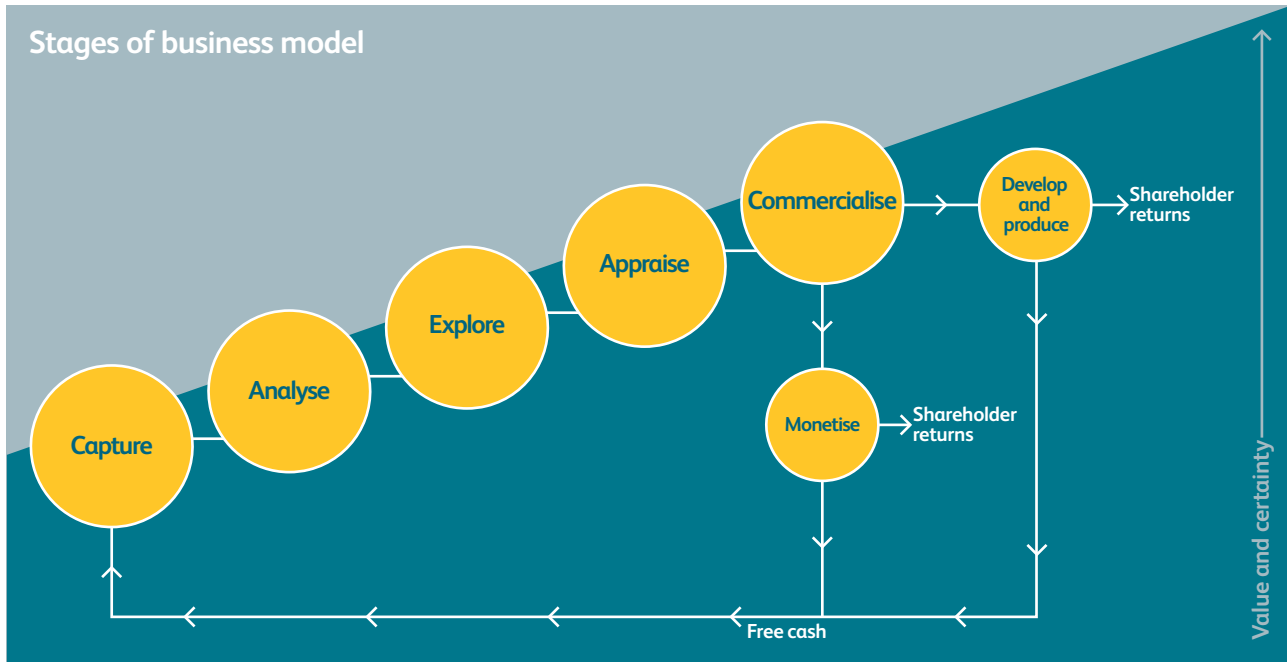
Performance

With safety the number one priority, and in a year when we drilled two operated wells (three in 2012) and participated in a further six non-operated wells, there was only one minor Lost Time Incident (LTI). Staying safe requires vigilance, effort and investment at all levels of the organisation and is testament to everyone's quality and professionalism.

The statistics include contractors as well as employees, and the comparison for 2012 has been adjusted to include contractors (KPI issued in 2012 Annual Report was for employees only). When including contractors in the 2012 calculation, there was no change to the LTI calculation or LTI rate.

Business model

Our operational focus is on the exploration and appraisal part of the industry cycle which drives the highest return on investment for shareholders.



The Company's activities can be summarised as a number of discrete stages outlined in the chart above and in more detail in the following pages. As a prospect or play is matured through the process its potential value increases, especially if a commercial discovery is made, but this comes with associated costs which generally rise as we move from prospect/licence Capture through Analysis and eventually into the Exploration phase. It is management's responsibility to manage the risk/reward profile at each stage to ensure that shareholders' capital is deployed efficiently to maximise returns.



Tanzania: From first principles to monetisation

Full case study on page 20

Capture

- Select and acquire blocks
- Agree commercial terms

The Company has a sector-leading African exploration portfolio, acquired partially due to an extensive network of relationships across the continent including active engagement with host governments. This is coupled with considerable depth of experience amongst the geotechnical team of the major deepwater basins and plays in the region, allowing rigorous sifting of new opportunities. New assets can be picked up through open licensing rounds, direct negotiation with governments or farm-ins to existing licensed acreage.

Demonstrated:

- Awarded four new blocks offshore Gabon¹
- Farm-in to acreage offshore Seychelles².

¹ Subject to PSC negotiation

² On 4 March 2014, Ophir announced that it had entered into an agreement with WHL Energy to acquire a 75% operated interest in Blocks PEC-5B/1 and PEC-5B/2. Completion of this transaction remains subject to satisfaction of certain conditions.

New Blocks acquired (subject to completion)

6



Analyse

- Identify and rank prospect inventory
- Prepare exploration drilling programme
- Farm-out to third parties for risk mitigation
- Relinquish unprospective acreage ahead of significant drilling expenditure

Ophir places great emphasis on maximising the technical work it can undertake pre-drill to minimise risk, including ensuring planned drillable prospects are covered by modern 3D seismic. Ophir has a strong geoscience core, employing over 20 geologists and geophysicists at 31 December 2013, undertaking the majority of its seismic interpretation in-house. The depth of the technical team means we undertake rigorous internal peer review and risk analysis before a prospect or play is matured as a candidate for drilling. Given the costs associated with deepwater exploration, we will typically undertake farm-outs to mitigate the technical risks, manage the Company's capital base and provide third-party expertise where a company can bring a particular skill set to a prospect or play, either pre-drill (Petrobras, OMV in Gabon) or in the ability to commercialise post success (BG Group in Tanzania). Where licences are viewed as unprospective or are ranked poorly against other opportunities in the portfolio, we will look to exit ahead of entering into onerous work commitments or farm-down to a position of minimal capital exposure.

Demonstrated:

- Interpretation of 3D seismic shot through 2012 firming up 2014 drilling targets with up to 11 wells planned
- Comprehensive farm-out of Gabonese acreage to OMV¹
- Exited acreage in Congo, Madagascar, Ghana and Kenya (L15) and reduced exposure to Somaliland

¹ On 18 December 2013, Ophir announced that it had entered into an agreement to sell to OMV a 10% interest in each of the Mbeli and Ntsina Blocks and a 30% interest in each of the Gnondo and Manga Blocks. Completion of this transaction remains subject to satisfaction of certain conditions.

Explore

- Drill key prospects
- Re-rank prospect inventory on drilling results and continued seismic calibration

The rigorous technical work undertaken pre-drill has helped ensure Ophir has enjoyed further exploration success during 2013, especially in Tanzania where the BG-Ophir Joint Venture has a 100% success rate on Blocks 1, 3 and 4. On completion of exploration wells, the data from the drilling results is analysed and used to assess the need for appraisal drilling and the impact on remaining prospect potential on the acreage. At 31 December 2013 Ophir had a specialist drilling team of nine people, which allows it to operate two multiple deepwater campaigns simultaneously.

Demonstrated:

- Two successful exploration wells: Mkizi and Ngisi
- Both operated exploration wells, Starfish and Mlinzi Mbali-1, although commercially unsuccessful, drilled safely and under budget
- Two rigs secured under long-term contract for both East and West African exploration campaigns.

Successful exploration wells

2



Appraise

- Appraisal drilling on existing discoveries to refine resources, assess commerciality
- Further exploration on de-risked plays and analogue prospects
- Additional seismic to target prospect inventory
- Pre-development planning to optimise value, demonstrate potential to buyers

After discoveries have been confirmed, we undertake appraisal activities such as further drilling, flow-tests and additional seismic acquisition to firm up resource estimates and assess the commerciality of the discovered resource base. We undertake pre-development planning which provides input into the valuation analysis of the assets. At this stage, management will begin to assess the optimal time to monetise the assets. Consideration is placed on the remaining resource upside left on the licences and blocks, and ongoing cost to reach Final Investment Decision (FID).

Demonstrated:

- Four successful appraisal wells in Blocks 1, 3 and 4 leading to increased resource estimates
- Three successful flow tests on Jodari, Mzia and Pweza confirming world-class reservoir deliverability

Net contingent resource additions in 2013

254mmboe



Commercialise

- Partially or wholly monetise ahead of development spend; or
- Invest capital to develop the asset, potentially carried by new partners
- Bring into production then invest further to maximise value

Once the FID is made, significant expenditure is required to bring an asset into production. The time to first production and overall cost is dictated by a number of factors including hydrocarbon phase and location. Ophir's core strength is in the exploration and appraisal phase, where the most value can be added in the E&P cycle with the lowest cost compared to development activities. Our strategy is to have either wholly or largely monetised discovered resource before entering the development phase, although residual interests may be retained if carries through the majority of the development spend can be obtained and Ophir sees long-term potential in an asset.

Demonstrated:

- Farm-down of 20% stake in Blocks 1, 3 and 4 in Tanzania to Pavilion Energy for US\$1.288 billion¹
- Progress on Equatorial Guinea FLNG project

¹ On 14 November 2013, Ophir announced that it had entered into an agreement to sell to Pavilion Energy a 20% interest in Blocks 1, 3 and 4. This transaction is unconditional and subject to completion.

Value realised from Tanzania divestments to date

US\$1.288bn¹

Tanzania: From first principles to monetisation

Ophir's activities in Blocks 1, 3 and 4 offshore Tanzania demonstrate the success of the Company's strategy and business model and the significant value that it can create for shareholders.

The Company took an early position in an out of favour area, worked up the technical case, brought in an industry leading LNG specialist in BG Group, proved up a world-class resource base and then partially monetised its position ahead of significant capital expenditure on development

Capture

2005/06

Acquired PSCs covering Blocks 1, 3 and 4 at a time when the industry believed the potential in a success case was likely to be uneconomic.

Capture

In 2005 and 2006 Ophir acquired a significant acreage position offshore Tanzania taking operated interests in Blocks 1, 3 and 4 offshore in the deepwater. At the time, the licence rounds received only modest interest as the industry was concerned that the offshore basins were high-risk and gas prone and that if there were gas discoveries they would be modest in size and hard to commercialise. Ophir's initial technical analysis suggested that prospect sizes could be material enough to be commercial.

Analyse

2005-08

Acquired and interpreted additional seismic which identified several large prospects.

2010

Assessing the likelihood of significant gas discoveries, negotiated commercial terms to exploit gas resources success including the rights to export and market gas volumes. Farmed out 60% of Blocks 1, 3 and 4 to BG Group, a world leader in the exploitation and development of gas resources.

Analyse

Between 2005 and 2008 Ophir acquired and interpreted a large volume of 2D and 3D seismic data across the three Blocks. This work reaffirmed the Company's initial thoughts about the prospectivity of the plays on the Blocks and allowed several targets to be matured to drill-ready status, backed up by potential direct hydrocarbon indicators (DHIs) on seismic (including AVO anomalies and flat-spots). At the same time, recognising the likelihood that the basins were gas prone, Ophir undertook two important commercial steps. Firstly, the Company farmed-in BG Group, the world's leading LNG developer, operator and trader, as a partner, farming-down a 60% stake for a carried interest in three wells. Secondly, alongside BG Group, it negotiated commercial terms with the Tanzanian Government to ensure successful gas discoveries could be rapidly exploited and commercialised for the benefit of all stakeholders.

Exploration and appraisal
wells drilled to date

14

Success rate

100%

Explore

2010/11

Drilled the first successful well on Block 4, Pweza-1, followed by the Chewa, (Block 4) and Chaza, (Block 1), gas discoveries.

2012

Drilled the Jodari and Mzia large gas discoveries confirming enough gas for a potential export LNG scheme.

Explore

The first exploration well was drilled in 2010 on the Pweza prospect and resulted in a successful gas discovery in Block 4. This was quickly followed by the Chewa (Block 4) and Chaza (Block 1) discoveries which confirmed the potential of Tanzania's offshore deepwater basins as a new hydrocarbon province. In 2012 the larger Jodari and Mzia gas discoveries were made, taking resource estimates above those needed for a commercial LNG scheme. During this period, additional seismic acquisition was undertaken and further leads and prospects identified which has pushed the resource potential of the area to in excess of 50 TCF including volumes already discovered.

Appraise

2013

Appraised the Jodari, Mzia and Pweza discoveries including undertaking flow-tests, increasing volumes and de-risking the sub-surface.

Appraisal

In late 2012 and into 2013 the focus of drilling shifted to also include appraisal activities. A number of appraisal wells have been drilled and flow-tests performed which have seen resource volumes increased and the commercial productivity of the discoveries confirmed. Mean resource estimates now stand at 15.7 TCF, enough to underpin a two Train LNG development and also meet contractual domestic market obligations. In total, 14 exploration and appraisal wells have been drilled across Blocks 1, 3 and 4, all of which have been successful.

Commercialise

2013

Announced monetisation of a 20% stake in the project to Pavilion Energy for US\$1.288 billion

Commercialise

The assets have now moved into the planning stage for development having been de-risked both commercially and technically by the drilling activities over the last few years, with the FID expected on the project in 2016. Whilst Ophir continues to see upside in the assets, in-line with the Company's business model and strategy, the decision was made to partially monetise its position ahead of significant development expenditure. A formal sales process was undertaken and agreement reached with Pavilion Energy, a Singapore based Asian LNG company, in November 2013 to sell a 20% stake in Blocks 1, 3 and 4 for US\$1.288 billion. On completion of this transaction, the proceeds are expected to be reinvested back into the business to fund new high-impact exploration opportunities and move the LNG project forward in Tanzania.

Review of operations

During 2013 exploration and appraisal activities continued in Tanzania on Blocks 1, 3 and 4 to underpin and de-risk volumes for a two Train LNG project. Further exploration and appraisal is planned on these assets in 2014, along with high-impact exploration in Gabon and progress in commercialising the discovered gas resource in Equatorial Guinea.

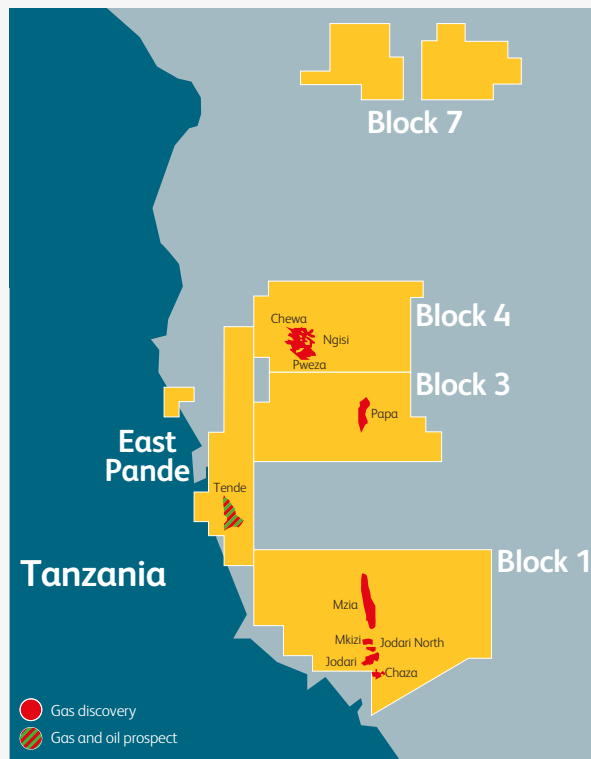
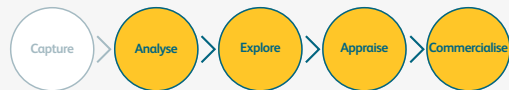
Tanzania



Overview

Ophir has interests in five offshore blocks with a gross area of 28,817km². The Company has a 40% interest in Blocks 1, 3 and 4¹ operated by BG Group, an 80% operated interest in Block 7 and a 70% operated interest in East Pande. Blocks 1, 3 and 4 contain several large gas discoveries which will be commercialised by a multi-train LNG export development.

Stages in business model



Key highlights

Blocks 1, 3 and 4

- Sale of 20% interest to Pavilion Energy for US\$1.288 billion announced in November 2013
- Following on from the exploration success in prior years, the BG-Ophir JV drilled six successful exploration and appraisal wells across Blocks 1 and 4, including the Mkizi and Ngisi discoveries, extending the JV's 100% drilling success rate
- Flow-tests were completed on the Mzia, Jodari and Pweza discoveries confirming world-class reservoir deliverability, significantly de-risking the commerciality of the discoveries
- Gross recoverable resources (2C) were increased to 15.7 TCF which will underpin a minimum two Train LNG project
- Preferred site selected for the onshore LNG facility with FID on track for 2016 and first gas provisionally expected in 2020
- Further exploration planned on Blocks 1 and 4 during 2014

Block 7 and East Pande

- The first well drilled on Block 7, Mlinzi Mbali-1, although commercially unsuccessful, is providing significant geological information as the first well in the area and the stratigraphically deepest well drilled to date offshore Tanzania. Additional prospectivity on the block was confirmed by the Upanga 3D survey and will be assessed alongside the Mlinzi Mbali-1 result
- Drilling on the Tende prospect on the East Pande licence is expected in Q3 2014. This is primarily a gas target but has the potential for liquids

¹ On 14 November 2013, Ophir announced that it had entered into an agreement to sell to Pavilion Energy a 20% interest in Blocks 1, 3 and 4. This transaction is unconditional and subject to completion.

Successful DSTs

3

Sale of interest in Blocks 1, 3 and 4 to Pavilion Energy, delivering value in line with Company strategy

In November 2013 it was announced that Pavilion Energy had agreed to buy a 20% interest in Blocks 1, 3 and 4 from Ophir for US\$1.288 billion, of which US\$38 million is payable at the time of FID on the proposed LNG project. All conditions precedent to the transaction have been satisfied (or waived). The transaction is now unconditional and is expected to close shortly. This deal brings in a strong partner to the JV, and is an endorsement of the quality of the planned LNG project. The sale is in line with Ophir's strategy of monetising exploration success at the appropriate time, to maximise returns for shareholders, while avoiding significant expenditure through the development phase of a project.

Significant further exploration and appraisal success in Block 1

The key operational highlight in 2013 was the successful appraisal of the Jodari and Mzia discoveries in Block 1 utilising the Deepsea Metro I drillship secured under long-term contract by Ophir and BG Group. A Drill Stem Test (DST) was undertaken on the Jodari-1 well which flowed at an equipment-constrained rate of 70mmcf/d, demonstrating excellent reservoir deliverability. This was followed by the Mzia-2 appraisal well drilled 4km to the south east of the original discovery well and which encountered 62m of net pay in Cretaceous reservoirs. The well established pressure communication between the Mzia-1 and Mzia-2 gas columns and a DST on the well flowed at 57mmcf/d (equipment constrained), which was at the upper end of the expected range. Further appraisal on Mzia continued in October with the Mzia-3 well, which proved a deeper gas down to level than in the previous wells.

The Mkizi-1 well was drilled in July 2013 on a prospect situated between Mzia and Jodari. The well encountered 33m of net pay in high-quality Tertiary reservoirs with gross recoverable resources estimated at 0.6 TCF.

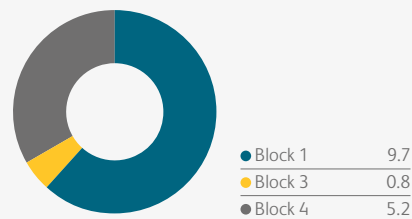
The Block 1 'hub' area, including the previously discovered Chaza field, now has mean discovered recoverable resource estimates of close to 10 TCF.

Gross mean recoverable resources

15.7_{TCF}

100% drilling success to date in Blocks 1, 3 and 4

Gross discovered resource (TCF)



Since drilling began in late 2010 on Blocks 1, 3 and 4, the JV has had a 100% drilling success rate with 14 exploration and appraisal wells. This includes eight exploration discoveries with gross recoverable resources now standing at 15.7 TCF. At least two further exploration wells are planned across the acreage in 2014 along with additional appraisal activities on the Mzia discovery.

Activity in Block 4 confirms potential of a second development hub

The Pweza discovery drilled in 2010 was appraised with two wells in Q3 2013. The Pweza-2 well was drilled on the southern flank of the field and confirmed existing resource estimates while the Pweza-3 well was drilled into the main reservoir channel. A DST on Pweza-3 flowed at a constrained rate of 57mmcf/d, consistent with the world-class deliverability seen from the Tertiary reservoirs in Block 1.

The Ngisi-1 exploration well was drilled in June 2013 and encountered an excellent quality gas-bearing reservoir. Two planned side-tracks were completed which demonstrated the ability to drill highly deviated wells on the discoveries in Blocks 1, 3 and 4, a factor which is expected to assist in reducing development costs. These side-tracks also appraised the underlying Chewa discovery.

Gross recoverable Block 4 resource estimates now stand at over 5 TCF across the Chewa-Pweza-Ngisi discoveries and a second development hub is now being considered on the Block to maximise the value of the resource position in Block 1.

Review of operations continued



Additional exploration planned in 2014

The inboard and outboard 3D seismic surveys on Block 1 were fully interpreted during 2013 and helped refine the remaining prospect inventory. A number of large Basin floor fan features and amalgamated channel sequences of Tertiary age have been identified in the outboard and, although they have not been significantly de-risked with the results from the seismic interpretation, we expect to explore these plays in future years. In addition, a number of inboard prospects on Block 1 have been identified and the Taachui prospect will be drilled in H1 with mean recoverable resource potential in excess of 1 TCF.

The prospectivity of Blocks 3 and 4 continues to be evaluated and the Kamba prospect will be drilled in 2014 on Block 4 with mean recoverable resource potential of c.0.5 TCF. The well will be designed to also test the shallower low-risk Pweza North prospect with mean recoverable resource estimated at c.0.2 TCF.

LNG development planning progressing

The discovered resource base has now comfortably exceeded the threshold for two, 5 million tonnes per annum Trains of LNG from the JV acreage. The appraisal activity on Blocks 1, 3 and 4, including the multiple flow-tests, has not only increased recoverable resource estimates but also substantially de-risked the commercial delivery of volumes for the planned LNG development. The success of the appraisal programme and the flow-tests will lead to material development cost savings, as the number of wells is expected to be reduced against pre-appraisal expectations.

The JV has been working closely with Statoil and Exxon, the partners in neighbouring Block 2, which have made a number of gas discoveries, over the site for a shared LNG facility. A preferred location for the facility has been selected and the Government of Tanzania has been informed of this preference. At this stage it is envisaged that the common facilities at the LNG site will be managed by a single operator while the individual trains will be operated and owned by the separate JVs. The BG Group Ophir JV is working towards commencing pre-FEED studies in 2014 with a view to making an FID in 2016. First gas exports are expected in 2020.

Block 7 exploration underway

Interpretation of the Upanga 3D survey acquired in 2012 was completed during the year and confirmed the potential of the Mlinzi channel complex. The first well on the structure, Mlinzi Mbali-1, spudded in November and reached target depth at the end of the year. Although the well did not encounter live hydrocarbons, it has provided valuable stratigraphic and geochemical information from the deepest well drilled offshore Tanzania to date. The results of the Mlinzi Mbali-1 well will be integrated into the ongoing technical analysis to quantify the remaining prospectivity of the block.

In the west of Block 7, the 3D survey acquired by Dominion Petroleum in 2012 has been reprocessed and confirmed the presence of the Ngao prospect with a potential resource in excess of 5 TCF. The Ngao prospect will be reviewed in light of the results of the Mlinzi Mbali-1 well.

East Pande drilling to be undertaken in 2014

Interpretation of the Ndizi 3D survey was completed in the first half of the year and confirmed our view of the prospectivity of the acreage, with multiple prospects and plays of Tertiary and Cretaceous age identified. The first prospect to be drilled during 2014 will be Tende-1 in the southern section of the block, with mean recoverable resource potential of c.2.4 TCF. The licence area is primarily prospective for gas but regional charge modelling suggests the block could have the potential for oil generation in the south. In total, we have identified prospects and leads with mean recoverable resource potential of c.18 TCF across the licence.

East Pande is strategically located inboard and adjacent to Blocks 1, 3 and 4 in relatively shallow water and is likely to be close to gas export pipelines that will supply gas from these blocks into the planned onshore LNG plant.

Wells planned in 2014

3

Gross mean recoverable resource

2.6 TCF

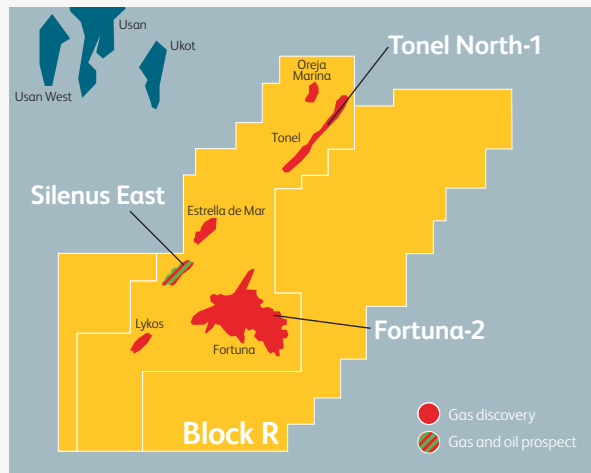
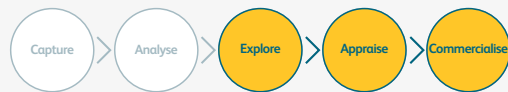
Equatorial Guinea



Overview

Ophir has an 80% operated interest in Block R to the west of Bioko Island in water depths of up to 1,950m.

Stages in business model



Key highlights

- Gross 2C recoverable resources now stand at 2.6 TCF with remaining prospective resource estimated at c.7 TCF, of which c.2 TCF is considered low-risk
- FLNG development solution being progressed as preferred option with Letter of Intent (LoI) signed with Petrofac as development operator up to FID and process to select vessel provider nearing completion
- Further drilling planned in 2014 to increase proven gas resources and test the deeper liquids play identified on the block and will also include a DST on the Fortuna-2 appraisal well

Focus on commercialisation

Having successfully completed a second drilling programme in 2012, which saw gross mean recoverable resources increase to 2.6 TCF, the focus in 2013 has been on finalising and progressing the preferred development solution to commercialise the discovered resource base.

Equatorial Guinea has an established LNG operation with gas from the Alba Field supplying the 3.4 million tonnes per annum plant at Punta Europa (EGLNG 1) on Bioko Island operated by Marathon. We have considered a number of options to monetise our gas resource including supplying the existing LNG train as production from the Alba Field declines or building a second LNG train at Punta Europa, sharing facilities with the existing plant. However, we are progressing Floating LNG as the preferred development solution. This option is aided by the quality of the gas which needs minimal processing and the benign sea conditions in the Gulf of Guinea.

In February 2014 a non-binding LoI agreement was signed with Petrofac to act as development operator up to FID, while a process to select the preferred vessel provider is nearing conclusion. On completion of further drilling this year, Ophir will look to bring in upstream partners to progress the development, with FID expected in 2015 and first gas likely in 2018.

Further drilling planned in 2014

We are planning to drill a further three wells on Block R, starting mid-2014 to secure additional low risk gas resource while testing a deeper liquids play on the licence. Silenus East-1 is an exploration well targeting a mean recoverable c.0.4 TCF of gas and will be deepened to target the liquids play, while Tonel North-1 and Fortuna-2 will appraise existing discoveries. A DST will be carried out on Fortuna-2 to demonstrate the deliverability of the reservoir and aid in dynamic reservoir modelling. In total, excluding the potential from liquids, we estimate there is remaining prospective upside of c.7 TCF on the block, with c.2 TCF on the proven Thrust Belt play.

Review of operations continued

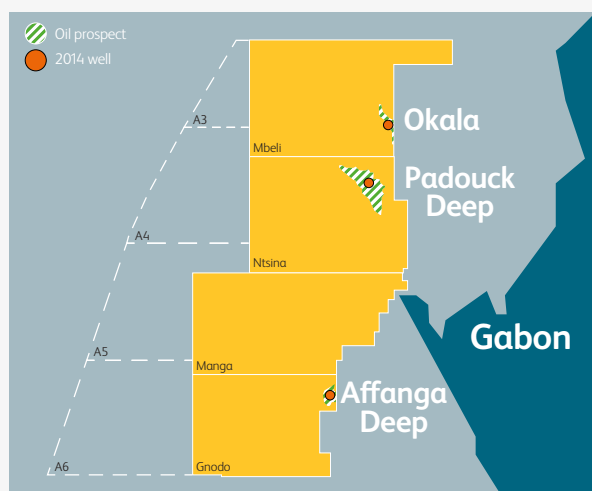
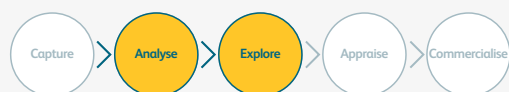
Gabon



Overview

Ophir has a 100%¹ operated interest in the Gnondo and Manga Blocks together with a 50%¹ operated interest in the Mbeli and Ntsina Blocks. All four are located offshore in the North Gabon basin in water depths up to 2,500m.

Stages in business model



Key highlights

- Completed processing and interpretation of 3D seismic over the pre-salt play in the Mbeli and Ntsina Blocks confirming the prospectivity of the play
- First pre-salt well Padouck Deep-1 completed in March 2014 unsuccessful but further test of the play planned with Okala-1
- The Ogooué Delta play extension to be tested with the Affanga Deep-1 well
- The outboard play, which is analogous to the successful Sergipe-Alagoas Basin in the conjugate margin in Brazil, continues to be evaluated with encouraging results. Additional adjacent blocks provisionally awarded that are expected to contain further prospects in this play
- Extensive 3D seismic acquisition planned across the outboard play on the existing acreage and newly awarded blocks
- Farm-out of interests across all four existing blocks on a promoted basis to OMV¹

Targeting the high impact pre-salt play

The pre-salt play is extensive across Ophir's two northern Blocks, Mbeli and Ntsina, and contains potential upside similar to that seen onshore in North Gabon in the same play, across the Atlantic offshore Brazil as well as offshore Angola where there have been several recent discoveries. Total's Diaman-1 well completed in August 2013 in the South Gabon basin was the first deepwater pre-salt test offshore Gabon and confirmed both a working petroleum system and the existence of thick, high quality clastic reservoirs.

Processing and interpretation of the Stenella 3D seismic survey which was acquired in 2012 was completed during 2013, and confirmed the prospectivity of the play. The Vantage Titanium Explorer has been contracted to drill two of the pre-salt prospects as part of a wider West African drilling campaign which commenced in February 2014. The first well targeting the Padouck Deep prospect has completed and whilst not commercially successful, it encountered thick, reservoir-quality sands and provided evidence of a working hydrocarbon system. The second well to test the play will target the Okala prospect with mean recoverable resource potential of 354mmbbl. In total, remaining leads and prospects with mean recoverable resource potential of c.3.0BBbbl have been identified on the pre-salt play across the Mbeli and Ntsina Blocks.

¹ On 18 December 2013, Ophir announced that it had entered into an agreement to sell to OMV a 10% interest in each of the Mbeli and Ntsina Blocks and a 30% interest in each of the Gnondo and Manga Blocks. Completion of this transaction remains subject to satisfaction of certain conditions.

Wells planned in 2014

3

A well is also planned on the Affanga Deep prospect in the Gnondo Block. This will test an extension to the Ogooué Delta play which has been proven on the shelf. Success would de-risk several other adjacent prospects that could form a potential hub-based development around Affanga Deep.

Further progress on the deepwater outboard play, additional acreage added

An outboard deepwater play, analogous to the play in the Sergipe-Alagoas Basin in the conjugate margin offshore Brazil has been identified across all four blocks. Petrobras has had considerable exploration success with this play, including the Barra discovery. The Afo and Pachg Liba 3D seismic surveys which cover part of this play were acquired and interpreted during 2012 and 2013. However, these surveys were not large enough to fully understand the play system and therefore further 3D seismic will be acquired during 2014 with a view to maturing leads into drillable prospects for 2015 and beyond.

We secured additional acreage in the recent offshore licensing round with the award of a 100% operated interest in Blocks A3, A4, A5 and A6 (subject to the successful negotiation of PSCs). These lie adjacent to and outboard of our existing offshore blocks and are expected to contain an extension to the deepwater play. It is planned that 3D seismic data will be acquired on these new blocks at the same time as the acquisition of seismic on the currently licensed acreage.

Farm-out of acreage to OMV

In December 2013 the Company announced that it had entered into a comprehensive farm-out agreement with OMV covering our existing deepwater blocks offshore Gabon. Under the terms of the agreement OMV has acquired 30% interests in the Manga and Gnondo Blocks and 10% interests in the Mbeli and Ntsina Blocks. Ophir continues to operate all four blocks. In consideration, OMV will pay past costs and will pay a promoted share of the Padouck Deep, Affanga Deep and Okala wells as well as a promoted share of two further wells and a 3D seismic survey across the blocks. Further conditional promotes are payable in the event of success with the Okala well. The farm-in agreements are subject to Government approval.



Risk mitigation through farm-outs

Ophir entered Gabon in 2005 taking a 100% interest in the Company's current existing four blocks. In 2011 Petrobras farmed-in to the Mbeli and Ntsina Blocks, encouraged by the potential of the pre-salt and outboard deepwater plays which were analogous to successful plays offshore Brazil. As part of the consideration for the farm-in, Petrobras are contributing a significant share of Ophir's costs of the Padouck Deep and Okala wells. After taking account of OMV's farm-in, which is subject to Government approval, Ophir is substantially carried on the two pre-salt wells in addition to being partly carried on the Affanga Deep well. These farm-outs are in line with Ophir's strategy of mitigating the cost of high-risk exploration drilling whilst retaining exposure to high-impact upside in the event of success.

Review of operations continued

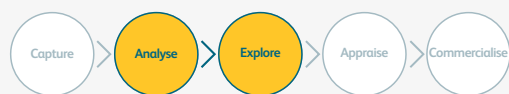
Kenya



Overview

Ophir has a 90%¹ operated interest in the offshore Block L9 with a gross area of 3,833km² in water depths of up to 1,400m.

Stages in business model



Key highlights

- Reviewing 3D seismic data across Block L9 with a view to maturing prospects
- Potential for both an inboard carbonate oil play and an outboard clastic gas play

The Mbawa-1 gas discovery in Block L8 drilled by Apache in 2012 opened up the offshore potential of Kenya and industry activity has increased with further wells drilled in 2013 by Anadarko. Ophir acquired the Nala 3D seismic survey over the eastern part of Block L9 in late 2012 and interpretation of that data is ongoing, with several gas leads having been identified in both Paleocene and Cretaceous-aged structures.

Inboard on Block L9 there is the potential for an oil play in Miocene carbonate features. This play trends to the south and has been tested by the Sunbird-1 well recently drilled by BG Group. The results of this well will be integrated into our analysis of the potential of the play.

We have completed our assessment of the 3D survey on Block L15; prospectivity is viewed as limited and Ophir has relinquished its stake.

¹ Ophir has a 90% participating interest with Government of Kenya having a 10% carried interest. Ophir has entered into an agreement to sell to FAR Limited a 30% interest in Block L9, Kenya. Completion of this transaction remains subject to satisfaction of certain conditions.

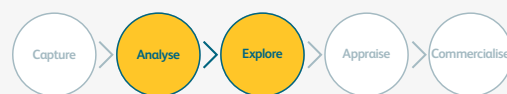
Offshore Senegal and Guinea Bissau Joint Development Zone (AGC)



Overview

Ophir has a 79.2% interest in the Profond Block with a gross area of 9,838km² in water depths of up to 3,500m.

Stages in business model



Following the unsuccessful Kora-1 well which was the first exploration well on the block drilled in 2011, a 1,000km² 3D seismic survey was undertaken in the first half of 2013. Interpretation was ongoing at the year-end. At this stage we have identified a number of leads in two main plays, a Maastrichian canyon pinchout play and an Early Cretaceous/Jurassic toe thrust play. While it is expected one or more of these leads will be matured for drilling in the future, it is unlikely that this will take place before the current term of the licence expires in Q3 2014. The Company is looking at the possibility of negotiating a new PSC over the block.



SADR



Overview

Ophir has a 50% interest in assurance agreements covering four blocks, Daora, Haouza, Mahbes and Mijek with a gross area of 74,327km² in water depths of up to 2,500m.

Stages in business model



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

Somaliland



Overview

Ophir holds a 25% non-operated interest in the Berbera blocks (SL9 and SL12) with a gross area of 24,420km². The blocks cover both onshore and offshore areas.

Stages in business model



During the year we farmed down a 50% stake and operatorship to RakGas in exchange for a carry on a seismic survey to be undertaken in 2014. We will use this data to firm up possible drilling targets.



Ghana



Overview

Ophir has a 20% operated interest in the Offshore Accra Contract Area of Ghana.

The Offshore Accra Contract Area is situated in the frontier Keta Basin on the West African Transform Margin play which has yielded several major discoveries including Jubilee and Tweneboa further west offshore Ghana.

We entered the block in December 2012 and completed drilling the Starfish-1 well in July 2013 which fulfilled the outstanding PSC commitments. The well was drilled to a total depth of 4,348m and was targeting a Lower Cretaceous-aged prospect analogous to those that have been successful elsewhere on the West African Transform Margin play. Although the well encountered approximately 230m of sandstone in the primary target, this was found to be water wet. The Initial Exploration Period on the licence expires on 23 March 2014 and Ophir has elected not to proceed into the next PSC term.

Financial review

Key to Ophir's strategy is to remain well funded to be able to commit to forward activities from a position of balance sheet strength. At the same time, capital discipline is paramount which includes managing exploration risk through farm-outs and maximising value through the monetisation of discoveries at the optimum time.



Lisa Mitchell
Chief Financial Officer

Ophir continues to focus on delivering shareholder returns through exposure to high-impact exploration. To achieve this the Company maintains flexibility in its financing strategy which includes the monetisation at the optimum time of resources proved up by drilling success to maximise returns. In addition, the Company will pursue and execute pre-drill farm-outs to minimise capital at risk.

Proceeds from Placing and 2-for-5 Share Rights Issue¹

US\$837.6m

Oil and gas additions in the year

US\$389.1m -6%

(2012: US\$415.5 million)

Cash position²

US\$666.7m +193%

(2012: US\$227.7 million)

Exploration and appraisal assets

US\$1,124m +17%

(2012: US\$961.7 million)

¹ Net cash after issue costs US\$803.2 million.

² Cash position includes short-term investments comprising cash deposits of between three and 12 months totalling US\$159.9 million (2012: nil).

Key achievements

- March 2013 – successful placing of 19.8 million shares raised £91.3 million (US\$137.0 million) and a 2-for-5 share rights issue raised a further £462.1 million (US\$700.6 million)
- November 2013 – Ophir entered into an agreement to sell to Pavilion Energy a 20% interest in Tanzania Blocks 1, 3 and 4 for a maximum consideration of US\$1,288 million¹
- December 2013 – Ophir entered into a comprehensive farm-out agreement with OMV covering its deepwater offshore blocks in Gabon. OMV will acquire a 30% non-operated interest in the Manga and Gnondo Blocks and 10% non-operated interest in the Mbeli and Ntsina Blocks. On completion, Ophir's retained stakes will be 70% operated interests in the Manga and Gnondo Blocks and 40% operated interests in the Mbeli and Ntsina Blocks. In consideration, OMV will pay past costs and a promoted share of well costs and seismic with further promotes in the event of success².
- The Company continued to hi-grade its asset portfolio and has relinquished positions in Congo, Madagascar and Kenya L15. It has given notice to relinquish its position in Ghana and reduced its equity interest in Somaliland.

Performance

Results for the period

The Company recorded a post-tax loss of US\$245.8 million for the year ended 31 December 2013 (2012: US\$40.7 million). No dividends were paid or declared by the Company during the period.

Exploration expenditure

Pre-licence expenditure for the year ended 31 December 2013 was US\$2.4 million (2012: US\$4.5 million).

Exploration expenditure written-off for the year ended 31 December 2013 was US\$54.0 million (2012: nil). This consisted of unsuccessful exploration activities in Ghana Accra Block of US\$14.3 million and licence relinquishments in Congo Marine IX Block of US\$3.3 million, Madagascar Marovoay Block 2102 of US\$19.0 million, and Kenya L15 Block of US\$17.4 million.

Impairment charges totalled US\$172.4 million (2012: nil). US\$167.3 million relates to Tanzania Block 7 following the drilling of Mlinzi Mbali-1. This well was the first well on Block 7 and targeted a structural crest within a Lower Cretaceous channel complex, with secondary targets in the Upper Cretaceous and the Jurassic. The Cretaceous targets were intersected and are interpreted to be water bearing. Subsequent evaluation of results continues and will provide crucial information that will be integrated into interpretation of the future potential of Block 7 and the wider deepwater basins of Tanzania. A further US\$5.1 million relates to the AGC Profond Block. This was as a result of management's assessment that no further expenditure on exploration and evaluation of hydrocarbons in the block was currently budgeted or planned within the current licence term.

Other operating expenses

Other operating expenses were US\$46.4 million (2012: US\$1.7m). The increase arose primarily from the US\$36.3 million goodwill written off as a result of the impairment relating to Tanzania Block 7.

Finance income

Finance income for the period of US\$27.1 million (2012: US\$1.6 million) was associated with foreign exchange gains and losses arising primarily on the fluctuation of the Company's functional currency: the US Dollar, against other currencies the Company holds.

General and administration expenses

General and administration expenses of US\$32.1 million (2012: US\$36.4 million) include personnel costs, share-based payment charges, office administration costs, professional and corporate costs (audit, legal, other professional advisors' fees). The 12% decrease in general and administration expenses is predominantly associated with a reduction in corporate project activity expensed when compared to the prior year. This is despite an increase in the Company's headcount to 119 (2012: 71).

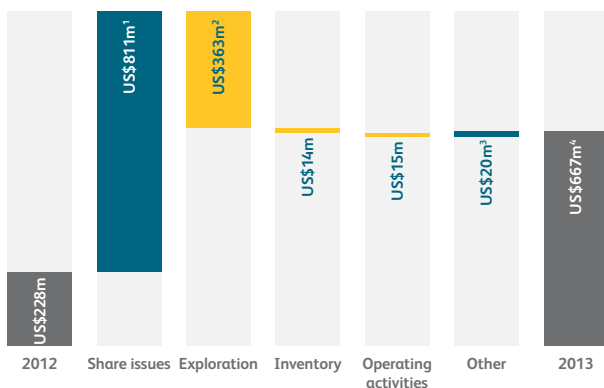
¹ This transaction is unconditional and subject to completion.

² Completion of this transaction remains subject to satisfaction of certain conditions.

Financial review continued

Financial position

Cash utilisation period ending 31 December 2013



- 1 Net of US\$34m share issue costs
- 2 Includes movements in working capital
- 3 Includes US\$16m of foreign exchange gain on cash balances
- 4 Includes short term investments comprising cash deposits of between 3 and 12 months totalling \$159.9m

Financing

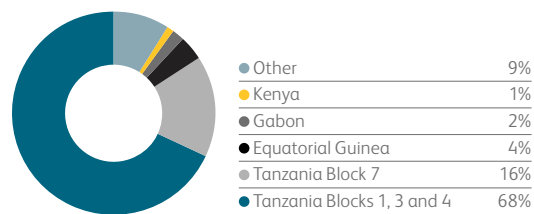
During the year the Company strengthened its balance sheet with a successful Placing and Rights Issue in March 2013. The placing of 19.8 million shares raised £91.3 million (US\$137.0 million) and a 2-for-5 share rights issue raised a further £462.1 million (US\$700.6 million).

Exploration and evaluation investing activities

The Company's investment in exploration and appraisal activities has continued during 2013 with expenditure of US\$389.1 million (2012: US\$415.4 million).

The drilling of eight exploration and appraisal and three DST wells was completed during the year. 84% of exploration and appraisal expenditure was incurred during the year in Tanzania (US\$328.0 million). This consisted of US\$266.2 million in Blocks 1, 3 and 4 and US\$61.8 million in Block 7. Expenditure outside of these areas was US\$61.1 million including an amount of US\$16.3 million in Block R, Equatorial Guinea.

2013 Exploration and evaluation expenditure US\$389.1m



Liquidity risk and going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 29. The financial position of the Company, consisting of cash resources of US\$666.7 million, (including the proceeds from the Placing and Rights Issue completed in March 2013), its cash flows, liquidity position and borrowing facilities are described in the financial statements on pages 95 to 155. In addition, note 21 to the financial statements includes the Company'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 Company budgets and cash flow forecasts for a period of at least the next 12 months from the approval of the financial statements. These include the anticipated proceeds from the completion of the disposal of a 20% interest in Blocks 1, 3 and 4 in Tanzania to Pavilion Energy. On 16 December 2013, the Company received shareholder approval to dispose of this interest. All conditions precedent to the transaction have been satisfied (or waived.) The transaction is now unconditional and is expected to close shortly.

The cash flow forecast prepared by management to March 2015 concluded that despite significant expenditure on ongoing and planned drilling programmes across the Company's blocks during 2014, particularly in Tanzania, the Company will have sufficient resources to pay its debts as and when they fall due for at least the next 12 months.

As a consequence of the near-completion of the disposal of a 20% interest in Blocks 1, 3 and 4 in Tanzania, the Directors believe that the Company is well placed to meet its exploration and appraisal

expenditure commitments for at least the next 12 months and have a reasonable expectation that the Company 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.

Events after the reporting period

On 14 November 2013 the Company announced its move to dispose of a 20% interest in Blocks 1, 3 and 4 in Tanzania to Pavilion Energy. On 16 December 2013, the Company received shareholder approval to dispose of this interest. All conditions precedent to the transaction have been satisfied (or waived.) The transaction is now unconditional and is expected to close shortly.

On 4 March 2014 the Company announced that it had entered into an agreement with WHL Energy Ltd (“WHL”), an Australian listed E&P company, to acquire a 75% operated interest in Blocks PEC-5B/1 and PEC-5B/2 located offshore to the south of the Seychelles Islands in the Indian Ocean. In exchange for the acquired interest, the Company will repay back costs to WHL of US\$4 million and fund the acquisition of 1,500 km² of 3D seismic data.

On 19 March 2014 the Company announced that the Padouck Deep-1 well in the Ntsina Block offshore Gabon had completed. Whilst the well encountered thicker than expected, good-quality reservoir sands, there were no significant hydrocarbon shows.

Financial strategy and outlook for 2014

Ophir’s financial strategy remains to maintain the appropriate financial flexibility to fund high-impact exploration and appraisal activities. The Company’s focus is to fund our programme by seeking pre-drill farm-outs to minimise capital at risk and monetisation of success at the optimum time to maximise returns.

The Company intends to use the existing cash resources of US\$666.7 million (2012: US\$227.7 million) to:

- continue to explore and evaluate the resource potential of the Company’s operated acreage position in Tanzania through a deepwater offshore exploration drilling programme in East Pande
- commence a multi-well offshore drilling programme in Gabon
- undertake further pre-development studies as well as exploration of its resource base in Block R, Equatorial Guinea, including the deeper potential liquid play
- continue exploration and appraisal wells in Blocks 1, 3 and 4



The Company intends to use the aggregate net proceeds of the sale to Pavilion Energy to continue the Company’s strategy of adding significant value across its portfolio, as detailed in the circular dated 18 December 2013, through a combination of:

- acquiring further seismic data across its licences in Gabon targeting the deepwater oil plays
- accelerating appraisal and exploration activities, including drilling and further seismic acquisitions, in the event of drilling success on any of the new plays targeted in Tanzania, Gabon, Equatorial Guinea and Kenya
- progressing Ophir and BG Group’s Tanzanian gas assets towards commercialisation in a competitive timeframe and continuing to explore for additional resource in Blocks 1, 3 and 4
- completing the acquisition of additional assets through ongoing licensing rounds including those already announced in Tanzania and Gabon and by pursuing exploration farm-in opportunities or corporate transactions
- adding to Ophir’s portfolio through one or more new country entries that leverage the Group’s expertise which includes the acquisition of a 75% operated interest in Blocks PEC-5B/1 and PEC-5B/2 in the Seychelles as announced on 4 March 2014

Following the completion of the sale to Pavilion Energy, the Company is well placed to execute its planned work programme during 2014.

Principal risks and uncertainties

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 risk.

The Oil and Gas business environment is complex. Ophir has an established framework to review the various potential external and internal risks to which it is exposed. Risk management is a fundamental part of all Company activities.

Identified risks are recorded and the risk register is reviewed at the Audit Committee and by the Board of Directors, who are ultimately responsible for Ophir's risk management and supporting internal control systems.

The elementary summary of Ophir's risk management processes is:



Risk identification and management

Board of Directors

Nicholas Smith
Non-executive
Chairman

Lisa Mitchell
Executive director and
Chief Financial Officer

Ronald Blakely
Senior Independent
non-executive director

Vivien Gibney
Independent
non-executive director

Lyndon Powell
Independent
non-executive director

Nick Cooper
Executive director and
Chief Executive Officer

Dennis McShane
Executive director of
Corporate Strategy

Alan Booth
Independent
non-executive director

John Lander
Independent
non-executive director

William (Bill) Schrader
Independent
non-executive director

Report back to Board
every six months

**Executive
Directors**

**Senior
Management**

**Country
Managers**

Responsible
for identifying,
evaluating and
managing risks

Risk management performance in 2013

Strategic risk achievements

- Strengthened the Board with four new members, and increased staffing levels across several business functions
- Divested non-core assets and focused investment on assets with better risk/reward profile
- Continued to meet or exceed all minimum PSC commitments across the portfolio

Operational risk achievements

- Drilled two operated wells safely and securely, with no major HSE incidents
- No security issues during the year
- Maintained high drilling success rate with 75% wells successful

Financial risk achievements

- Raised US\$838mn (gross) of new equity to fund the 2013 and 2014 exploration programmes
- Drilled the two operated wells under budget
- Secured exploration farm-outs in Gabon and Somaliland and partially monetised the interest in Blocks 1, 3 and 4 in Tanzania¹

External risk achievements

- Continued CSR engagement with local communities in countries across the portfolio, including Tanzania where Ophir is involved with a primary school redevelopment
- Maintained strong dialogue with all stakeholders including Governments and shareholders

¹ On 14 November 2013, Ophir announced that it had entered into an agreement to sell to Pavilion Energy a 20% interest in Blocks 1, 3 and 4. This transaction is unconditional and subject to completion.

Principal risks and uncertainties

continued

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

Type	Risk	Mitigation
Strategic	Political risk	<ul style="list-style-type: none"> • Ophir maintains a balanced asset portfolio across different jurisdictions in a region where it is most accustomed to operating • Ophir monitors and seeks to understand changes taking place in political and regulatory environments in which it operates • Ophir continually reviews country risks and the potential for political shocks to update recommendations to the Board • New ventures are assessed with regard to political risk • Ophir strives to maintain positive relationships in all host countries where it operates. Ophir aims to work to the highest industry standards with all regulators, and closely monitors compliance with the Company's licence and PSC obligations
	Inadequate resource and reliance on key personnel	<ul style="list-style-type: none"> • Ophir relies on the excellence of a 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 Plan (LTIP) for executives and a Deferred Share Plan for staff
	Investment decisions	<ul style="list-style-type: none"> • The Company and its advisors are experienced within the industry, and complete a proper review of the Company's strategy and investment criteria. Full due diligence is undertaken on all potential new entries. The current portfolio is closely monitored and new market opportunities frequently reviewed
Operational	HSE incident risk	<ul style="list-style-type: none"> • 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 meets regularly to review and monitor compliance • 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
	Security	<ul style="list-style-type: none"> • Thorough risk assessments to develop robust mitigation and response measures • Clear in-country control measures
	Drilling operations risk	<ul style="list-style-type: none"> • Maintenance of clearly defined operational procedures whereby compliance is always expected • The contracting and procurement process ensures suitably qualified contractors are employed and trained in Ophir's best practices • Regular training and continued monitoring of staff adherence to HSE practices • Continual review of project management techniques
	Discovery risk and success rate	<ul style="list-style-type: none"> • The Company has technically and regionally experienced management and geoscience teams which have a proven record of success. To reduce risk, substantial technical analysis is undertaken to evaluate and manage opportunities • All exploration and appraisal programmes are consistently reviewed and monitored before being recommended to the Board for approval
	IT risk	<ul style="list-style-type: none"> • Regular review of vulnerabilities to breaches of information security • Systems are in place to manage unscheduled power loss, virus outbreaks, network disruptions and thereby minimise downtime to operations and corporate offices
	Availability of rigs and services	<ul style="list-style-type: none"> • 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 • A dedicated drilling project manager and Contracts and Procurement (C&P) Manager ensure a clear contracting strategy and project plan are produced early in the procurement planning stage

Type	Risk	Mitigation
Financial	Inability to fund exploration work programmes	<ul style="list-style-type: none"> Regular review of cash flow, working capital and funding options, and prudent approach to budgeting and planning, to ensure sufficient capital to meet commitments
	Counterparty credit risk	<ul style="list-style-type: none"> Close monitoring of all trade debtors which are subject to internal credit review
	Cost and capital spending	<ul style="list-style-type: none"> A formalised annual budget process and ongoing monthly reviews of actuals to budget analysis. Delegation of authority, approval processes and C&P procedures. Board approval of Annual Work Programme
	Interest rate and foreign exchange risk	<ul style="list-style-type: none"> Cash balances are primarily held in US Dollars to provide a natural hedge to reflect that the majority of the Company's business is managed and conducted using US Dollars. Small balances are retained in other currencies for operating and administrative needs Cash balances are held in current or short-term deposits Further details on principal financial risks are addressed in Note 21 on page 120 in the Company's consolidated financial statements
External	Sovereign and country risk	<ul style="list-style-type: none"> Regular monitoring for changes within all jurisdictions in which Ophir operates. Management maintains close relationships and continually focuses on working with each jurisdiction's governments and relevant local authorities
	Legal, regulatory or litigation risk	<ul style="list-style-type: none"> Activities are subject to various different jurisdictional laws, customs, fiscal and administrative regulations. The Company employs suitably experienced and qualified staff and, when required, external advisors to ensure full compliance Ongoing training given to all staff on policies implemented Key policies and procedures consider the requirements of the UK Bribery Act Legal risk assessment and due diligence (where appropriate) is undertaken for all counterparties the Company deals with Maintenance and monitoring of a Business Code of Conduct and Anti-corruption policies. Ongoing training takes place with all employees on policies implemented
	Stakeholder sentiment	<ul style="list-style-type: none"> The Company fosters strong relations with the local communities and host country governments in the jurisdictions in which it operates. It pro-actively interacts with all relevant stakeholders Maintaining regular dialogue and provision of information to all key shareholders. Internal Investor Relations and advisors ensure all material information is released to the market on a timely basis and in accordance with all applicable regulations Continual monitoring of economic shifts Monitoring of public sentiment towards the Company and its operations Implementation of CSR policies and development of sustainable local engagement strategies

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 commitment to providing a sustainable contribution to society

Ophir is committed to sustainable development and our approach to Corporate and Social Responsibility (CSR) underpins the way we do business. We strive to act in an ethical, responsible, apolitical, independent and open manner at all times. CSR plays a vital role in managing and mitigating risks. It also underscores the principle that exploring for oil and gas responsibly, to the highest international standards, is paramount.

The focus is on maintaining a positive influence in the areas where the Company works – ensuring employees, service companies and contractors are able to achieve their full operating potential in a safe environment.

Ophir is continually looking to evaluate and improve our CSR policies and procedures. Both the UN Global Compact and the Principles for Responsible Investment have been sources of guidance.

This review covers five key areas:

- **Environment:** Ophir has a responsibility to respect the environment in which it operates. The Company strives to meet all legal and applicable industry best standards in managing environmental risks and looks to minimise the impact of operations.
- **Health and Safety:** Ophir strives for the highest standards in relation to Health, Safety and the Environment (HSE) and seeks to ensure that everyone working for the Company can do so in a safe and healthy environment.
- **Community Projects:** Ophir is committed to responsible business practices and seeks to engage with local communities in a positive and productive manner.
- **Human Resources:** Ophir rewards performance and offers a progressive working environment and development opportunities for its employees. We will not tolerate discrimination, bullying or harassment.
- **Business Ethics:** Acting with honesty and integrity is crucial to the success of our business. The Company expects all those working for us to abide with all applicable anti-corruption laws, both international and local.

Environment

Ophir has a responsibility to respect the environment in which it operates and abide by all applicable legal standards in managing environmental risks. We will look for viable ways in which to minimise the environmental impact of operations, reduce waste, conserve resources and respect biodiversity.

Environment highlights

Before initiating any operational activity, we follow a set of strict procedures to ensure we assess every aspect of the environment for risk, and so we design and implement suitable mitigation measures. When drilling offshore Ghana in 2013 for instance, we conducted an extensive programme of meetings with local fishing communities bringing them into the drilling planning process.

These local environment engagement processes are part of Ophir's Company-wide HSE policy, whereby before initiating any exploration project, we conduct comprehensive and integrated Environmental Impact Assessments (EIAs). These EIAs are then vetted by local governmental agencies and NGOs before finally gaining approvals before work starts. We repeat these assessments at each stage of the project using recognised consultants and methods, and report the findings to local agencies to ensure transparency and compliance.

Emissions data

Ophir's aim is to encourage energy efficiency best practices in all its activities and to minimise greenhouse gas emissions wherever possible. Ophir Energy is a company whose primary activity is the exploration for and appraisal of oil and gas resources. The emissions figures are provided as an absolute total figure of estimated CO₂ production for the Company's worldwide activities.



This is the first year emissions data is reported for the Company therefore there is no comparator for 2012. Total emissions during 2013 were estimated at 15,138 of tonnes of CO₂.

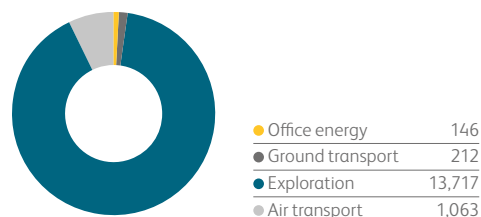
The majority of the Company's emissions are produced by third-party contracted services with respect to our operated drilling activity (i.e. drillships) and will include fuel used in drilling operations and air travel during drilling operations, with two operated wells drilled in 2013. Office operations are a minor contributor. In reporting an applicable intensity ratio, we have used the number of operated wells as the key metric and therefore on this basis the estimated emissions were 7,569 tonnes per operated well in 2013.

Data is collected from each operational location. Where actual, measured data is unavailable, estimates are made. The measuring system is defined in the Health and Safety Environmental Management System (HSEMS).

Reporting criteria:

Office energy	Calculated average annual electricity use from actual invoices for all office locations
Ground transport	For Africa office locations, collected data for actual fuel used for office vehicles
Exploration	For offshore drilling operations calculated diesel use rate which includes rig and PSVs (boats) over the entire operations period to each operated well
Air transport	Estimated total number of long haul flights in 2013, booked and paid for by Ophir Energy

Emission sources (CO₂ tonnes)





Corporate and Social Responsibility continued

Health and safety

Health and safety is a priority. We conduct all operations in accordance with local and international health and safety best practices.

Our approach to health and safety covers every aspect of our operations, from subsea technical drilling risk assessments to incident management planning. Everyone who works for Ophir has a responsibility to make sure we meet all rules and standards that apply, and follow responsible standards where no such rules exist. We expect subcontractors and suppliers to provide a safe and healthy working environment for their employees and to provide appropriate training, support and protective equipment. We carry out consistent checks on subcontractors and suppliers, to ensure HSE compliance.

Ophir's HSE Committee regularly reviews these standards, and is responsible for monitoring health, safety, security and environmental (HSSE) practices. The Committee is also responsible for arranging independent HSE audits across the range of our activities, so we can properly assess our progress.

Strengthening the HSE team

In 2013 HSE management continued to evolve and improve following changes made during 2012. We expect all employees and contractors to abide by our HSE standards and expectations. Two new HSE managers have been appointed, one based in Dar es Salaam, Tanzania, to cover East Africa operations and one based in Libreville, Gabon with a West Africa remit. Both are locals, who will use their skills across their regions to ensure we continue Ophir's efforts to meet the highest HSE standards. The HSE team is spread across Ophir's operations in London, Perth, Dar es Salaam and Libreville.

Health and safety highlights

There was only one minor injury to Ophir employees or contractors during 2013 and no significant injuries or LTIs.

Offshore Tanzania, we continued to provide maritime security in response to security risks, notably piracy. We conduct onshore and offshore risk assessments for all operations so we can put in place appropriate mitigation and response measures to protect our people and operations. There were no security incidents during 2013.



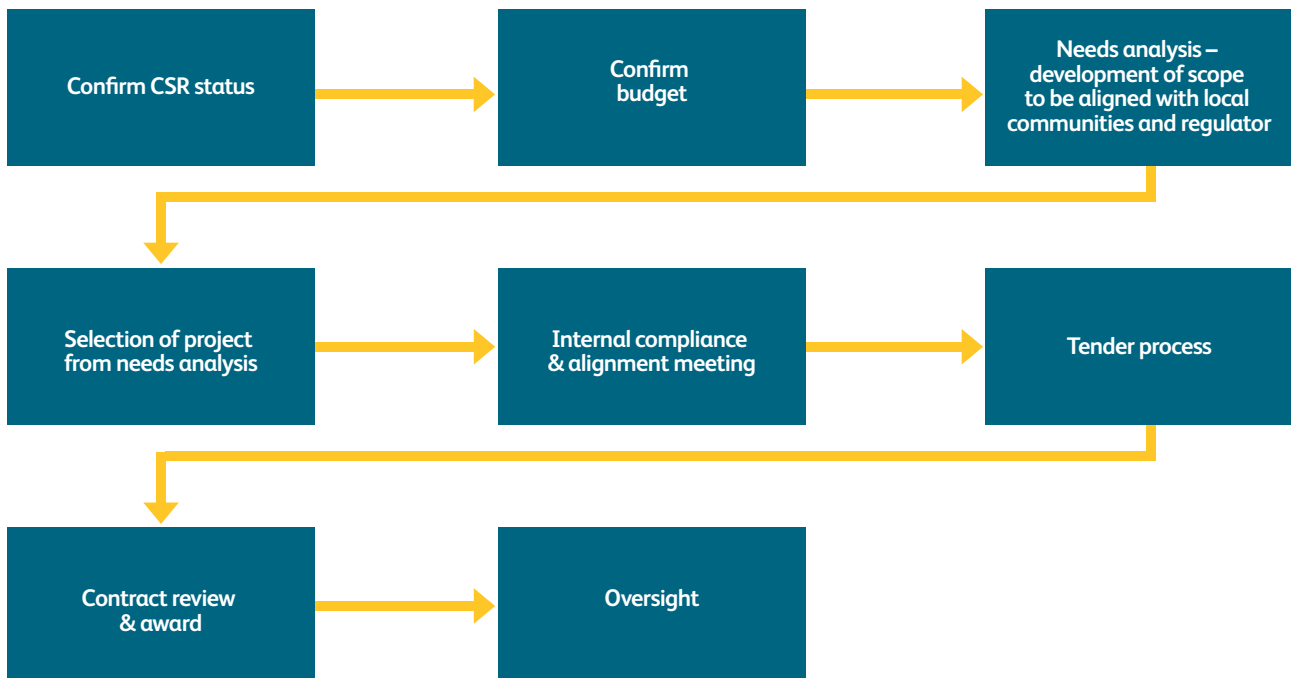
Community projects

As part of the Company's business practices, it is recognised in particular that we have a social responsibility to the communities where we operate. This includes promoting economic and social development within those communities. We may do this by providing employment opportunities for local people, for example, or by promoting particular community goals. We take a collaborative approach, working closely with all stakeholders to identify and develop activities which benefit communities for the long term. A key focus is to ensure we understand stakeholder needs, and we conduct meaningful discussions with local communities to achieve this.

Community development highlights

In 2013 Ophir established a consistent global approach to community development. It is based on an analysis carried out with the local community, to identify projects which will add most value, to make a valuable and lasting difference.

In Tanzania, we have completed phase one of the re-development of a primary school in Mtwara and phase two will be complete during 2014. The school will have a significant and positive impact on the lives of disadvantaged young children from a community we have had a close affinity to for the past five years.



Corporate and Social Responsibility continued

We supported two local staff members' ambitions to gain MBAs, and their application has led to them both passing the course programme during 2013.

In Equatorial Guinea, we are finalising a programme to re-develop a school in the district of Mongomo, and the construction of water wells. We are talking with the communities on Bioko Island and are reviewing appropriate projects for 2014. We support the National Technical Institute, which provides valuable training and development for the local communities.

In Kenya, we have completed needs analysis in Mombasa, Kilifi and Tana River Counties. We are currently developing Schedules of Work to renovate a primary school in Kilifi County, and to build a maternity unit at a hospital in Mombasa County.



Building Lilungu Primary School in Mtwara, Tanzania

The first phase and rehabilitation work for the Lilungu Primary School in Mtwara – the construction of five classrooms, two staff offices, water tank and renovation of the kindergarten classroom – is now complete. The second phase due to start in March 2014, will refurbish a further ten classrooms and finish some additional construction, to complete the project to improve the educational environment for children from the local community.

Human Resources

We rely on and value the skills and expertise of our people. They are at the heart of our success. We recognise the importance of looking after our people 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 training includes structured development programmes for key staff and educational sponsorships. During 2014, we will focus on the potential of starting a graduate programme.

Through annual performance reviews, we look at how all our people can develop in their roles to provide value to Ophir, and to increase their skills and performance. Our objective is to help individuals advance both their own and the Company's interests, through a combination of on-the-job experience, external training and internal development.

Equality and diversity

Ophir has a stated policy as part of its Global Code of Conduct to deal fairly and equitably with all of its employees and business partners. This is a commitment to extend equal employment opportunities to all irrespective of race, colour, sex, sexual orientation, gender reassignment, religion or belief, age, nationality, ethnic or national origin, marital or civil partnership status, pregnancy and maternity, or disability. This policy seeks to promote an environment of inclusiveness where everyone can prosper and grow and be recognised based on meritocracy supported by appropriate training and development.

As at 31 December 2013 the organisation has two female Directors representing 20% of the Board, 26% of the senior executives are female and throughout the organisation, the female proportion of our workforce is 43%.

Business Ethics

Ophir must comply with all local, national and international laws and regulations that apply in all locations where it operates. This is crucial to both the commercial success and the reputation of the business. Everyone who works for Ophir plays a key part in this. All employees are accountable for the way they conduct themselves in the course of their work.

We recognise our obligations under international and local anti-corruption laws, as well as the increased global scrutiny in this area.

Female Board representation

20%

Female proportion of Ophir's workforce

43%

The prevention, detection and reporting of bribery and corruption is the responsibility of all those working for Ophir, who are expected to:

- understand their responsibilities and act with fairness, honesty and integrity at all times
- comply with all anti-corruption laws and regulations, no matter where they are working. This includes, but is not limited to, the UK Bribery Act 2010
- avoid doing anything which even gives the appearance of violating anti-bribery laws, as this can damage our reputation
- report any suspicions of bribery, including requests for bribes, immediately.

We have taken steps to implement a compliance programme, to assist in preventing or detecting any corrupt practices. The Board of Directors has overall responsibility for this and receives regular reports.

One area of current focus is the development of our whistleblowing policy and procedure. Staff and business partners – in all locations – can access a confidential hotline in order to report concerns about wrongdoing to fully-trained operators. The service is operated by an independent company and is available 24/7, in any language. Callers will be connected with operators with whom they can discuss their concern, and may remain anonymous if they wish.

Respect for human rights

Ophir respects and supports the defence of human rights. We promote behaviour that is respectful across our operations, and which is consistent with the intent of the UN Global Compact. We observe the national and international legal rights of the indigenous communities we work alongside, and of all our employees. We focus on the respect for their safety, culture, equal opportunity and are tolerant of their age, race, nationality, ethnicity, sexual orientation, gender or religion.

If we use public or private security providers on our operations, we initiate actions that recognise the objectives of the Voluntary Principles on Security and Human Rights.

The Strategic Report was approved by the Board and signed on their behalf.

Nick Cooper

Chief Executive Officer
19 March 2014



Corporate Governance

Introduction

Chairman's statement on Governance.



Dear Shareholder

At Ophir, we are committed to maintaining the highest standards of corporate governance throughout the Company and we comply with, and embrace, the principles of the UK Corporate Governance Code. The report that follows sets out our governance arrangements and illustrates how they worked during the year.

2013 was a landmark year for Ophir and signified the end of our transition from a private company to a high-ranking member of the FTSE 250. We saw the completion of our second shareholder Placing and a Rights Issue in the early part of the year. We also launched a major farm-out process for half of our stake in Blocks 1, 3 and 4 offshore Tanzania. The transaction is now unconditional in respect of conditions precedent and is expected to close shortly. In total, these transactions will have raised over US\$2 billion net to Ophir once sale of the stake in Blocks 1, 3 and 4 completes. These important issues occupied a significant proportion of the Board's time during the year, as did the review of the Board's composition, future succession planning and overall effectiveness of the Board which are all addressed in more detail in the following sections.

Four other agenda points are noteworthy, the first being strategy. As in 2012, the Board held two major strategy sessions with the executive management team during the year. The knowledge and experience of the independent non-executives has enabled the executive team to be robustly challenged on their recommendations. From this, has come an agreed strategy for Ophir in the medium term as further described in the Strategic Report (pages 2 to 43).

Investor engagement has increased. At Chief Executive Officer and Chief Financial Officer level, we have always had an active relationship with our key shareholders, sharing our strategic vision with them which has provided the Board with essential feedback. We have now extended this so that Ron Blakely, the Senior Independent Director and Audit Committee Chairman and I met with major institutional shareholders in January 2014 to listen to their views on the Company's progress, developments since listing and the executive management team. This process, which was well received by investors and produced positive responses on the Company and its management team, is ongoing. Vivien Gibney, the Remuneration Committee Chairman also consulted widely with key/institutional shareholders concerning the Company's remuneration policy and proposals on remuneration for 2014.

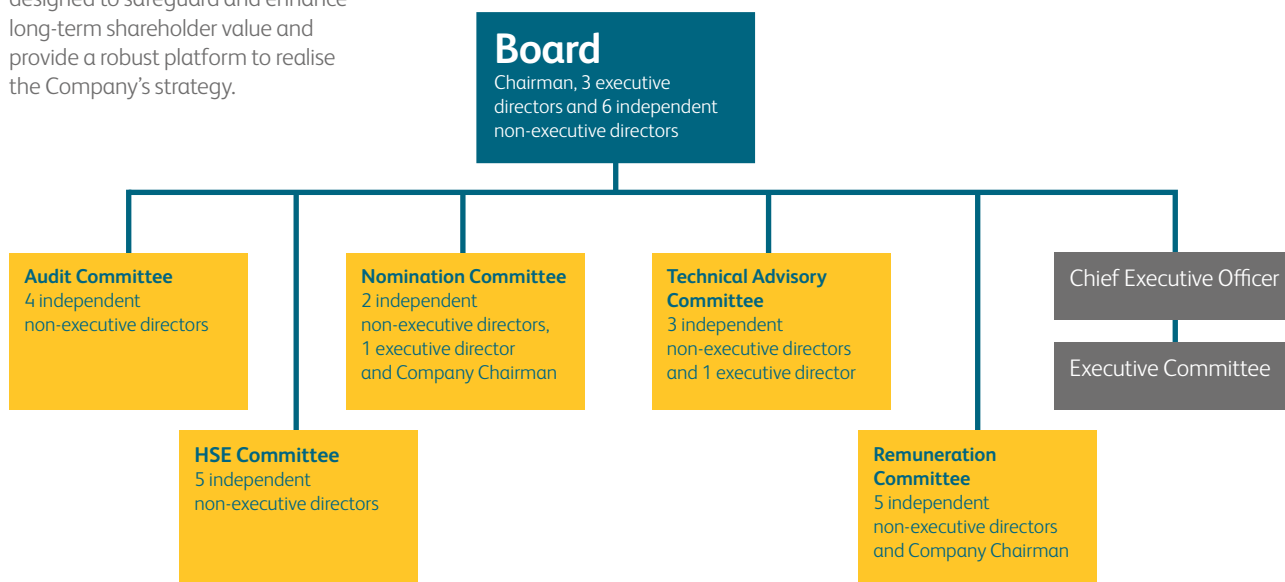
At an advisory level, we have set up the Technical Advisory Committee under the chairmanship of Alan Booth who joined the Board in April 2013. This is an advisory group which reports into the Board and was set up, amongst other matters, to evaluate the effectiveness of the Company's technical processes and standards. For more detailed information concerning the fuller remit of this Committee, please refer to page 50.

Finally, diversity has been an important agenda point for the Board and Nomination Committee and our policy is set out separately on page 42 of the Strategic Report. I am very pleased to note that 20% of our Board is female, that 26% of females are at the senior management level and that throughout the organisation, the female proportion of our workforce is 43%. Diversity, however, is more than gender. It's also about an appropriate mix of experience, nationality, ethnicity and culture. We take this very seriously but note also that all appointments are made on merit against a pre-agreed selection criteria determined by the Board.

Nicholas Smith
Chairman

Corporate Governance Framework

The Board has a coherent corporate governance framework and illustrated below with clearly defined responsibilities and accountabilities designed to safeguard and enhance long-term shareholder value and provide a robust platform to realise the Company's strategy.



UK Corporate Governance Code

The UK Corporate Governance Code 2012 (the “Code”) applies to financial years beginning on or after 30 September 2012. A copy of the Code can be found at www.frc.co.uk.

This Report, which incorporates reports from the Audit, HSE and Nomination Committees on pages 53 to 63 together with the Remuneration report on pages 67 to 93 and the Directors’ Report on pages 64 to 66 describes how the Company has applied the relevant principles of the Code.

For the financial year ended 31 December 2013, the Company has fully complied with all provisions of the Code.

Leadership

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 2013, the Board and its Committees were structured as set out in the chart above. 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 Company’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 Company’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.

Board of Directors

The Board brings a broad range of skills and experience to the Company, across the Oil and Gas industry, commercial and financial sectors and capital markets.



Nicholas Smith
Executive director &
Chairman of the Board



Nick Cooper
Executive director &
Chief Executive Officer



Lisa Mitchell
Executive director &
Chief Financial Officer



Dennis McShane
Executive director of
Corporate Strategy



Ronald Blakely
Senior Independent
non-executive director

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 to 1997. He is a Chairman of Aberdeen New Thai Investment Trust plc and Senior Independent Director of Schroder AsiaPacific Fund plc.

Year appointed
2007

Committee membership:
Nomination Committee (Chairman), Remuneration Committee

Dr Nick Cooper was appointed as an executive director and Chief Executive in June 2011. He is a member of the Nomination and Technical Advisory Committees. 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 to 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.

Year appointed
2011

Committee membership:
Nomination Committee, Technical Advisory Committee

Lisa Mitchell was appointed as an executive director on 26 April 2013. She was appointed as Chief Financial Officer in January 2012, having previously been Group Financial Controller. With 20 years' experience as a finance professional in the oil and gas, mining and resources and pharmaceutical sectors, Lisa Mitchell's previous roles include Chief Financial Officer at Pan Pacific Petroleum NL (an ASX and NZX listed oil and gas exploration and production company) and Chief Financial Officer at GCM Resources plc (an AIM listed mining company). She began her career with Mobil Oil Australia. Lisa Mitchell is a Certified Practising Accountant with the Australian Society of Certified Practising Accountants, has a Graduate Diploma in Applied Corporate Governance from the Chartered Secretaries Australia and a Bachelor of Economics (major in Accounting) from La Trobe University, Melbourne.

Year appointed
2013

Committee membership:
None

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

Year appointed
2013 (appointed as an independent non-executive director in 2007)

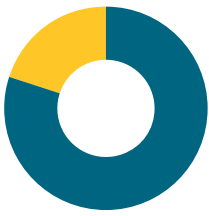
Committee membership:
None

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. Mr Blakely is a member of the Society of Management Accountants of Alberta, Canada.

Year appointed
2011

Committee membership:
Audit Committee (Chairman), Nomination Committee, Remuneration Committee

Board diversity



● Male	8
● Female	2

Directors who retired during the reporting period

Jonathan Taylor

Position	Executive director and founder
Date of retirement	6 June 2013



Alan Booth
Independent
non-executive director



Vivien Gibney
Independent
non-executive director



John Lander
Independent
non-executive director



Lyndon Powell
Independent
non-executive director



William (Bill) Schrader
Independent
non-executive director

Alan Booth was appointed as a non-executive director on 26 April 2013. He is the Chairman of the Technical Advisory Committee and member of the Remuneration, HSE and Audit Committees. Alan Booth has 30 years' experience in oil and gas exploration at Amerada Hess, Oryx Energy and Encana. Most recently, Alan Booth was Founder and Chief Executive Officer of EnCore Oil plc and is now the Founder and Director of EnCounter Oil Ltd. Alan Booth holds a BSc in Geology from the University of Nottingham and MSc. DIC. in Petroleum Geology from the Royal School Mines, Imperial College. He is a former president of the UK Offshore Operators Association (UKOOA) and currently a director of the Oil and Gas Independents Association (OGIA).

Year appointed
2013

Committee membership:
Technical Advisory Committee (Chairman), Audit Committee, Remuneration Committee, HSE Committee

Vivien Gibney was appointed as a non-executive director on 14 August 2013. In November 2013, she was appointed as Chairman of the Remuneration Committee and as member of the HSE Committee. Vivien has 25 years' experience as counsel in the upstream oil and gas industry, including roles with Mobil Oil and Enterprise Oil plc. Whilst at Enterprise Oil, Vivien set up the legal department and held the positions of General Counsel, Company Secretary and Head of HR. Vivien has held a number of non-executive board positions in the voluntary sector and in listed companies. More recently, she was a member of the Board of Directors of Encore Oil plc where she chaired the Remuneration Committee. Vivien is a barrister with an LL.B. and received an Honorary Fellowship in Petroleum law from the University of Dundee.

Year appointed
2013

Committee membership:
Remuneration Committee (Chairman), HSE Committee

John Lander was appointed as a non-executive director in November 2008. John Lander has over 40 years' experience in the international oil and gas industry. He began his career as a geophysicist with Shell plc 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. John Lander was Chairman of the Remuneration Committee until November 2013 and member of the Audit, HSE and Technical Advisory Committees until his retirement from the Board on 28 February 2014.

Year appointed
2008

Committee membership:
Audit Committee, HSE Committee, Remuneration Committee, Technical Advisory Committee

Lyndon Powell was appointed as a non-executive director in October 2007. 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 management. This included providing protection to the Foreign & Commonwealth Office and commanding several major units. He is a director and owner of Barbican Global Ltd, specialising in providing independent security advice to the corporate sector.

Year appointed
2007

Committee membership:
HSE Committee (Chairman), Nomination Committee, Remuneration Committee

Bill Schrader was appointed as a non-executive director on 18 February 2013. He is a member of the Audit, HSE and Technical Advisory Committees. Bill Schrader has over 30 years' experience working at BP plc, including as Chief Executive of several country operations, as President of the Azerbaijan International Operating Company and as Chief Operating Officer of TNK-BP. In May 2013 Bill Schrader was appointed non-executive director of the Hess Corporation. Bill Schrader holds a BSc in Chemical Engineering from the University of Cincinnati and an MBA from the University of Houston. Throughout his career Bill Schrader has been commended for his strong leadership qualities, strategic vision and capability in managing complex operating and government relationships.

Year appointed
2013

Committee membership:
Audit Committee, HSE Committee, Technical Advisory Committee

Corporate Governance

The Board is committed to maintaining high standards of corporate governance and recognises the importance of good governance.

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.

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, Chief Financial 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. In response to recommendations made following the 2012 Board evaluation, the Chairman and Chief Executive Officer hold weekly or bi-weekly telephone calls. In addition, with effect from the beginning of the reporting period, formal meetings have taken place between the Chairman, the Senior Independent Director and the Chief Executive Officer. These meetings focus on governance and operating activities in order to enhance the ability of the Senior Independent Director to fulfil the independence mandate of that role and aid communication where appropriate.

A summary of the division of responsibilities between the Chairman and Chief Executive Officer as at 31 December 2013 is set out below.

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 Company'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 Company with the highest standards of integrity, probity and corporate governance.
- Progress the Company's communication programme with shareholders and ensure that financial results, business strategies and targets are appropriately communicated to the Company's investors.

Non-executive directors

The independent non-executive directors bring a wealth of knowledge from the Oil and Gas industry together with experience from other sectors to the Board and its Committees. Through their contributions, they 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, although approved at the Annual General Meeting (AGM) yearly, with the expectation that a further three-year term will follow, subject to review by the Board. Following a second term, consideration as to whether a serving independent non-executive director should be recommended for reappointment for a third term is subject to the review of the Chairman in consultation with the Chief Executive Officer. 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 two 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 2014 AGM	Considered to be independent
Ronald Blakely	July 2011	Less than 3 years	Yes
Alan Booth	April 2013	Less than 2 years	Yes
Vivien Gibney	August 2013	Less than 1 year	Yes
John Lander	November 2008	Less than 6 years*	Yes
Lyndon Powell	October 2007	Less than 7 years	Yes
William (Bill) Schrader	February 2013	Less than 2 years	Yes

* In the case of John Lander, the tenure represents the date from his appointment to the Board until his retirement on 28 February 2014.

The Board considers that all its non-executive directors at year end, namely Ronald Blakely, Alan Booth, Vivien Gibney, John Lander, Lyndon Powell and Bill Schrader were independent in character and judgement and free from relationships or circumstances that might affect their judgement. Due to the wealth of experience that Lyndon Powell has acquired whilst working in the armed services, the Chairman and the Chief Executive Officer believe his reappointment to serve for a third term was instrumental in particular, to the contribution Mr Powell makes as Chairman of the HSE Committee in overseeing the management of operational and security risks across the business.

On 18 February 2013, Dennis McShane's role as a non-executive director ceased when he was appointed as Executive Director of Corporate Strategy. Nevertheless, 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 2013 and up to the date of publication of this report, a majority of the Board members, excluding the Chairman, were independent non-executive directors.

Senior Independent Director

Ronald Blakely was appointed as the Senior Independent Director with effect from 18 February 2013 following Dennis McShane's appointment as an executive director of the Board as at the same date. 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

Jacqueline Knox was appointed as Company Secretary in April 2013 and is supported by the Deputy Company Secretary, Chandrika Kher, who was appointed in October 2013.

Effectiveness

Board composition

At 31 December 2013 the Board was comprised of the Chairman, three executive directors and six independent non-executive directors. The following changes to the Board took place during the year ended 31 December 2013 and up to the date of this report:

18 February 2013	Dennis McShane ceased to be an independent non-executive director on his appointment as Executive Director of Corporate Strategy. Bill Schrader was appointed as an independent non-executive director.
26 April 2013	Lisa Mitchell was appointed as an executive director of the Company. Alan Booth was appointed as an independent non-executive director.
6 June 2013	Jonathan Taylor, an executive director, retired from the Board at the conclusion of the AGM to pursue other interests.
14 August 2013	Vivien Gibney was appointed as an independent non-executive director.
28 February 2014	John Lander, independent non-executive director, retired from the Board.

Corporate Governance

continued

As at the date of this report therefore, the Board comprises the Chairman, three executive directors and five 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 Directors who served at the end of the year and at the date of this report are set out on pages 46 to 47.

Meeting attendance

The Board held five formal meetings during 2013, including a meeting to consider the strategic direction of the business. In addition, six 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 2013 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	Meetings held at short notice
Current Directors		
Nicholas Smith, Chairman	5/5	6/6
Nick Cooper, Chief Executive Officer	5/5	6/6
Lisa Mitchell, executive director	3/3	3/3
Dennis McShane, executive director ¹	5/5	6/6
Ronald Blakely, non-executive director	5/5	6/6
Alan Booth, non-executive director ²	3/3	3/3
Vivien Gibney, non-executive director ³	2/2	2/2
John Lander, non-executive director ⁵	5/5	6/6
Lyndon Powell, non-executive director	5/5	6/6
Bill Schrader, non-executive director ⁴	4/4	5/5
Former Directors		
Jonathan Taylor, executive director ⁴	3/3	3/4

¹ Dennis McShane was appointed to the Board as an executive director and Bill Schrader as an independent non-executive director on 18 February 2013

² Alan Booth and Lisa Mitchell were appointed to the Board on 26 April 2013

³ Vivien Gibney was appointed to the Board on 14 August 2013

⁴ Jonathan Taylor resigned from the Board on 6 June 2013

⁵ John Lander retired from the Board on 28 February 2014

Board process

Directors are provided with full and timely information before meetings, including detailed financial information where applicable. The Chief Executive Officer agrees the agenda for Board meetings in consultation with the Company Secretary, Chief Financial Officer and the Chairman and formal minutes are prepared to record all decisions made. To facilitate the efficient dissemination of information to directors, the Board implemented electronic board meeting software during the year. Minutes of Board and Committee meetings are formally approved at the following meetings. 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 2013 there were no such objections.

In August 2013, the Board approved the establishment of the Technical Advisory Committee which would (amongst many other matters) consider the technical aspects of any operational business proposals requiring Board approval and to advise the Board if there are any significant technical risks or concerns that should be taken into consideration when considering any such proposals. This Committee also ensures the technical activities of the Company are consistent with the overall strategy of the Company. The Board recognises that the establishment of such a Committee is not a requirement of the Code, nonetheless, its establishment enhances the Board's ability to approve appropriate business proposals of a technical nature pertaining to the Oil and Gas industry. The Committee is comprised of three members and meets at least four times a year and as otherwise required. The Chair of the Committee is Alan Booth, the Chief Executive Officer and Bill Schrader are also members. The Committee's Terms of Reference are available on the Company's website at www.ophir-energy.com/about-us/board-committees/technical-advisory.

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 their duties and/or the exercise or purported exercise of their powers and/or otherwise in relation to/or in connection with their 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 2013, 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.

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 provisions of the Code, all continuing Directors of the Company offer themselves for annual re-election at the AGM.

External directorships

The Company has 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 2013, none of the Company's executive directors held directorships in any other quoted company.

Board Committee evaluation

Socia Limited was appointed to undertake the first external evaluation of the Board, its members and processes in 2012. This review indicated that the Board met the requirements of the Code but that a number of areas could be developed further. During 2013, a number of changes have been implemented to extend the skills available to the Board and to develop its governance of the business.

One outcome from the 2012 evaluation led the Chairman to initiate a review of the effectiveness of the Board Committees. Socia Limited led by Alex Cameron, was again appointed to undertake the review. The objective of this evaluation was focused on three key areas: to ensure the Board Committees are fit to meet the demands of the business, for the Committees to be afforded sufficient time and authority to take on a greater role and to ensure that the Committees' involvement enables the Board to have ample time to address the most significant matters affecting the business.

The external facilitator conducted interviews with each Committee Chairman and respective Committee members, attended Committee meetings and was furnished with each Committee's Terms of Reference and other relevant documentation to facilitate the evaluation. The resulting report, including recommendations for action, was considered by the Committee members and the Chairman of the Board and a response plan was agreed by each respective Committee.

A series of recommendations emerged from the evaluation of which the principal conclusion was the timing and scheduling of Committee meetings should be modified. The relevant Committees should then be able to increase their workload and allow Board meetings to deal with complex strategic issues rather than items which could more effectively be considered at Committee level.

The Senior Independent Director led a review of the Chairman's performance by the non-executive directors. The result of the Chairman's review was that he was perceived to be performing well.

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.

Corporate Governance

continued

The Board continues to undertake regular reviews of the outside positions and interests or arrangements with third parties held by each Director and, where appropriate, to authorise those situational conflicts following consideration. Notwithstanding the above, each Director is aware of their 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 Board recognises the importance of establishing and maintaining good relations with all the Company's shareholders. Nick Cooper, the Chief Executive Officer, is primarily responsible for investor relations, supported by executive directors, senior management and the investor relations function. Over 300 investor meetings and calls were hosted during the year. Additionally, Nicholas Smith, the Chairman, and Ron Blakely, the Senior Independent and Audit Committee Chairman met with major institutional shareholders in January 2014 to listen to their views on the Company's progress, developments since listing and the executive management team. This process, which was well received by investors and produced positive responses on the Company and its management team is ongoing. Vivien Gibney, the Remuneration Committee Chairman also consulted widely with key/institutional shareholders about the Company's remuneration policy and proposals on remuneration for 2014.

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 at www.ophir-energy.com/investors/register-for-email-alerts.aspx.

Annual General Meeting

All shareholders are invited to attend the Company's Annual General Meeting when they are given the opportunity to ask questions on the financial report and accounts and on the general business of the Company.

The 2014 AGM will be held on 21 May 2014 at the offices of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT. Full details of the business of the AGM is set out in the Notice of Meeting and sent to those shareholders who have elected to receive hard copy notifications, 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. The Notice of Meeting together with a copy of the 2013 Annual Report will also be made available at: www.ophir-energy.com.

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, HSE, Nomination and Remuneration Committees are set out on the following pages.

Corporate Governance

Report of the Audit Committee



Ronald Blakely
Audit 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 2013, are set out below:

Committee members	Meeting attendance
Ronald Blakely (Committee Chairman)	4/4
Alan Booth ¹	–
John Lander	4/4
Dennis McShane	1/1
Bill Schrader	2/2

¹ Alan Booth was appointed a member of the Committee on 14 November 2013

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 and Company Secretary 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.

Role and responsibilities of the Audit Committee

During 2013, 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 at www.ophir-energy.com/about-us/board-committees/audit and are fully compliant with section C.3.2 of the Code.

Report of the Audit Committee Chairman

Dear Shareholder

I take pleasure in providing shareholders with my report on the Audit Committee deliberations during 2013.

Firstly, I would like to thank my Board colleagues, John Lander and Bill Schrader for their participation on the Committee. Bill joined the Committee on 18 February 2013 following Dennis McShane's transition as a full time executive. His considerable experience leading country operations, including in Africa, along with his deep knowledge of facilities management provides a strong operations complement to the Committee. John Lander retired from the Board on 28 February 2014 and had brought valuable knowledge of earth sciences and geology which are core to the Ophir business during his period of service. With my background as a professional accountant and global financial leadership experience, I believe the Committee has the requisite and diverse skills to fulfil its mandate.

In last year's report, I commented on the focus of the Committee to improve the control framework, to put in place evaluation and management processes for risks and to ensure compliance with regulatory requirements in the jurisdictions where we operate. All of these areas continued to receive focus in 2013 and further improvements were made through maturing and embedding these activities into the day-to-day operations of the Company. Continued growth in the Company led to a decision that an internal audit programme should be established in 2013 and towards the end of the year, we conducted a tender among three professional accountancy firms which would allow a broad range of skills to be utilised by the Company for internal audits. Full cycle implementation will occur in 2014.

During the year management recommended that the current financial system of the Company be replaced by a widely used industry finance platform which the Audit Committee supported. While this will raise some risk for the Company in the short-term implementation phase, it will facilitate better controls and more robust reporting in the longer term. The Committee agreed with management that the scope and complexity of the Company's future activities will go beyond the capacity of the current system. The Committee has and will continue to monitor the changeover through to full implementation.

Corporate Governance

Report of the Audit Committee

continued

Early in 2013, the Committee reviewed the controls associated with the determination of probable and contingent reserves from technical interpretation through to external reporting. The Committee was sufficiently satisfied that there was appropriate division of technical responsibilities, adequate peer and partner challenge and well-defined sign off authorities for the reporting of exploration results. In addition, the Company has and will continue to use external independent parties to conduct reserve verifications.

Through the two external reporting periods in the past year, the Committee engaged with Ernst & Young LLP (EY), the external auditors, to discuss significant matters in the reporting of the financial statements. The main focus of that dialogue fell in two areas. Firstly, as a company with no revenues, the 'going concern' evaluation was thoroughly scrutinised. The evaluation covered both short-term liquidity and longer term solvency (as was addressed by the Sharman Panel). Therefore, much time and focus is given to the assessment of available sources of capital to the Company and the timing of Company commitments to expenditures. In the past year shareholders will be aware that the Company raised capital through a Placement and Rights Issue announced in March 2013 and entered into a farm-in agreement announced in November 2013 and subject to the completion of the latter, both of which will provide substantial funds to the Company, allowing it to carry out the preferred exploration programme and meet the work programme pursuant to the Product Sharing Contracts and other related contractual obligations. This allowed the Board to validate the 'going concern' basis of accounting. The conclusion was tested and challenged under several sensitivity variations from the base budget both by EY and the Board. While the 'going concern' test has been validated at the time of issuing the 2013 Annual Report, shareholders should be aware of the risk of ownership in the Company. The Ophir business model will always carry inherently higher risks until such time as a long-term revenue source is secured.

The second area of review with EY related to asset impairments. Ophir employs IFRS 6 as the basis of capitalising exploration results. Given the material amounts involved, the exploration results are challenged to ensure appropriate judgements are applied from the technical evaluations. The Company had significant success in discovering material pools of hydrocarbons during the year but there were also impairments recorded associated with Ghana, Tanzania Block 7, Madagascar, Congo and Kenya.

The last subject I wish to comment upon is audit tendering. The Audit Committee made the decision to tender the external audit

engagement with effect from the 2014 fiscal year. The decision to embark on this undertaking was made at the time of the initial proposal by the Financial Reporting Council. With a concern that many companies would engage the major accounting firms in tendering over the next two years, it was agreed to move early and precede this peak in the market. It was also felt that Ophir's accounting was going to become more complex in future with more drilling activity in more countries and potentially more joint venture arrangements, such that 2014 would be a better time to change external auditors if that was the conclusion.

The tender process was conducted by the Ophir Contracting and Procurement Manager to give rigour and independent structure. As Audit Committee Chairman, I formed part of the Selection Committee with the Contracting and Procurement Manager, the Chief Financial Officer and senior members of the Finance department in each step of the evaluation and final recommendation. We received a strong response from three major accounting firms that provided extremely professional proposals and presentations. It was a very competitive process which each firm clearly took very seriously. The tender process was a very useful means to assess the quality and effectiveness of EY as well as the other firms. In the end analysis, the likeness of organisational capabilities, the competitive level of fees and the professionalism of lead partner personnel did not provide a distinction that resulted in a compelling case to engage a new external auditor. The decision was therefore made to continue with EY as the Company external auditor until such time as future tender requirements are considered. It must be acknowledged that the Company has relied on EY to provide specific approved non-audit services during the first two years of public listing. Given small staff numbers in Ophir and the demands on the limited personnel, the Company could not have completed the Initial Public Offering, the Dominion acquisition and the financings in 2012 and 2013 without the added help from EY in very specific areas, drawing on their financial knowledge of the Company. In 2014, that reliance for non-audit services will be diminished and represent only exceptional circumstances in future. There is no evidence that the extra engagements over the past two years have diminished the independence of EY as Company auditor. However, in keeping with best practice, and recognising the increased capacity of Ophir internal staff, it is appropriate to take steps to assure the future independence.

Ronald Blakely
Audit Committee Chairman

Financial reporting

During the year, the Committee reviewed and approved for consideration by the Board the financial results for the year ended 31 December 2012 together with the results for the half-year to 30 June 2013. On both occasions, the Committee considered the external auditor's approach to their review of the interim results and their audit of the full-year financial statements to ensure that the scope of relevant review or audit was appropriate. The Committee also reviewed and discussed the external auditors' report on the full- and half-year financial results with EY, prior to agreeing to recommend each set of financial statements and associated reports to the Ophir Board for approval.

A key element of this review was 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 a 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. Portfolio management is regularly reviewed to potentially enhance the financial capacity and flexibility of the Company. 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.

The Company adds value through its ability to find, develop and eventually monetise early stage oil and gas assets, which invariably are non-revenue generating. It follows from this that the principal focus of the Committee, when considering the financial reporting of the Company, is to ensure that the exploration expenditure commitments of the Company are appropriately funded. This results in major focus being placed on forward spending plans and working capital models as much as retrospective scrutiny of financial reporting. Prior to approving both the full-year financial statements for 2012 and the interim financial statements for 2013, the Committee considered the Company's forward plans for fund-raising and drilling commitments (being the most significant forward financial commitments that Ophir make) as part of its assessment of the going concern basis of preparation of the accounts (further detail on the going concern statement is set out on page 66).

An associated area of audit risk is the assessment of the carrying value of capitalised exploration and evaluation expenditure to ensure that expenditure is appropriately expensed to the P&L

should impairments arise. Impairment reviews are undertaken by the Company in accordance with IFRS 6. The external auditors report on this area of audit risk to the Audit Committee and the Committee has been satisfied that exploration has been treated in the correct way in the financial statements.

A further area of focus at the beginning of the year was to ensure that the Dominion acquisition in 2012 had been accounted for correctly in the 2012 Annual Report. The Committee therefore reviewed the application of business combination accounting principles for the acquisition and were satisfied that they had been appropriately applied.

External Auditor

EY has acted as auditors for the Company 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 ten years, as set out in the Code and the FRC Guidance of Audit Committees. The Contracting and Procurement Manager, on behalf of the Committee, led the review of audit services, including a tender by suppliers, ahead of the commencement of the 2014 audit. This was the Company's first external tender exercise since its incorporation in 2004. The selection process for the appointment of an external auditor followed the Company's standard procedure for tenders and was undertaken within a pre-defined timetable.

A Selection Committee was established which included the Committee Chairman, the Chief Financial Officer, the Contracting and Procurement Manager and other senior members of the Finance department. Together, the Selection Committee agreed the selection criteria against which they would measure each tender participant. A detailed Request for Tender (RFT) document was prepared and distributed to the participants who had been pre-selected for the tender. Following a review of all RFT submissions, tender participants were invited to present their proposal to the Selection Committee. Each participant was required to evidence they had the required experience and capability to provide the Company with appropriate external auditing services. Using the selection criteria matrix, each tender participant was ranked by the Selection Committee.

The Audit Committee as a whole was provided with regular progress reports on the external audit tender and, once the process had been completed, the Selection Committee made a recommendation to the Audit Committee based on their observations and analysis.

Corporate Governance

Report of the Audit Committee

continued

Taking all factors into consideration, such as each provider's capability, competitive level of fees and lead partners, the Committee agreed to recommend to the Board that EY be retained as the Company's external auditors and that their reappointment be submitted at the AGM in 2014. The Committee further agreed that in the event that the Company's shareholders approve the reappointment of EY, this would be for a period of five years, after which period, the Company would retender its external audit services. The Committee further agreed that there were no contractual obligations that acted to restrict the Committee's choice of external auditors. All tender participants were notified of the results of the Company's tender process in November 2013.

In addition, 2013 saw the appointment of a new external audit partner for the Company following the rotation of the previous partner at the conclusion of the 2012 audit in accordance with the requirements of the ethical standards of the Accounting Practices Board. The new external audit partner attended several of the Committee meetings during the year and was responsible for the management of both the half-year reviews and 2013 full-year audit.

The Committee has reviewed and confirmed the Company's policy governing the provision of audit and non-audit services provided by the auditor and their 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 have been safeguarded.

During the year ended 31 December 2013 the Company committed expenditure of US\$435,000 on audit services (2012: US\$373,000) and US\$772,000 on non-audit work (2012: US\$638,000). The non-audit work undertaken by EY related to audit-related assurance services and corporate finance services and these fees were reviewed and approved by the Committee under the terms of the policy. Further details as to the nature of the services provided are set out in note 6 to the consolidated financial statements. There is no limitation of liability in the terms of appointment of EY as auditor to the Company.

Effectiveness of external auditors

To assess the effectiveness of the external audit process, the external auditors provide information on the steps they have taken to ensure objectivity and independence, including in relation to the provision of any non-audit services. The Committee monitors the external auditors' performance, behaviour and effectiveness during the exercise of their duties, and this informs the Committee's decision on whether or not they should recommend reappointment on an annual basis. The Chairman of the Audit Committee meets, apart from formal scheduled meetings, between three to four times during the year to discuss matters of process, relationships between the country audit teams as well as review of plans and completion progress. The recent external audit process provided considerable opportunity to compare points of auditor effectiveness between firms.

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 Committee delegated authority to undertake a tender for internal audit services to the senior management team. The tender process ran in parallel with that of external audit services and the Committee delegated authority to management to establish a selection committee which included the Chief Financial Officer, the Group Financial Controller and the Procurement & Contracts Manager to oversee the process and agree the selection criteria for an internal audit function. A shortlist of appropriate participants was selected and the parties presented their respective proposal to the Selection Committee and the senior management team. Following the process, the Selection Committee recommended, and the Audit Committee approved, that Mazars LLP be appointed to provide the Company's internal auditor services for a period of 12 months from 1 January 2014.

Risk management and internal controls

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

The Company'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 are correctly authorised and recorded and that any material errors and irregularities are detected within a reasonable timeframe. The Company'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.

The Committee regularly reviews the effectiveness of the Company'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 Company operates a risk management process under which significant risks are identified, their likelihood and impact considered and actions taken to manage those risks. The Committee reviews the Company's risks every six months prior to a Board review, from which particular risks may be identified for further detailed presentation and discussion at the Board meetings. The principal risks identified by the Company are set out on pages 36 to 37.

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 following illustrates how the risk management process and the system of internal control operated during 2013:

Establishment of a single fully-integrated accounting system	The Audit Committee together with the Chief Financial Officer considered the merits of a single fully-integrated accounting system. This system will enable the Company to establish an integrated and an auditable authorisation process for procurement requisition and invoices. The Committee supported management's recommendation to implement a new financial system which will facilitate improved controls within the business.
Audit Committee	The role of the Committee includes the review, update and approval of the annual internal audit plan, direction to the internal audit function, to external auditors and to management in the review of internal financial controls. The Committee alerts the Board to any emerging issues and considers the draft papers prepared for the annual review of effectiveness of the risk management procedures adopted by the Company prior to being submitted to the Board for approval.
Year-end compliance	A formal process exists for year-end risk management compliance reporting, requiring the executive directors together with the senior management team to confirm their responsibilities for risk management and internal control. Ultimate compliance reporting is required from each Board member.
The requirement for an internal audit function	As detailed earlier, the requirement to establish an internal audit function was identified in view of the rapid growth of the business. The formal appointment of an internal audit function was made in early 2014.

Corporate Governance

Report of the Audit Committee

continued

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 integrate third-party due diligence into the Company's contracting and procurement procedures and to ensure that third-party contractors comply with the Company's anti-bribery policy. The Company has also broadened the remit of its third-party due diligence process into its business development activities. The Company is currently focusing on the development of bespoke online training for all staff and key contractors and the implementation of Gifts and Hospitality Register.

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 Jacqueline Knox (who is the General Counsel and Company Secretary), Lyndon Powell (independent non-executive director), or the Head of HR. If employees or business partners do now wish to raise a concern directly with the Company, they may report it through Safecall, an independent company which provides an alternative method of reporting concerns.

During the year ended 31 December 2013, no whistleblowing issues were raised.

Audit Committee evaluation

Before the year end, the Committee participated in an external evaluation of itself and its responsibilities which was overseen by external evaluator, Socia Limited. The evaluation focused on how the Committee was addressing significant changes to the regulatory environment affecting Audit Committees and whether members of the Committee were satisfied that it was fulfilling all its duties and were given sufficient time to consider key matters affecting the business. 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, a recommendation for the Committee was to focus on improving the ways in which it reported back to the Board, especially where some Board members were unable to attend and therefore receive a verbal update. A general review of the Committee's Terms of Reference was also undertaken to ensure that they remained appropriate and adequate to support the strategy of the business. All members were comfortable with the level of advice and openness from executive management.

Corporate Governance

Report of the HSE Committee



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 2013, are set out below:

Committee members	Meeting attendance
Lyndon Powell (Committee Chairman)	2/2
John Lander	2/2
Bill Schrader ¹	1/1
Alan Booth ²	–
Vivien Gibney ²	–
Former Committee members	
Jonathan Taylor	1/1

¹ Bill Schrader was appointed a member of the committee on 6 June 2013.

² Alan Booth and Vivien Gibney were appointed members of the Committee on 14 November 2013. No further meetings were held from 14 November 2013 to 31 December 2013.

The Company Chairman and Chief Executive Officer have an open invitation to attend all Committee meetings. In addition, the Company's 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.

Report of the HSE Committee Chairman

Dear Shareholder

This year has seen Ophir enter the most challenging operational period in its history, with multiple planned drilling campaigns. The Committee is acutely aware that the safety of our employees, contractors and anyone associated with our operational activity is paramount. It is also committed to ensuring that the Company's operational activity has minimal effect on the environment in which we operate.

To address the increased activity, a number of steps have been taken to enhance our HSE and CSR capacity and systems. During the year we appointed an international Security Manager and an HSE & CSR Manager in East Africa and a similar candidate has been appointed in early 2014 across our West African projects. In addition, the Committee engaged the services of Environmental Resources Management to carry out an independent audit of Ophir's HSE system to ensure that it is fit for purpose. The audit confirmed the system's suitability and provided a number of recommendations to further improve our HSE system, the most significant being to achieve greater connectivity of HSE across the Company. To capture these recommendations, the HSE Management Plan is being amended and will be re-launched during the first half of 2014.

A key principle of HSE effectiveness at Ophir is that all employees and contractors appreciate HSE is everyone's responsibility. The promotion of this HSE culture is regarded as a core element in achieving a safe and secure environment, and is introduced during each employee's induction training to create an immediate HSE 'buy in' effect. This year has been more challenging with a rapidly-expanding work force, it has been necessary for additional HSE training to be included in the training programme.

I can report that 2013 has been another positive year for HSE at Ophir, with no significant incidents, however we remain vigilant, as the raison d'être of Ophir, frontier exploration, can produce unexpected risks. A simple example of this, we are currently taking steps to extend Ophir's 'fit to travel' policy to reduce the risks for the Company's workforce whilst travelling and working in locations where they may be exposed to elevated health hazards. In addition, before the commencement of any specific drilling programme the

Corporate Governance

Report of the HSE Committee

continued

workforce involved is taken through an in-depth process of HSE education and alignment to ensure adherence to all policies and procedures. These are effective mitigation measures in the effort to maximise safety.

This year has seen the final steps taken before implementation of a new travel system. As an enhancement to our duty of care responsibility to our employees, we will shortly appoint a single travel management company for all our travel arrangements worldwide. This will provide more reliable tracking of individuals and allow for easier emergency assistance if required.

We have continued the development of our CSR strategy, and I am now able to report that we have projects either currently running or planned in all our main areas of operations. Projects are assessed with a bottom-up approach to ensure that we are providing maximum gain for the communities from the resources available. All projects are screened for their sensitivity and ethical appropriateness.

There have been a number of changes to members of the Committee during 2013. Firstly, Jonathan Taylor, a founding Director of Ophir, retired in June. Jon had been a member of the HSE Committee since its inception and his contribution to its work has been enormous.

Bill Schrader joined the Committee in June 2013 to replace Jon Taylor. John Lander retired on 28 February 2014. John too had been a long-time member of the Committee and has been unswerving in his useful and constructive advice. As a proactive move to support the increasing operational tempo, and in response to John Lander's scheduled retirement, Alan Booth and Vivien Gibney were appointed as additional members to the Committee in November 2013.

In the future, the Committee is looking to provide additional support to the Board by widening its remit and overseeing the mitigation of other risks.

Lyndon Powell
HSE Committee Chairman

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 the Company's operations.

The Committee's full Terms of Reference are available on the Company's website at www.ophir-energy.com/about-us/board-committees/hse.

HSE Committee highlights

As in previous years, a key focus area for the Committee during the year ended 31 December 2013 has been maritime security for the Company's drilling campaigns in East and West Africa. While there has been a significant reduction in Somali piracy activity overall in East Africa, the Committee ensured that, working closely with vessel owners, the appropriate maritime security and safety plans were developed and implemented for its drilling campaigns in Ghana and Tanzania, the latter including the modus operandi for the use of armed personnel during drilling offshore Tanzania. Planning is well advanced in this area for the drilling campaigns scheduled for 2014.

The Committee continued to review the policies on health, safety and environment and CSR during the year to ensure that as the Company grows so too does the development and refinement of its HSE and CSR elements.

The Committee also received information on other policies being implemented by the Company. To provide assurance that the Company was performing HSE management appropriately, the Committee commissioned an independent audit to benchmark Ophir's HSE Management System (HSE MS) against industry best practice – Oil and Gas Producers (OGP) 210 standards.

The audit findings were:

Objective	Conclusion
Ophir has the appropriate key programme and system elements in place to deliver sound HSE performance globally	The Ophir HSE MS framework and content is broadly in line with recognised good practice. The content of HSE MS is generally fit for purpose to control Ophir's key HSE risks
The HSE function is organised to effectively deliver those programmes and systems	The existing corporate HSE function has a defined structure and accountabilities with lines of communication associated with HSE being clearly identified. Given the current level of activity, the headcount in the function appears appropriate
Systems are able to measure and monitor implementation of the HSE MS at country and site level	During the review no material issues were identified in relation to the level of control around operational HSE risks on the ground in Ghana

During the year, the Committee also considered the following:

- HSE key performance indicators;
- Crisis management plans, exercise and training;
- Routine HSE training for the Board, all employees and contractors;
- Auditing of contractors' HSE systems prior to engagement
- Appropriateness of undertaking HSE audits of joint venture partners;
- Reports on HSE incidents within the Company, including a particular focus on lost time injuries and the results of any investigations;
- HSE and CSR external communications; and
- Approval of the 2014 HSE budget for submission to the Board.

Further information on the Company's approach to corporate responsibility and HSE matters can be found in the Corporate Responsibility Report on pages 38 to 43.

HSE Committee evaluation

Stakeholders (including institutional and retail shareholders, voting agencies, environmental groups and local communities) are placing increasing importance on companies reporting on their respective greenhouse gas emissions, policy on human rights and whether the operations of their companies are being managed in a socially responsible manner and demonstrate their ability to operate in a sustainable manner over the long term. Further details on how the Company meets these requirements are set out in the Strategic Report on pages 38 to 43.

To this end, the Committee participated in an external evaluation of itself and its responsibilities which was overseen by external evaluator, Socia Limited. 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's composition was appropriate, whether satisfactory advice was being received from the Company and the level of engagement with and advice and guidance from external advisors was provided to the Committee. As a result of the evaluation, a recommendation for the Committee to consider future non-financial risks was proposed and the Committee therefore intends to consider the merits of creating an Operational Risk Committee during 2014 to address these risks.

Corporate Governance

Report of the Nomination Committee



Nicholas Smith
Nomination Committee
Chairman

Membership and attendance

The members of the Nomination Committee, together with details of their individual attendance at meetings held during the year ended 31 December 2013, are set out below:

Committee members	Meeting attendance
Nicholas Smith (Committee Chairman)	6/6
Nick Cooper ¹	2/2
Ronald Blakely	6/6
Dennis McShane ²	0/1
Lyndon Powell ²	5/5

¹ Nick Cooper was appointed a member of the Nomination Committee on 6 June 2013

² Dennis McShane was a member of the Nomination Committee until 18 February 2013 and was replaced by Lyndon Powell on the same date. Dennis McShane was unable to attend the one meeting he was authorised to attend due to overseas travel.

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.

Role and responsibilities of the Nomination Committee

The Terms of Reference of the Committee are available on the Company's website at www.ophir-energy.com/about-us/board-committees/nomination and is fully compliant with section B.2.1 of the Code.

Nomination Committee activities

The key focus of the Committee during 2013, as for the prior year, has been succession planning and Board composition. In particular, the Committee has strengthened the skills, knowledge and experience on the Board with three new non-executive appointments and two executive appointments. The Committee has also considered ways in which the senior management team could be enhanced, either by providing appropriate training and mentoring to its current members or by making further appointments.

Report of the Nomination Committee Chairman

Dear Shareholder

2013 was the year that Ophir Energy completed its transition from a private company to a high-ranking member of the FTSE 250. The Nomination Committee (the Committee) has been involved in a number of ways, with Nick Cooper being appointed as a member of the Committee during the year.

First, Board composition at both executive and non-executive levels. Nick Cooper has built a new executive team as the two founder directors phased themselves out from the business. Two executive directors, Lisa Mitchell, as Chief Financial Officer, and Dennis McShane as Executive Director of Corporate Strategy were appointed in 2013. Lisa joined us post listing and her well-deserved promotion was planned from the outset. Dennis had been a non-executive director of Ophir since 2007, latterly as Senior Independent Director. When Dennis became available, the Committee supported this appointment given his familiarity with Ophir and his background in strategy. Their respective backgrounds have allowed them to contribute to the Board from day one. There is now a strong executive team below Board level too to support our growing business and aid succession.

On the non-executive front, there were three appointments in 2013 that reflected the outcomes of the 2012 Board evaluation and the Committee's views on the future expertise required from your Board members.

The executive appointments described earlier were sourced internally. For our non-executives, we instructed Egon Zehnder to assist in the search and Bill Schrader was identified as a strong candidate due to his significant commercial and operational skills, which the Board was keen to attain. Alan Booth and Vivien Gibney both came to us through market contacts. Alan's track record as a sub-surface explorer, discoverer and successful Chief Executive are well known. Vivien's background in the oil industry, together with her recent legal and remuneration background and overall Board experience, strengthened the Board's skills and experience in these areas. In summary, the Committee believes the selection process and current Board composition to be appropriate to Ophir's market positioning.

Secondly, the Committee has been considering executive and non-executive succession planning. We have plans in place for any unexpected short and mid-term changes to the senior levels of the executive team and this process is now being extended to our mid-level executives as part of their career planning. As for the non-executives, the appointments during the year formed part of the Committee's ongoing succession plans for the Board. In addition, in anticipation of John Lander's retirement, the Committee has reviewed the membership of all Standing Committees and Vivien's previous experience supported her appointment as Chairman of the Remuneration Committee with effect from 14 November 2013. Refreshment is always kept under review but this is not expected to be a major consideration for 2014.

Diversity continues to remain an important agenda point for the Committee and our policy is set out separately as part of the Strategic Report on page 42. As mentioned in my statement on page 44, we take this very seriously and led with the makeup of our Board and senior management. I will refer to our progress on this again in future reports.

Lastly, Board effectiveness. Following on from our Board effectiveness review in 2012, the Committee appointed Socia Limited to review the Board Committee process in 2013. Recommendations as to how the Committees may be used more effectively are now being considered and will be actioned during 2014.

Nicholas Smith

Nomination Committee Chairman

During the reporting period, the Committee engaged Egon Zehnder International to help identify potential non-executive directors. A detailed job description and a list of required experience and capabilities were prepared to ensure that the Board maintained an appropriate balance of skills and experience. Egon Zehnder was also instructed to identify candidates solely on merit and suitability and did not provide any other services to the Company during the period.

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. The Company remains dedicated to encouraging diversity at all levels of the business, acknowledging that a more diverse workforce, with the right mix of skills, experience, culture, ethnicity, nationality, gender and knowledge can make a valuable contribution to the Company. A statement of the Company's policy on diversity is set out in the Strategic Report on page 42.

The Committee also has due regard to the benefits of diversity on the Board, including gender but also takes into account other aspects of diversity to achieve a proper balance. The overriding criterion is always, however, merit. The Committee stresses that Board appointments are majorly based on the contribution each member brings to the Board and not to merely satisfy any prescribed quota requirements.

When searching for candidates for Board positions, the Committee will only use the services of those executive search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms as recommended by Lord Davies' Report.

As at the date of this report, women constitute at least 20% of the Board.

Nomination Committee evaluation

Before the year end, the Committee participated in an externally facilitated evaluation led by Alex Cameron of Socia Limited. Following interviews with the Chairman of the Committee and observations made at Committee meetings, the evaluation recommended that the Committee's priority should remain focused on succession planning as the Company continues to grow and make significant demands on the executive leadership team.

Socia Limited did not provide any other services nor had any other connection with the Company during the reporting period.

Corporate Governance Directors' Report

The report complies with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The report has been prepared in line with the recommendations of the UK Corporate Governance Code 2012 and the requirements of the UKLA Listing Rules. Details of the Company's financial instruments and hedging activities and its exposures to credit risk and liquidity risk are set out in full in note 21 on pages 122 and 124 of the financial statements.

Results for the year ended 31 December 2013

The Company's results for the financial year are shown in the consolidated financial statements on pages 98 to 155.

Directors

Biographical details for the Directors of the Company who held office during the year ended 31 December 2013 and at the date of this report are set out on pages 46 to 47. Details of Directors' service contracts or letters of appointment, their interests in the ordinary shares of the Company and in any of the Company's long-term incentive and other share schemes are set out in the Directors' Remuneration Report which can be found on pages 67 to 93. The Directors' insurance and indemnity provisions are set out on page 50.

Share capital

The called-up share capital of the Company, together with details of shares allotted during the year, is shown in note 22 to the Group financial statements.

The Company does not hold any shares in treasury. At the 2013 AGM, the Company was authorised by shareholders to repurchase up to 58.75 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 2014 AGM and will keep the use of the authority under review, taking into account other investment opportunities.

Substantial shareholders

As at 31 December 2013 and 18 March 2014 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, as set out in the table below.

Shareholders' rights

The rights and obligations in the Company's Articles of Association relating to the ordinary shares of the Company are set out in the Shareholder Information page on 158. The Articles can be found on the Company's website.

Dividend policy

The Directors have not recommended a final dividend for the year ended 31 December 2013 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.

Name	Number of shares held as at 31 December 2013	% holding as at 31 December 2013 ¹	Number of shares held as at 18 March 2014	% holding as at 18 March 2014 ²
Capital Group Companies, Inc	112,962,072	19.08	112,498,032	19.00
Kulczyk Investments S.A. ³	56,607,366	9.56	56,607,366	9.56
RS Investment Management Co. LLC	41,353,825	6.99	41,353,825	6.98
Janus Capital Management LLC	36,969,591	6.25	34,948,038	5.90
Standard Life Investments Ltd	23,597,764	3.99	23,597,764	3.99
Mittal Investments S.a.r.l	18,081,895	3.05	18,081,895	3.05

1 Calculated by reference to the issued share capital of the Company as at 31 December 2013.

2 Calculated by reference to the issued share capital of the Company as at 18 March 2014.

3 The Kulczyk Investments S.A. indirectly owns a 100% interest in Oil and Gas Exploration Limited and includes Hydrocarbon Investments Limited.

Report on greenhouse gas emissions

A breakdown of the Company's energy consumption and associated greenhouse gas emissions during 2013 is set out in the Strategic Report on page 39. These figures have been calculated in accordance with the guidance provided by the Department for Environment, Food and Rural Affairs (Defra) and the Department of Energy and Climate Change (DECC) and have been classified under the 'scopes' set out in the World Resources Institute/World Business Council for Sustainable Development's Greenhouse Gas Protocol.

Diversity

A statement of the Company's policy on diversity is set out in the Strategic Report on page 42 and the Board policy on diversity is summarised on page 63 of the Nomination Committee report.

Human rights

A statement of the Company's policy on human rights is set out in the Strategic Report on page 43.

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 Company continues to have a diverse workforce comprising local employees, contractors and expatriates at most sites. The Company is an equal opportunities employer and where existing employees become unable to perform their existing role due to a disability, 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 2013, the Company employed 119 people (2012: 71 people).

Corporate and social responsibility, business conduct and ethics and political donations

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 Company 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 Company. Further details are set out in the Corporate Social Responsibility review on pages 38 to 43.

The Company has not made any political donations during the year. The Company's policy is not to make political donations; however certain socially responsible activities, which may include actions undertaken through the Company's social and community related programmes, attendance at conferences and receptions where communicating the Company's views might be vital to its business interests may be inferred by some, as making political donations as defined in the Companies Act 2006. The Company does not consider such activities as being political donations but nevertheless, ensures that all such activities described in this report have been conducted in compliance with the Company's Code of Conduct and Anti-Corruption Policy.

Directors' responsibility statement

The Directors' responsibility statement is set out on pages 94 and 132 the Company's financial statements are included on pages 98 to 155.

Change of control

The Company 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 Company as a whole. Details of change of control clauses contained in the Service Agreements of the executive directors are set out on page 77 of the Directors' Remuneration Report. Certain Company employees 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 67 to 93. 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.

Corporate Governance Directors' Report continued

Corporate Governance statement

The corporate governance statement, in accordance with Rule 7.2 of the Disclosure and Transparency Rules and Rule 9.8.6 (5) and (6) of the Listing Rules on pages 44 to 52 forms part of this Directors' Report.

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 pages 46 to 47. 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 Company's auditors in connection with preparing their report) of which the Company'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 56 of the Corporate Governance Report. Further to provision C.3.7 of the Code listed companies are expected to put their external audit contract out to tender at least every 10 years. During the year, the Audit Committee had undertaken a review of audit services including a tender by suppliers in advance of the 2014 audit. Further details concerning the tender process can be found on page 55.

Following the conclusion of the external audit tender process, EY, has indicated its willingness to continue in office and resolutions to re-appoint EY as the Company's auditor and to authorise the Directors to set the auditor's remuneration will be proposed at the 2014 AGM.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 43. The financial position of the Company, consisting of cash resources of US\$666.7 million, (including the proceeds from the Placing and Rights Issue completed in March 2013), its cash flows, liquidity position and borrowing facilities are described in the Financial statements on pages 98 to 155. In addition, note 21 to the financial statements include the Company'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 Company budgets and cash flow forecasts for a period of at least the next 12 months from the approval of the financial statements. These include the anticipated proceeds from the completion of the disposal of a 20% interest in Blocks 1, 3 and 4 in Tanzania to Pavilion Energy. On 16 December 2013, the Company received shareholder approval to dispose of this interest. All conditions precedent to the transaction have been satisfied (or waived.) The transaction is now unconditional and is expected to close shortly.

The cash flow forecast prepared by management to March 2015 concluded that despite significant expenditure on ongoing and planned drilling programmes across the Company's blocks during 2014, particularly in Tanzania, the Company will have sufficient resources to pay its debts as and when they fall due for at least the next 12 months.

As a consequence of the near completion of the disposal of a 20% interest in Blocks 1, 3 and 4 in Tanzania, the Directors believe that the Company is well placed to meet its exploration and appraisal expenditure commitments for at least the next 12 months and have a reasonable expectation that the Company 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 31 to the Company's financial statements.

By order of the Board

Nick Cooper

Chief Executive Officer

19 March 2014

Registered office:

50 New Bond Street, London W1S 1BJ

Company registered in England and Wales No. 5047425

Corporate Governance: Directors' Remuneration Report

Chairman's Annual Statement on Remuneration



Vivien Gibney
Remuneration Committee
Chairman

Chairman's Annual Statement

Dear Shareholder

I welcome the opportunity to make this first report to shareholders, following my appointment to chair the Remuneration Committee (the Committee) in November 2013.

My predecessor John Lander has been most helpful and supportive and my sincere thanks go to him for ensuring a smooth and effective transition between us. The Company is indebted to John for steering the remuneration elements of a private company to those of the FTSE 250 company it now is. Inevitably, the Company has some heritage issues from those former days which are set out in the Annual Report on Remuneration on pages 79 to 93, but the Board is supportive of the recent reforms in remuneration policy and practice and is committed to carrying them out. Not surprisingly, different shareholders and industry bodies sometimes have differing views in these areas.

We have consulted with our principal shareholders and these industry bodies in finalising our remuneration policy for 2014 and their views have informed and shaped our discussions and decisions. Our overwhelming concern is to ensure that our remuneration policy continues to support the strategy of the Company and ensures a fair reward for success. I am very grateful to those shareholders who took the time to meet with me or to speak on the telephone. Your courtesy was very much appreciated as was your willingness to engage in open debate. It was a privilege and I thank you.

The new regulations governing the disclosure and approval of directors' remuneration require the remuneration report to be split into three parts:

- (i) This Annual Statement providing an overview of the Company's remuneration policy and the way in which it has been implemented during the year under review;

- (ii) The Remuneration Policy Report (the Policy Report), which will be subject to a binding shareholder resolution at the forthcoming AGM; and
- (iii) The Annual Report on Remuneration which will be put to an advisory shareholder resolution at the forthcoming AGM.

Remuneration Policy for 2014

Ophir is an oil and gas exploration company; as such it creates value for its shareholders in different ways. Historically, it has seen considerable success through the discovery and delineation of oil and gas assets. It also actively manages these assets through farm-outs and acquisitions. Our strategy is to create shareholder value through the exploration and appraisal phase of the E&P cycle and we seek to monetarise value at the appropriate time in the investment cycle to maximise shareholder returns.

Because the exploration business is a long-term one our activities impact over more than a single year. It is therefore the policy of the Committee for the remuneration of the executive directors to be weighted towards long-term variable pay, with fixed pay set at or below comparable market benchmarks. However, the Committee was concerned that the remuneration of the Chief Executive Officer was no longer competitive in comparison with his peers and that there was a relatively small difference between his base salary and that of the other executive directors. The Committee believed that a significant increase in base salary was required to retain and properly reward the Chief Executive Officer. Shareholder views in consultation on this issue varied considerably. The Committee recognises the force of opinions expressed but nevertheless believes that his performance is superior and that it is in the best interests of the Company, its shareholders and stakeholders to retain him. Therefore for 2014 the Committee approved an increase in basic salary for the Chief Executive Officer of £74,470 (18.3%) and intends to make a further increase of £68,000 from 1 January 2015 (a further increase of 14.1%), subject to continuing good performance; it proposes increases in basic salaries for the other executive directors of 2.5% consistent with the typical salary budget of the Group as a whole. All with effect from 1 January 2014.

There are no changes to our annual bonus or our long-term incentive policies for 2014, either in terms of quantum or of structure. Full details of these are set out on pages 71 to 72.

Chairman's Annual Statement on Remuneration

continued

Performance and reward

As described in the Chairman and Chief Executive Officer's joint review, 2013 was another year of significant operational and strategic progress.

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 (encapsulating, for example, health and safety, funding costs, increase in resources and finding costs) 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 in the range of 86% and 92% of the maximum to the Company's current Executive directors.

As the Company only listed on the main market of the London Stock Exchange in July 2011, no long-term incentive awards vested during the year (save for the Chief Executive Officer's 2011 awards made to facilitate his recruitment). This reflects the relatively short period since listing.

Other Remuneration Committee activities during the year under review

The Committee spent time on a number of other matters concerning executive pay during the year. These included:

- **Undertaking a review of executive remuneration**

The conclusion of this review was that the current policy, weighting pay towards variable remuneration, remains appropriate for a Company making investment decisions with multi-year impacts. However, reflecting the feedback received during consultation, particularly in relation to our approach to measuring long-term performance, during the current year we will review certain aspects of our policy to ensure its continued effectiveness in underpinning the strategy of the Company and fairly rewarding success.

- **Determining Annual Bonus payments in respect of the 2012 financial year and setting incentive plan targets for 2013 incentive plans**

- **Changes to the executive Board**

During the year, the executive team was strengthened by appointing Dennis McShane as Executive Director of Corporate Strategy and promoting Lisa Mitchell to the Board in her role as Chief Financial Officer. The Committee set their respective remuneration packages in line with the Company's policy on new recruits, which takes into account the experience and calibre of the individual, market rates and, where appropriate, the need to buy-out value on joining from other employment.

At the 2013 AGM, Jonathan Taylor, a co-founder and executive director at Ophir retired from the Board and his service agreement with the Company terminated. The Committee determined the payments to be made on termination of his employment in line with his contractual entitlements and, as a retiree, he was treated as a good leaver for the purposes of certain outstanding long-term incentive awards.

- **Placing and Rights Issue**

In March 2013, the Company raised capital through a Placing and Rights Issue. The Committee, in line with normal practice in these situations and as permitted in the plan rules, adjusted the number of outstanding long-term incentive awards and share options (including their exercise price) held by participants to ensure that award holders would not be disadvantaged vis-à-vis shareholders as a result of the rights issue. These adjustments, which followed the generally accepted HMRC formula that is used for all employee share plans, ensured that the impact of the rights issue was neutral for award holders. Furthermore, the absolute share price targets attached to the Chief Executive Officer's Exceptional Long-Term Incentive Award were also adjusted on a consistent basis to ensure that the adjusted targets were no more or less challenging than the original ones set in light of the rights issue.

Risk

As an upstream oil and gas business, Ophir is potentially exposed to many different risks and, therefore, effective risk management is an integral part of the Company's activities. From a remuneration perspective, 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.

Shareholder feedback

The Board and the Committee are committed to maintaining an open and constructive dialogue with our shareholders on remuneration matters. We will engage in appropriate dialogue with our major investors on any significant changes to the remuneration policy and welcome any feedback you may have.

Vivien Gibney

Remuneration Committee Chairman
19 March 2014

Directors' Remuneration Policy

This part of the Directors' Remuneration Report sets out the Remuneration policy for the Company and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Act'). The policy has been developed taking into account the principles of the UK Corporate Governance Code 2012 and the

views of our major shareholders and describes the policy to be applied in relation to the current financial year and future financial years. The Policy Report will be put to a binding shareholder vote at the 2014 AGM and, subject to it receiving majority shareholder support, the 'Effective Date' of the policy will be the date of the AGM, 21 May 2014.

Remuneration Policy

A key element of the Company's Remuneration policy is to achieve a level of remuneration which will attract, motivate and retain executives of high 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's policy is to adequately reward the Directors if they meet or exceed the targets set under the variable components of their remuneration packages.

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).

Policy Table

The table below sets out the key elements of executive director pay as at 1 January 2014:

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Base Salary	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"> • Role, experience and personal performance • Average change in total workforce salary in the location where they are based • Total organisational salary budgets • Company performance and other economic conditions Salaries are benchmarked periodically and are set by reference to companies of a similar size and complexity.	Following a review of remuneration in 2013, and after consultation with the Company's major shareholders, it was decided to increase the Chief Executive Officer's base salary from £407,530 to £482,000 with effect from 1 January 2014 and to £550,000 with effect from 1 January 2015 (subject to continued appropriate levels of performance). The salaries of the wider executive directors have been increased by 2.5% with effect from 1 January 2014 with this increase in line with the salary increase budget applicable to UK employees as a whole: <ul style="list-style-type: none"> • Dennis McShane: £389,872; and • Lisa Mitchell: £358,750. The above salary levels will be eligible for increases during the three-year period that the Remuneration Policy operates from the Effective Date. During this time (for the Chief Executive Officer once the increases detailed above have been implemented), salaries may be increased each year (in percentage of salary terms) in line with increases granted to the wider workforce where they are based. Increases beyond those granted to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group. Where new joiners or recent promotions have been placed on a below market rate of pay initially, a series of above increases above those granted to the wider workforce (in percentage of salary terms) may be given over the following few years subject to individual performance and development in the role.	The Committee considers salaries at the appropriate Committee meeting each year after having due regard to the factors noted in operating the salary policy.
Benefits	To recruit and retain employees.	Directors are entitled to health insurance, life assurance, medical evacuation insurance, travel insurance, holiday pay, sick leave and other Group-wide benefits offered by the Company. Other ancillary benefits including relocation expenses may be offered, as required.	In 2013 the maximum cost of providing benefits (based on taxable value of the benefits was under 5% of salary). The value of benefits may vary from year to year depending on the cost to the Company from third-party providers.	n/a

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Pension	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 or pay a salary supplement in lieu of pension. Pension benefits are provided according to length of service up to retirement.	The executive directors receive a Company contribution into the Group (or their personal) pension plan (or a salary supplement in lieu of pension) to the greater of the statutory minimum and 11% of salary.	n/a
Annual Bonus	To incentivise the execution of business strategy. Rewards the achievement of annual financial and strategic business targets and delivery of personal objectives.	<p>Targets are renewed annually and relate to the business as a whole.</p> <p>Bonus level, payable in cash, is determined by the Committee following the end of the financial year and is based on performance against targets set at the start of the year.</p> <p>Clawback provisions apply that 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>	The maximum award under the annual bonus scheme is 150% of salary.	<p>Details of the performance measures used for the current year and targets set for the year under review and performance against them is provided in the Annual Report on Remuneration on page 84.</p> <p>The Company's bonus is based on the achievement against a range of business objectives and key performance indicators.</p> <p>Given the constantly evolving nature of our business, measures and their weightings may change each year reflecting the changing business priorities. The key performance measures may include (and are not limited) to the following:</p> <ul style="list-style-type: none"> • HSE performance/CSR • Personal objectives • Reserves and resources • Financial objectives • Portfolio Management/new business <p>The Committee retains discretion to reduce the bonus payment in the event of a serious HSE incident or series of incidents.</p> <p>For the bonus measures which operate using a sliding scale of targets, the proportion of maximum bonus earned for achieving threshold performance is typically 25% of that part of the bonus with 100% of the maximum opportunity payable for superior performance. Bonuses for performance between threshold and maximum are determined on a pro rata basis.</p> <p>Some elements of the current bonus structure include a subjective assessment of performance as opposed to operating on a sliding scale (e.g. bonus earned in relation to HSE performance/CSR and some personal objectives).</p>
Long-Term Incentive Plan	To incentivise the achievement of business strategy over the longer term.	<p>The Company's Long-Term Incentive Plan (LTIP) was approved by shareholders in 2011 and amended in 2012.</p> <p>Annual awards of free shares in the form of conditional awards or nil/nominal cost options are granted which vest after three years subject to challenging performance targets and continued service.</p> <p>Awards will be determined using the weighted average share price for the period for the three-month period up to the time that the Committee normally approves the individual LTIP allocations (i.e. normally around February). This is considered to result in the number of shares comprising individual awards to better reflect the information presented to the Committee at the time of approving the awards in principle.</p> <p>Awards are granted as soon as the preliminary results are announced (or later if a close period continues to apply as of that date).</p> <p>The normal LTIP performance period is three calendar years beginning on 1 January of the year of grant and ending on 31 December of the third year.</p> <p>To the extent that dividends were to be paid, a provision would operate which would enable dividends to accrue on shares at the time of vesting.</p> <p>A clawback provision exists that enables 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.</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>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>As the Company continues to develop and grow over time, the Committee may introduce other measures in conjunction with TSR which support the long-term business strategy. These may, for example, include strategic imperatives such as exploration and production targets or major project delivery. As a minimum, the Committee would seek to consult with major shareholders before applying any changes to measures with any substantive change of policy potentially giving rise to the Company seeking approval for a revised Policy Report.</p>

Directors' Remuneration Policy

continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Chief Executive Officer's Exceptional Long-Term Incentive Award (as approved by shareholders in 2012)	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	<p>An exceptional one-off award of 1,017,568* shares was made to the Chief Executive Officer on 19 June 2012.</p> <p>The performance period for each tranche is three years.</p> <p>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.</p> <p>To the extent that dividends were to be paid, a provision would operate which would enable dividends to accrue on shares during the vesting period which would be payable at the time of vesting.</p>	<p>The award has three separate tranches* Tranche 1: 277,518 shares, Tranche 2: 370,025 shares and Tranche 3: 370,025 shares.</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 £4.28)† 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>Tranche 2 is subject to an equal split of relative TSR (based on the same structure to the LTIP targets noted above) and absolute TSR performance with the same growth rates that apply for Tranche 1 using a base share price of £4.09. Performance is measured from 19 June 2013 to 18 June 2016 for both the relative and absolute TSR performance targets. 25% of the relative and absolute TSR performance conditions vest at the threshold performance levels.</p> <p>Tranche 3 will also operate based on an equal split of relative TSR (based on the same structure to the LTIP targets noted above) and absolute TSR performance (based on the same growth rates that apply for Tranche 1). Performance will be measured from 19 June 2014 to 18 June 2017 for both relative and absolute TSR performance targets. 25% of the relative and absolute TSR performance conditions vest at the threshold performance levels.</p> <p>An underpin applies to all 3 tranches 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>
Dennis McShane's Recruitment Award (2006 Share Option Plan)	To compensate for value forfeit on joining Ophir in a full time executive capacity.	<p>To facilitate his recruitment as an executive director, Dennis McShane received a buy-out award which was calculated to compensate him for his lost profit and revenue growth expectations relating to his consultancy business which he was required to exit on joining the Company.</p> <p>The Remuneration Committee was provided with an overview of prospective revenue generation of his business and its forecast revenues and these were discounted by 95% to determine a present value of the business. This value was then converted into an equivalent value in Ophir shares. However, rather than offering free shares (through a conditional award or a nil cost option) the compensation was structured as a market value option (i.e. the free share amount was converted to a market value option grant with the same expected value) so that the individual would only benefit from the growth in value of Ophir shares.</p> <p>Since the value to the individual of his business relied on delivering future revenues, this structure of performance related compensation was considered to be the form most analogous to the value he had forfeit (i.e. the Committee bought out on a 'like for like' basis as far as practicable).</p> <p>Furthermore, recognising Official List expectations, the market value options are also subject to a relative TSR condition.</p>	The maximum number of shares eligible to vest under his award is 360,127 which had a face value of £1.7m at grant. This was considered to have a broadly similar expected value to the consultancy business he exited on joining Ophir.	<p>The award vests in full based on achieving a minimum of median TSR performance against a group of sector peers (see page 82).</p> <p>While this feature was not part of the potential value forfeit on becoming an executive director, the Committee wished to ensure the recruitment package took due account of Official List expectations in that the recruitment award should be subject to satisfying a Company specific performance target.</p> <p>The exercise price of the option is £4.71.</p>

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Share ownership	To align the interests of directors with those of the Company's shareholders.	<p>The Chief Executive Officer has a 300% of salary holding requirement and other executive directors are required to build up a holding of 100% of salary.</p> <p>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.</p> <p>Any executive directors appointed after 31 December 2012 will be expected to build a shareholding of equal value to 100% of their annual salary through the retention of 50% of the after tax number of shares vesting under the Company's LTIPs.</p>	n/a	n/a
Non-executive directors	To provide a competitive fee which will attract high calibre individuals with the relevant skills and experience to enhance the Board.	<p>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 of the Board is that it should be comparable to the median fee payable for non-executive chairmen of companies of a comparable size and complexity.</p> <p>Remuneration levels are agreed based on external advice and give consideration to the time commitment and responsibilities of the role.</p> <p>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.</p>	<p>Fees for 2014 are:</p> <ul style="list-style-type: none"> Chairman: £140,000 per annum Non-executive director basic fee: £70,000 per annum Committee Chairmanship fee: £5,000 per annum <p>The fee levels are reviewed on a periodic basis, with reference to the time commitment of the role and market levels in companies of comparable size and complexity.</p> <p>The above fee levels will be eligible for increases during the three-year period that the Remuneration Policy operates from the Effective Date to ensure they appropriately recognise the time commitment of the role, increases to fee levels for non-executive directors in general and fee levels in companies of a similar size and complexity.</p> <p>Flexibility is retained to go above the above fee levels if it is necessary to do so to appoint a new Chairman or non-executive of an appropriate calibre.</p> <p>No benefits or other remuneration are provided to non-executive directors.</p>	

* The number of shares comprising the award (originally 880,000 awards in total) was adjusted to reflect the Rights Issue that became effective in March 2013. The adjustment, following the standard approach applied to HMRC approved options where a discounted Rights Issue takes place, resulted in the number of shares comprising the award being increased by a factor of 1.156329 which reflected the terms of the Rights Issue and uplifted the value of the original award based on the theoretical fall in the Company's share price arising as a result of the discounted Rights Issue. Increasing the number of shares comprising an award in this manner is intended to ensure that the award holder is not treated more or less favourably when compared against a shareholder who will have the ability to buy shares at a discount or sell the discounted rights as part of the fundraising (proportionate to their shareholding) with the award holder not eligible to participate in the rights issue. There was no adjustment applied in respect of the March 2013 Placing.

† The share price targets were adjusted on the same basis as described above with a view to ensuring that the targets remained no more or less challenging in light of the Rights Issue that became effective in March 2013. The adjustment resulted in the share price targets being reduced by a factor of 1.156329.

Directors' Remuneration Policy

continued

Annual Bonus plan & Long-Term Incentive Plan policy

The Committee will operate the Annual Bonus plan and the LTIP according to their respective rules and in accordance with the Listing Rules, and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include the following (albeit with quantum and performance targets restricted to the descriptions detailed in the policy table above):

- Who participates in the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or a payment;
- The determination of vesting (which may include making appropriate adjustments within the terms of performance conditions e.g. determining the treatment of a delisted comparator in a TSR peer group);
- Discretion required when dealing with a change of control (e.g. the timing of testing performance targets) or restructuring of the group;
- Determination of a good leaver for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- The annual review of performance measures weighting, and targets for the Annual Bonus plan and LTIP from year to year.

The Committee also retains the ability to adjust the targets and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the LTIP if events occur (e.g. material divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

All historic awards that were granted under any current or previous share schemes operated by the Company but remain outstanding, remain eligible to vest based on their original award terms.

Choice of performance measures and approach to target setting

The performance metrics that are used for annual bonus and long-term incentive plans are a subset of the Company's key performance indicators.

In terms of annual performance targets, a balanced scorecard of financial, operational, strategic, personal and health and safety metrics is used. As an upstream oil and gas exploration company, reserves and resources targets are measures of our success; commercialisation through portfolio management is important in crystallising value at the right time; executives' strategic choices and delivery are appraised, and a good health and safety record underpins the activities we undertake.

These metrics, which form part of the Company's key performance indicators, are aligned with the Company's underlying objective of creating value by exploring and appraising oil and gas assets. The precise metrics chosen and weighting ascribed to each may vary, as detailed in the policy above, in line with the Company's strategy.

With regard to long-term performance targets, awards vest, as a minimum, subject to a relative TSR condition which measures our performance against a group of other oil and gas companies. The Committee believes this measure creates alignment between shareholders and executives and that executives are only rewarded for outperforming their peers.

Targets are set based on sliding scales that take account of internal planning and external market expectations for the Company. Only modest rewards are available for delivering threshold performance levels with maximum rewards requiring substantial out-performance of our challenging plans approved at the start of each year.

The targets for awards to be granted under the LTIP are consistent with the policy set out above and are set out in the Annual Report on Remuneration.

Appropriately challenging performance targets would be set in relation to incentives each year as described above.

Consideration of employment conditions elsewhere in the Group

The Company, in line with current market practice, does not actively consult with employees on Executive Remuneration. The Group has a diverse workforce operating in several different countries, with various local pay practices, which would make any cost-effective consultation impractical. However, when setting the Remuneration policy for executive directors, the Committee takes into account the pay and employment conditions for other employees within 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.

Differences in Remuneration policy for executive directors compared to other employees

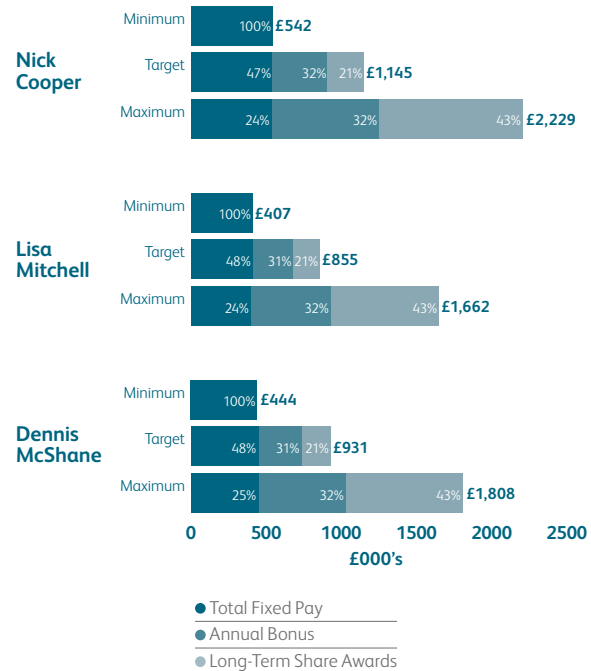
As noted above, the Committee is made aware of pay structures across the wider Group when setting the Remuneration policy for executive directors. The Committee considers the general basic salary increase for the broader Group (with specific reference to the location where an individual executive director is located) when determining the annual salary review for the executive directors.

Overall, the remuneration policy for the executive directors is more heavily weighted towards variable pay than for other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the executive directors given it is the executive directors who are considered to have the greatest potential to influence Group value creation.

The level of variable pay varies within the Group by level of employee and is informed by the specific responsibilities of each role and local market practice as appropriate.

Illustrations of application of remuneration policy

The Company's policy results in a significant portion of remuneration received by executive directors being dependent on Company performance. The graph below illustrates how the total pay opportunities for the executive directors vary under three different performance scenarios: below target, on-target and maximum.



Assumptions

- Minimum = fixed pay only (2014 base salary levels, pension at 11% of salary and the 2013 benefits value included in the Single Total Remuneration Figure for the relevant years).
- Target = Fixed pay plus 50% of maximum bonus payout and 25% vesting (i.e. threshold performance) under the LTIP
- Maximum = Fixed pay plus 100% of bonus payout and 100% LTIP vesting

Nick Cooper and Dennis McShane have been included based on the Company's ongoing Remuneration policy (i.e. 200% of salary annual LTIP awards). While Nick Cooper will not receive an LTIP award in 2014 as a result of his 2012 Exceptional LTIP Award as described above, the Committee feels a 200% of salary annual LTIP policy is a better reflection of the ongoing long-term incentive policy.

Directors' Remuneration Policy

continued

Recruitment and Promotion policy

For Executive Director recruitment and/or promotion situations, the Committee will follow the guidelines outlined below:

Element	Policy	Element	Policy
Base Salary	<p>Base salary levels will be set in accordance with the Company's Remuneration policy, taking into account the experience and calibre of the individual (e.g. typically around market rates prevalent in companies of comparable size and complexity) or salary levels may be set below this level (e.g. if the individual was a promotion to the PLC Board). Where it is appropriate to offer a below market rate of pay initially, a series of increases to the desired salary positioning may be given over the next few years subject to individual performance and development in the role.</p>	Long-Term Incentives	<p>Awards under the LTIP will be granted in line with the policy outlined for the current executive directors in table set out above.</p> <p>An award may be made shortly after an appointment (subject to the Company not being in a prohibited period). For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant. In addition, if the grant of awards for that individual precedes his or her appointment as a Board Director for that financial year, the Committee's policy would include flexibility to top up awards for that year in line with the policy detailed in the table above based on the executive's new salary.</p> <p>Any increases in annual LTIP awards above the ongoing normal 200% of salary limit (and 300% of salary in exceptional circumstances) would be contingent on the Company receiving shareholder approval for an amendment to its approved policy at its next General Meeting.</p>
Benefits	<p>Directors are entitled to health insurance, life assurance, medical evacuation insurance, travel insurance, holiday pay, sick leave and other Group-wide benefits offered by the Company.</p> <p>Where necessary, the Committee may approve the payment of relocation expenses to facilitate recruitment.</p>	Buy-out Awards	<p>In the case of an external hire, if it is necessary to buy-out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this would be provided for taking into account the form (cash or shares) and timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited.</p> <p>Replacement share awards, if used, will be granted using the Company's LTIP (up to the exceptional limit of 300% of salary). Replacement awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.</p>
Pension	<p>A defined contribution or cash supplement at the level provided to current executive directors as set out on page 81.</p>		
Annual Bonus	<p>The Annual Bonus would operate as outlined for current executive directors (i.e. to a maximum of 150% of base salary), albeit pro-rated for the period of employment during the financial year. Depending on the timing and responsibilities of the appointment it may be necessary to set different performance measures and targets initially.</p> <p>Any increases in ongoing Annual Bonus opportunity above the limit detailed in the policy table above would be contingent on the Company receiving shareholder approval for an amendment to its approved policy at its next AGM.</p>		

Service Agreements and Loss of Office Payments

The executive directors have rolling term service agreements with the Company. The notice period for current executive directors is 12 months if notice is given by either the executive or the Company. For new hires, the Company's policy to set notice periods of up to 12 months.

The executive directors' Service Agreements each include the ability for the Company, at its discretion, to pay basic salary only in lieu of any unexpired period of notice.

Payments may be made as either a lump sum or in equal monthly instalments until the end of the notice period at the discretion of the Remuneration Committee. In the case of the executive directors, the executive will be required to seek alternative income during the period which monthly instalments are paid and notify the Company after securing alternative income. Should alternative employment be found, the instalment payments shall then be reduced by the amount of alternative income or ceased if the alternative income exceeds the monthly instalment payment.

The Service Agreements contain 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 Agreement 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. During the garden leave period, the executive will be entitled to receive salary and contractual benefits (excluding bonuses). At the end of the garden leave period, the Company may, at its sole discretion, pay the executive director basic salary alone in respect of the balance of any period of notice given by the Company or executive director. These payments will be reduced to the extent alternative income is received.

For new hires, the same broad policy would apply.

The Service Agreement of Nick Cooper only, provides that if there is a change of control, and within three months following the change of control, the relevant employer or the executive director serve notice to terminate employment, Nick Cooper's employment will be terminated with immediate effect and the Company shall pay 12 months' salary. Nick Cooper will not be entitled to any other payment or notice or payment in lieu of notice in addition to this payment.

The provisions in Jonathan Taylor's Service Agreement, which terminated during the year under review, were consistent with those of Nick Cooper, save for the fact that the notice period from Jonathan Taylor was six months to the Company as opposed to 12 months.

The inclusion of the change of control provisions in Nick Cooper and Jonathan Taylor's Service Agreements 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 do not form part of Dennis McShane or Lisa Mitchell's Service Agreement following their appointments as executive directors and will not form part of future Service Agreements for executive directors.

A summary of the terms of the Service Agreements is set out below:

Name	Continuous employment	Service Agreement date	Notice by Company	Notice by executive
Nicholas Cooper	1 June 2011	26 May 2011	12 months	12 months
Dennis McShane	18 February 2013	18 February 2013	12 months	12 months
Lisa Mitchell	5 September 2011	26 April 2013	12 months	12 months
Jonathan Taylor*	1 June 2004	16 October 2007	12 months	6 months

* Jonathan Taylor retired from the Board and as an executive director at the 2013 AGM on 6 June 2013.

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

Treatment of incentives

If an individual is (i) under notice at the bonus payment date or (ii) not in employment, the default position is that no bonus will be payable. However, in certain good leaver circumstances (death; retirement; ill-health, injury or disability; redundancy, employment ceasing as a result of a sale of a Group company or for any other reason at the Committee's discretion after taking into account the circumstances prevailing at the time), a pro-rata bonus will become payable for the period of employment. The Committee, acting fairly and reasonably, may decide not to reduce the bonus pro-rata if, in the circumstances, it considers it appropriate to do so (for example in the case of, but not limited to, death).

The treatment for share-based incentives previously granted to an executive director will be determined based on the relevant plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment.

Directors' Remuneration Policy

continued

In relation to awards granted under the LTIP, awards will lapse on the date of cessation of employment unless an executive leaves under certain 'good leaver' circumstances, such as ill-health, injury, disability, redundancy, transfer or sale of the employing company, or any other circumstances at the discretion of the Committee (reflecting the circumstances that prevail at the time). If treated as a good leaver, the default is for the award to vest at the normal vesting date. However, the Committee may decide that awards will vest instead on the date of cessation. In making a vesting determination, the Committee will assess the extent to which performance conditions have been achieved and the number of awards that would vest will be reduced pro-rata to reflect the proportion of the performance period actually served unless the Committee determined otherwise. If treated as a good leaver as a result of a death, then the award will vest in full on the date of death.

With regards to awards granted under the 2006 Share Option Plan (the plan under which Dennis McShane's recruitment award was granted), if the award holder is dismissed for cause or resigns in circumstances in which he could have been dismissed for cause had those circumstances been known at the time, the award shall lapse. For other leaver reasons other than death, awards shall lapse on the date of cessation to the extent it has not otherwise become exercisable. If awards are exercisable, then they will remain exercisable until the tenth anniversary of the grant date. Upon death, awards may be exercised to the extent they have vested within 12 months of the date of death.

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.

Non-executive directors Letters of appointment and fees

Each independent non-executive director during the year, being Nicholas Smith, Ronald Blakely, Alan Booth (from 26 April 2013), Vivien Gibney (from 14 August 2013), John Lander, Dennis McShane (until 19 February 2013), Lyndon Powell and Bill Schrader (from 19 February 2013) 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 their obligations to the Company.

Consideration of shareholder views

We remain committed to shareholder dialogue and take an active interest in voting outcomes. We consult extensively with our major shareholders when setting our remuneration policy. If there are any particular shareholders opposed to our policy, we would endeavour to meet with them, as appropriate, to understand any issues they may have.

Annual Report on Remuneration

This part of the report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Listing Rules. The Annual Statement and Annual Report on Remuneration (combined) will be put to an advisory shareholder vote at the 2014 AGM. The information on pages 83 to 91 (inclusive) has been audited.

Unaudited information Consideration of Remuneration Matters

Membership and attendance

The members of the Committee during the year ended 31 December 2013, 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	8/8
Ronald Blakely	8/8
Alan Booth ¹	1/1
Vivien Gibney ²	2/2
Dennis McShane ³	0/1
Lyndon Powell	8/8
Nicholas Smith	7/8

1 Alan Booth was appointed to the Committee with effect from 12 November 2013.

2 Vivien Gibney was appointed to the Committee with effect from 14 August 2013 and was appointed Chairman of the Remuneration Committee with effect from 14 November 2013.

3 Dennis McShane resigned from the Committee with effect from 18 February 2013 and could not attend a meeting held on 6 February 2013 due to prior travel commitments.

Dennis McShane stepped down from the Committee upon his appointment as Executive Director of Corporate Strategy on 18 February 2013. Prior to his appointment, he did not participate in any Committee discussions on his proposed package as an executive director.

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 Company Secretary and representatives from New Bridge Street (NBS, part of Aon plc), Eversheds LLP and Prism Cosec 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 Committee

The role of the Committee is to determine the Remuneration policy of the Company in order to facilitate the recruitment, retention and motivation of 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.

Remuneration Committee evaluation

Before the year end, the Committee participated in an external evaluation of itself and its responsibilities which was overseen by external evaluator, Socia Limited. With the recent regulatory changes in Directors' Remuneration regulations, the evaluation highlighted the significant additional time given by Committee members during the year in order to consider and implement the Board remuneration framework. The evaluation also considered the Committee's use of its external advisors and the process for disseminating advice on key remuneration matters. The appointment of a new Committee Chairman towards the end of the financial year has provided an impetus to review Committee meeting management and the expected input from its advisors.

As a result, the Committee has accepted the recommendation to undertake a review of the advisors. This review would also allow the Committee to consider the nature and extent of its future requirements, the process for receiving and disseminating advice obtained and the optimum attendance by advisors at Committee meetings. The Committee intends to implement this recommendation during 2014 and also to review its current Terms of Reference to make sure that they adequately reflect the ongoing requirements of the business.

Annual Report on Remuneration continued

Implementation of Remuneration policy for 2014

Advisor to the Committee

NBS is appointed as independent consultants to the Committee in relation to advice on remuneration and share incentives. NBS provides services to the Company on a 'called on' rather than retained basis. NBS is a member of the Remuneration Consultants Group and complies with its code of conduct. Details of the terms of engagement for NBS are available on request from the Company Secretary. Neither NBS, nor any other Aon plc company, provide other services to the Company. The Committee regularly reviews the external advisor relationship and is comfortable that NBS' advice remains objective and independent. For the year under review NBS' total fees charged were £155,000 (excluding VAT).

Other advice provided to the Committee was received from Eversheds who provided technical advice in relation to the operation of the Company's share plans and employment law advice in relation to Directors' Service Agreements and Prism Cossec who provided company secretariat services to the Company.

Base Salaries

The Committee reviewed executive director remuneration during the final quarter of 2013 against the eleven most similarly sized oil and gas exploration companies and found that the Chief Executive Officer's base salary was significantly below market levels. While a modest approach to fixed pay is in line with the Committee's policy, it was felt that the Chief Executive Officer's salary was now too far below market and no longer reflected his value to the Company. Accordingly, following prior consultation with the Company's major shareholders and leading shareholder advisory bodies, it was decided to increase his base salary from £407,530 to £482,000 with effect from 1 January 2014 and to £550,000 with effect from 1 January 2015 (subject to continued appropriate levels of performance). The revised salary, based on the Committee's analysis, remains consistent with the Company's stated policy since the revised salary remains below the median market position assessed against the Company's sector based peers but is considered to more appropriately recognise the skills and experience of a Chief Executive Officer who will have been in post for three years in June 2014. The increases will also establish more typical relativities between the Chief Executive Officer and the other executive directors.

After considering the salary budget for the Group as a whole and, in particular, the budget for UK employees, the Committee decided to increase the other executive directors salaries by 2.5% to be applied from 1 January 2014. The pay increase awarded to the other executive directors is broadly in line with that awarded to UK employee population where the salary budget (excluding promotions or changes in responsibilities) was 2.5%.

Role	Salary as at 1 January 2014	Salary as at 1 January 2013 or on appointment to the Board	Increase
Chief Executive	£482,000	£407,530	18.3%
Chief Financial Officer *	£358,750	£350,000	2.5%
Director of Corporate Strategy *	£389,872	£380,363	2.5%

* The Chief Financial Officer and Director of Corporate Strategy were appointed to the Board as executive directors on 26 April 2013 and 18 February 2013 respectively and salaries have been pro-rated from these dates.

Pension and Benefits

The executive directors received Company contributions towards personal pension plans or salary in lieu of pension at a rate of 11% of base salary, on a pro-rated salary for those executives who were not in post for the full year.

In addition to pension benefits, the executive directors also receive health insurance, life assurance, holiday pay and sick leave cover.

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 (KPIs), are reviewed by the Committee annually.

For the year ending 31 December 2014, 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.

For 2014, the Committee has set the following KPI targets for all executive directors:

Measure	Maximum bonus opportunity as a Percentage of Salary*
Health, safety and environmental performance/ corporate social responsibility	30%
Personal performance	30%
Increase in Reserves and Resources	30%
Financial Planning (e.g. finding costs) 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 Committee considers that the targets themselves are commercially sensitive and therefore plans to disclose them only on a retrospective basis. Details of the targets and actual out turn will be disclosed in next year's Annual Report on Remuneration, save where they remain commercially sensitive.

Clawback provisions will enable the Committee to correct the bonus in the event of a material misstatement of the Company's results so that it reflects the value that should have been paid had it not been for the misstatement.

Long-Term Incentive Plan

As part of the terms of the Chief Executive Officer's Exceptional LTIP award, Nick Cooper will not receive an award under the regular LTIP in 2014. It is envisaged that he will next be eligible to receive an award under the LTIP in 2015. The performance condition for Tranche 3 of his Exceptional LTIP commences in 2014 and further details are provided below.

The maximum normal annual award limit under the LTIP is 200% of salary and it is intended that awards will be granted in 2014 at this level to Dennis McShane and Lisa Mitchell. When granting awards under the LTIP, the Committee generally takes into consideration (i) the need to motivate and retain the executive directors and other participants and (ii) the number of shares comprising individual awards when they are expressed as a multiple of salary given the share price.

The Committee believes relative TSR performance against other oil and gas companies remains the most appropriate metric for use by the Company in relation to LTIP awards.

Awards will vest on a straight line basis relative to the Company's 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.

Annual Report on Remuneration continued

The constituents of the comparator group were reviewed during the year and for the 2014 award. 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

Clawback provisions will 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 in relation to the award.

Chief Executive Officer's Exceptional LTIP award

In June 2012, a 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 1,017,568 shares (following adjustment for the rights issue effective 26 March 2013), 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	277,518 shares	19.06.2012-18.06.2015	Absolute TSR
Tranche 2	370,025 shares	19.06.2013-18.06.2016	50:50 relative TSR: absolute TSR
Tranche 3	370,025 shares	19.06.2014-18.06.2017	50:50 relative TSR: absolute TSR

The performance conditions for Tranches 1 and 2 are set out in the Policy Report and have been previously disclosed. For Tranche 3, which has a performance period commencing on 19 June 2014, the performance condition will continue to mirror that of Tranche 2.

Half of the award will be subject to a relative TSR condition (operating on a similar basis to the relative TSR part of Tranche 2) and the other half subject to a range of absolute TSR targets. The absolute TSR measure will require compound TSR growth of at least 20%p.a. (for 25% to vest) through to 35%p.a. (for full vesting of this part). Performance for the relative and absolute TSR conditions is measured over the period from 19 June 2014 to 18 June 2017.

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.

Non-executive directors' remuneration

Non-executive directors are not eligible to participate in short or long-term incentive plans or to receive any pension from the group. The fees payable to the Chairman and Non-executive directors are as follows:

	2014	2013
Chairman	£140,000	£140,000
Non-executive director basic fee	£70,000	£70,000
Committee Chairmanship fee	£5,000	£5,000

Audited information

Single Total Figure of Remuneration

The detailed emoluments for the executive and non-executive directors for the year ended 31 December 2013 are detailed below:

Director £000	Base Salary/Fees	Benefits ¹	Pension ²	Bonus ³	Long-term incentives ⁴	Payment for loss of office	Total 2013
Executive directors							
Nick Cooper	408	12	45	562	–	–	1,027
Dennis McShane ⁵	389	6	36	456	–	–	887
Lisa Mitchell ⁶	240	9	26	309	–	–	584
Jonathan Taylor ⁷	256	3	18	190	–	190	657
Chairman and non-executive directors							
Nicholas Smith	140	–	–	–	–	–	140
Ronald Blakely	75	–	–	–	–	–	75
Alan Booth ⁸	50	–	–	–	–	–	50
Vivien Gibney ⁹	27	–	–	–	–	–	27
John Lander ¹⁰	75	–	–	–	–	–	75
Lyndon Powell	75	–	–	–	–	–	75
Bill Schrader ¹¹	61	–	–	–	–	–	61
	1,796	30	125	1,517		190	3,658

1 Benefits in kind include health insurance, life assurance, holiday pay and sick leave cover.

2 Pension comprises an 11% contribution to personal pension plans or cash provided in lieu of pension at a rate of 11%.

3 Annual bonus to be paid in March 2014. Further details set out below on pages 84 and 85.

4 No long-term incentives with performance conditions vested during the year. However, the award of a nominal cost option granted to Nick Cooper under the LTIP on 1 June 2011 vested and became exercisable on 1 June 2013. As previously disclosed, this award formed part of the compensation for value forfeit on joining Ophir from his previous employer. The gain on exercise (on 16 August 2013) of this nominal cost option comprising 617,749 shares was £2,018,866.

5 The salary and fees payable to Dennis McShane in the year under review break down as follows:

1. Fees of £9,375 in relation to his non-executive director position from 1 January 2013 until 17 February 2013; and

2. Additional fees of £49,471 in relation to enhanced time commitment provided to the Company on a temporary basis to deliver a successful Rights Issue in March 2013 between 1 January 2013 and 17 February 2013. For the period from 1 January 2013 until 17 February 2013 Dennis McShane worked full time for the Company and was paid a fee calculated based on an executive full time salary of £367,500 pro-rated. This agreement was anticipated to operate for a temporary period until a full time Director of Corporate Strategy was appointed. The fees ceased on his appointment to the PLC Board in a full time executive capacity as Director of Corporate Strategy on 18 February 2013.

Salary of £330,343 being the pro-rata salary earned for the period from appointment as an executive director based on an annualised base salary of £380,363. This pro-rata salary was the one used to determine his bonus for the year under review.

6 Lisa Mitchell was appointed to the Board on 26 April 2013. Her remuneration relates to the period of the year under review when she was an Executive Director

7 Jonathan Taylor retired as an executive director on 6 June 2013. The above payments reflect:

1. Salary paid on a pro-rata basis from 1 January 2013 until his retirement on 6 June 2013 of £163,264.

2. A pro-rata bonus payable at 78% of the maximum with the payment totalling £190,182.

3. A payment in connection with the termination of his employment following his retirement of £190,182 (being six months' notice). This figure has been included in the above table to provide more relevant and reliable information to our shareholders when reviewing and approving the Directors' Remuneration for 2013.

4. A payment of £93,034 in relation to accrued but untaken holiday pay.

Further details of the terms of his retirement are set out on pages 88 and 89.

8 Alan Booth joined the Board on 26 April 2013 and his fees are the pro-rata amount from his appointment to the Board through to the end of the year under review based on an annual fee of £70,000. Mr Booth was also appointed as Chairman of the Technical Advisory Committee on 12 August. In recognition of the additional time commitment involved in this role he received an additional pro-rata fee for the remainder of the year for this role based on an annual fee of £5,000.

9 Vivien Gibney was appointed to the Board on 14 August 2013 and her fees are the pro-rata amount from her appointment to the Board through to the end of the year under review based on an annual fee of £70,000. Mrs Gibney was appointed Chairman of the Remuneration Committee with effect from 14 November 2013. In recognition of the additional time commitment involved in this role she received an additional pro-rata fee for the remainder of the year for this role based on an annual fee of £5,000.

10 John Lander was replaced by Vivien Gibney as Chairman of the Remuneration Committee with effect from 14 November 2013.

His fees as Chair and independent non-executive director are included to this date.

With effect from 15 November 2013, John Lander's fee was £70,000.

11 William Schrader was appointed to the Board on 18 February 2013 and his fees are the pro-rata amount from his appointment to the Board through to the end of the year under review based on an annual fee of £70,000.

Annual Report on Remuneration

continued

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

Director £000	Base Salary/Fees	Benefits	Pension	Bonus	Long-Term Incentives	Total 2012
Executive directors						
Nick Cooper	394	5	43	528	–	970
Jonathan Taylor	368	–	40	492	–	900
Chairman and non-executive directors						
Nicholas Smith	140	–	–	–	–	140
Ronald Blakely	75	–	–	–	–	75
John Lander ¹	85	–	–	–	–	85
Dennis McShane	75	–	–	–	–	75
Lyndon Powell	75	–	–	–	–	75
Totals	1,212	5	83	1,020	–	2,320

¹ Includes a one-off fee of £10,000 in relation to the exceptional time commitment provided in 2012 paid in 2013.

Additional information in respect of the single figure table

Annual Bonus Plan Outturn

For 2013, the Committee set KPI targets for the executive directors in respect of HSE performance; Personal objectives; an increase in Reserves and Resources; Finance; and Portfolio Management/New Business.

Whilst the precise targets are considered to remain price sensitive, an overview of the extent of achievement for each Executive against their performance objectives is detailed below:

Metric	Target	Extent of achievement	Percentage of Target met
HSE	Assessment of safety record during the year Delivery of successful CSR Community Projects	No significant incidents Active CSR projects underway or planned in all operating countries	100%
Reserves and Resources	Addition of net reserves and resources	Addition of 254mmboe net to the Company in 2013	100%
Finance	Targets principally related to (i) maintain operational headroom (ii) and finding costs	The Group's funding targets were fully achieved. Finding costs were \$US0.90/boe	100%
Portfolio Management and New Business	The targets set related to the successful monetisation of specific Group assets and acquisition of exploration acreage	Successes included (i) the successful sale of a 20% interest in Tanzanian Blocks 1, 3 and 4 to Pavilion, (ii) the rationalisation of the portfolio tail, (iii) the securing of new acreage in Ghana and Gabon	80%

With regards to the Chief Executive Officer, his personal targets included, but were not limited to, delivering a successful restructuring of the executive leadership team, reviewing and implementing an appropriate organisational structure to reflect the current size and stature of the Company and ensuring best practice procedures exist in relation to M&A and capital raising. The Director of Corporate Strategy had targets set that included, but were not limited to, supporting the Chief Executive Officer in restructuring the Group, completing a strategic review and improving the operational capability of the Group. The Chief Financial Officer had targets that included, but were not limited to, supporting the Chief Executive Officer restructure the Group and restructure and improve the finance function's operational capability.

Overall, this resulted in bonuses becoming payable at between 129% of basic salary and 138% of basic salary across the executive directors (being between 86% and 92% of the maximum bonus payable).

Bonuses disclosed for Dennis McShane and Lisa Mitchell were based on the part year worked as executive directors in respect of qualifying services.

As a result, Nick Cooper, Dennis McShane and Lisa Mitchell received bonus payments of £562,391, £455,873 and £309,246 respectively for 2013.

The Committee is satisfied with the overall payments in light of the level of performance achieved.

Details of the bonus earned by Jonathan Taylor are set out on pages 83 and 88.

Annual Report on Remuneration

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Long-Term Incentives

No long-term incentive awards with performance conditions vested during the year. This reflects the relatively short period since the Company's listing.

However, as previously disclosed, on joining the Company Nick Cooper was granted awards under the Share Option Plan 2006 and nil-cost options made under the LTIP to compensate for awards forfeited from his previous employment. These awards had no performance conditions attached and vested on 1 June 2013. While they do not form part of the single figure of total remuneration, the values on vesting have been provided for completeness.

	Date of grant	Vesting date	Lapse date	Share awards at 1 January 2013	Number vested during the year
Share Option Plan 2006	01/06/2011	01/06/2013	31/05/2021	578,164	578,164
LTIP	01/06/2011	01/06/2013	31/05/2014	617,749	617,749

The number of awards in the above table (and the exercise price of the option grants) was adjusted for the March 2013 rights issue.

1 Awards granted before March 2013 were increased by a factor of 1.156329 and the exercise price reduced by the same factor for the reasons previously described in relation to the March 2013 rights issue.

2 With regard to the award granted under the Share Option Plan 2006, the aggregate exercise price for the award, following the adjustment described in 1 above, was £1,250,000 and so the inherent gain in this award on vesting on 1 June 2013, using a closing share price of £3.95, was £1,033,748. The value of the LTIP on vesting on 1 June 2013, using a closing share price of £3.95, was £2,440,109. When the LTIP, structured as a nominal cost option, was exercised on 16 August 2013 at a share price of £3.30, the gain totalled £2,018,886.

3 Balance of awards which have yet to be exercised in the case of the Share Option Plan 2006 awards and awards that have yet to vest in respect of the LTIP. The total share awards as at 31 December 2013 is inclusive of the awards vesting during the year.

Long-Term Incentive awards granted in the year

As part of the terms of Nick Cooper's Exceptional LTIP award granted on 19 June 2012, Nick Cooper did not receive an award under the LTIP in 2013.

The LTIP award levels granted to the other executive directors in the year under review (calculated based on the three-month average share price for the period from 15 November 2012 to 14 February 2013) were:

- Chief Financial Officer (Lisa Mitchell): 200% of salary;
- Executive director of Corporate Strategy (Dennis McShane): 200% of salary; and
- Executive director (Jonathan Taylor): 200% of salary (which subsequently lapsed in its entirety on his retirement).

These awards were in line with the Company's policy as detailed in the Policy Report.

Dennis McShane also received market value option awards under the 2006 Share Option Plan. This award was granted to compensate him for his exit from an advisory business with the value of the option grant calculated to offset the value expected to be forfeited in relation to his exit from an advisory business (a full explanation of the basis on which the buyout was calculated and the rationale behind its structure is set out in the Policy Report on page 72). The option award is subject to a performance target (see below).

The awards to the executive directors during the year were as follows:

	Type of Award	Basis of award granted*	Share price at date of grant	Exercise price	Number of shares awarded	Face value of award ¹ £'000	% of award that vests at the threshold performance level (performance is measured to 31 December 2015)
Lisa Mitchell *	LTIP – Nil/No minimal cost option	125% of salary	£4.72	–	77,834	345	25%
	LTIP – Nil/No minimal cost option		£3.23	–	80,092	355	
Dennis McShane**	LTIP – Nil/No minimal cost option	200% of salary	£4.72	–	171,628	761	25%
	Share Option Plan – Market value option	Buyout award – £1.7m	£4.72	£4.72	360,127	1,700	100%
Jonathan Taylor	LTIP – Nil/No minimal cost option	200% of salary	£4.72	–	171,628	761	25%

1. In line with the Company's policy as set out on page 71, the share price used to determine the number of awards (excluding Dennis McShane's buyout award) was £5.1253, being the average share price over the three months to 14 February 2013. The share price and the number of awards were adjusted for the subsequent Rights Issue by a factor of 1.15633 (resulting in an adjusted share price of £4.43) for the reasons previously described. The face value of awards has been calculated using the adjusted share price.

* Lisa Mitchell was granted LTIP awards in February 2013 based on the policy applicable to a non PLC Board executive (being 125% of her salary at the time) with the awards supplemented on her appointment to the PLC Board so that her aggregate award was in line with the LTIP policy detailed above i.e. based on 200% of salary. The performance targets are as detailed below on page 88 with the performance period running from 1 January 2013 to 31 December 2015.

** In addition to a 200% of salary normal LTIP award in line with the Company's policy (performance targets as detailed below and the performance period as detailed above for Lisa Mitchell), Dennis McShane was granted an option over shares with a value of £1.7m (the performance period runs from 26 March 2013 to 26 March 2016). The award vests after three years with details included of the basis on which the award was determined on page 88.

Jonathan Taylor's award (with the performance targets as detailed below and the performance period as above for Lisa Mitchell) was forfeited as part of his compromise agreement agreed upon his retirement – see payments for loss of office detailed on page 88.

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The performance targets applying to the 2013 LTIP awards are based on relative TSR against other oil and gas companies.

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 constituents of the 2013 LTIP comparator group are set out on page 82.

Clawback provisions will apply in the event of a material misstatement of the Company's results within a two year period in relation to the award.

Dennis McShane's market value option award is subject to a relative TSR performance condition which with awards vesting only if the threshold (i.e. median performance) is achieved. The comparator group is the same as that which applies to the 2013 LTIP grant and performance is measured over a three-year period running from the date of grant of the award. The form of award and the application of the TSR target were assessed by the Committee when determining the quantum of award to buy-out his interest in an advisory business that he forfeited on joining the Company. The use of a market value option reflected the fact the value forfeit in that it was geared to future success of the advisory business and, therefore, the structure of the buy-out, broadly, mirrored the potential return on his interest forfeit.

Payments for Loss of Office

Jonathan Taylor

Jonathan Taylor retired from the Board and his role as executive director with effect from the 2013 AGM. As a result, Jonathan's service agreement with the Company terminated in connection with his retirement. The payments made relating to his termination were as follows:

- A payment of six months' salary (£190,182) in connection with the termination of his employment following his retirement. This related to the six-month notice period in his Service Agreement;
- the value of accrued but untaken holiday (£93,034); and
- as a retiree (and therefore a good leaver), a payment under the annual bonus plan of £190,182. The bonus amount was calculated based on the Committee's assessment of the extent to which the performance targets had been met (which was then pro-rated to the period of the year under review worked) at the time of his retirement from the Board. After assessing each individual bonus criteria, the extent of achievement against the bonus targets was determined to be 78% of the pro-rata bonus maximum which related to his contribution for the part-year served.

Had the Committee tested performance over the full performance period, the bonus earned against the financial targets would have resulted in a higher bonus being earned, pro-rata, for the period Jonathan Taylor was employed in the financial year under review.

Jonathan Taylor, as a retiree, has been treated as a good leaver under the rules of the LTIP. His awards granted on 26 May 2011, 22 November 2011 and 13 April 2012 will vest on their normal vesting dates subject to the satisfaction of the attached performance conditions. The award granted to him on 26 March 2013 has been lapsed.

In using its discretion in relation to the treatment of his LTIP awards, the Committee considered applying time pro-rating to each outstanding award. Had this approach been taken, the Committee would not have applied time pro-rating to the 2011 awards given that the performance periods for these awards were in their final year of three when the individual retired, the Committee would have applied a one-third reduction to the 2012 award given this award was in the second year of the three year performance period when the individual retired and the Committee would have applied a two thirds reduction to the 2013 award

given it was in the first year of the three year performance period when the individual retired. Instead of taking this approach, the Committee considered it more appropriate to lapse the 2013 award in its entirety and effectively credit the third of this award lapsing against the 2012 award to enable this award to vest in full in due course. In taking this decision, the Committee was also guided by

the fact that the individual was a founder of the Company and considered it preferable to enable the individual to be more fully rewarded for his endeavours at the Company which are most closely linked to taking Ophir to the Official List and immediate period thereafter. The original performance targets will be applied to the 2011 and 2012 awards over the full performance periods.

Directors' Interests in Shares

Directors' options and share-based awards as at 31 December 2013

Director and Scheme	Date of Grant	Exercise Price (pence)	Market price at release (pence)	Vesting Date	Shares under Award at 1 January 2013	Shares Awarded	Shares vested	Shares Exercised	Shares lapsed/ cancelled/ or forfeited	Shares under Award at 31 December 2013	Lapse Date
Nick Cooper											
Share Option Plan 2006	01/06/2011*	2.162	–	01/06/2013	578,164	–	578,164	–	–	578,164	31/05/2021
Long-Term Incentive Plan	01/06/2011 ¹	0.00	3.30	01/06/2013	617,749	–	617,749	617,749	–	–	31/05/2014
Long-Term Incentive Plan	01/06/2011 ³	0.00	–	01/06/2014	173,449	–	–	–	–	173,449	31/05/2015
Long-Term Incentive Plan	01/06/2011 ³	0.00	–	01/06/2014	247,785	–	–	–	–	247,785	31/05/2015
Long-Term Incentive Plan	22/11/2011 ³	0.00	–	01/06/2014	99,113	–	–	–	–	99,113	31/05/2015
Long-Term Incentive Plan	13/04/2012 ³	0.00	–	13/04/2015	373,190	–	–	–	–	373,180	12/04/2016
Long-Term Incentive Plan	19/06/2012 ⁴	0.00	–	19/06/2015	277,518	–	–	–	–	277,518	18/06/2016
Long-Term Incentive Plan	19/06/2012 ⁴	0.00	–	19/06/2016	370,025	–	–	–	–	370,025	18/06/2017
Long-Term Incentive Plan	19/06/2012 ⁴	0.00	–	19/06/2017	370,025	–	–	–	–	370,025	18/06/2018
Jonathan Taylor**											
Long-Term Incentive Plan	26/05/2011 ³	0.00	–	26/05/2014	231,265	–	–	–	–	231,265	25/05/2015
Long-Term Incentive Plan	22/11/2011 ³	0.00	–	26/05/2014	140,170	–	–	–	–	140,170	25/05/2015
Long-Term Incentive Plan	13/04/2012 ³	0.00	–	13/04/2015	232,207	–	–	–	–	232,207	12/04/2016
Long-Term Incentive Plan	26/03/2013 ²	0.00	–	26/03/2016	–	171,628	–	–	171,628	–	–
Dennis McShane											
Share Option Plan 2006	26/03/2013 ⁵	4.72	–	26/05/2016	–	360,127	–	–	–	360,127	25/03/2023
Long-Term Incentive Plan	26/03/2013 ²	0.00	–	26/05/2016	–	171,628	–	–	–	171,628	25/03/2017
Lisa Mitchell											
Share Option Plan 2006	15/12/2011	2.162	–	15/12/2013	86,724	–	86,724	–	–	86,724	14/12/2021
Share Option Plan 2006	19/06/2012	5.504	–	19/06/2014	86,724	–	–	–	–	86,724	18/06/2022
Long-Term Incentive Plan	13/04/2012	0.00	–	13/04/2015	87,669	–	–	–	–	87,669	12/04/2016
Long-Term Incentive Plan	26/03/2013 ²	0.00	–	26/03/2016	–	77,834	–	–	–	77,834	25/03/2017
Long-Term Incentive Plan	30/08/2013 ²	0.00	–	30/08/2016	–	80,092	–	–	–	80,092	29/08/2017

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continued

The Company operates the 2006 Share Option Plan and operates the Long-Term Incentive Plan. Market value options were granted to Nick Cooper and Dennis McShane on recruitment and Lisa Mitchell when she was a non PLC Board Executive. Executive directors participate in the LTIP, under which nil cost options were granted

Awards granted under all plans in the above table before 26 March 2013 were increased by a factor of 1.156329 in relation to the 26 March 2013 rights issue (as previously explained) and the exercise price reduced by the same factor (for the reasons previously explained).

* Nick Cooper was granted a market value option under the 2006 Share Option Plan as part of the terms of his recruitment.

** Jonathan Taylor resigned with effect from 6 June 2013.

1 The award of 617,749 nominal-cost options (after adjusting for the impact of the March 2013 rights issue as detailed above) to Nick Cooper under the LTIP was 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.

2 Details of the performance condition for the 2013 LTIP award are set out on pages 87 and 88.

3 The performance condition for the LTIP awards granted on 26 May 2011, 1 June 2011 (with the exception to that detailed in (1) above), 13 April 2012 and 22 November 2011 are broadly the same to that for the 2013 LTIP award other than in respect of the TSR comparator group which differed in respect of a small number of the comparator companies (as disclosed in previous years' Directors' Remuneration Reports).

4 For Tranche 1, the absolute TSR performance condition will be based on a 90 day average share price in the final year of the relevant performance period. 25% of the award will vest at 20% compound annual growth rate (CAGR) above £4.28 (as adjusted to reflect the rights issue that became effective on 26 March 2013 as previously detailed) resulting in a share price of £7.40 being required for threshold vesting with full vesting at 35% CAGR requiring a share price of £10.53. These share prices assume no dividends are paid for simplicity. 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 (detailed above) 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 applies 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 tested from a base share price of £4.09. For Tranche 3, the same targets are expected to apply as per Tranche 2 with further details included on page 72.

5 Details of Dennis McShane's 2013 Share Option 2013 award are set out above and on page 72.

Share ownership

To align the interests of the executive directors with shareholders, Directors are required to build up significant shareholdings in the Company.

Nick Cooper has a guideline equivalent to 300% of salary, to be achieved through retaining 100% of his vested or exercised awards (net of taxes) under the long-term incentive share plans until the guideline is met.

Other executive directors are required to build up shareholdings of at least 100% of salary and are required to retain 50% of their vested or exercised awards (net of taxes) under share incentive schemes until the guideline is met.

Both Nick Cooper and Dennis McShane have met their respective share ownership requirements as at 31 December 2013. Lisa Mitchell has yet to meet her respective requirements.

Of Nick Cooper's outstanding Long-Term Incentive awards, 617,749 have vested and were exercised on 16 August 2013. These shares have no performance requirement as they formed part of his compensation on joining Ophir from his former employer. The balance of his awards are subject to performance targets as detailed on page 90.

Nick Cooper's outstanding Options have vested but remain unexercised; these do not have performance targets as they formed part of his compensation on joining Ophir from Salamander. No options were exercised during the period by any director.

Lower shareholding requirements apply for other members of the management team. The Chairman and non-executive directors are encouraged to hold shares in the Company but are not subject to a formal shareholding guideline. Details of the Directors' interests in shares are shown in the table below.

	Target level	Beneficially owned as at 31 December 2013	Beneficially owned as at 31 December 2012	Share ownership guideline met as at 31 December 2013	Outstanding Long-term incentive awards	Outstanding Options (vested but unexercised)	Outstanding Options (unvested)
Nicholas Smith	n/a	128,000	108,000	n/a	n/a	n/a	n/a
Nick Cooper	300%	495,197	120,572	100%	1,911,105	578,164	0
Dennis McShane	100%	145,600	104,000	100%	171,628	0	360,127
Lisa Mitchell	100%	0	0	0%	245,595	86,724	86,724
Jonathan Taylor	100%	7,354,084	6,836,320	n/a	603,642	n/a	n/a
Ronald Blakely	n/a	35,000	12,000	n/a	n/a	n/a	n/a
Alan Booth	n/a	125,000	–	n/a	n/a	n/a	n/a
Vivien Gibney	n/a	10,000	–	n/a	n/a	n/a	n/a
John Lander	n/a	313,544	223,960	n/a	n/a	n/a	n/a
Lyndon Powell	n/a	33,600	24,000	n/a	n/a	n/a	n/a
Bill Schrader	n/a	10,200	–	n/a	n/a	n/a	n/a

1 Nicholas Smith holds a beneficial interest in 128,000 Shares. The legal interest is held by Chase Nominees Limited.

2 Nick Cooper holds a beneficial interest in 494,397 Shares. The legal interest is held by Goldman Sachs International. The remaining beneficial interest in 800 Shares is held by Nick Cooper's spouse, Alison Nightingale. The legal interest of these shares are held in the name of James Capel (Nominees) Limited.

3 Dennis McShane holds a beneficial interest in 145,600 Shares. The legal interest is held by Frank Nominees Limited.

4 John Lander and members of his family hold a beneficial interest in 313,544 Shares. The legal interest is held by WB Nominees Ltd.

5 Ronald Blakely and members of his family hold a beneficial interest in 35,000 Shares. The legal interest is held by Vidacos Nominees Limited.

6 Bill Schrader, Lyndon Powell and Vivien Gibney hold the legal and beneficial interest in the Shares registered in their respective names.

7 Alan Booth held a beneficial interest of 100,000 Shares as at his date of appointment to the Board on 26 April 2013. He subsequently acquired an additional 25,000 Shares and currently holds a total beneficial interest in 125,000 Shares. The legal interest is held by TD Direct Investing Nominees (Europe) Ltd.

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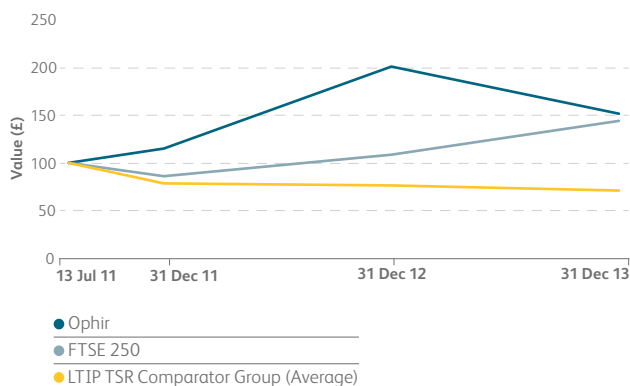
Performance graph (not subject to audit)

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 2013 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. Ophir is a constituent of the index and therefore the Committee considers this equity index to be appropriate as a comparator.

Total shareholder return

Source: Thomson Reuters



This graph shows the value, by 31 December 2013, 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.

Chief Executive Officer's Remuneration Table (not subject to audit)

The table below details the single total remuneration figure earned by the Chief Executive Officer since the Company moved to the Official List. Total remuneration has been calculated to be consistent with the figures disclosed on pages 83 and 84 and the table also details the proportion of annual bonus and LTIP awards payable and/or vesting in the relevant year.

Year Ending	Executive	Total Remuneration (£000)	Annual Bonus (% of max)	LTIP Vesting (% of max)
31/12/2013	Nick Cooper	1,027	92%	Note 1
31/12/2012	Nick Cooper	970	89%	n/a
31/12/2011	Nick Cooper	910*	83%	n/a

* reflects the fact that Nick Cooper was appointed as Chief Executive Officer on 1 June 2011

Note 1. As set out on page 89, the LTIP award and 2006 Share Option Plan awards that vested during the year under review related to compensation agreed on joining the Company for awards forfeit at a previous employer. Neither award was subject to performance targets and as a result is not included in the Single Total Remuneration Figure.

Percentage change in the remuneration of the Chief Executive Officer (not subject to audit)

The table below shows the percentage change in remuneration (salary, benefits and annual incentive) from 2012 to 2013 for the CEO compared with the average UK Head Office employee.

	Chief Executive Officer	Average UK employee*
Salary	3.5%	-5.4%
Benefits	14.0%	N/A**
Annual Bonus	4.6%	-19.4%

* The comparator group chosen comprises 38 employees who are the Company's UK based employees excluding the executive directors. The Committee believes that this group is the most appropriate comparator group as these employees are based in the same geographical location as the Chief Executive Officer.

** 2013 was the first year that the Company provided taxable benefits to UK employees. As a result, it is not possible to include a percentage growth in costs statistic as there were no benefit costs in 2012.

Relative importance of the spend on pay (not subject to audit)

	2013	2012	% Change
Staff Costs (£m)	22.2	19.3	15%
Distributions to shareholders (£m)	0	0	0%

Statement of shareholder voting (not subject to audit)

At last year's AGM, the Directors' Remuneration Report received the following votes from shareholders:

	2013 AGM	%
Votes cast in favour	331,510,396	69.4
Votes cast against	145,655,064	30.53
Total votes cast	477,165,460	100
Abstentions	12,126,227	2.54

By Order of the Board

Vivien Gibney

Chairman of the Remuneration Committee

19 March 2014

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.

Directors' statement under the UK Corporate Governance Code

The Board considers that the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board and signed on their behalf.

Nick Cooper

Chief Executive Officer
19 March 2014

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 Strategic Report, 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 19 March 2014

Nick Cooper

Chief Executive Officer

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 2013 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 31. 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 set out on page 66, 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 and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 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.

Our assessment of risks of material misstatement

We identified the following risks that have had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- assessment of the carrying value of exploration and evaluation assets.
- the ability for Ophir Energy plc to fund future exploration work programmes and to continue as a going concern.

Independent Auditor's Report to the members of Ophir Energy plc continued

Our application of materiality

We determined materiality for the Group to be \$35.49 million (2012: \$22.09 million), which is below 2% (2012: 2%) of total equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We assessed our materiality calculation based on the total equity of the Group as we considered that to be the most relevant performance measure to the stakeholders of the entity.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% (2012: 50%) of materiality, namely \$17.75 million (2012: \$11.05 million). Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level.

We agreed with the Audit Committee that we would report to the Audit Committee all audit differences in excess of \$1.77 million (2012: \$1.1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Following our assessment of the risk of material misstatement to the Group financial statements, and with reference to the financial management structure employed by Ophir Energy plc, we selected all operating locations to be subject to a full scope audit for the year ended 31 December 2013. These locations were selected to provide a basis for undertaking audit work to address the risks of material misstatement identified above.

The audit of all the operating locations was directed by the senior statutory auditor.

Our response to the risks identified above was as follows:

- We have challenged management's assessment of the carrying value of exploration and evaluation assets. In particular we considered Ophir Energy plc's:
 - right to explore in the relevant exploration licence;
 - intention to carry out exploration and evaluation activity in the relevant exploration area; and
 - commercial viability of results of exploration and evaluation activities carried out in the relevant licence area.
- We have challenged management's going concern model including the liquidity position at the year end and the projected cash flows. We assessed and challenged the accuracy of exploration and evaluation expenditure commitments, the anticipated sources of funding, with particular reference to the anticipated completion of the disposal of a 20% stake in Tanzania Blocks 1,3 and 4, and projected administration overhead costs disclosed in management's model. We have challenged the consistency of the assumptions included within the going concern model with the statements related to future plans and commitments contained within the Annual Report and Accounts.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 66, 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.

Other matter

We have reported separately on the parent company financial statements of Ophir Energy plc for the year ended 31 December 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Paul Wallek

(Senior statutory auditor)

for and on behalf of Ernst & Young LLP

Statutory Auditor

London

19 March 2014

Notes:

1. The maintenance and integrity of the Ophir Energy plc website 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 website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement and statement of comprehensive income
For the year ended 31 December 2013

	Notes	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 ¹ \$'000
Consolidated income statement			
Continuing operations			
Revenue			
Other income		–	–
Other income		12	12
Exploration expenses	3 (a)	(229,103)	(4,521)
General & administration expenses	3 (b)	(32,098)	(36,394)
Other operating expenses	3 (c)	(46,357)	(1,676)
Operating loss	3	(307,546)	(42,579)
Finance income	4	27,079	1,636
Loss from continuing operations before taxation		(280,467)	(40,943)
Taxation	8	34,660	228
Loss from continuing operations for the year attributable to:		(245,807)	(40,715)
Equity holders of the Company		(245,777)	(40,609)
Non-controlling interest		(30)	(106)
		(245,807)	(40,715)
Loss per share (pence) attributable to equity holders of the parent			
Basic and diluted EPS on loss for the year (per share)	9	(29) pence²	(6) pence³
Consolidated statement of comprehensive income			
Loss from continuing operations for the year		(245,807)	(40,715)
Other comprehensive income			
<i>Other comprehensive income to be classified to profit or loss in subsequent periods:</i>			
Exchange differences on retranslation of foreign operations net of tax		(1,396)	(28)
Other comprehensive income for the year, net of tax		(1,396)	(28)
Total comprehensive loss for the year, net of tax attributable to:			
Equity holders of the Company		(247,173)	(40,637)
Non-controlling interest		(30)	(106)
		(247,203)	(40,743)

1 Restated (refer to note 4)

2 (45) cents per share

3 (10) cents per share

Consolidated statement of financial position

As at 31 December 2013

	Notes	As at 31 Dec 2013 \$'000	As at 31 Dec 2012 \$'000
Non-current assets			
Exploration and evaluation assets	10	1,124,423	961,713
Goodwill	11	20,868	57,165
Property, plant and equipment	13	3,237	2,447
Financial assets	14	4,773	10,593
		1,153,301	1,031,918
Current assets			
Inventory	15	25,890	12,811
Trade and other receivables	16	8,236	9,500
Cash and cash equivalents	17	506,762	227,743
Investments	18	159,921	–
		700,809	250,054
Total assets		1,854,110	1,281,972
Current liabilities			
Trade and other payables	19	(120,787)	(119,416)
Provisions	20	(35,371)	(833)
		(156,158)	(120,249)
Non-current liabilities			
Deferred income tax	8	(20,806)	(56,996)
Provisions	20	(237)	(277)
		(21,043)	(57,273)
Total liabilities		(177,201)	(177,522)
Net assets		1,676,909	1,104,450
Capital and reserves			
Called up share capital	22	2,466	1,739
Reserves	23	1,674,719	1,102,957
Equity attributable to equity shareholders of the Company		1,677,185	1,104,696
Non-controlling interest	23	(276)	(246)
Total equity		1,676,909	1,104,450

Approved by the Board on 19 March 2014

Nicholas Smith
Chairman

Nick Cooper
Chief Executive Officer

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Called up share capital \$'000	Other ¹ reserves \$'000	Non- controlling interest \$'000	Total equity \$'000
As at 1 January 2012	1,448	711,612	–	713,060
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	–	(40,637)	(106)	(40,743)
New ordinary shares issued to third parties	276	415,722	–	415,998
Exercise of options	15	8,480	–	8,495
Share issue costs	–	62	–	62
Share-based payments	–	7,718	–	7,718
Acquisition of subsidiary	–	–	(140)	(140)
As at 31 December 2012	1,739	1,102,957	(246)	1,104,450
Loss for the period, net of tax	–	(245,777)	(30)	(245,807)
Other comprehensive income, net of tax	–	(1,396)	–	(1,396)
Total comprehensive income, net of tax	–	(247,173)	(30)	(247,203)
New ordinary shares issued to third parties	711	802,517	–	803,228
Exercise of options	16	7,324	–	7,340
Share-based payments	–	9,094	–	9,094
As at 31 December 2013	2,466	1,674,719	(276)	1,676,909

1 Refer to note 24

Consolidated statement of cash flows

For the year ended 31 December 2013

	Notes	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Operating activities			
Loss before taxation		(280,467)	(40,943)
Adjustments to reconcile loss before tax to net cash flows:			
Interest income	4	(2,410)	(1,009)
Foreign exchange gains		(16,977)	–
Depreciation of property, plant and equipment	13	1,049	1,037
Impairment of goodwill	3c	36,297	–
Amortisation of deferred costs		–	4
Loss on disposal of assets	3c	11	636
Provision for employee entitlements		(203)	(94)
Allowance for provision	3c	9,000	–
Share-based payments	7	9,094	7,718
Exploration expenditure – pre licence costs	3a	2,351	4,521
Exploration expenditure – written off	3a	54,006	–
Exploration expenditure – provision for impairment	3a	172,360	–
Inventory write off	3a	386	–
Working capital adjustments			
Increase in trade and other payables		393	5,108
(Increase)/decrease in trade and other receivables		(584)	1,468
Increase in other current assets		–	(9,923)
Cash flows from operating activities		(15,694)	(31,477)
Income taxes paid		–	–
Interest income		793	1,570
Net cash flows used in operating activities		(14,901)	(29,907)
Investing activities			
Purchases of property, plant and equipment	13	(2,016)	(1,010)
Exploration expenditure		(363,207)	(359,436)
Proceeds on disposals of assets	10	3	8,721
Purchase of inventory		(13,625)	(6,191)
Cash placed on deposit	18	(159,921)	–
Security deposits refunded	14	5,820	–
Acquisition of subsidiary	12	–	(38,682)
Cash acquired on acquisition of subsidiary		–	15,908
Net cash flows used in investing activities		(532,946)	(380,690)
Financing activities			
Share issue costs		(34,399)	(7,372)
Issue of ordinary shares		844,967	250,385
Net cash flows from financing activities		810,568	243,013
Increase/(decrease) in cash and cash equivalents for the year		262,721	(167,584)
Effect of exchange rates on cash and cash equivalents		16,298	(1,258)
Cash and cash equivalents at the beginning of the year		227,743	396,585
Cash and cash equivalents at the end of the year	17	506,762	227,743

Notes to the financial statements

1 Corporate information

Ophir Energy plc (the “Company” and ultimate parent of the Group) is a public limited company incorporated, domiciled and listed in England. 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 2013 were authorised for issue by the Board of Directors on 19 March 2014 and the Statement of Financial Position was signed on the Board’s behalf by 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 2012 are for the year ended on that date.

New and amended accounting standards and interpretations

The Group has adopted the following relevant new and amended IFRS and IFRIC interpretations as of 1 January 2013:

- IAS 1 ‘Presentation of Financial Statements’
- IAS 19 ‘Employee Benefits’ (Revised)
- IFRS 7 ‘Financial Instruments: Disclosures’ – Offsetting Financial Assets and Financial Liabilities (Amendment)
- IFRS 13 ‘Fair Value Measurement’

These new and amended standards and interpretations have not materially affected amounts reported or disclosed in the Group’s financial statements for the year ended 31 December 2013.

Standards and interpretations issued but not yet effective

The following standards, amendments and interpretations to existing standards relevant to the Group are not yet effective and have not been early adopted by the Group. The Group expects to adopt these standards in accordance with the effective dates.

IAS 27 ‘Separate Financial Statements’, effective for annual periods beginning on or after 1 January 2014. As a consequence of the new IFRS 10 ‘Consolidated Financial Statements’ and the new IFRS 12 ‘Disclosure of interests in Other Entities’, IAS 27 has been revised with the revisions limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements;

IAS 28 ‘Investments in Associates and Joint Ventures’, effective for the periods beginning on or after 1 January 2014. IAS 28 sets out the requirements for the application of the equity method of accounting for investments in associates and joint ventures;

IAS 32 ‘Financial Instruments: Presentation’, effective for annual periods beginning on or after 1 January 2014, clarifies the requirements for offsetting financial assets and financial liabilities on the balance sheet;

IAS 36 ‘Impairment of Assets’, effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal;

IFRS 11 ‘Joint Arrangements’, effective for annual accounting periods beginning on or after 1 January 2014. IFRS 11 replaces IAS 31 ‘Interests in Joint Ventures’ and overhauls the accounting for joint ventures (now called joint arrangements) and in particular removes the option to account for jointly controlled entities (“JCE”) using proportionate consolidation and instead requires JCEs that are classified as a joint venture under IFRS 11 to be accounted for using the equity method;

IFRS 12 ‘Disclosure of Interests in Other Entities’, effective for annual accounting periods beginning on or after 1 January 2014. IFRS 12 requires extensive disclosures enabling users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity’s financial statements;

Amendments to IFRS 10, IFRS 11 and IFRS 12. These amendments are effective for annual accounting periods beginning on or after 1 January 2014 and provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period; and

Improvements to IFRSs 2009-2011 cycle, effective for the annual accounting periods beginning on or after 1 January 2014. These amendments are effective for annual periods beginning on or after 1 January 2014. Key relevant amendments are to IAS 1 'Presentation of Financial Statements' which clarifies the disclosure requirements around comparative information, IAS 16 'Property, Plant and Equipment', which clarifies that the major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory and IAS 32 'Financial Instruments: Presentation' which removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

The following standards and interpretations, relevant to the Company, have been issued by the IASB, but have not yet been endorsed by the EU for their application to become mandatory:

IFRS 9 'Financial Instruments', effective for annual accounting periods beginning on or after 1 January 2015. IFRS 9 amends the classification and measurement of financial instruments; and

Amendments to IAS 19 and improvements to IFRSs 2010-2012 and 2011-2013 cycles, with an effective date for the annual accounting periods beginning on or after 1 July 2014.

The Group has reviewed the impact to financial reporting for the changes arising from IFRS 10, 11 and 12 and they are not expected to materially affect amounts reported or disclosed in the Group's financial statements. The impact of the adoption of other standards noted above has not been assessed by the Group.

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.

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.

2.3 Summary of significant accounting policies

(a) Exploration and evaluation expenditure

Exploration and evaluation ("E&E") expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and resources. The Group applies the successful efforts method of accounting for the 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.

Notes to the financial statements continued

2 Basis of preparation and significant accounting policies continued

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.

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 at least once a year or more frequently 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. This review is based upon a status report confirming that E&E drilling is still under way or firmly planned or that it has been determined, or work is under way to determine that the discovery is economically viable. This assessment is based on a range of technical and commercial considerations and confirming that sufficient progress is being made to establish development plans and timing. If no future activity is planned, or the value of the asset cannot be recovered via successful development or sale, the balance of the E&E costs are written off in the income statement and statement of comprehensive income.

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 (the "farmee"). Where applicable past costs are reimbursed, any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal. 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) 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.

(d) 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.

(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 a maturity of three months or less, but excludes any restricted cash. Restricted cash 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. Short-term investments

Short term investments in the statement of financial position comprise cash deposits that are made for varying periods of between three months and 12 months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rate.

iii. 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.

Notes to the financial statements continued

2 Basis of preparation and significant accounting policies continued

iv. 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.

v. 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 26.

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. Interest income is included in finance income in the consolidated income statement and statement of comprehensive income.

(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).

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.

Notes to the financial statements continued

2 Basis of preparation and significant accounting policies continued

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 Group's consolidated financial statements are presented in US Dollars, which is also the parent company's functional currency. 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. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rate ruling as at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the spot exchange rate ruling at the date when the fair value was determined.

The assets and liabilities of foreign operations whose functional currency is other than that of the presentation currency of the 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 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 CGUs 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 Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Group has identified the following areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

Exploration and Evaluation assets 2.3(a)

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploration, development or asset sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Management is also required to assess impairment in respect of exploration and evaluation assets. The exploration and evaluation assets note discloses the carrying value of such assets. The triggering events for impairment are defined in IFRS 6. In making the assessment, management is required to make judgements on the status of each project and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. The assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, and reserves. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

If, after expenditure is capitalised, information becomes available suggesting that recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the income statement and statement of comprehensive income in the period when the new information becomes available.

Notes to the financial statements continued

2 Basis of preparation and significant accounting policies continued

Share-based payments 2.3(q)

Management is required to make assumptions and use their judgement when determining the inputs used to value share-based payment arrangements made during the year. Details of the inputs adopted when valuing share-based payment arrangements can be found in the share-based compensation note. Management bases these assumptions on observable market data such as the Group's share price history and risk free interest rates offered on Government bonds.

Recovery of deferred tax assets 2.3(s)

Judgement is required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable profits in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates are based on forecast cash flows from operations and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise deferred tax assets could be impacted.

The Group establishes tax provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

3 Operating loss

The Group operating loss from continuing operations is stated after charging:

(a) Exploration expenses

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
– Pre licence exploration costs	2,351	4,521
– Inventory write down	386	–
– Exploration expenditure written off	54,006	–
	56,743	4,521
– Provision for impairment	172,360	–
	229,103	4,521

(b) General & administration expenses include:

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
– Operating lease payments – minimum lease payments	2,376	2,332
– Share-based compensation charge	9,094	7,718
	11,470	10,050

(c) Other expenses

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
– Loss on disposal of assets	11	635
– Depreciation of property, plant & equipment	1,049	1,041
– Impairment of goodwill	36,297	–
– Provision for exiting contract	9,000	–
	46,357	1,676

4 Finance income

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Finance income		
– Interest income on short-term bank deposits	2,410	1,009
– Net foreign currency exchange gains	24,669	627
	27,079	1,636

During the period the Group has reviewed the classification of interest income and has concluded that it is more appropriately classified as finance income. Previously, such income had been classified as revenue. The classification of interest income as finance income is considered by the Group to be consistent with industry standards and facilitates accurate comparison of Group results with industry peers. Prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the previously reported loss from operations before taxation or cash flows.

5 Segment information

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

6 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 2013 \$'000	Year ended 31 Dec 2012 \$'000
Paid/Payable to Ernst & Young LLP		
Audit of the financial statements	350	302
Local statutory audits of subsidiaries	85	71
Total audit services	435	373
Audit related assurance services	189	156
Corporate finance services	533	482
	1,157	1,011
Paid/Payable to auditor if not Ernst & Young LLP		
Local statutory audits of subsidiaries	8	15
Taxation services	4	1
Other services	3	2
	15	18
	1,172	1,029

Notes to the financial statements continued

7 Staff costs and Directors' emoluments

(a) Staff costs

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

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Salaries and wages	21,834	19,400
Social security costs	2,759	2,519
Contributions to pension plans/superannuation funds	1,127	969
Share-based payments (note 25)	9,094	7,718
	34,814	30,606

(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 2013 \$'000	Year ended 31 Dec 2012 \$'000
Aggregate compensation:		
Salaries and wages	8,832	8,347
Social security costs	1,492	823
Contributions to pensions/superannuation funds	367	321
Compensation for loss of office	298	992
Share-based payments (note 25)	7,386	7,453
	18,375	17,936

Key management emoluments above excludes aggregate gains made by Directors on the exercise of share options of \$3,158,426 (2012: nil).

(c) Directors' emoluments

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
(i) Aggregate compensation:		
Salaries and wages	2,744	2,481
Social security costs	1,149	345
Contributions to pensions/superannuation funds	203	146
Bonuses	2,244	2,370
Compensation for loss of office	298	992
Other benefits	39	8
	6,677	6,342

Directors' emoluments above excludes aggregate gains made by Directors on the exercise of share options of \$3,158,426 (2012: nil).

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
(ii) Share-based payments (note 25)	5,495	5,544
(iii) Amounts paid to Director-related entities not included in (i) above (note 30)	10	1
Number of Directors to whom superannuation or pension benefits accrued during the year	4	3
(d) Average number of persons employed (full time equivalents):		
	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
CEO	1	1
Exploration and technical	33	22
Commercial and support	58	30
	92	53

8 Taxation

(a) Taxation credit

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Current income tax:		
UK corporation tax	1,530	–
UK current tax adjustment in respect of prior periods	–	(63)
Foreign tax	–	49
Adjustments in respect of prior periods	–	10
Total current income tax charge/(credit)	1,530	(4)
Deferred tax:		
Origination and reversal of temporary differences	(36,190)	(224)
Tax credit in the income statement	(34,660)	(228)

(b) Reconciliation of the total tax credit

The tax benefit not recognised in the income statement is reconciled to the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%).

The differences are reconciled below:

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Loss on operations before taxation	(280,467)	(40,943)
Loss on operations before taxation multiplied by the UK standard rate of corporation tax of 23.25% (2012: 24.5%)	(65,209)	(10,031)
Non-deductible expenditure	14,517	2,919
Share-based payments	953	495
Expenditure in tax exempt jurisdictions	2,662	(173)
Unrecognised deferred tax assets	12,417	6,615
Adjustment in respect of prior year periods	–	(53)
Total tax credit in the income statement	(34,660)	(228)

Notes to the financial statements continued

8 Taxation continued

(c) Deferred income tax

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

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Deferred tax liabilities:		
Property, plant and equipment	–	–
Fair value adjustment in respect of exploration assets	(20,806)	(56,996)
Revenue tax losses	–	–
	(20,806)	(56,996)

(d) Unrecognised tax losses

The Group has gross tax losses arising in the UK of \$68,623,000 (2012: \$68,623,000) and Australia \$3,400,365 (2012: \$3,760,667) 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 net unrecognised temporary differences in the various African countries where we are active totalling \$244,620,000 (2012: \$190,976,200) 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 standard rate of UK corporation tax in the year changed from 24% to 23% with effect from 1 April 2013 and further rate changes to 21% from 1 April 2014 and 20% from 1 April 2015 were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. Any UK deferred tax that is recognised is therefore recognised at the reduced rate of 20%. Deferred tax in Kenya and Tanzania is provided for at the statutory rates of 30% (2012: 30%).

9 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:

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share		
Loss for the year	(245,807)	(40,715)
Less non-controlling interest	30	106
Loss attributable to equity holders of the parent	(245,777)	(40,609)

	Year ended 31 Dec 2013 No.	Year ended 31 Dec 2012 No.
Number of shares		
Basic weighted average number of shares	546,885,741	387,194,504

There were 10,111,578 (2012: 11,131,204) outstanding share options and warrants at 31 December 2013 which were anti-dilutive.

87,227 ordinary shares of 0.25p each on exercise of options and warrants have been issued between the year end 31 December 2013 and the date of approval of these financial statements.

10 Exploration and evaluation assets

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Cost		
Balance at the beginning of the year	961,713	327,060
Additions ¹	389,076	415,484
Expenditure written off ²	(54,006)	–
Acquisition of subsidiary ³	–	228,000
Disposals ⁴	–	(8,831)
Balance at the end of the year	1,296,783	961,713
Provision for impairment		
Balance at the beginning of the year	–	–
Additional allowance ⁵	(172,360)	–
Balance at the end of the year	(172,360)	–
Net book value		
Balance at the beginning of the year	961,713	327,060
Balance at the end of the year	1,124,423	961,713

- 1 Additions in the year include exploration activities in: Tanzania – Blocks 1,3 and 4 (\$266.2 million), Tanzania – Block 7 (\$61.8 million) and Equatorial Guinea – Block R (\$16.3 million).
Additions in the prior year include exploration activities in: Tanzania – Blocks 1,3 and 4 (\$159.0 million), Equatorial Guinea – Block R (\$144.1 million), Kenya – Block L9 (\$34.1 million) and Tanzania – East Pande (\$23.6 million).
- 2 Expenditure written off in the year comprises: Madagascar – Marovoay Block (\$19.0 million), Kenya – Block L15 (\$17.4 million), Ghana – Accra Block (\$14.3 million) and Congo – Marine IX Block (\$3.3 million). The Group has relinquished its interest in these assets (refer to note 26 for further detail).
- 3 The amount of \$228.0 million was recognised on the acquisition of Dominion Petroleum Limited (note 12).
- 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.
- 5 Allowance for impairment of \$172.4 million comprises:
 - Impairment loss of \$167.3 million in respect of Tanzania – Block 7. The trigger for the impairment test was the conclusion of the Mlinzi Mbali-1 drilling operations which did not encounter live hydrocarbons and called into question the economic recovery of the block. The cash-generating unit (“CGU”) applied for the purpose of the impairment assessment is the block and the recoverable amount was based on management’s estimate of value in use; and
 - Impairment loss of \$5.1 million in respect of AGC – Profond Block. The trigger for impairment was management’s assessment that no further expenditure on exploration and evaluation of hydrocarbons in the Block was budgeted or planned within the current licence term. The CGU applied for the purpose of the impairment assessment is the block and the recoverable amount was based on management’s estimate of value in use.

The Group generally estimates value in use using a discounted cash flow model. Future cash flows are discounted to their present values using a pre-tax discount rate of 10%. Adjustments to cash flows are made to reflect the risks specific to the CGU.

Notes to the financial statements continued

11 Goodwill

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Balance at the beginning of the year	57,165	–
Acquisition of subsidiary (note 12)	–	57,389
Impairment of goodwill ¹	(36,297)	–
Disposal ²	–	(224)
Balance at the end of the year	20,868	57,165

- 1 A goodwill impairment loss of \$36.3 million was recognised in respect of Tanzania – Block 7. The impairment loss was primarily driven by the reduction in the deferred tax liability attributable to the Block, following the current year impairment loss which reduced the Block's carrying value (refer to note 10).
- 2 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 CGUs 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 2013 \$'000	Year ended 31 Dec 2012 \$'000
Tanzania (Block 7)	–	107
Kenya (Block L9)	62	62
	62	169

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 CGUs.

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Tanzania (Block 7)	–	36,190
Kenya (Block L9)	20,806	20,806
Deferred tax liability	20,806	56,996
Balance at the end of the year	20,868	57,165

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 2013. 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 Group's various assets.

The Group recognised an impairment expense of \$36.3 million (2012: nil) for the year ended 31 December 2013 (refer to note 3(c) and note 10).

12 Business combinations – Prior year acquisition

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 were operated by Ophir and which strengthened 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 were expensed and 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(c).

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:

	Fair value recognised 2 February 2012 \$'000
Exploration & evaluation assets (note 10)	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)
Net assets	162,692
Non-controlling interest	140
Total net assets acquired	162,832
Goodwill arising on acquisition (note 11)	57,389
Total purchase consideration	220,221
Purchase consideration:	
Fair value of shares issued	181,539
Cash paid	38,682
Total purchase consideration	220,221

Goodwill of \$57.4 million arose on acquisition. The goodwill on the transaction principally arose 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 was 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.

Notes to the financial statements continued

13 Property, plant and equipment

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Office furniture and equipment		
Cost		
Balance at the beginning of the year	6,497	5,431
Foreign currency translation	(772)	90
Additions	2,016	1,010
Acquisition of subsidiary	–	441
Disposals	(1,955)	(475)
Balance at the end of the year	5,786	6,497
Depreciation		
Balance at the beginning of the year	4,050	3,226
Foreign currency translation	(609)	59
Depreciation charge for the year	1,049	1,037
Disposals	(1,941)	(272)
Balance at the end of the year	2,549	4,050
Net book value		
Balance at the beginning of the year	2,447	2,205
Balance at the end of the year	3,237	2,447

14 Financial assets

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Non-current		
Security deposits – Rental properties	3,347	1,562
Security deposits – Exploration commitments ¹	1,426	9,031
	4,773	10,593

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.

15 Inventory

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Drilling consumables	25,890	12,811

16 Trade and other receivables

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Trade and other debtors	6,544	8,726
Prepayments	1,692	774
	8,236	9,500

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.

17 Cash and cash equivalents

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Cash	326,764	227,743
Short-term deposits	179,998	–
	506,762	227,743

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is \$506.8 million (2012: \$227.7 million).

18 Investments

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Short-term investments	159,921	–

Short-term investments consist of cash deposit accounts that are made for varying periods of between three months and 12 months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates. The fair value of short-term investments is \$159.9 million (2012: nil).

19 Trade and other payables

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Trade payables	3,784	17,648
Accruals	8,711	27,324
Payables in relation to joint venture partners	108,292	74,444
	120,787	119,416

Trade payables are unsecured and are usually paid within 30 days of recognition.

Notes to the financial statements continued

20 Provisions

	Employee annual leave \$'000	Litigation and other claims \$'000	Other provisions \$'000	Employee long service leave \$'000	Total \$'000
At 1 January 2013					
Current	833	–	–	–	833
Non-current	–	–	–	277	277
Arising during the year	1,039	24,700	10,000	147	35,886
Utilised	(739)	–	–	–	(739)
Amounts released	(462)	–	–	(187)	(649)
At 31 December 2013					
Current	671	24,700	10,000	–	35,371
Non-current	–	–	–	237	237

Employee annual leave and employee long service leave

These 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.

Litigation and other claims

Litigation and other claims consist of separate legal matters, including claims arising from trading activities, in various Group companies and at various stages of negotiation. The majority of any cash outflow from these matters is expected to occur within the next 12 months, although this is dependent on the development of the various legal claims. In the Directors' opinion, after taking appropriate legal advice, the amounts provided at 31 December 2013 represent the best estimate of the expected loss.

Other provision

Other provision consists of an amount representing the unavoidable, least net cost of exiting a contract. The cost is expected to be incurred within the next 12 months.

21 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 2013.

Financial risk management

The Group's principal financial assets and liabilities comprise trade and other receivables (note 16), cash and short-term deposits (note 17), short-term investments (note 18) and trade and other payables (note 19), 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 2013 (2012: nil).

Credit quality of financial assets

	Equivalent S&P rating ¹		Internally rated	
	A-1 and above \$'000	A-2 and above \$'000	No default customers \$'000	Total \$'000
Year ended 31 December 2013				
Current financial assets				
Cash and cash equivalents	506,618	–	144	506,762
Investments	159,921	–	–	159,921
Trade and other receivables	–	–	8,236	8,236
	666,539	–	8,380	674,919
Non-current financial assets				
Security deposits	3,342	1,426	5	4,773
	3,342	1,426	5	4,773

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 ¹		Internally rated	
	A-1 and above \$'000	A-2 and above \$'000	No default customers \$'000	Total \$'000
Year ended 31 December 2012				
Current financial assets				
Cash and cash equivalents	227,743	–	–	227,743
Trade and other receivables	–	–	9,500	9,500
	227,743	–	9,500	237,243
Non-current financial assets				
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.

Credit risk on cash and short-term deposits is managed by limiting the term of deposits to periods of less than 12 months and selecting counterparty financial institutions with reference to long and short-term credit ratings published by Standard & Poor's.

Notes to the financial statements continued

21 Financial instruments continued

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 Dec 2013		31 Dec 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Security deposits	4,773	4,550	10,593	10,578
	4,773	4,550	10,593	10,578

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 2013, the Group has no borrowings (2012: 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 2013 \$'000	Year ended 31 Dec 2012 \$'000
Financial assets		
Security deposits	4,773	10,593
Cash and cash equivalents	506,762	227,743
Investments	159,921	–
Net exposure	671,456	238,336

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 2012.

	Effect on loss 31 Dec 2013 \$'000	Effect on loss 31 Dec 2012 \$'000
Increase/decrease in interest rate		
+0.5%	3,357	1,192
-0.5%	(3,357)	(1,192)

The sensitivity in 2013 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 2013, 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.

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 2013 \$'000	Year ended 31 Dec 2012 \$'000
Financial assets		
Cash and cash equivalents		
AUD	412	357
EUR	293	443
GBP	138,719	34,676
TZS	96	14
XAF	780	306
	140,300	35,796
Investments		
GBP	109,921	–
	250,221	35,796
Financial liabilities		
Trade and other payables		
AUD	(661)	(221)
EUR	–	(114)
GBP	(5,207)	(3,859)
	(5,868)	(4,194)
Net exposure	244,353	31,602

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)	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
US Dollar to GBP +5% (2012: +5%)	12,172	1,541	–	–
US Dollar to GBP -5% (2012: -5%)	(12,172)	(1,541)	–	–
US Dollar to AUD +5% (2012: +5%)	(12)	7	70	1
US Dollar to AUD -5% (2012: -5%)	12	(7)	(70)	(1)
US Dollar to EUR +5% (2012: +5%)	15	16	–	–
US Dollar to EUR -5% (2012: -5%)	(15)	(16)	–	–
US Dollar to XAF +5% (2012: +5%)	39	15	–	–
US Dollar to XAF -5% (2012: -5%)	(39)	(15)	–	–
US Dollar to TZS +5% (2012: +5%)	5	1	–	–
US Dollar to TZS -5% (2012: -5%)	(5)	(1)	–	–

Notes to the financial statements continued

21 Financial instruments continued

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 forecasters' expectations.
- The reasonably possible movement was calculated by taking the US Dollar spot rate as at balance 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 19) 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 2013 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 2013 \$'000	Year ended 31 Dec 2012 \$'000
Level 1	–	–
Level 2	–	–
Level 3	4,550	10,578
	4,550	10,578

There were no transfers between levels during the year.

22 Share capital

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
a) Authorised		
2,000,000,000 ordinary shares of 0.25p each	7,963	7,963
b) Called up, allotted and fully paid		
400,004,189 ordinary shares in issue at the beginning of the year of 0.25p each (2012: 327,123,901)	1,739	1,448
4,081,558 ordinary shares issued of 0.25p each on exercise of options and warrants during the year (2012: 3,589,833)	16	15
187,875,675 ¹ ordinary shares issued of 0.25p each during the year (2012: 69,290,455 ²)	711	276
591,961,422 ordinary shares of 0.25p each (2012: 400,004,189)	2,466	1,739

- 1 19,850,000 ordinary shares issued in relation to the placement announced by the Company on 4 March 2013 and subsequently issued on 5 March 2013. The market values of the Company's shares on these dates were: £4.62 (\$6.94) and £5.13 (\$7.72) respectively.
- 168,025,675 ordinary shares issued in relation to the 2 for 5 rights issue announced by the Company on 4 March 2013 and subsequently issued on 26 March 2013. The market values of the Company's shares on these dates were: £4.62 (\$6.94) and £4.71 (\$7.17) respectively.
- 2 38,790,455 ordinary shares were issued as part of the Dominion acquisition (note 12). 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 represent 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.

23 Reserves

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Other reserves (note 24)	1,674,719	1,102,957
Non-controlling interest ¹	(276)	(246)
	1,674,443	1,102,711

- 1 The non-controlling interest relates to Dominion Uganda Ltd, where the Group acquired a 95% shareholding during 2012.

Notes to the financial statements continued

24 Reserves

	Share ¹ premium \$'000	Options ² premium reserve \$'000	Special ³ reserve \$'000	Consolid- ation ⁴ reserve \$'000	Merger ⁵ reserve \$'000	Equity ⁶ component on convertible bond \$'000	Foreign ⁷ currency translation reserve \$'000	Accum- ulated losses \$'000	Total other reserves \$'000
As at 1 January 2012	789,714	26,526	156,435	(500)	–	669	5,880	(267,112)	711,612
Loss for the period, net of tax	–	–	–	–	–	–	–	(40,609)	(40,609)
Other comprehensive income net of tax	–	–	–	–	–	–	(28)	–	(28)
Total comprehensive income net of tax	–	–	–	–	–	–	(28)	(40,609)	(40,637)
New ordinary shares issued to third parties	–	–	–	–	415,722	–	–	–	415,722
Exercise of options	8,480	–	–	–	–	–	–	–	8,480
Share issue costs	62	–	–	–	–	–	–	–	62
Share-based payments	–	7,718	–	–	–	–	–	–	7,718
As at 1 January 2013	798,256	34,244	156,435	(500)	415,722	669	5,852	(307,721)	1,102,957
Loss for the period, net of tax	–	–	–	–	–	–	–	(245,777)	(245,777)
Other comprehensive income net of tax	–	–	–	–	–	–	(1,396)	–	(1,396)
Total comprehensive income net of tax	–	–	–	–	–	–	(1,396)	(245,777)	(247,173)
New ordinary shares issued to third parties	–	–	–	–	802,517	–	–	–	802,517
Exercise of options	7,324	–	–	–	–	–	–	–	7,324
Share-based payments	–	9,094	–	–	–	–	–	–	9,094
Transfers within reserves ⁵	–	–	(156,435)	–	–	–	–	156,435	–
As at 31 December 2013	805,580	43,338	–	(500)	1,218,239	669	4,456	(397,063)	1,674,719

- 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 any other reserves.
- 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. Following the Company's subsequent recording of increase in paid up share capital the special reserve has been realised and transferred to accumulated losses.
- 4 The consolidation reserve represents a premium on acquisition of a minority interest in a controlled entity.
- 5 In the current year the provisions of the Companies Act 2006 relating to Merger Relief (s612 and s613) were applied to the March share placement and rights issue raising through a cash box structure. This resulted in the creation of a merger reserve, after deducting share issue costs of \$34.4 million. The "cash box" method of effecting an issue of shares for cash is commonplace and enabled the Company to issue shares without giving rise to a share premium. In addition, management have reclassified the share premium arising from the April 2012 share placement and the February 2012 Dominion Petroleum Limited acquisition to the merger reserve. The April 2012 share placement was structured as a "cash box" transaction and is subject to the provision of the Companies Act 2006 relating to merger relief resulting in the creation of a merger reserve after deducting share issue costs of \$7.4 million. The Dominion Petroleum Limited acquisition is also subject to merger relief by virtue of Ophir acquiring in excess of 90% of all classes of the acquiree's issued share capital in consideration for Ophir share capital.
- 6 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.
- 7 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.

25 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 2013 ("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. No shares have been acquired by the Trust.

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.

	2013 Number	2013 WAEP	2012 Number	2012 WAEP
Outstanding options at beginning of year	11,131,204	\$2.21/£1.40	11,752,240	\$2.37/£1.53
Granted during the year ¹	3,453,199	\$2.02/£1.29	2,458,753	\$1.17/£0.74
Exercised during the year	(4,081,558)	\$1.78/£1.14	(2,492,660)	\$3.17/£2.00
Expired during the year	(391,267)	\$0.00/£0.00	(587,129)	\$2.12/£1.34
Outstanding options at end of year	10,111,578	\$1.50/£0.96	11,131,204	\$2.21/£1.40
Exercisable at end of year	4,002,826	\$3.63/£2.32	4,208,600	\$2.63/£1.66

1 Awards granted under employee incentive share option plans before 25 March 2013 were increased by a factor of 1.156329 (and the exercise price reduced by the same factor) to ensure that award holders would not be disadvantaged vis-à-vis shareholders as a result of the rights issue in March 2013. Options granted during the year include additional long-term incentive awards and share options of 1,725,972 in respect of this adjustment.

The weighted average exercise price of options granted during the year was \$2.02 (2012: \$1.17). The range of exercise prices for options outstanding at the end of the year was \$0.00 to \$8.61 (2012: \$0.00 to \$10.08) with a remaining exercise period in the range of three to nine 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 2013.

Notes to the financial statements continued

25 Share-based compensation continued

	2006 Share Option Plan		Long Term Incentive Plan		2012 Deferred Share Plan	
	2013	2012	2013	2012	2013	2012
Dividend yield (%)	–	–	–	–	–	–
Exercise price	\$7.18/£4.72	\$3.96/£2.50	nil	nil	nil	nil
Share volatility (%)	50%	50%	45%	52%	50%	50%
Risk-free interest rate (%)	1%	1%	0.4%	0.4%	1%	1%
Expected life of option (years)	2-10	4-9	0-5	3-6	1-3	3
Weighted average share price	\$7.17/£4.71	\$8.13/£5.13	\$6.08/£3.97	\$8.13/£5.13	\$7.17/£4.71	\$8.13/£5.13

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.

(b) Share-based payments to suppliers of goods and services

	2013 Number	2013 WAEP	2012 Number	2012 WAEP
Outstanding options and warrants at beginning of year	–	–	1,097,173	\$1.13/£0.73
Granted during the year	–	–	–	–
Exercised during the year	–	–	(1,097,173)	\$1.33/£0.84
Outstanding options and warrants at end of year	–	–	–	–

No options or warrants were granted during the year or prior year. No options or warrants were outstanding at year end (2012: nil).

(c) Share-based payments to Directors

During the year a total of 501,182 (2012: 1,532,038) nil cost options to acquire ordinary shares were granted to Directors under the Ophir Energy Long Term Incentive Plan. In addition, options granted under the plan before 25 March 2013 were increased by a factor of 1.156329 (and the exercise price reduced by the same factor) to ensure that award holders would not be disadvantaged vis-à-vis shareholders as a result of the rights issue in March 2013. 435,344 additional options were granted under the Ophir Energy Long Term Incentive Plan in respect of this adjustment.

During the year a further total of 360,127 (2012: nil) options at a weighted average price of £4.72 (\$7.38) to acquire ordinary shares were granted to Directors under the Ophir Energy Company 2006 Share Option Plan. In addition, options granted under the plan before 25 March 2013 were increased by a factor of 1.156329 (and the exercise price reduced by the same factor) to ensure that award holders would not be disadvantaged vis-à-vis shareholders as a result of the rights issue in March 2013. 101,612 additional options were granted under the Ophir Energy Company 2006 Share Option Plan in respect of this adjustment.

26 Interests in jointly controlled assets

The Group has the following interests in jointly controlled assets:

Country	Asset	Beneficial interest 2013 (%)	Beneficial interest 2012 (%)
AGC (Operator)	Profond	79.2 ¹	44.2 ¹
Congo (Brazzaville) (Operator)	Marine IX	– ²	48.46 ²
Equatorial Guinea (Operator)	Block R	80	80
Gabon (Operator)	Mbeli	50 ³	50 ³
Gabon (Operator)	Ntsina	50 ³	50 ³
Gabon (Operator)	Manga	100 ³	100 ³
Gabon (Operator)	Gnondo	100 ³	100 ³
Ghana (Operator)	Accra	20 ⁴	20 ⁴
Kenya (Operator)	Block L9	90 ⁵	90 ⁵
Kenya (Operator)	Block L15	90 ⁵	90 ⁵
Madagascar (Operator)	Marovoay	– ⁶	80 ⁶

Country	Asset	Beneficial interest 2013 (%)	Beneficial interest 2012 (%)
SADR (Operator)	Daora	50	50
SADR (Operator)	Haouza	50	50
SADR (Operator)	Mahbes	50	50
SADR (Operator)	Mijek	50	50
Somaliland	Berbera	25 ⁷	75 ⁷
Tanzania	Block 1	40 ⁸	40 ⁸
Tanzania	Block 3	40 ⁸	40 ⁸
Tanzania	Block 4	40 ⁸	40 ⁸
Tanzania (Operator)	Block 7	80 ⁹	80 ⁹
Tanzania (Operator)	East Pande	70 ¹⁰	70 ¹⁰
Uganda	EA4B	95 ¹¹	95 ¹¹

- 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. The assignment was approved by the AGC on 22 May 2013. Following the approval, Ophir's participating interest increased from 44.2% to 79.2%.
- 2 On 27 June 2013, the Group officially notified the Government of its decision not to enter the second term of the Block Marine IX PSC. The Group formally exited Marine IX Block on 18 September 2013.
- 3 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 joint venture parties on a pro rata basis.

Farm-out arrangement

On 18 December 2013, the Group announced that it had entered into a comprehensive farm-out agreement with OMV Exploration & Production GmbH ("OMV") covering its deepwater offshore blocks in Gabon.

Under the terms of the agreement, OMV will acquire 30% non-operated interests in the Manga and Gnondo Blocks and 10% non-operated interests in the Mbeli and Ntsina Blocks. On completion, the Group's retained stakes will be 70% operated interests in the Manga and Gnondo Blocks and 40% operated interests in the Mbeli and Ntsina Blocks.

In consideration OMV will pay past costs and a share of 1) the well costs on the Padouck Deep, Affanga Deep and Okala wells, 2) the cost of two additional wells and 3) the cost of 3D seismic surveys which are planned across the Blocks. Further conditional sums are payable in the event of success with the Padouck Deep or Okala wells.

Completion of this transaction is conditional on approval by the Government of Gabon.

- 4 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.

Farm-in arrangement

In the prior year, the Group 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. As a result of the farm-in transaction the Group acquired a 18% beneficial interest (20% paying interest) and operatorship of the block in return for a payment of \$1.8 million relating to back costs. On 16 December 2013, the Group submitted a notice of resignation as Operator to the Joint Venture and in accordance with the Operating Agreement will remain Operator until 15 April 2014. On 17 December 2013, the Group submitted a letter to GNPC and the Ministry of Energy notifying them of its intention to withdraw as Operator and from the block.

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

On 19 December 2013, the Group formally notified the Ministry of Energy & Petroleum that it had elected not to enter the next Exploration Phase of the Block L15 PSC. Accordingly the Block L15 PSC will expire on 3 January 2014.

- 6 On 3 September 2013, the Group officially notified the Government of its intention to relinquish its participating interest and operatorship in the Marovoay Block in Madagascar. The Group formally exited Marovoay Block on 31 October 2013.

Notes to the financial statements continued

26 Interests in jointly controlled assets continued

7 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.

Farm-out arrangement

On 8 September 2013, the Group reduced its participating interest from 75% to 25% by entering into a farm-out arrangement with RAK Gas LLC for a 50% participating interest and operatorship in the Berbera Blocks SL9 and SL12, in return for a carry of Ophir's remaining 25% share in a planned seismic programme.

8 The Tanzanian Petroleum Development Corporation ("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.

Farm-out arrangement

On 14 November 2013, the Group announced that it had entered into an agreement to sell a 20% interest in Tanzanian Blocks 1, 3 and 4 to Pavilion Energy. The sale was approved by Ophir's shareholders on 16 December 2013.

Following the disposal, Ophir's participating interest will be 20%.

9 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.

10 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.

11 During 2012, the Group formally applied to the Ugandan government to withdraw from Block E4AB and the PSA was terminated on 23 August 2012. The process of withdrawing from Uganda is on-going and subject to the Group meeting certain commitments which are near completion. Ophir has no office or employees in country.

Capital commitments relating to these projects are included in note 28. 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.

Acquisitions – prior year

During the year ended 31 December 2012 the Group acquired the Dominion group of companies and its portfolio of blocks in offshore Tanzania, Kenya, Uganda and DRC, comprising a 90% beneficial interest in Kenya Blocks L9 and L15 and a 80% beneficial interest in Tanzania Block 7. The Group disposed of its interest in the DRC (note 10) on 20 July 2012.

27 Operating lease commitments

At 31 December 2013 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 2013 \$'000	Year ended 31 Dec 2012 \$'000
Due within one (1) year	2,029	2,076
Due later than one (1) year but within five (5) years	9,956	3,961
Due later than two (2) years but within five (5) years	6,810	2,097
	18,795	8,134

28 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 2013 \$'000	Year ended 31 Dec 2012 \$'000
Due within one (1) year	516,134	184,488
Due later than one (1) year but within two (2) years	40,877	33,951
Due later than two (2) years but within five (5) years	47,837	–
	604,848	218,439

29 Contingent liabilities

An individual has commenced action against the Group relating to an evaluation of an interest that was held in exploration blocks within the portfolio. A preliminary hearing for the claim was carried out on 5 March 2014. At this hearing the Court directed that preliminary arguments be deferred until 1 April 2014. A trial date has not been set and therefore it is not practicable to state the timing of any payment. The Group has taken the view that the action is without merit and accordingly has estimated that no liability will arise as a result of proceedings and no provision for any liability has been made in these financial statements.

30 Related party disclosures

(a) Identity of related parties

The Group has related party relationships with its subsidiaries (refer to note 6 of the Company financial statements), joint ventures (refer to note 16, note 19 and note 26) and its Directors and companies associated with its Directors identified in the paragraph (b) below.

Recharges from the Company to subsidiaries in the year were \$7,537,080 (2012: \$6,217,298). Transactions between the Company and its subsidiaries have been eliminated on consolidation.

(b) Other transactions with key management personnel

The Company made payments of \$10,311 (2012: \$1,168) to Vectis Petroleum Limited, a company associated with Mr John Lander, for the provision of his service as a non-executive director.

Compensation of key management personnel (including Directors) is disclosed in note 7(b).

31 Events after the reporting period

On 14 November 2013, the Company announced its move to dispose of a 20% interest in Blocks 1, 3 and 4 in Tanzania to Pavilion Energy.

On 16 December 2013, the Company received shareholder approval to dispose of this interest. All conditions precedent to the transaction have been satisfied (or waived.) The transaction is now unconditional and will close shortly.

On 4 March 2014, the Group announced that it had entered into an agreement with WHL Energy Ltd (“WHL”), an Australian listed E&P company, to acquire a 75% operated interest in Blocks PEC-5B/1 and PEC-5B/2 located offshore to the south of the Seychelles Islands in the Indian Ocean. In exchange for the acquired interest, the Group will repay back costs to WHL of \$4 million and fund the acquisition of 1,500 km² of 3D seismic data.

On 19 March 2014 the Company announced that the Padouck Deep-1 well in the Ntsina Block offshore Gabon had completed. Whilst the well encountered thicker than expected, good-quality reservoir sands, there were no significant hydrocarbon shows.

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 Strategic Report, 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 19 March 2014

Nick Cooper

Chief Executive Officer

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 2013 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 21. 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 set out on page 132, 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 and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013;
- 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 Strategic 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.

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 2013. The risk of going concern as described in the Group audit opinion also relates to the parent company audit.

Paul Wallek

(Senior statutory auditor)

for and on behalf of Ernst & Young LLP

Statutory Auditor

London

19 March 2014

Notes:

1. The maintenance and integrity of the Ophir Energy plc website 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 website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company statement of financial position

As at 31 December 2013

	Notes	As at 31 Dec 2013 \$'000	As at 31 Dec 2012 \$'000
Non-current assets			
Property, plant and equipment	5	1,314	717
Investments in subsidiaries	6	2,300,049	1,133,350
Financial assets	7	3,095	5,774
		2,304,458	1,139,841
Current assets			
Inventory	8	1,843	–
Trade and other receivables	9	39,745	1,591
Cash and cash equivalents	10	69,189	45,380
		110,777	46,971
Total assets		2,415,235	1,186,812
Current liabilities			
Trade and other payables	11	(5,207)	(4,258)
Provisions	12	(227)	(372)
		(5,434)	(4,630)
Non-current liabilities			
Interest-bearing loans and borrowings	13	(540,630)	–
		(540,630)	–
Total liabilities		(546,064)	(4,630)
Net assets		1,869,171	1,182,182
Capital and reserves			
Called up share capital	15	2,466	1,739
Reserves	16	1,866,705	1,180,443
Total equity		1,869,171	1,182,182

Approved by the Board on 19 March 2014.

Nicholas Smith
Chairman

Nick Cooper
Chief Executive Officer

Company statement of changes in equity
For the year ended 31 December 2013

	Called up share capital \$'000	Other ¹ reserves \$'000	Total equity \$'000
As at 1 January 2012	1,448	777,133	778,581
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	415,722	415,998
Exercise of options	15	8,480	8,495
Share issue costs	–	62	62
Share-based payments	–	7,718	7,718
As at 31 December 2012	1,739	1,180,443	1,182,182
Loss for the period, net of tax	–	(132,673)	(132,673)
Other comprehensive income, net of tax	–	–	–
Total comprehensive income, net of tax	–	(132,673)	(132,673)
New ordinary shares issued to third parties	711	802,517	803,228
Exercise of options	16	7,324	7,340
Share-based payments	–	9,094	9,094
As at 31 December 2013	2,466	1,866,705	1,869,171

1 Refer to note 16.

Company statement of cash flows

For the year ended 31 December 2013

	Notes	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Operating activities			
Loss before taxation		(132,673)	(28,672)
Adjustments to reconcile loss before tax to net cash flows:			
Interest income		(37,296)	(3,976)
Depreciation of property, plant and equipment	5	312	210
Amortisation of deferred costs		–	5
Provision for employee entitlements		(145)	130
Share-based payments		9,094	7,718
Allowance for impairment of investment in subsidiaries	6	133,004	1,021
Working capital adjustments			
Increase in inventory		(1,843)	–
Increase/(decrease) in trade and other payables		949	(251)
(Increase)/decrease in trade and other receivables		(821)	563
Decrease/(increase) in financial assets		–	(5,387)
Cash flows from operating activities		(29,419)	(28,639)
Income taxes paid		–	–
Interest income		17	1,433
Net cash flows used in operating activities		(29,402)	(27,206)
Investing activities			
Purchases of property, plant and equipment	5	(909)	(605)
Investment in subsidiaries		(837,557)	–
Loans to subsidiaries		(462,193)	(517,320)
Security deposits refunded		2,679	–
Acquisition of subsidiary		–	(38,682)
Net cash flows used in investing activities		(1,297,980)	(556,607)
Financing activities			
Share issue costs		(34,399)	(7,372)
Issue of ordinary shares		844,967	250,385
Proceeds from loans and borrowings	13	540,630	–
Net cash flows from financing activities		1,351,198	243,013
Increase/(decrease) in cash and cash equivalents for the year			
Effect of exchange rates on cash and cash equivalents		(7)	(10)
Cash and cash equivalents at the beginning of the year		45,380	386,190
Cash and cash equivalents at the end of the year	10	69,189	45,380

Notes to the financial statements

1 Corporate information

Ophir Energy plc (the “Company”) is a public limited company incorporated, domiciled and listed in England. 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 2013 were authorised for issue by the Board of Directors on 19 March 2014 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 2012 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 2013. 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 in hand and short-term deposits with a maturity of three months or less, but excludes any restricted cash. Restricted cash is not available for use by the Company and therefore is not considered highly liquid – for example cash set aside to cover rehabilitation obligations. For the purpose of the 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.

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.

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.

(c) 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.

(d) 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 three to 10 years.

(e) 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.

(f) 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.

(g) 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.

(h) Equity instruments

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

(i) 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.

(j) 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.

Notes to the financial statements continued

2 Basis of preparation and significant accounting policies continued

(k) 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.

(l) 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. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rate ruling as at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the spot exchange rate ruling at the date when the fair value was determined.

(m) 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.

(n) 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 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 CGUs 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.

2.3 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 attributable to members of the parent company

The loss attributable to the members of the Company for the year ended 31 December 2013 is \$132.7 million (2012: \$28.7 million).

Notes to the financial statements continued

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.

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. No shares have been acquired by the Trust.

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.

	2013 Number	2013 WAEP	2012 Number	2012 WAEP
Outstanding options at beginning of year	11,131,204	\$2.21/£1.40	11,752,240	\$2.37/£1.53
Granted during the year ¹	3,453,199	\$2.02/£1.29	2,458,753	\$1.17/£0.74
Exercised during the year	(4,081,558)	\$1.78/£1.14	(2,492,660)	\$3.17/£2.00
Expired during the year	(391,267)	\$0.00/£0.00	(587,129)	\$2.12/£1.34
Outstanding options at end of year	10,111,578	\$1.50/£0.96	11,131,204	\$2.21/£1.40
Exercisable at end of year	4,002,826	\$3.63/£2.32	4,208,600	\$2.63/£1.66

1 Awards granted under employee incentive share option plans before 25 March 2013 were increased by a factor of 1.156329 (and the exercise price reduced by the same factor) to ensure that award holders would not be disadvantaged vis-à-vis shareholders as a result of the rights issue in March 2013. Options granted during the year include additional long-term incentive awards and share options of 1,725,972 in respect of this adjustment.

The weighted average exercise price of options granted during the year was \$2.02 (2012: \$1.17). The range of exercise prices for options outstanding at the end of the year was \$0.00 to \$8.61 (2012: \$0.00 to \$10.08) with a remaining exercise period in the range of three to nine 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 2013.

	2006 Share Option Plan		Long Term Incentive Plan		2012 Deferred Share Plan	
	2013	2012	2013	2012	2013	2012
Dividend yield (%)	–	–	–	–	–	–
Exercise price	\$7.18/£4.72	\$3.96/£2.50	nil	nil	nil	nil
Share volatility (%)	50%	50%	45%	52%	50%	50%
Risk-free interest rate (%)	1%	1%	0.4%	0.4%	1%	1%
Expected life of option (years)	2-10	4-9	0-5	3-6	1-3	3
Weighted average share price	\$7.17/£4.71	\$8.13/£5.13	\$6.08/£3.97	\$8.13/£5.13	\$7.17/£4.71	\$8.13/£5.13

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.

(b) Share-based payments to suppliers of goods and services

	2013 Number	2013 WAEP	2012 Number	2012 WAEP
Outstanding options and warrants at beginning of year	–	–	1,097,173	\$1.13/£0.73
Granted during the year	–	–	–	–
Exercised during the year	–	–	(1,097,173)	\$1.33/£0.84
Outstanding options and warrants at end of year	–	–	–	–

No options or warrants were granted during the year or prior year. No options or warrants were outstanding at year end (2012: nil).

(c) Share-based payments to Directors

During the year a total of 501,182 (2012: 1,532,038) nil cost options to acquire ordinary shares were granted to Directors under the Ophir Energy Long Term Incentive Plan. In addition, options granted under the plan before 25 March 2013 were increased by a factor of 1.156329 (and the exercise price reduced by the same factor) to ensure that award holders would not be disadvantaged vis-à-vis shareholders as a result of the rights issue in March 2013. 435,344 additional options were granted under the Ophir Energy Long Term Incentive Plan in respect of this adjustment.

During the year a further total of 360,127 (2012: nil) options at a weighted average price of £4.72 (\$7.38) to acquire ordinary shares were granted to Directors under the Ophir Energy Company 2006 Share Option Plan. In addition, options granted under the plan before 25 March 2013 were increased by a factor of 1.156329 (and the exercise price reduced by the same factor) to ensure that award holders would not be disadvantaged vis-à-vis shareholders as a result of the rights issue in March 2013. 101,612 additional options were granted under the Ophir Energy Company 2006 Share Option Plan in respect of this adjustment.

Notes to the financial statements continued

5 Property, plant and equipment

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Office furniture and equipment		
Cost		
Balance at the beginning of the year	1,187	767
Additions	909	605
Disposals	(73)	(185)
Balance at the end of the year	2,023	1,187
Depreciation		
Balance at the beginning of the year	470	260
Disposals	(73)	–
Depreciation charge for the year	312	210
Balance at the end of the year	709	470
Net book value		
Balance at the beginning of the year	717	507
Balance at the end of the year	1,314	717

6 Investments in subsidiaries

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Balance at the beginning of the year	1,240,493	499,714
Additions during the year		
Ophir Holdings Limited	413,791	248,800
Ophir Services Pty Limited	–	4,800
Ophir Ventures (Jersey) Limited ²	–	241,893
Ophir Ventures (Jersey) No. 2 Limited ³	837,558	–
Dominion Petroleum Limited ¹	77,223	220,316
Dominion Petroleum Acquisitions Limited	–	17,103
Dominion Oil & Gas (Tanzania) Limited	–	80
Dominion Tanzania Limited	6,268	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	–

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Repayments during the year		
Ophir Services Pty Limited	(3,671)	–
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 the end of the year	2,546,692	1,240,493
Allowance for impairment		
Balance at the beginning of the year	(107,143)	(106,122)
Additional allowance	(139,500)	(1,021)
Balance at the end of the year	(246,643)	(107,143)
Net book value		
At the beginning of the year	1,133,350	393,592
At the end of the year	2,300,049	1,133,350

- 1 On 2 February 2012, the Group acquired 100% of the share capital of Dominion Petroleum Limited, an AIM quoted group of companies operating in the oil and gas exploration industry, for \$220,221,437.
- 2 On 2 April 2012, the Company acquired 100% of the Redeemable Preference Shares in Ophir Ventures (Jersey) Limited for \$241,892,975. The preference shares are redeemable by Ophir Ventures (Jersey) No. 2 Limited or the Company at any time up until the redemption date 31 December 2017 and pay a cumulative preferential dividend (the "Preferential Dividend") at a rate of 1% per annum. The Preferential Dividend is payable half-yearly in arrears on 31 December and 30 June each year.
- 3 On 8 March 2013, the Company acquired 100% of the A Preference Shares in Ophir Ventures (Jersey) No. 2 Limited for \$136,965,000. The preference shares are redeemable by Ophir Ventures (Jersey) No. 2 Limited or the Company at any time up until the redemption date 31 December 2017 and pay a cumulative preferential dividend (the "Preferential A Dividend") at a rate of 5% per annum. The Preferential A Dividend is payable half-yearly in arrears on 31 December and 30 June each year.
On 26 March 2013, the Company acquired 100% of the B Preference Shares in Ophir Ventures (Jersey) No. 2 Limited for \$700,592,324. The preference shares are redeemable by Ophir Ventures (Jersey) No. 2 Limited or the Company at any time up until the redemption date 31 December 2017 and pay a cumulative preferential dividend (the "Preferential B Dividend") at a rate of 5% per annum. The Preferential B Dividend is payable half-yearly in arrears on 31 December and 30 June each year.

Loans to subsidiaries are unsecured, interest free and form part of the Company's investments in subsidiaries. The loans are denominated in US Dollars and have no particular repayment terms. Loan repayments during the year were subsequently refinanced through the entities' parent company, Dominion Petroleum Limited. The Company has indicated that it does not intend to demand repayment in the foreseeable future. The allowance for impairment charge primarily relates to a reduction in value of the subsidiaries associated with the write off of exploration expenditure.

Notes to the financial statements continued

6 Investments in subsidiaries continued

At 31 December 2013 the Company had investments in the following subsidiaries:

	Country of incorporation	Principal activity	Class of shares	Holding 31 Dec 2013	Holding 31 Dec 2012
Subsidiaries of Ophir Energy plc					
Ophir Services Pty Limited	Australia	Group Services	Ordinary	100%	100%
Ophir Holdings Limited	Jersey C.I.	Holding	Ordinary	100%	100%
Ophir Asia Limited	Jersey C.I.	Dormant	Ordinary	100%	100%
Ophir Ventures (Jersey) Limited	Jersey C.I.	Holding	Ordinary	100%	100%
Ophir Ventures (Jersey) Limited	Jersey C.I.	Holding	Preference	100%	100%
Ophir Ventures (Jersey) No.2 Limited	Jersey C.I.	Holding	Ordinary	100%	–
Ophir Ventures (Jersey) No.2 Limited	Jersey C.I.	Holding	Preference	100%	–
Dominion Petroleum Limited	Bermuda	Exploration	Ordinary	100%	100%
Ophir Services Pty Limited	Australia	Group Services	Ordinary	100%	100%
Subsidiaries of Ophir Holdings Limited					
Ophir East Africa Holdings Limited	Jersey C.I.	Holding	Ordinary	100%	100%
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 (1) Limited	Jersey C.I.	Dormant	Ordinary	100%	100%
Ophir Ghana (Accra) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Subsidiaries of Ophir Equatorial Guinea Holdings Limited					
Ophir Equatorial Guinea (Block R) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Subsidiary of Ophir JDZ Limited					
Ophir Energy Company Nigeria (JDZ) Limited	Nigeria	Dormant	Ordinary	100%	100%
Subsidiaries of Ophir East Africa Holdings Limited					
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%	100%
Ophir Gas Marketing Limited	Jersey C.I.	Holding	Ordinary	100%	100%
Ophir LNG Limited	Jersey C.I.	Holding	Ordinary	100%	100%

	Country of incorporation	Principal activity	Class of shares	Holding 31 Dec 2013	Holding 31 Dec 2012
Subsidiaries of Dominion Petroleum Limited					
Dominion Petroleum Acquisitions Limited	Bermuda	Exploration	Ordinary	100%	100%
DOMPet Limited	Bermuda	Exploration	Ordinary	100%	100%
Dominion Investments Limited	Tanzania	Exploration	Ordinary	99.96%	99.96%
Dominion Acquisitions Limited	BVI	Exploration	Ordinary	100%	100%
Dominion Petroleum Administrative Services Limited	United Kingdom	Exploration	Ordinary	100%	100%
Dominion Kenya Holdings Limited	United Kingdom	Exploration	Ordinary	100%	100%
Dominion Petroleum Congo SPRL	DRC	Exploration	Ordinary	–	1%
Subsidiaries of Dominion Petroleum Acquisitions Limited					
Dominion Tanzania Limited	Tanzania	Exploration	Ordinary	0.1%	0.1%
Dominion Oil and Gas Limited	BVI	Exploration	Ordinary	100%	100%
Dominion Oil and Gas Limited	Tanzania	Exploration	Ordinary	100%	100%
Subsidiaries of Dominion Oil & Gas Limited					
Dominion Oil and Gas Limited	Tanzania	Exploration	Ordinary	99.9%	99.9%
Subsidiaries of DOMPet Limited					
Dominion Tanzania Limited	Tanzania	Exploration	Ordinary	99.9%	99.9%
Subsidiaries of Dominion Acquisitions Limited					
Dominion Uganda Limited	BVI	Exploration	Ordinary	95%	95%
Dominion Somaliland Limited	BVI	Exploration	Ordinary	100%	100%
Dominion Petroleum Congo SPRL	DRC	Exploration	Ordinary	–	99%
Subsidiaries of Dominion Petroleum Administrative Services Limited					
Dominion Petroleum Kenya Limited	Kenya	Exploration	Ordinary	50%	50%
Dominion Petroleum L15 (Kenya) Limited	Kenya	Exploration	Ordinary	50%	50%
Subsidiaries of Dominion Kenya Holdings Limited					
Dominion Petroleum Kenya Limited	Kenya	Exploration	Ordinary	50%	50%
Dominion Petroleum L15 (Kenya) Limited	Kenya	Exploration	Ordinary	50%	50%

All subsidiaries have a functional currency of US Dollars with the exception of Ophir Services Pty Ltd and Dominion Petroleum Administrative Services Limited which have Australian Dollar and Pounds Sterling functional currencies respectively.

Notes to the financial statements continued

7 Financial assets

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Non-current		
Security deposits – Rental properties	3,095	1,274
Security deposits – Exploration commitments ¹	–	4,500
	3,095	5,774

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.

8 Inventory

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Drilling consumables	1,843	–

9 Trade and other receivables

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Other debtors	680	585
Prepayments	1,374	744
Amounts due from subsidiary undertakings ¹	37,691	262
	39,745	1,591

1 Amounts due from subsidiary undertakings comprise accrued preferential dividends (refer to note 6).

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.

10 Cash and cash equivalents

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Cash	69,189	45,380

Cash at banks earn interest at floating rates based on daily bank deposit rates.

The fair value of cash and cash equivalents is \$69.2 million (2012: \$45.4 million).

11 Trade and other payables

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Trade creditors	955	1,398
Accruals	4,252	2,410
Amounts due to subsidiary undertakings	–	450
	5,207	4,258

Trade payables are unsecured and are usually paid within 30 days of recognition.

12 Provisions

	Employee annual leave \$'000
At 1 January 2013	372
Arising during the year	551
Utilised	(461)
Amounts released	(235)
At 31 December 2013	227

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 Interest-bearing loans and borrowings

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Loans from subsidiary undertakings	540,630	–

Loan from Ophir Ventures (Jersey) Limited – \$242.1 million

This loan is unsecured and has no particular repayment terms. Interest is payable quarterly (being 31 March, 30 June, 30 September and 31 December) in arrears at a three month LIBOR rate plus a margin of 2.5%. The total facility is \$300 million.

Loan from Ophir Ventures (Jersey) No. 2 Limited – \$298.5 million

This loan is unsecured and has no particular repayment terms. Interest is payable quarterly (being 31 March, 30 June, 30 September and 31 December) in arrears at a three month LIBOR rate plus a margin of 2.5%. The total facility is \$600 million.

Notes to the financial statements continued

14 Financial instruments

The Company utilises the same financial risk and capital management as the Group. Refer to note 21 of the Group financial statements for further details.

(a) Credit quality of financial assets

	Equivalent S&P rating ¹		Internally rated	
	A-1 and above \$'000	A-2 and above \$'000	No default customers \$'000	Total \$'000
Year ended 31 December 2013				
Current financial assets				
Cash and cash equivalents	69,184	–	5	69,189
Trade and other receivables	–	–	680	680
	69,184	–	685	69,869
Non-current financial assets				
Security deposits	3,095	–	–	3,095
	3,095	–	–	3,095

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 ¹		Internally rated	
	A-1 and above \$'000	A-2 and above \$'000	No default customers \$'000	Total \$'000
Year ended 31 December 2012				
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.

Credit risk on cash and short-term deposits is managed by limiting the term of deposits to periods of less than 12 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 2013		31 Dec 2012	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Year ended 31 December 2013				
Security deposits	3,095	3,095	5,774	5,774
	3,095	3,095	5,774	5,774

The fair values are based on cash flows discounted at a rate reflecting current market rates adjusted for counter party credit risk. The fair values of all other financial assets and liabilities approximate their carrying values.

(b) Interest rate risk

As of 31 December 2013, the Company has no external borrowings (2012: nil).

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 and loans from subsidiary undertakings.

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.

Loans from subsidiary undertakings are issued at variable rates and expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Company monitors interest rates when taking into consideration refinancing, renewal of existing positions or alternative financing.

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Financial assets		
Security deposits	3,095	5,774
Cash and cash equivalents	69,189	45,380
	72,284	51,154
Financial liabilities		
Loans from subsidiary undertakings	(540,630)	–
Net exposure	(468,346)	51,154

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 2012.

	Effect on loss 31 Dec 2013 \$'000	Effect on loss 31 Dec 2012 \$'000
Increase/decrease in interest rate		
+0.5%	(2,342)	256
-0.5%	2,342	(256)

The sensitivity in 2013 was maintained at 0.5% as interest rate volatilities remain similar to those in the prior period.

Notes to the financial statements continued

14 Financial instruments continued

(c) Foreign currency risk

The Company adopts the same policies to manage foreign currency risk as the Group. Refer to note 21(c) of the Group financial statements for further details.

As at 31 December 2013, 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 2013 \$'000	Year ended 31 Dec 2012 \$'000
Financial assets		
Cash and cash equivalents		
EUR	28	44
GBP	2,656	347
	2,684	391
Financial liabilities		
Trade and other payables		
GBP	(5,207)	(3,809)
	(5,207)	(3,809)
Net exposure	(2,523)	(3,418)

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)	
	2013 \$'000	2012 \$'000
US Dollar to GBP Sterling +5% (2012: +5%)	(128)	(173)
US Dollar to GBP Sterling -5% (2012: -5%)	128	173
US Dollar to EUR +5% (2012: +5%)	1	2
US Dollar to EUR -5% (2012: -5%)	(1)	(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 forecasters' expectations.
- (2) The reasonably possible movement was calculated by taking the US Dollar spot rate as at balance 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. The Company utilises the same policies to mitigate liquidity risk as the rest of the Group. Refer to note 21(d) of the Group financial statements for further details.

All of the Company's trade creditors and other payables (note 11) are payable in less than six months. The loans from subsidiary undertakings are unsecured and have no particular repayment terms. Based on the carrying value of loans from subsidiary undertakings at 31 December 2013 (note 13) and prevailing interest rates, the forecasted annual interest expense is \$16.3 million.

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 2013 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 2013 \$'000	Year ended 31 Dec 2012 \$'000
Level 1	–	–
Level 2	–	–
Level 3	3,095	5,774
	3,095	5,774

There were no transfers between levels during the year.

15 Share capital

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
a) Authorised		
2,000,000,000 ordinary shares of 0.25p each	7,963	7,963
b) Called up, allotted and fully paid		
400,004,189 ordinary shares in issue at the beginning of the year of 0.25p each (2012: 327,123,901)	1,739	1,448
4,081,558 ordinary shares issued of 0.25p each on exercise of options and warrants during the year (2012: 3,589,833)	16	15
187,875,675 ¹ ordinary shares issued of 0.25p each during the year (2012: 69,290,455 ²)	711	276
591,961,422 ordinary shares of 0.25p each (2012: 400,004,189)	2,466	1,739

1 19,850,000 ordinary shares in relation to the placement announced by the Company on 4 March 2013 and subsequently issued on 5 March 2013. The market values of the Company's shares on these dates were: £4.62 (\$6.94) and £5.13 (\$7.72) respectively.

168,025,675 ordinary shares in relation to the 2 for 5 rights issue announced by the Company on 4 March 2013 and subsequently issued on 26 March 2013. The market values of the Company's shares on these dates were: £4.62 (\$6.94) and £4.71 (\$7.17) respectively.

2 38,790,455 ordinary shares were issued as part of the Dominion acquisition (note 12 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 represent 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.

Notes to the financial statements continued

16 Other reserves

	Share ¹ premium \$'000	Options ² premium reserve \$'000	Special ³ reserve \$'000	Merger ⁴ reserve \$'000	Equity ⁵ component on convertible bond \$'000	Foreign ⁶ currency translation reserve \$'000	Accum- ulated losses \$'000	Total other reserves \$'000
As at 1 January 2012	789,714	26,526	156,435	–	669	11,839	(208,050)	777,133
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	–	–	–	415,722	–	–	–	415,722
Exercise of options	8,480	–	–	–	–	–	–	8,480
Share issue costs	62	–	–	–	–	–	–	62
Share-based payments	–	7,718	–	–	–	–	–	7,718
As at 1 January 2013	798,256	34,244	156,435	415,722	669	11,839	(236,722)	1,180,443
Loss for the period, net of tax	–	–	–	–	–	–	(132,673)	(132,673)
Other comprehensive income net of tax	–	–	–	–	–	–	–	–
Total comprehensive income net of tax	–	–	–	–	–	–	(132,673)	(132,673)
New ordinary shares issued to third parties	–	–	–	802,517	–	–	–	802,517
Exercise of options	7,324	–	–	–	–	–	–	7,324
Share-based payments	–	9,094	–	–	–	–	–	9,094
Transfers within reserves ⁴	–	–	(156,435)	–	–	–	156,435	–
As at 31 December 2013	805,580	43,338	–	1,218,239	669	11,839	(212,960)	1,866,705

- 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 any other reserves.
- 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. Following the Company's subsequent recording of increase in paid up share capital the special reserve has been realised and transferred to accumulated losses.
- 4 In the current year the provisions of the Companies Act 2006 relating to Merger Relief (s612 and s613) were applied to the March share placement and rights issue raising through a cash box structure. This resulted in the creation of a merger reserve, after deducting share issue costs of \$34.4 million. The "cash box" method of effecting an issue of shares for cash is commonplace and enabled the Company to issue shares without giving rise to a share premium. In addition, management have reclassified the share premium arising from the April 2012 share placement and the February 2012 Dominion Petroleum Limited acquisition to the merger reserve. The April 2012 share placement was structured as a "cash box" transaction and is subject to the provision of the Companies Act 2006 relating to merger relief resulting in the creation of a merger reserve after deducting share issue costs of \$7.4 million. The Dominion Petroleum Limited acquisition is also subject to merger relief by virtue of Ophir acquiring in excess of 90% of all classes of the acquiree's issued share capital in consideration for Ophir share capital.
- 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.

17 Operating lease commitments

At 31 December 2013 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 2013 \$'000	Year ended 31 Dec 2012 \$'000
Due within one (1) year	237	1,423
Due later than one (1) year but within five (5) years	7,490	3,320
Due later than two (2) years but within five (5) years	6,810	2,097
	14,537	6,840

18 Borrowing facilities

The Company had no external borrowing facilities as at 31 December 2013 (2012: nil).

19 Related party transactions

(a) Identity of related parties

The Company has related party relationships with its subsidiaries (refer to note 6, note 9, note 11 and note 13), 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 \$10,311 (2012: \$1,168) to Vectis Petroleum Limited, a company associated with Mr John Lander, for the provision of his service as a non-executive director.

Compensation of key management personnel (including Directors) is disclosed in note 7(b) of the Group financial statements.

20 Contingent liabilities

An individual has commenced action against the Group relating to an evaluation of an interest that was held in exploration blocks within the portfolio. A preliminary hearing for the claim was carried out on 5 March 2014. At this hearing the Court directed that preliminary arguments be deferred until 1 April 2014. A trial date has not been set and therefore it is not practicable to state the timing of any payment. The Group has taken the view that the action is without merit and accordingly has estimated that no liability will arise as a result of proceedings and no provision for any liability has been made in these financial statements.

21 Events after reporting period

On 14 November 2013, the Company announced its move to dispose of a 20% interest in Blocks 1, 3 and 4 in Tanzania to Pavilion Energy. On 16 December 2013, the Company received shareholder approval to dispose of this interest. All conditions precedent to the transaction have been satisfied (or waived.) The transaction is now unconditional and will close shortly.

On 4 March 2014, the Company announced that it had entered into an agreement with WHL Energy Ltd ("WHL"), an Australian listed E&P company, to acquire a 75% operated interest in Blocks PEC-5B/1 and PEC-5B/2 located offshore to the south of the Seychelles Islands in the Indian Ocean. In exchange for the acquired interest, the Company will repay back costs to WHL of \$4 million and fund the acquisition of 1,500 km² of 3D seismic data.

On 19 March 2014, the Company announced that the Padouck Deep-1 well in the Ntsina Block offshore Gabon had completed. Whilst the well encountered thicker than expected, good-quality reservoir sands, there were no significant hydrocarbon shows.

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

Other offices are located in:

Australia

Level 3
38 Station 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 Asset Services*
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
Telephone: 0871 664 0300**
International dialling: +44 20 8639 3399
Website: www.capitaregistrars.com
Email: shareholderenquiries@capita.co.uk

* Capita Asset Services is a trading name of Capita Registrars Limited and Capita IRG Trustees Limited. Share registration and associated services are provided by Capita Registrars Limited (registered in England and Wales, No. 2605568). Regulated services are provided by Capita IRG Trustees Limited (registered in England and Wales No. 2729260), which is authorised and regulated by the Financial Conduct Authority.

** 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.

2014 Financial calendar

Annual General Meeting	21 May 2014
Half year results announcement	August 2014
Full year results announcement	March 2015

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

Further information on share fraud and unauthorised investment firms targeting UK investors ("boiler room scams") may be obtained from the website of the Financial Conduct Authority:

<http://www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams>

Shareholder profile by size of holding as at 31 December 2013

Range	No. of holders	% of total	Shares held 31.12.2013	% of total
1 – 1,000	395	33.00%	160,512	0.03%
1,001 – 10,000	355	29.66%	1,217,077	0.21%
10,001 – 100,000	207	17.29%	7,930,345	1.34%
100,001 – 1,000,000	169	14.12%	59,467,645	10.05%
1,000,001 – 10,000,000	61	5.10%	202,096,959	34.14%
10,000,000+	10	0.84%	321,088,884	54.24%
	1,197	100.00%	591,961,422	100.00%

Shareholder profile by category as at 31 December 2013

Category	No. of holders	% of total	Shares held 31.12.2012	% of total
Private shareholders	364	30.41%	2,668,165	0.45%
Nominees and other institutional investors	833	69.59%	589,293,257	99.55%
	1,197	100.00%	591,961,422	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.

Shareholder Information continued

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.

Advisors

Auditors:

Ernst & Young LLP
One More London Place
London SE1 2AF
United Kingdom

Solicitors:

Linklaters
One Silk Street
London EC2Y 8HQ
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

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

BBbbl

Billion barrels

bbl

Barrel(s) of oil or condensate

boe

Barrel of oil equivalent

Capex

Capital expenditure

C&P

Contracts and Procurement

Contingent resource

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

CSR

Corporate and social responsibility

DHI

Direct hydrocarbon indicator

DST

Drill Stem Test

E&P

Exploration and Production

EG

Equatorial Guinea

EIA

Environmental Impact Assessment

Exploration well

A well drilled to explore a potential discovery

Farm-in

To acquire an interest in a licence from another party

Farm-out

To assign an interest in a licence to another party

FEED

Front end engineering and design

Flat spots

An anomaly on seismic which can sometimes be an indicator of the presence of hydrocarbons

FLNG

Floating LNG technology

G&G

Geological and geophysical

HSE

Health, safety and environment

HSSE

Health, safety, security and environment

IAS regulation

International Accounting Standards

IFRS

International Financial Reporting Standards

IFRIC

International Financial Reporting Interpretation

IPO

Initial Public Offering

JV

Joint Venture

LNG

Liquefied natural gas

LoI

Letter of Intent

LTI

Lost Time Incident

LTIF

Lost Time Incident Frequency

LTIP

Long-Term Investment Plan

mmbbl

Million barrels

mmtpa

Millions of tonnes per annum

mmcf

Million cubic feet of gas per day

NGO

Non-Governmental Organisation

NOC

National Oil Company

OGP

Oil and Gas Producers

PSA

Pooling and sharing agreement

PSC

Production Sharing Contract

RFT

Request for Tender

RTA

Road traffic accident

Spud

To commence drilling a well

TCF

Trillion cubic feet

TCFe

Trillion cubic feet equivalent

TD

Total depth

TPDC

Tanzania Petroleum Development Corporation

2C

Best estimate of contingent resources



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