



# Annual Report and Accounts 2014



Ophir Energy creates value by finding resources and then monetising them at the appropriate time. The Group has an extensive and diverse portfolio of assets in Africa and Asia and is listed on the London Stock Exchange (FTSE 250).



Read more at  
[ophir-energy.com](http://ophir-energy.com)



## Ophir diversifies funding model through acquisition of Salamander Energy

During 2014 Ophir agreed to acquire Salamander Energy. This acquisition provides Ophir with an Asian operating platform, with a cash generative production base that is resilient at low oil prices and will part fund the resource finding business.



Review of operations  
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**Business at a glance**  
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# Financial and operational highlights in 2014

Ophir delivered another successful year operationally, ending 2014 with net contingent resources of 1,031 mmboe. The Company demonstrated the value it has created to date with the partial monetisation of its interests in Tanzania for \$1.288 billion\*. The reported net profit for the year was \$54.8 million, reflecting asset impairments and exploration write-offs.

**11**

11 exploration and appraisal wells drilled in 2014, six of which were successful

**\$1.288 billion**

Completed the sale of a 20% interest in Tanzania Blocks 1, 3 and 4 to Pavilion Energy for \$1.288 billion\*

\* includes a \$38 million amount that is payable at FID.

**180 mscfd**

Fortuna-2 drill stem test exceeded expectations with gas flowing at an implied unconstrained rate of 180 mscfd

**1,031 mmboe**

Net contingent resource at year end 2014

\* includes a \$38 million amount that is payable at FID.



**\$1.17 billion**

Cash and cash investments  
as at year end 2014\*

\* includes \$295 million of short-term investments.

**0.7**

LTIF rate of 0.7 per million  
man hours worked

**\$1.34 per boe**

Three-year average  
finding costs

**\$54.8 million**

Post-tax profit of \$54.8 million

# Market overview

**Oil prices fell significantly towards the end of 2014. This has resulted in downward pressure on the service sector which is reducing Ophir's cost of doing business. Ophir is always focused on ensuring that any exploration success is commercial and can be monetised in the prevailing oil price environment.**

M&A activity across the sector is expected to increase as more companies are forecast to have balance sheets that come under pressure. We are seeing companies prioritise capex restraint and cost reduction over new business activities. This has led to a marked fall in the competition for new licences.

## Commodity prices

Following a three year period where Brent crude oil prices have been relatively stable, the end of 2014 saw the Brent price fall from \$97 per barrel at the end of September to \$57 per barrel at the end of the year. This trend continued into early 2015 with Brent prices closing at a low of \$49 per barrel on 13 January before recovering somewhat to \$54 per barrel on 17 March.

The forward futures curve highlights market expectations that the Brent price will recover in the coming years with current expectations being for a Brent price of \$58 per bbl in 2015 rising to \$68 per bbl in 2017.

LNG contract pricing, especially in Asian markets, is still predominantly linked to oil prices and this is expected to continue. However, with the increase in US shale gas other benchmarks such as Henry Hub are more frequently being used to determine LNG pricing going forwards. Asian and European spot LNG prices are now at similar levels.

## Local markets

Asia is an important demand centre for Ophir as the most likely destination for sales of LNG/FLNG from Africa and also, post the acquisition of Salamander Energy, the region where we will be selling our produced barrels. South East Asian GDP growth remains strong and is forecast to grow by 5.6%<sup>1</sup> in 2015. A global recovery is expected to boost exports from the region, keeping interest rates low which will provide a further boost to demand. This in turn will lead to Asian energy demand continuing to grow strongly.

In Ophir's more traditional areas of operation, the main event of note is the Tanzanian election which is expected to be held late in 2015. Whilst all parties are supportive of the nascent oil and gas industry, it is possible that as we move nearer to the elections, any decisions that require cabinet ratification may be delayed.

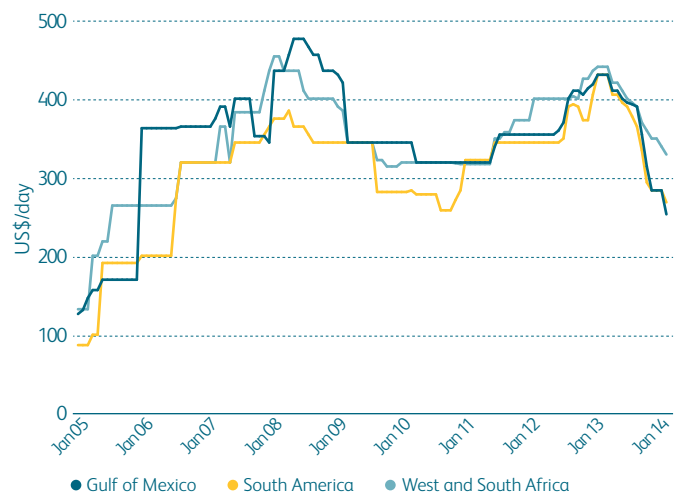
1 Source: IMF Regional Economic Outlook Update, October 2014.

## Service sector

Upstream oil and gas companies have generally responded to the decline in the oil price by reducing capital expenditure, especially on exploration and appraisal activity. We have already seen this feed through to a reduction in service costs as rig utilisation and demand for seismic vessels contracts. In West Africa for example, deepwater rig utilisation rates have fallen from 89% to 84%. Generally rig utilisation is expected to fall further in 2015 as 40% of floating rig fleets will come off contract between Q4 2015 and Q2 2016. Floating rig rates have fallen by around 30% already and are expected to come under further pressure.

Seismic costs have already dropped dramatically. Ophir has experienced this in Myanmar where we were able to contract a vessel for an offshore 3D survey in 1Q 2015 for 70% less than the rate we were quoted during our scoping work in early 2014. With a limited number of companies pursuing new offshore exploration acreage, we estimate prices staying at this level for the immediate future.

## Deepwater rig rates



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

## Overview

## Strategy

## Performance

Business model  
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## M&A

As a consequence of the fall in commodity prices, a number of independent upstream E&P companies have seen their balance sheets come under pressure. As one of the few companies with a strong balance sheet, we are observing a marked increase in the number of M&A opportunities. If the current oil price environment extends throughout 2015 then we would expect the number of distressed sellers to increase further. This will create opportunities for well capitalised E&P companies to create value through selective acquisitions.

## Exploration

There has been a marked reduction in the number of international E&P companies looking to acquire new exploration acreage as the industry focuses on cost management. In the middle of the last decade, fuelled by a combination of rising commodity prices and the ease of access to capital markets, exploration activity increased dramatically. This resulted in increased competition in licensing rounds where signature bonuses would be high and work programmes would typically involve a commitment to drill a number of firm exploration wells. The cost of acquiring exploration acreage is now realigning to reflect the reduced levels of competition. Whilst the risk profile of the rocks remains constant, the cost of assessing those risks has fallen considerably. Signature bonuses have reduced, commitments are generally for seismic only and there is an opportunity to abandon the licence before having to commit to drilling, and service costs have reduced dramatically. It is therefore an opportune time to be acquiring acreage to provide optionality in the portfolio for potential future exploration drilling.

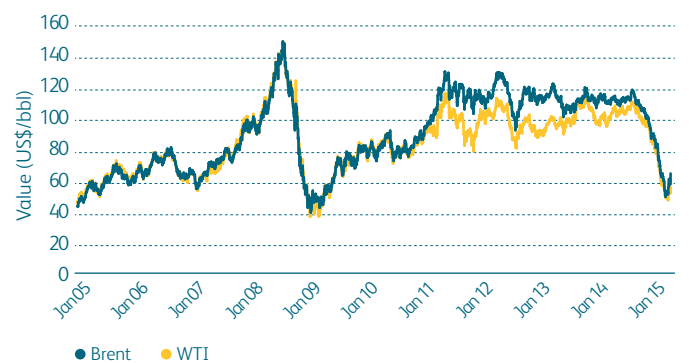
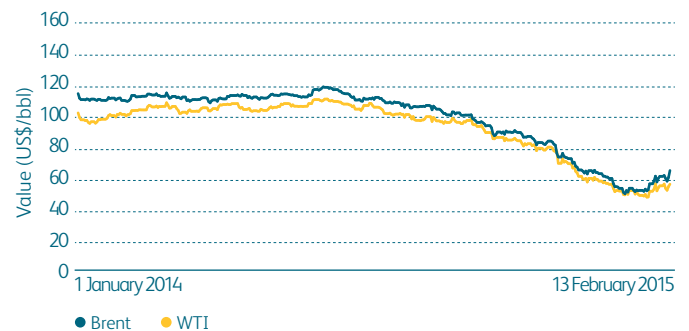
## LNG

The fall in commodity prices has raised questions about the viability of reaching FID for many LNG projects. Ophir's LNG/FLNG projects are more resilient than many of the large greenfield LNG projects due to relatively low cost breakeven economics. Asian demand for LNG is still growing. According to a 2014 report by the International Energy Agency (IEA) titled "The Asian Quest for LNG in a Globalising Market", between now and 2020 Asian gas demand will increase by 250 billion

cubic metres (bcm) and new LNG supply is only expected to total 150 bcm. The pricing model is evolving in response to the potential for US shale exports with Henry Hub pricing being used more frequently as a benchmark. With Henry Hub prices currently around \$3.5 per MBtu, the cost of landed US LNG into East Asia is now around \$10 to \$12 per MBtu. The IEA report goes on to state that the total cost through the LNG chain is lowest for East Africa. Asia is important as it is the most likely end user of East African gas and also, as the report also highlights, many Asian companies are increasingly investing in the upstream part of African LNG projects, with East Africa highlighted as potentially having the strongest relative investment.

In summary, demand is strong as Asian buyers seek diversity and security of supply and East African gas provides Asian buyers with a cost competitive source of future supply.

### Brent and WTI oil price



# Business model

**Our operational focus is on the exploration and appraisal part of the industry cycle which typically drives the highest return on investment for shareholders. We have added producing barrels as a means of generating cash flow to fund the resource finding part of our business.**

The asset life cycle and company's model is summarised in the chart opposite 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.

Ophir does not think like a traditional, full cycle E&P

## Ophir is BIG Exploration and little production

### 1 Exploration

- Exploration is focus for creation of shareholder value
- Unique position to deliver high graded portfolio due to strong balance sheet and minimal well commitments

### 2 Development

- Self funded development activity
- Minimal existing capital will be deployed to development activity

Return to shareholders

**15%**

Commitment spend as a percentage of 2015 capex

**\$150 million**

carrying cost of LNG/FLNG projects to FID

**1,031 mmboe**

Net 2C contingent resources at year end





## Equatorial Guinea: Our business model in action

**Ophir's activities in Equatorial Guinea demonstrate the success of the Company's strategy and business model and the value that it can potentially create for shareholders.**

Cash

**3**  
Production

- Production is a financing stream for E&A activity
- Reserves replacement and production are not a key metric
- Assets must break even at low oil price

### 1 Exploration

Ophir entered Equatorial Guinea in 2006. It then utilised existing 3D seismic survey. This seismic survey was used to mature a prospect inventory for drilling.

In 2008 the first gas discovery, Fortuna, was made. Ophir has made six discoveries in Block R, finding 3.4 Tcf of prospective and contingent resource. In 2014 the first drill stem test was conducted on the Fortuna discovery, which flowed at an implied unconstrained rate of 180 mscfd.

In 2014 the commercial framework of the project was clarified. Revised fiscal terms were signed with the government and an MoU was signed for the midstream part of the project.



### 2 Development

The project is expected to enter the FEED stage in 2015 with FID at some point in 2016. At this point development activity will start to accelerate.

### 3 Production

First production is currently envisaged in 2019.

# Chairman's statement

**2014 was challenging for the upstream oil and gas sector. A 50% reduction in the oil price, to a low for Brent of \$57.33, meant the sector remained out of favour with generalist investors. Despite this, Ophir successfully delivered on a number of key objectives.**

A major achievement in 2014 was the completion of the sale of a 20% interest in our LNG assets in Tanzania to Pavilion Energy of Singapore for a price of \$1.288 billion\*. Following the Pavilion Energy transaction, our financial position is the strongest it has ever been. Ophir is well placed to navigate this period of lower commodity prices, and utilise its financial strength to emerge from the downturn as a larger, stronger and better balanced company.

The completion of the Salamander Energy acquisition is evidence of this. This has moved Ophir a step closer to our goal of a self-sustaining funding model. It also brings into the Group a well-balanced Asian portfolio of high quality assets with upside, and a platform for future growth in the region. On behalf of the Board, I would like to welcome our new employees in Asia to Ophir; we look forward to working together to unlock significant value from the expanded portfolio.

## Health and safety

Ophir operated two deepwater drilling rigs in tandem for a large part of 2014, testing our ability to complete parallel operations whilst adhering to the highest standards of health and safety. I am delighted that we completed these operations with only one, minor, Lost Time Incident. This is a clear testament to Ophir's commitment to health, safety and the environment. Ophir also places a strong emphasis on maintaining excellent relationships with local communities and, amongst other activities, continues to support sustainable Corporate Responsibility (CR) programmes in the countries in which it operates.

\* Includes a \$38 million amount that is payable at FID.

## People

The Ophir Board, conscious of the changing environment, restructured the organisation in late 2014 both to reduce cost and to ensure it was appropriately resourced to deliver its key projects. This process resulted in the decision to reconfigure the Board, which led to Lisa Mitchell stepping down as Chief Financial Officer and Dennis McShane stepping down from the position of Strategy Director. I would like to reiterate the Board's thanks to Lisa and Dennis for their contributions to Ophir and wish them every success in the future.

As part of the review process we were delighted to appoint Bill Higgs to the role of Chief Operating Officer. Bill has more than 25 years' experience in the industry, much of it spent with Chevron Corporation.

Following the completion of the Salamander Energy acquisition, Dr Carol Bell joined us as an independent Non-Executive Director. Carol served on Salamander's Board from 2012 until 2015 and I am very pleased to welcome her to the Board.

Lastly, I should like to thank John Lander who retired from the Board on 28 January 2014. John joined the Board in 2008 and latterly had been Chairman of the Remuneration Committee from 2011. His contribution has been much appreciated.

Nicholas Smith,  
Chairman



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## Board of Directors and Officers



### Nicholas Smith

Chairman N R

### Dr Nicholas Cooper

Executive Director and Chief Executive Officer N

### Dr William (Bill) Higgs

Executive Director and Chief Operating Officer T

### Ronald Blakely

Senior Independent Non-Executive Director A N R

### Alan Booth

Independent Non-Executive Director T A C R

### Vivien Gibney

Independent Non-Executive Director R C

### Lyndon Powell

Independent Non-Executive Director C N R

### William (Bill) Schrader

Independent Non-Executive Director A C T

### Dr Carol Bell\*

Independent Non-Executive Director

### Chandrika Kher

Company Secretary and Committees' Secretary

- Indicates Chairman of Committee     N Nominations Committee  
A Audit Committee     R Remuneration Committee  
C Corporate Responsibility Committee     T Technical Advisory Committee

\* Appointed to the Board on 2 March 2015.



Board of Directors  
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## Governance

The Board accords the highest importance to corporate governance matters and during 2014 we completed a review of our governance arrangements. This resulted in updated Terms of Reference for the Board Committees, and a number of key policies have been refreshed to ensure we uphold the highest ethical standards. We also completed a review of our Board evaluation process. More details on these changes can be found in the Corporate Governance section of our Annual Report.

**Nicholas Smith**  
Chairman

# Chief Executive's review

**Despite a profoundly challenging period for the E&P sector, Ophir delivered a number of milestones during 2014. Foremost amongst these was the completion of the divestment of a 20% interest in Blocks 1, 3 and 4 in Tanzania for \$1.288 billion\*.**

The Pavilion transaction provided Ophir with one of the strongest balance sheets in the international E&P sector and positioned it to take advantage of the opportunities presented by the industry downturn. In early 2015 we have taken steps to further strengthen our financial liquidity, by significantly reducing capex from previous levels. 2015 capex is now forecast at between \$250 million and \$300 million (2014: \$580 million) of which only approximately \$35 million is committed exploration expenditure highlighting our financial flexibility. Ophir has the strength to emerge from the current period of low oil prices as a significantly larger, stronger and better balanced company.

Dr Nick Cooper,  
Chief Executive  
Officer



## Our business model

Ophir's model for value creation is through the exploration and appraisal phases of the E&P cycle; and through monetising assets at the appropriate time to capture optimum value for shareholders. Simply put our job is to find resources for the minimal capital outlay and then to monetise them for the highest possible price.

In 2014 we took the decision, in consultation with major shareholders, to move towards sustainability. A key part of this financing model is the addition of production assets which generate cash flow to fund exploration and appraisal activity. The acquisition of Salamander was the first step towards achieving this goal.

## Strategy: a point of differentiation

Our strategy has three key components:

- value creation through exploration
- active portfolio management
- disciplined approach to capital allocation and returns

The Pavilion Energy transaction is an example of the first two elements of this strategy. It demonstrated the ability of the Company both to find resource and monetise it, in this case creating a return on investment of 4.5x.

A proportion of the funds generated by this transaction have enabled us to act counter-cyclically adding new exploration acreage to the portfolio, with a low level of commitment spending, that provide a series of options for future drilling. We also exited a number of licences that did not have the potential to deliver material returns to shareholders in the near term.

The acquisition of Salamander Energy completed in March 2015. This diversifies our source of funding through the addition of cash flow, and also by adding a prudent level of debt to the balance sheet.

Finally, we maintain extreme discipline in capital allocation. Every dollar we spend must have the potential to deliver a significant return to shareholders in a low oil price environment. Alongside this, we have reviewed our cost base and believe we can make savings of \$250 million over the next two years.

## Operations

Another major achievement in 2014 was the progress made with the FLNG project in Equatorial Guinea. Having hit all of the key project milestones for 2014, the project has now been significantly de-risked and a clear commercial framework established. We are confident of making further progress in 2015, when we expect to commence the upstream and midstream FEED projects.

## Drilling performance and new acreage

In 2014 Ophir undertook its busiest ever drilling campaign and participated in 11 deepwater wells, of which eight we operated. Although the five-well exploration programme in Gabon and in Blocks 7 and East Pande, Tanzania, was disappointing, we were successful in our remaining six exploration and appraisal wells in Equatorial Guinea and Tanzania. Ophir's three year finding and drilling costs rose from \$0.89/boe to \$1.34/boe and the Company retains a healthy 66% success rate with exploration and appraisal drilling.

\* Includes a \$38 million amount that is payable at FID.

A key focus of the past year has been to rebuild Ophir's exploration portfolio, as we position the Company for the next phase of drilling. During 2014, Ophir added a total of 47,000 square kilometres in acreage, across four countries. There are no well commitments across this acreage meaning Ophir will be able to offer shareholders access to a high-graded exploration portfolio of world class potential, with only prospects we truly believe can deliver commercial returns being drilled.

## Outlook

A dramatic fall in the oil price approaching 50% from its high point in the past year, has resulted in a significant scaling back of capex budgets, overhead costs and activity levels across the E&P sector. Ophir has similarly prioritised its capital expenditure to protect its balance sheet and reduce its cost structure. As a consequence of the sector-wide reduction in activity, service costs have fallen significantly and we expect this trend to continue. Ophir is selectively exploiting this shift in the market: seismic costs have now dropped to a third of 2014 prices and we commenced 3D acquisition in Myanmar in February 2015, where we have been able to triple the size of the survey for the same cost as originally budgeted.

2015 will see Ophir continue to progress its two LNG projects in Tanzania and Equatorial Guinea. Both of these are presently scheduled for FID in 2017 and, with drilling behind us and construction not commencing until after FID, these projects have low capital requirements. With only \$150 million of capital expenditure through to FID we can continue to push both projects forward whilst also maintaining capital discipline.

The Salamander business is now being integrated, thereby building a stronger, larger and better balanced company. Whilst 2015 will not see the levels of exploration drilling that we undertook in 2014, we shall be investing and analysing our pre-existing and new acreage. At these low oil prices there is rightly a focus on capital discipline and cost management. However, whilst the risk profiles of the world's reservoir rocks remain constant, the cost of assessing that risk via exploration has fallen considerably in recent months. With our strong balance sheet, and with the Salamander transaction delivering a more sustainable business model, Ophir is exceptionally placed to selectively explore when most others are unable. It is our ambition to build the business further over the next 12 to 24 months, exposing our shareholders to material value creation at a markedly lower cost.

**Dr Nick Cooper**  
Chief Executive Officer

## Ophir's strategy for growth overview

### Vision

Ophir's vision is to be the leading international oil and gas exploration and production company.

### The key elements of the strategy are:



**Value creation through exploration**



**Active portfolio management**



**Focus on capital allocation and returns**

# A clear strategy to create exploration-led growth



Strategy in action  
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## Vision

Ophir's vision is to be the leading international oil and gas exploration and production company.

## Strategy

Ophir is focused on finding resource and monetising it to create value for shareholders.

## Key elements of the strategy

### Value creation through exploration



- Building a series of options for future drilling. Acquiring new acreage in the bottom of the cycle with no drilling commitments. Mature and high grade these plays, drilling only those that offer shareholders material returns on investment.

### Active portfolio management



- Transacting at the most appropriate time to create value for shareholders.
- Realising value from existing assets and adding new assets to the portfolio that have ability to generate material returns on capital employed.

### Focus on capital allocation and returns



- Target is to derisk the business model through funding core exploration activity from operating cash flow. Apply prudent levels of debt to development and production activity and preserve balance sheet strength and flexibility.
- Only allocate capital to highest return opportunities following rigorous risk reward analysis. We are focused on cash balances and cost management and will seek to manage the risk profile through farm-outs, exits etc.

# Key performance indicators

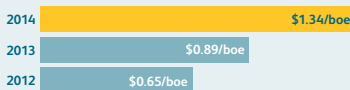
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Principal risks  
and uncertainties  
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We continue to measure our success on the resource we add, the ability to achieve this at economic rates and to do it as safely as possible.

## 2014 three-year average finding cost

# \$1.34/boe



### Classification

The basis of the finding cost calculation is straightforward. Expenditure on exploration and appraisal activity is divided by contingent resources added in the year. This number increased in 2014 relative to previous years as we were not successful with any of our play opening wells. However, this rate still compares favourably to our international peer group.

## Staff turnover

# 11.2%



### 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 lower than in the previous year. Turnover has remained within manageable levels and has not had a negative impact upon technical disciplines. Recruitment levels remained consistent across all areas of the business. Ophir continues 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.

## 2C Contingent Resources (mmboe)

# 1,031 mmboe



Ophir's net 2C contingent resources reduced year on year due to the sale of a 20% interest in the Group's interest in Blocks 1, 3 and 4 in Tanzania to Pavilion Energy. This transaction saw 461 mmboe of contingent resource sold for \$1.288 billion.

The Group added 97 mmboe of contingent resource through the drill-bit in 2014 following successful appraisal drilling in Equatorial Guinea and Tanzania.

The chart shows the Company's net resources at 31 December 2012, 2013 and 2014, assuming the governments exercise their back-in rights in every case.

## Lost Time Incident Frequency rate (LTIF) (incidents/million man-hours work)

# 0.7

Ophir Energy – LTIF	2014	2013	2012
Average number of employees and contractors	445	197	108
Total man-hours worked	1,462,332	522,056	307,161
LTIs	1	1	0
LTIF rate (incidents/million man-hours work)	0.7	1.9	0

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

We saw a substantial increase in man-hours worked during 2014 as Ophir operated two deepwater rigs. Despite this increase in man-hours 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.



### Value creation through exploration



- **Building a series of options for future drilling. Acquiring new acreage in the bottom of the cycle with no drilling commitments. Mature and high grade these plays, drilling only those that offer shareholders material returns on investment.**

#### What we did in 2014

- We more than doubled the exploration acreage in the portfolio during 2014
- We captured the largest offshore 3D survey in Africa shooting 8,500km<sup>2</sup> offshore Gabon during 2H 2014
- Completed 3D seismic survey in the Seychelles
- We drilled three wells in Gabon which, although they did not deliver a commercial success, were farmed out, meaning Ophir reduced its financial exposure to the wells

#### What we will do in 2015

- Complete a 10,000km<sup>2</sup> 3D seismic survey in Myanmar
- Process and interpret 3D data from Gabon and Seychelles surveys
- Complete a multi-well exploration programme in the G4/50 Block, Gulf of Thailand
- Capture 2D seismic in Bangkanai and West Bangkanai PSCs, Kerendan area, Indonesia
- Complete a 3D seismic survey in eastern Indonesia over a number of large prospects identified on 2D seismic





## Active portfolio management



- Transacting at the most appropriate time to create value for shareholders.
- Realising value from existing assets and adding new assets to the portfolio that have ability to generate material returns on capital employed.

### What we did in 2014

- We completed the sale of a 20% interest in Blocks 1, 3 and 4 in Tanzania, where we have drilled six successful exploration wells and discovered 17.1 Tcf of gas, for \$1.288 billion. This realised a 4.5 X return on investment
- We entered new licences which provide options for future drilling with no drilling commitments
- We exited licences in Offshore Senegal and Guinea Bissau Joint Development Zone (AGC), Saharawi Arab Democratic Republic (SADR) and Somaliland where we did not believe we would be able to execute on our model of finding and monetising resource

### What we will do in 2015

- Continue to pursue our policy of reducing balance sheet exposure to material development spending
- Complete the acquisition of Salamander Energy providing an operating platform in South East Asia
- Complete the acquisition of seven deepwater exploration licences in Indonesia from Niko Resources

### Strategy in action

Tanzania: Having initially entered Tanzania in 2005, Ophir reduced its financial exposure to exploration drilling through a farm out to BG. A drilling programme between 2010 and 2014 has seen 16 successful exploration wells drilled and over 17 Tcf of gas discovered. In 2014 Ophir then realised \$1.288 billion through the sale of a 20% interest to Pavilion Energy.

### Focus on capital allocation and returns



- **Target is to derisk the business model through funding core exploration activity from operating cash flow. Apply prudent levels of debt to development and production activity and preserve balance sheet strength and flexibility.**
- **Only allocate capital to highest return opportunities following rigorous risk reward analysis. We are focused on cash balances and cost management and will seek to manage the risk profile through farm-outs, exits etc.**

### What we did in 2014

- Strengthened the balance sheet through the addition of \$1.288 billion from the sale of a 20% interest in Blocks 1, 3 and 4 in Tanzania to Pavilion Energy
- Agreed to acquire Salamander Energy plc which will add organic cash generation, derisk the business model and add a production base
- We exited licences in Offshore Senegal and Guinea Bissau Joint Development Zone (AGC), Saharawi Arab Democratic Republic (SADR) and Somaliland which we determined did not offer potential for sufficient returns to shareholders
- Reviewed the organisational structure to reduce overheads
- Ensured that commercial terms on new acreage additions reflected the changing landscape and involved minimal financial commitments with options to exit pre-drill
- Initiated a share buy-back to provide return for shareholders following the Pavilion transaction



## What we will do in 2015

- Complete the acquisition of Salamander Energy and become revenue and cash flow generative for the first time
- Further diversify the sources of funding, and reduce the cost of capital
- Preserve our balance sheet through only allocating capital to opportunities which we believe offer shareholders the best potential returns
- Continue to review our cost structure and make sure it reflects the new oil price environment
- Only allocate capital to finding resources that can be monetised in the current oil price environment



Chief Executive's review  
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## Strategy in action

Having generated \$1.288 billion through the Pavilion transaction, management, in consultation with major shareholders, pursued a strategy of acquiring flowing barrels that would provide a cash stream that will ultimately fund the Group's E&A activity. Having screened multiple opportunities, the Group acquired Salamander Energy in a transaction that completed in March 2015. This added a growing, low cost, production portfolio that is resilient at current oil prices and diversifies the sources of funding. Furthermore, having obtained production, we are able to further diversify the sources of funding through leveraging a prudent amount of debt against the assets. The Salamander transaction has therefore considerably derisked the Ophir business model.

# Principal risks and uncertainties

**Risk management is fundamental to the Group's conduct and includes executing action plans around and within Ophir activities in order to protect business interests from risks.**

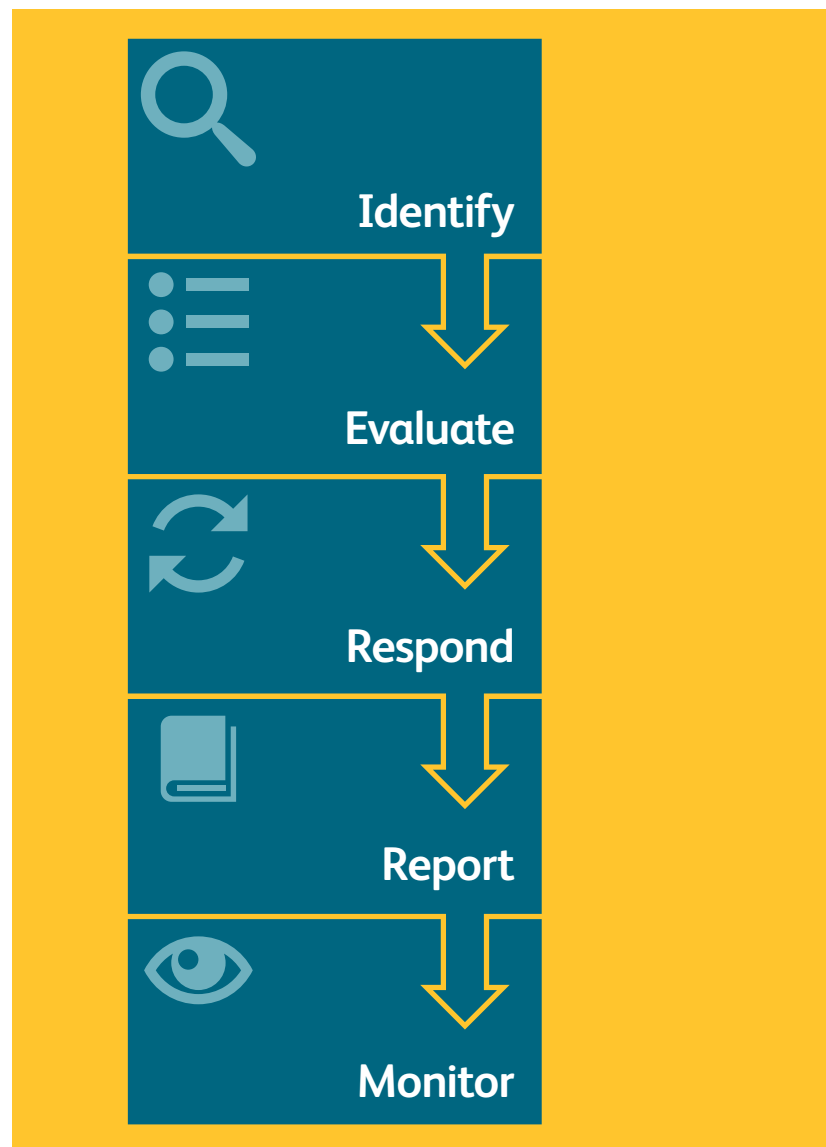
Ophir works in a challenging environment that has risks that are characteristic to its activities, operational sites and assets. Managing the risks associated with these challenges is explicit to addressing uncertainty to protect Ophir and create value.

The Board of Ophir has overall responsibility for maintaining sound risk management and internal control systems. Ophir's risk process involves all levels of management and decision making, and work to ensure clear reporting to Committees and ultimately the Board.

The Executive Directors report risk to the Board on a monthly basis or more regularly as required; the Risk Register is presented to them twice annually.

During 2015 Ophir will review and look to further strengthen its risk processes and management.

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





## Risk identification management

### Board of Directors

**Nicholas Smith**  
Chairman

**Nick Cooper**  
Executive Director and Chief Executive Officer

**William (Bill) Higgs**  
Executive Director and Chief Operating Officer

**Ronald Blakely**  
Senior Independent Non-Executive Director

**Alan Booth**  
Independent Non-Executive Director

**Vivien Gibney**  
Independent Non-Executive Director

**Lyndon Powell**  
Independent Non-Executive Director

**William (Bill) Schrader**  
Independent Non-Executive Director

**Carol Bell**  
Independent Non-Executive Director

### Executive Directors

On a monthly basis  
or more regularly  
as required

### Senior Management

### Asset Managers

Responsible for identifying, evaluating and managing risks

## Risk management performance in 2014

### External risk achievements

- Continued community development with local communities in countries across the portfolio
- Maintained strong dialogue with stakeholders including Governments and shareholders

### Strategic risk achievements

- Reinforced the process with introduction of a Chief Operating Officer, Business Unit Directors and Asset Manager structure
- Divested non-core assets and focused investment on assets with higher risk reward profile
- Continued to meet or exceed all minimum PSC commitments across the portfolio

### Operational risk achievements

- Drilled eight operated wells and two 3D seismic surveys safely and securely with no major HSE incidents
- Operated in high risk areas with no security incidents during the year

### Financial risk achievements

- Completed farm-out in Blocks 1, 3 and 4 in Tanzania, and Ntsina, Mbeli, Gnondo and Manga Blocks in Gabon
- All excess cash balances held in low risk and current or short-term deposits. Internal audit review conducted of all Treasury and cash management procedures
- Tight budget control on G&A spend and the drilling of seven out of eight operated wells during 2014 under budget

# Principal risks and uncertainties

continued

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

Type	Risk	Mitigation	Responsibility at functional level	Change
External	<b>Low commodity price and adverse market sentiment towards the E&amp;P sector</b>	<ul style="list-style-type: none"> <li>Maintenance of a strong balance sheet with discipline in capital allocation and cost management across the Company.</li> <li>Manage capex and General and Administrative expenses (G&amp;A) to navigate the Company through the downturn.</li> <li>Continue to review the Company's cost structure and make sure it reflects the new oil price environment.</li> </ul>	<b>Director of Finance</b>	▲
	<b>Global economic volatility</b>	<ul style="list-style-type: none"> <li>Act counter cyclically to take advantage of the opportunities developing from the industry downturn.</li> <li>Selectively exploit the low service costs that have resulted from the drop in the oil price.</li> <li>Regularly review how external risks impact the Company's strategy and remain agile to change.</li> </ul>	<b>Director Portfolio &amp; Strategy</b>	▲
	<b>Capital constraints</b>	<ul style="list-style-type: none"> <li>Aim to internally fund core exploration and appraisal activities from the addition of production assets and monetise resources to generate cash flow.</li> <li>Diversify the sources of funding and apply prudent levels of debt to development and production activity to preserve balance sheet strength and flexibility.</li> <li>Find resources for the minimal capital outlay and then monetise them for the highest possible price.</li> <li>Only allocate capital to highest return opportunities following rigorous risk reward analysis.</li> <li>Ensure that commercial terms on new acreage reflect the changing landscape and involve minimal financial commitments with options to exit pre-drill.</li> </ul>	<b>Director of Finance</b>	▲
	<b>Legal compliance regulatory or litigation risk</b>	<ul style="list-style-type: none"> <li>The Company accords the highest importance to corporate governance matters and upholding the highest ethical standards.</li> <li>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.</li> <li>Improved online due diligence system capturing third party risks, analysis of those risks plus approval decisions.</li> <li>Legal risk assessment and due diligence (where appropriate) is undertaken for all counterparties the Company deals with.</li> </ul>	<b>General Counsel</b>	▶
	<b>Stakeholder sentiment</b>	<ul style="list-style-type: none"> <li>Ophir is committed to sustainable development. The Company's approach to Corporate Responsibility underpins the way it does business.</li> <li>The Company continually strives to conduct operations in an ethical, responsible, apolitical, independent and transparent manner.</li> <li>Ophir places a strong emphasis on maintaining excellent relationships with the local communities and host country governments in the jurisdictions in which it operates.</li> <li>Ophir pro-actively interacts with stakeholders, maintaining regular dialogue and provision of information.</li> <li>All material information is released to the market on a timely basis and in accordance with all applicable regulations.</li> <li>There is ongoing monitoring of public sentiment towards the Company and its operations.</li> <li>Ophir places great importance on values they expect staff to demonstrate in order to be respected by its stakeholders.</li> </ul>	<b>Head of Investor Relations &amp; Corporate Communications / Director Corporate Services</b>	▲
	<b>Political risk</b>	<ul style="list-style-type: none"> <li>Ophir regularly monitors and seeks to understand changes taking place in political and regulatory environments and the potential for shocks to make recommendations to the Board.</li> <li>Ophir maintains a balanced asset portfolio across different jurisdictions.</li> <li>The Company strives to maintain positive relationships in host countries and work to the highest industry standards with regulators, closely monitoring compliance with the Company's licence and PSC obligations.</li> </ul>	<b>Director Corporate Services</b>	▶
Strategic	<b>Investment decisions</b>	<ul style="list-style-type: none"> <li>Focus on growing a revenue generating business to fund exploration activities and minimise the overall cost of capital.</li> <li>Only allocate capital to highest return opportunities following rigorous risk reward analysis.</li> <li>The Company and its advisors are experienced within the industry, and complete a proper review of the Company's strategy and investment criteria.</li> <li>The current portfolio is closely monitored and new market opportunities continually reviewed.</li> <li>A robust risk assessment and due diligence process is undertaken on all potential new entries.</li> <li>Ophir endeavours to transact at the most appropriate time to create value for shareholders.</li> </ul>	<b>Director Portfolio &amp; Strategy</b>	▶

- ▲ Increased risk since 2013
- ▶ Risk level remains the same since 2013
- ▼ Decreased risk since 2013

Type	Risk	Mitigation	Responsibility at functional level	Change
Operational	<b>Inadequate resource and reliance on key personnel</b>	<ul style="list-style-type: none"> <li>The Company regularly reviews the organization to ensure it is appropriately resourced to deliver its objectives.</li> <li>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.</li> <li>It has established a Long-Term Incentive Plan (LTIP) for executives and a Deferred Share Plan for staff.</li> </ul>	<b>Director Human Resources</b>	▼
	<b>Health Safety and Environment (HSE) and Security incident risk</b>	<ul style="list-style-type: none"> <li>Ophir is committed to maintaining robust health, safety, security and environmental management and procedures in place in order to respond to unexpected events that have a direct impact on the Company and the communities it works alongside.</li> <li>Thorough risk assessments to develop robust mitigation and response measures are designed and overseen by management and the Corporate Responsibility Committee which meets regularly to review and monitor compliance.</li> <li>Comprehensive oil spill and emergency response plans are always in place with regular training in the procedures taking place with specialist service providers.</li> <li>The Company has clear in-country control measures.</li> </ul>	<b>Director Corporate Services</b>	▲
	<b>Drilling operations</b>	<ul style="list-style-type: none"> <li>Ophir maintains clearly defined operational procedures.</li> <li>The contracting and procurement process ensures suitably qualified contractors are employed and trained in Ophir's best practices.</li> <li>Regular training and continued monitoring of staff adherence to HSE procedures.</li> <li>The Company frequently reviews project management techniques.</li> </ul>	<b>Director of Drilling</b>	▼
	<b>Discovery risk and success rate</b>	<ul style="list-style-type: none"> <li>To achieve value creation through exploration the Company has technically and regionally experienced management and geoscience teams with a proven record of success.</li> <li>To reduce risk, substantial technical analysis is undertaken to evaluate and manage opportunities.</li> <li>During 2014 Ophir has significantly rebuilt its exploration footprint in order to have access to a high-graded exploration portfolio of world class potential.</li> <li>Exit licences where the Company do not believe the model of finding and then monetising resource exists.</li> </ul>	<b>Head of Exploration Africa and Head of Exploration Asia</b>	▶
	<b>IT risk</b>	<ul style="list-style-type: none"> <li>Regular monitoring and review of IT security vulnerabilities that could lead to information security breaches.</li> <li>Various standard industry systems and processes in place to manage security, power outages and network disruptions, thereby minimising downtime to operations and corporate offices.</li> </ul>	<b>Head of IT</b>	▶
	<b>Availability of rigs and services</b>	<ul style="list-style-type: none"> <li>Regular market review of services and rig availability occurs. Engagement of experienced advisors to ensure a rapid response to opportunities and an ability to close binding agreements quickly.</li> <li>A dedicated drilling project manager and Contracts and Procurement (C&amp;P) Manager ensure a clear contracting strategy and project plan are produced early in the procurement planning stage.</li> </ul>	<b>Director Drilling</b>	▼
Financial	<b>Inability to fund exploration work programmes</b>	<ul style="list-style-type: none"> <li>Regular review of cash flow, working capital and funding options, and prudent approach to budgeting and planning, to ensure sufficient capital to meet commitments.</li> </ul>	<b>Director of Finance</b>	▲
	<b>Counterparty credit risk</b>	<ul style="list-style-type: none"> <li>Close monitoring of all trade debtors which are subject to internal credit review.</li> </ul>	<b>Director of Finance</b>	▶
	<b>Cost and capital spending</b>	<ul style="list-style-type: none"> <li>In the present oil price environment Ophir is focused on preserving its balance sheet and during 2014 and into 2015 there has been an increased focus on cost management and capital allocation. Whilst the Company doubled the physical size of its exploration footprint in 2014, it has secured new acreage without any commitment wells, which maintains balance sheet flexibility.</li> <li>Optimise and protect Ophir's capital by capturing highest commercial returns on assets, prioritised its capital expenditure to protect its balance sheet and reduce its cost structure.</li> <li>A formalised annual budget process and ongoing monthly reviews of actuals to budget analysis. Delegation of authority, approval processes and C&amp;P procedures.</li> <li>Board approval of Annual Work Programme.</li> </ul>	<b>Director of Finance</b>	▶
	<b>Interest rate and foreign exchange risk</b>	<ul style="list-style-type: none"> <li>Cash balances are primarily held in US Dollars to provide a natural hedge to reflect 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.</li> <li>Cash balances are held in current or short-term deposits.</li> <li>Further details on principal financial risks are addressed in Note 20 on page 119 in the Company's consolidated financial statements.</li> </ul>	<b>Director of Finance</b>	▶

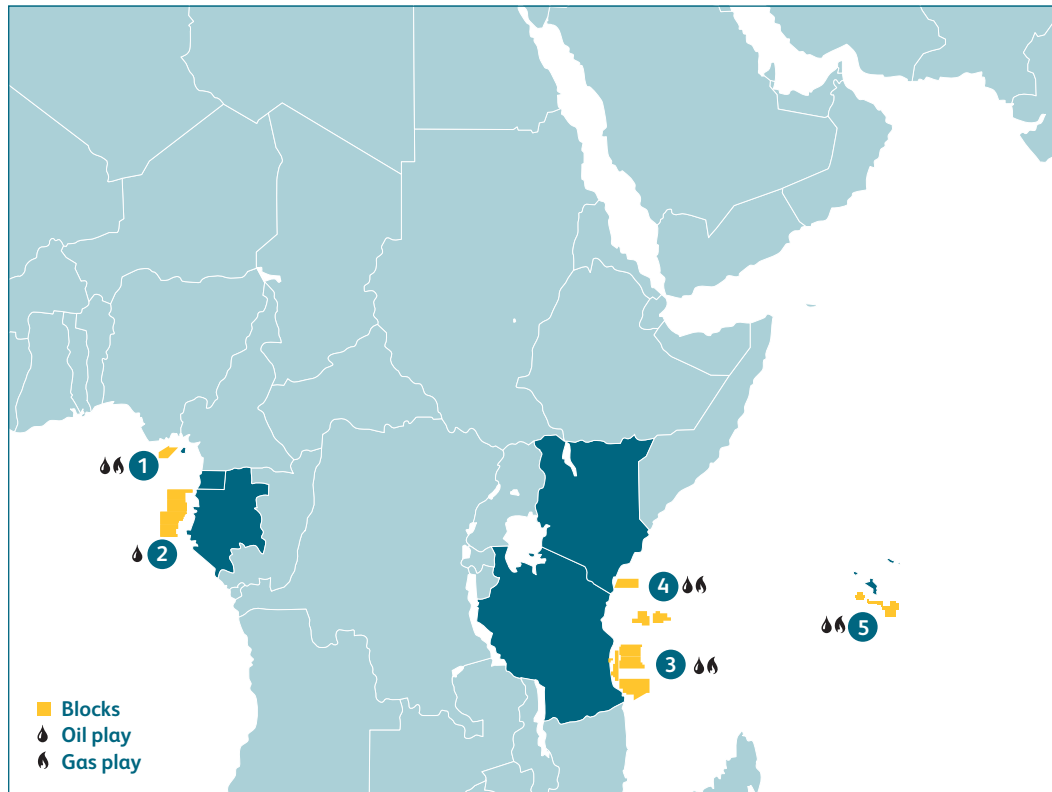
# Review of operations

**Ophir has 35 blocks in nine countries across Africa and Asia. In Africa we have stakes in LNG and FLNG projects in Tanzania and Equatorial Guinea respectively. In Asia, we have recently been awarded one deepwater block in Myanmar and agreed to acquire seven deepwater blocks in Indonesia.**

During 2014 Ophir achieved two significant operational milestones – the simultaneous operation of two deepwater drilling rigs and the first operated drill stem test (DST), which resulted in the testing of hydrocarbons at the surface (in Block R, Equatorial Guinea). These successes demonstrate our substantial and continually growing capabilities as an operator. Our exploration and appraisal activity saw the addition of 97 mmboe of contingent resource with six out of 11 wells being successful. Considerable progress was made in carrying forward the Equatorial Guinea FLNG project, which delivered all key milestones for the year.

In addition, during the year the Company has taken decisive action, acting counter-cyclically, to rebuild its exploration footprint. Ophir was among the first to exploit a marked shift in the sector that allowed us to significantly expand our footprint in new, untested plays at compelling costs, thereby safeguarding our strong balance sheet.

Bill Higgs,  
Chief Operating  
Officer



## Africa

### 1 Equatorial Guinea

80% operated interest, Block R

Gross area: 2,051km<sup>2</sup>

Water depths up to 1,950m

### 2 Gabon

40% operated interest, Mbeli and Ntinsa Blocks

70% operated interest, Gnondo and Manga Blocks

100% operated interest, Nkawa and Nkouere Blocks

Gross area: 15,470km<sup>2</sup>

Water depths up to 2,500m

### 3 Tanzania

20% non-operated interest, Blocks 1, 3 and 4

80% operated interest, Block 7

70% operated interest, East Pande licence

Gross area: 24,786km<sup>2</sup>

Water depths up to 3,000m

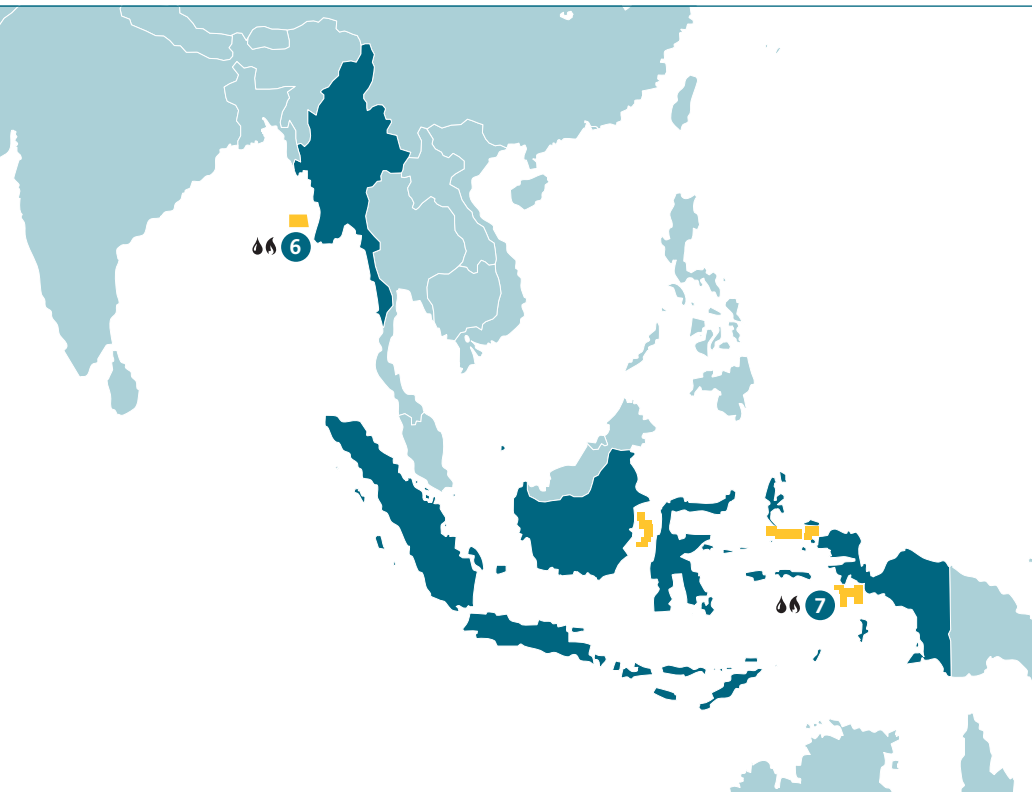
### 4 Kenya

100% participating interest, Block L9

Gross area: 3,833km<sup>2</sup>

Water depths up to 1,400m





## Health, Safety and the Environment

Over 1.4 million man-hours were worked during 2014 with one LTI. This incident was relatively minor in terms of impact on the individual involved, but demonstrates the need to be continually vigilant and diligent.

### Asia

#### 5 Seychelles

75% operated interest, Blocks PEC 5B/1, 5B/2 and 5B/3

Gross area: 12,855km<sup>2</sup>

Water depths less than 75m

#### 6 Myanmar

95% operated interest, Block AD-03

Gross area: 9,898km<sup>2</sup>

Water depths up to 2,500m

#### 7 Indonesia

50% operated interest, West Papua IV Block

60% operated interest, Aru Block

30% operated interest, North Makassar Strait

42% operated interest, Obi Block

100% operated interest, Kofiau Block

80% operated interest, Halmahera-Kofiau Block

18.5% non-operated interest, North Ganal Block

Gross area: 31,512km<sup>2</sup> Water depths up to 3,000m

# Review of operations continued

## Africa

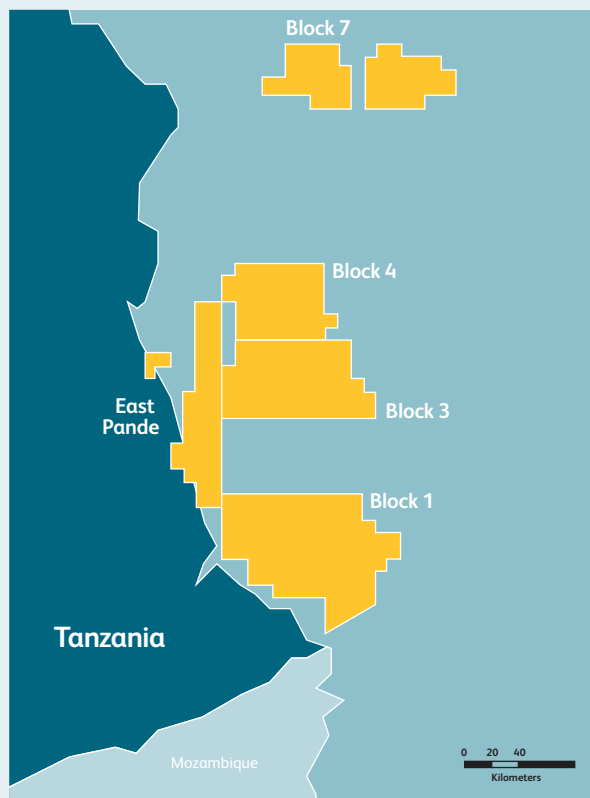
In March 2014 Ophir completed the sale of a 20% interest in Blocks 1, 3 and 4 to Pavilion Energy for \$1.288 billion. This transaction was in line with Ophir's strategy of monetising exploration success at the appropriate time to capture optimum returns for shareholders.

## Tanzania

### Overview

Ophir has interests in five offshore blocks with a gross area of 24,786km<sup>2</sup>. The Company has a 20% interest in Blocks 1, 3 and 4 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 that will be commercialised by a multi-train LNG export development.

### Stages in business model



### Key highlights

#### Blocks 1, 3 and 4

- Kamba-1, Taachui-1 and Mzia-3 exploration successes added a further 1.7 Tcf to gross contingent resource
- Total gross contingent resource sufficient to support a three train LNG development
- Partners in Blocks 1, 3 and 4 and partners in Block 2 (Statoil and Exxon) signed Heads of Agreement for terms of collaboration on joint LNG project
- Pre-FEED studies commenced ahead of anticipated entry into full FEED in 2016

#### Block 7 and East Pande

- Safely completed drilling of two wells, Tende-1 and Mkuki-1

### Outlook

- Conclude pre-FEED studies in 2015
- Enter FEED in 2016

Drilling success rate  
on Blocks 1, 3 and 4

**100%**

Gross mean recoverable  
resources

**17.1 TCF**



The sale to Pavilion further enhanced what is already a strong joint venture partnership. Ophir is seeking to further reduce its balance sheet exposure to development spending head of Final Investment Decision.

There was further exploration success in Tanzania during 2014. Three wells were drilled on Blocks 1 and 4, Kamba-1, Taachui-1 and Mzia-3, which were successful and resulted in a further 1.7 Tcf being added to the gross contingent resources. Total Tanzania contingent resources, in Ophir's licences, now stand at 17.1 Tcf, which we believe is sufficient to support a three train LNG development. There remains considerable upside potential on the licences with over 50 Tcf of prospective resources still to be targeted.

The assets have now entered the pre-development phase for the Tanzania LNG project. In 2014 significant milestones were accomplished to deliver Tanzania's first onshore LNG project and, following the Government of Tanzania's request in April 2014, the JV partners in Blocks 1, 3 and 4 and the partners in Block 2, Statoil and Exxon, signed a Heads of Agreement (HoA) setting out how the companies will collaborate on development of a potential joint LNG project. Under the HoA, BG Group was designated as the lead developer during the pre-FEED phase and a contract for the

LNG plant pre-FEED was awarded in August 2014. Subsequently, a Memorandum of Understanding (MoU) between the Government of Tanzania, the partners in Blocks 1, 3 and 4 and the partners in Block 2 was signed in April 2014. The MoU covers the site selected for the joint LNG plant, the process for acquiring the site, the lease to be negotiated and how any resettlement will be managed.

As per the arrangements within the HoA, the partners of Blocks 1, 3 and 4 and the partners of Block 2 formed an integrated project team in early 2014 to develop an integrated LNG project. The team is currently conducting pre-FEED studies, leading to an expected selection of a preferred project concept in 2015 and entry into full FEED in 2016.

A two-well exploration campaign was also undertaken in the Ophir operated Block 7 and East Pande licences. The Tende-1 well in East Pande found traces of gas without delivering commercial success. In Block 7 the Mkuki-1 well did not find any trace of hydrocarbons. We are reviewing the forward plan for both Block 7 and East Pande. In 1Q 2015 Ophir gave notice that it does not intend to continue into the next phase on the Block 3 licence.

# Review of operations continued

## Africa

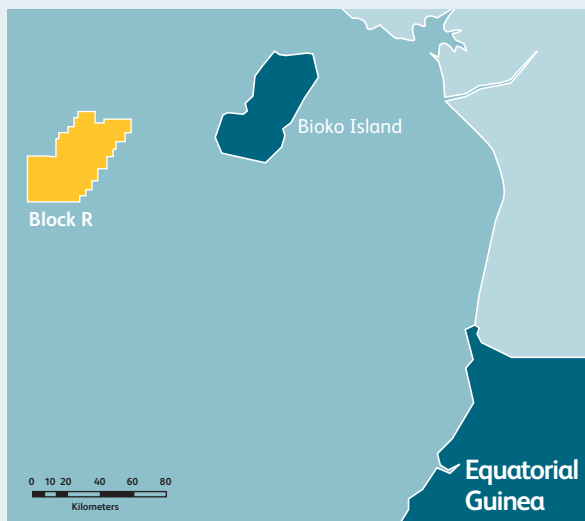
During 2014, four major milestones were reached in Equatorial Guinea, materially progressing the concept of a Floating LNG project toward delivery.

### 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



The Silenus East exploration well encountered an estimated 400 Bcf of gas, substantiating the case for a new production hub and demonstrating that sufficient gas resources had been established to support a 3MTPA FLNG vessel. Gas was flowed to surface with the Fortuna-2 drill stem test, which achieved a constrained flow rate of 60 MMscfd (implied unconstrained rate of 180 MMscfd) with a drawdown of less than 20 psi at the reservoir, suggesting that fewer wells than previously anticipated will be needed to achieve first gas. In addition, fiscal terms were agreed with the government and a midstream partner was selected; together these define the commercial framework for an economic development.

An MoU with a midstream partner was signed in November 2014. The vessel is likely to be capable of producing around 3.0 MTPA for a base-case, production profile with a plateau life of around 18 years. The current schedule builds on the signature of gas fiscal terms and includes a substantial commercial workstream in 2015 with the intention of reaching FID in 2017. Formal declaration of commerciality, the submission of the development and production plan and the finalisation of the project agreement ahead of FID will, in turn, provide further assurance to potential buyers that the project has the appropriate validation from the Government of Equatorial Guinea.

In line with its strategy of reducing balance sheet exposure to FLNG/LNG development capex, Ophir will look to reduce its equity interest in Block R over the coming year, which will help to self-fund Ophir's remaining equity.

Management estimates that there is 3.4 Tcf of gross mean risked prospective resource on Block R. Once the ongoing core and log analysis from the Fortuna-2 appraisal well is incorporated into the reserves calculation, the Directors believe that an increase in these figures could be announced in 2015. In addition, there is further upside potential in respect of other leads and prospects in the exploration area within Block R. These prospects provide an additional 7 Tcf of gross mean unrisked prospective resources. These distal, low relief, stratigraphic traps are however considered high risk and will be risk-weighted accordingly.

### Key highlights

- Fortuna-2 DST flowed gas to surface at a constrained rate of 60 MMscfd, exceeding expectations. The implied unconstrained rate was 180 MMscfd which will reduce the number of development wells required
- Gas fiscal terms agreed with the Government of Equatorial Guinea
- MoU signed with midstream provider
- Sufficient gas to support 3 MTPA FLNG capacity

### Outlook

- Sign contract with midstream provider
- Progress various commercial and technical workstreams ahead of FID in 2017

Three exploration wells were drilled in the Mbeli, Ntsina and Gnondo Blocks, offshore Gabon. The Padouck Deep-1 well encountered thicker than expected, good quality reservoir sands but there were no significant hydrocarbon shows.



Business model  
page 6

# Gabon

## Overview

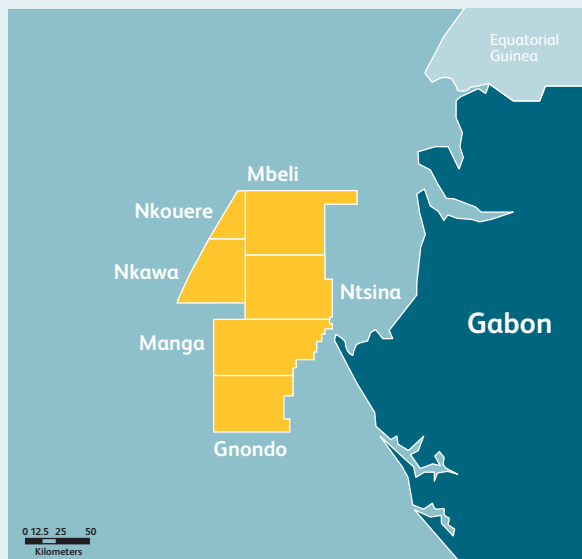
Ophir has a 40% operated interest in the Mbeli and Ntsina Blocks, a 70% operated interest in the Gnondo and Manga Blocks and a 100% operated interest in the Nkawa and Nkouere Blocks acquired in 2014. All of the Blocks are located offshore in the North Gabon basin in water depths up to 2,500m.

### Stages in business model

1  
Exploration

2  
Development

3  
Production



The Affanga Deep-1 well encountered thinner than expected sandstone sections with poor reservoir characteristics. Gas and indications of liquids were encountered during drilling but significant hydrocarbon shows were not encountered in the target formations. The Okala-1 well encountered a thick section of Aptian salt as prognosed and well developed sandstones in the Gamba and Dentale formations, but there were no significant hydrocarbon shows in the target reservoirs.

Although the results were disappointing, the costs to Ophir of the Padouck Deep-1 and Okala wells were largely carried by Petrobras and OMV, and the cost of the Affanga Deep-1 well was partially carried by OMV.

Ophir's analysis of its 2014 North Gabon drill campaign has enhanced our understanding of the deepwater distal margin of the North Gabon basin and the Company continues to be excited by the prospectivity of the region. The Company has subsequently acquired the Olumi Rouge survey, an 8,500 km<sup>2</sup> 3D seismic data programme, on this play in the Mbeli Marin, Ntsina Marin, Manga Marin and Gnondo Marin Blocks and a similar survey has also been completed in the Nkouere and Nkawa Blocks which Ophir was awarded in the second half of 2014. Management believe that this seismic data set will illuminate the deepwater prospects in this material acreage holding.

## Key highlights

- Farmed down interests in four Blocks to OMV
- Shot greater than 10,000km<sup>2</sup> of seismic across six Blocks in a single campaign over six months
- Acquired two new Blocks - Nkawa and Nkouere in the deepwater area outboard of the Mbeli and Ntsina Blocks

## Outlook

- Interpret extensive 3D seismic data and develop prospect inventory

# Africa

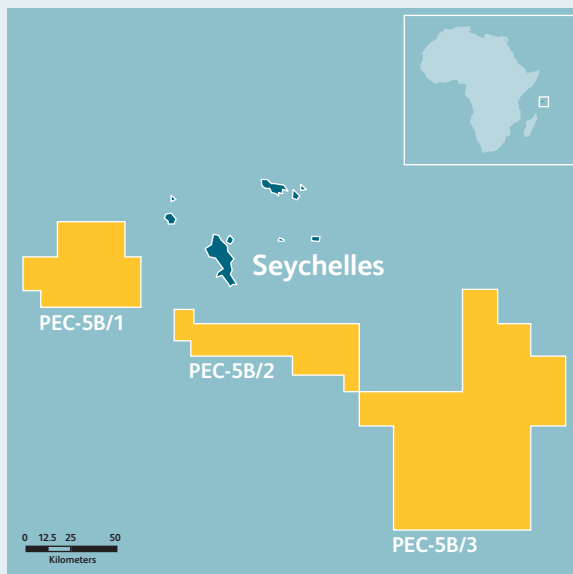
The Seychelles blocks are located within a frontier basin with a large number of potential structural oil targets.

## Seychelles

### Overview

Ophir has a 75% operated interest in Blocks PEC 5B/1, 5B/2 and 5B/3 in water depths of less than 75m.

#### Stages in business model



In March 2014, the Group announced that it had entered into an agreement with WHL Energy Ltd (WHL) to acquire a 75% operated interest in Blocks PEC 5B/1, 5B/2 and 5B/3, located offshore to the south of the Seychelles Islands in the Indian Ocean, in water depths of less than 75 metres.

These blocks are located within a frontier basin with a large number of potential structural oil targets. Four wells have previously been drilled in the area, all of which encountered hydrocarbons. A 3D seismic survey over 1,500km<sup>2</sup> was completed in July 2014. The interpretation of the fast-track 3D volume commenced in September 2014. Final interpretation is expected to be completed during 2015 with a prospect inventory finalised ahead of the drill/drop decision deadline in 2015, with a view to potentially drilling in 2016.

### Other African assets

In Kenya, Block L9 is interpreted to contain multiple play systems, in both carbonate and clastic reservoirs. Sunbird-1, which was drilled by BG in Block L10a immediately to the south of L9, reportedly encountered both gas and liquids in the Miocene carbonate play and Ophir is currently assessing the implications of this well to Block L9. Ophir holds 100% participating interest in the Block and Ophir commenced a farm-in process in March 2015 ahead of finalising the activity programme for the remainder of the current exploration period.

Ophir exited a number of African licences in 2014 as they were considered not to be commercially attractive at the current oil price. These included licences in SADR, AGC and Somaliland.

### Key highlights

- Completed 3D seismic survey

### Outlook

- Interpret seismic data and build prospect inventory
- Drill/drop decision to be made in 2015

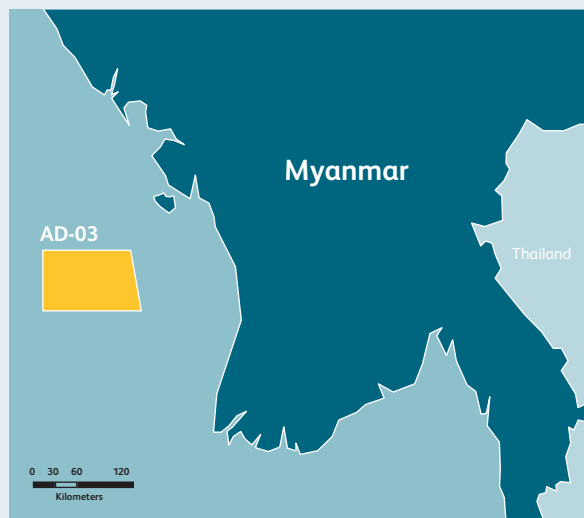
Ophir currently has a 95% operated participating interest in deepwater Block AD-03 offshore Myanmar.

## Myanmar

### Overview

Ophir has a 95% operated interest in Block AD-03 with a gross area of 9,898km<sup>2</sup> in water depths up to 2,500m.

#### Stages in business model



In December 2014, a PSC was signed with Myanmar Oil and Gas Enterprise, Parami Energy Development Co., Ltd ('Parami') and the Myanmar Ministry of Energy.

Block AD-03 is located in the Rakhine basin, on trend with the 9+ Tcf Shwe gas field which is in production and exporting volumes to China. The preparation period and the study period of two years will see Ophir acquire 3D seismic data. The 3D survey is planned to be acquired during the first half of 2015 and will cover the entire 10,000km<sup>2</sup> of the Block for a similar price to that previously paid for 2,500km<sup>2</sup>, reflecting the softening of service rates.

### Key highlights

- Block AD-03 PSC signed in December 2014
- Contract awarded for the capture of greater than 10,000km<sup>2</sup> 3D seismic

### Outlook

- Acquisition of greater than 10,000km<sup>2</sup> 3D seismic survey from March 2015 to May 2015
- Potential drilling in 2H 2016

# Asia

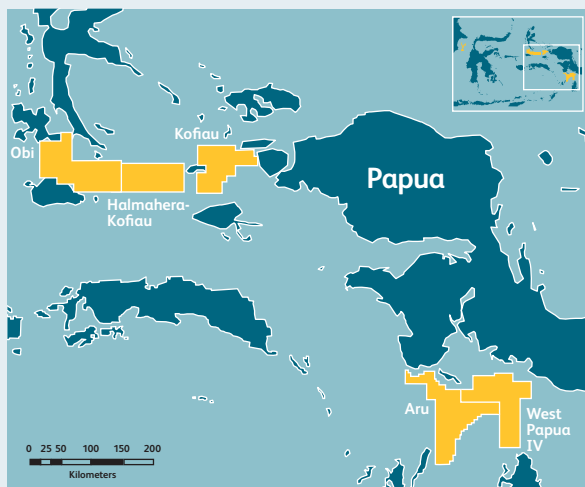
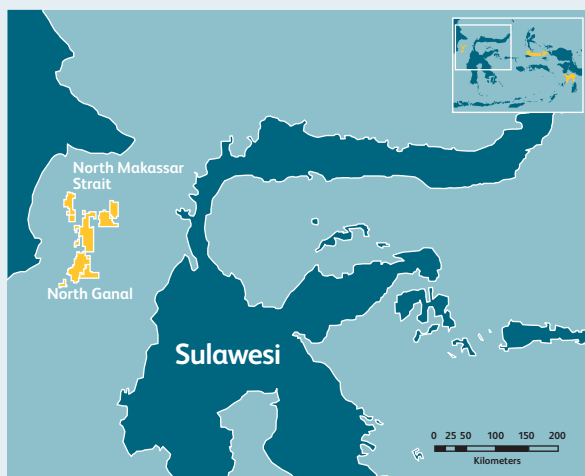
Following on from previous acreage acquisitions, Ophir continued its expansion into Asia during 2014, with the agreement to acquire seven PSCs in Indonesia, with equity interests ranging from 18.5 to 100%.

## Indonesia

### Overview

Ophir has interests in seven deepwater Blocks in water depths of up to 3,000m.

#### Stages in business model



### Key highlights

- Agreed to acquire seven deepwater exploration PSCs from Niko Resources

### Outlook

- Complete acquisition of Niko licences
- Capture 3D seismic on several blocks

Six of the licences are operated positions, with partners including Statoil and ENI. In total, the acreage covered by the PSCs is approximately 31,500km<sup>2</sup> with significant 2D and 3D seismic data already acquired over the blocks. Multiple leads and prospects have been identified across the portfolio with a mix of clastic and carbonate play types in both proven and frontier basins.

Broadly, the licences are split into three core areas – West Papua, Western Birds Head and the Makassar Strait. The West Papua area is frontier and potentially high-impact, primarily prospective for oil within a carbonate play where reservoir quality has been partially de-risked by drilling to date. The Western Birds Head area, prospective for both oil and gas in clastic and carbonate plays, has been de-risked by existing discoveries on the Kofiau PSC. The Makassar Strait area is a proven, world class hydrocarbon province in which several large fields feed the multi-train, but currently underutilised, Bontang LNG plant located onshore East Kalimantan.

The acquired acreage has already seen some 3D seismic acquisition and the maturing of several leads and prospects that could be commercialised via Bontang LNG facility with the threshold for commercial volumes as low as c.200 Bcf.

The initial focus of activity will be to re-interpret the existing 3D seismic data and to commission new 3D surveys on several blocks. It is expected that the first drilling campaigns are likely to start early 2017.





## Outlook

Successfully integrating Salamander within the Group will be among the key priorities in 2015. This will include the integration of the asset base within our portfolio, as well as the teams and capabilities that Salamander will bring to Ophir.

Further priorities for 2015 are two-fold: continue to achieve operational milestones on existing assets, and, in line with our longer-term strategic priorities, continue to analyse and assess our new acreage with the aim to prepare Ophir for its next drilling campaign.

Exploration drilling in 2015 is likely to centre round the low cost, high value prospects in the G4/50 Block, Gulf of Thailand. Elsewhere in the portfolio exploration activity will be focused on acquisition and interpretation of seismic data in Indonesia, Myanmar, Seychelles and Gabon. There is one commitment well across the entirety of this portfolio.

Through the Salamander acquisition we now have production from the Sinphuhorm gas field and Bualuang oil field in Thailand. This is expected to generate around \$150 million of cash in 2015. Work is also ongoing to determine the most capital efficient means of bringing the Bualuang contingent resource onstream. The Kerendan gas field in Indonesia is likely to deliver first gas in H2 2016 once PLN has finished work on the transmission network.

In the second half of 2015 we expect to be in a position to high grade our prospect inventory and determine which blocks contain prospects that merit drilling and then be in position to take advantage of the softening rig market to contract rigs for our 2016/2017 drilling programme.



Expanded Asian  
Portfolio  
page 32

# Review of operations continued

## Expanded Asian Portfolio

In March 2015 Ophir completed the acquisition of Salamander Energy. An introduction to the main assets that Ophir acquired is provided on these pages.

The Ophir business model integrates equally well into the current Salamander assets, as detailed below:



 Business model page 6



**Sinphuhorm**

The Sinphuhorm gas field has been onstream since 2006 and supplies gas to the nearby Nam Phong power plant.

**Licence**  
EU1/E5N (9.5%)

**2 Development**  
↓  
**3 Production**

**Greater Bualuang**

The Bualuang oil field is located in the Gulf of Thailand. It has been on stream since 2008 and has, to date, undergone two phases of development. There is a further 28 mmbo of certified contingent resource (YE 2013) which will be brought on stream at Ophir's discretion with a third stage of development drilling.

Furthermore there are a number of step-out exploration opportunities in the G4/50 licence. Ophir intends to commence exploration drilling on this licence in 2H 2015.

**Licences**  
B8/38 (100%, Operator)  
G4/50 (100%, Operator)

**Key facts**  
27.8 mmbo contingent resource  
G4/50 exploration drilling expected in 2014

**1 Exploration**  
↓  
**2 Development**  
↓  
**3 Production**

**Block PM-322**

Block PM-322 represents Salamander's entry to Malaysia. The Block contains an oil discovery from 1991 and has step-out prospectivity. A 3D seismic survey will be captured in 1H 2015

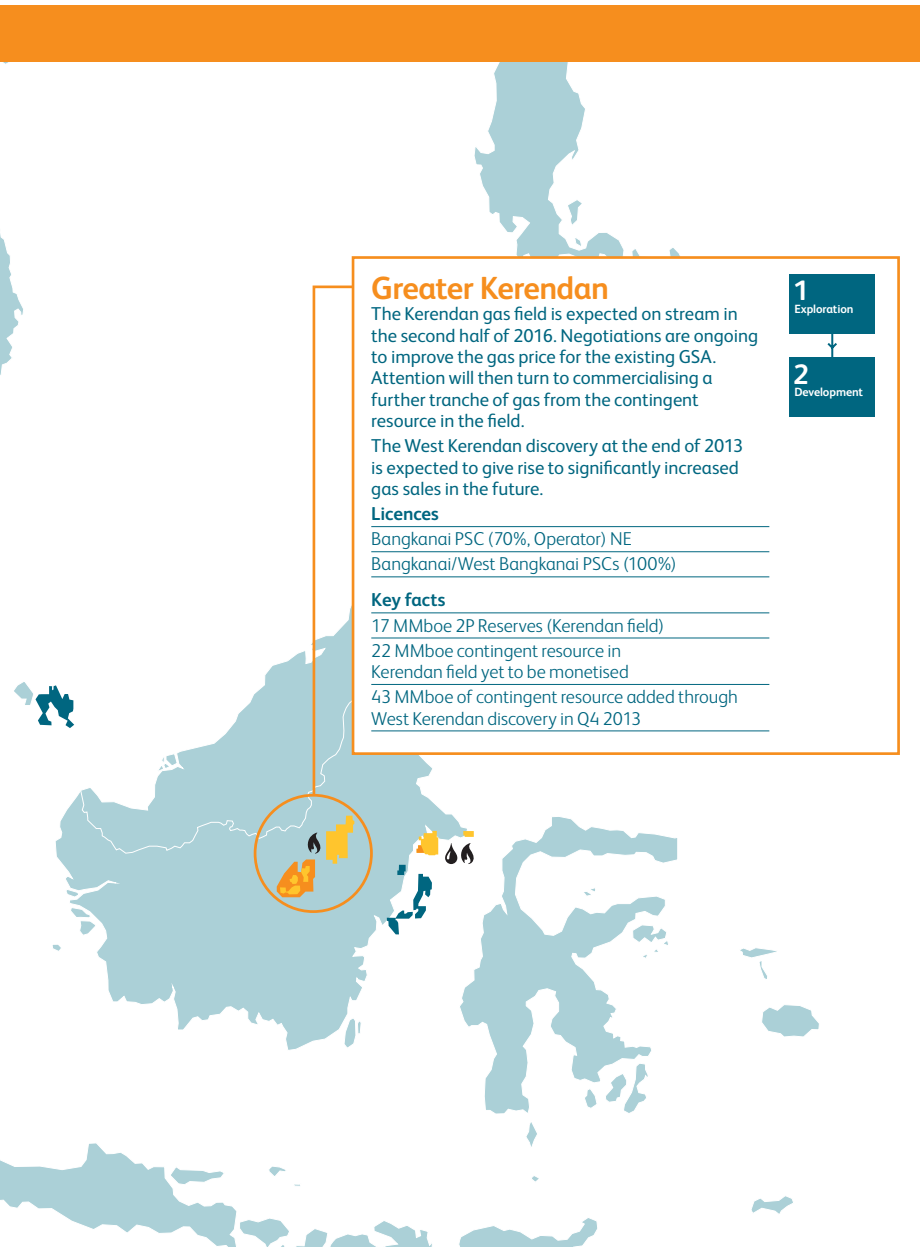
**Licence**  
PM-322 PSC (100%, Operator)

**Key facts**  
Acquisition of 3D seismic in 2015/2016

**1 Exploration**

### Key Assets





## About Salamander

**Salamander's core asset portfolio is made up of hub positions with discovered hydrocarbons, step-out exploration potential, and new acreage opportunities within the same basin.**

Salamander has operational offices in Bangkok, Jakarta, Kuala Lumpur and a regional office in Singapore. It is principally known as a high quality operator of production and development assets and has a strong reputation with stakeholders throughout South east Asia. Ophir will utilise this regional operating platform to support its own operations in Myanmar and Indonesia, as well as to support new business initiatives in the region.

Salamander has a production base that is resilient at low oil prices with a break even oil price across the portfolio of around \$15/boe. There is the potential to more than double the 2P reserves through converting the large bank of certified contingent resource. This will be the source of production growth over the next five years.

There is step-out exploration around all of its producing fields. This exploration benefits from fiscal efficiencies which reduce exploration costs. Furthermore, due to the proximity to production infrastructure it would be relatively quick to cash flow in the success case.

# Financial review

Ophir's balance sheet was materially transformed during 2014 with the completion of the Pavilion transaction bringing in \$1.250 billion of cash. As a result Ophir had \$1.173<sup>1</sup> billion of cash on the balance sheet at year end 2014. This balance sheet strength means Ophir is well positioned to navigate through a period of oil price uncertainty.

In the current oil price environment Ophir is focused on preserving its balance sheet and during 2014 and into 2015 there has been an increased focus on cost management and capital allocation. With only \$100 million exploration and appraisal commitment capital expenditure outstanding over the next three years, the Company is well positioned and has the financial flexibility to manage its future capex and preserve balance sheet strength.

Ophir's strategy remains to monetise discoveries at the appropriate time to maximise shareholder value and the Company will seek to transact in line with this strategy to reduce its balance sheet exposure to material capex associated with its major projects. Furthermore, in keeping with the strategy agreed with its major shareholders, Ophir has moved towards a self-sustaining financial model through the acquisition of Salamander Energy. This adds a production base, with significant growth potential, that breaks even at around \$15 per barrel and will generate free cash flow to fund Ophir's exploration activity.

## Key numbers

### Profit after taxation

**\$55m +122%**

(2013: \$246 million loss)

### Cash position<sup>1</sup>

**\$1,173m +76%**

(2013: \$667 million)

### Net asset position

**\$1,698m +1%**

(2013: \$1,667 million)

<sup>1</sup> Cash position includes short-term investments comprising cash deposits of between three and 12 months totalling \$294.9 million (2013: \$159.9 million).



## Performance

### Results for the period

The Company recorded an operating profit of \$294.4 million (2013: \$307.6 million loss) for the year ended 31 December 2014. The recording of a profit follows the successful farm-out of a 20% interest in Tanzania Blocks 1, 3 and 4 which resulted in a gain of \$671.7 million (2013: nil). After finance expenses and taxation this resulted in a post-tax profit of \$54.8 million (2013: \$245.8 million loss).

### Exploration expenditure

Total exploration expenditure associated with pre-licence expenditure, exploration expenditure written off and impairment charges for the year ended 31 December 2014 were \$333.7 million (2013: \$229.1 million).

Pre-licence expenditure consisted of \$23.9 million (2013: \$2.4 million) and impairment charges totalled \$309.8 million (2013: \$172.4 million). This consisted of an amount of \$59.4 million which was impaired against the Kenya L9 Block asset as a result of management's revised assessment of the carrying value. \$62.8 million related to the unsuccessful drilling operations in the Affanga Deep-1 well in Gabon. A further \$187.6 million was impaired against Tanzania assets following the drilling of the Tende-1 well in the East Pande Block and the drilling of Mlinzi Mbali-1 in Block 7 as a result of management's assessment that no further expenditure on exploration was currently budgeted or planned within the current licence terms.

### General and administration expenses

General and administration expenses of \$20.7 million (2013: \$32.1 million) include personnel costs, share-based payment charges, office administration costs and professional and corporate costs (audit, legal, other professional advisors' fees). In line with the Company's objective to manage its underlying cost base a 36% decrease in general and administration expenses was reported compared to 2013, predominantly associated with an increase in cost recovery despite an overall increase in the Company's drilling activity and headcount to 133 (2013: 119). This is an area that has been targeted for further reduction during 2015.

### Other operating expenses

Other operating expenses were \$22.8 million (2013: \$46.4 million). This mainly consisted of an amount of \$20.9 million which was goodwill expensed as a result of the impairment assessment relating to the Kenya L9 Block.

### Finance costs and income

Finance costs for the period were \$5.9 million (2013: Income \$27.1 million). An amount of \$3.4 million related to interest paid following the completion of the Pavilion deal in March and \$3.6 million of interest from short-term investments. The remainder is associated with foreign exchange losses and gains arising primarily on the fluctuation of the Company's functional currency, the US Dollar, against other currencies the Company holds.

### Taxation

Taxation for the period totalled \$233.7 million (2013: \$34.6 million) of which \$222.4 million was paid as a result of the gain on farm-out of the 20% interest in Tanzania Blocks 1, 3 and 4.

## Financial position

### Financing

During the year the Company strengthened its balance sheet with the successful sale of a 20% interest in Tanzania Blocks 1, 3 and 4, which generated net proceeds after taxation of \$462.4 million.

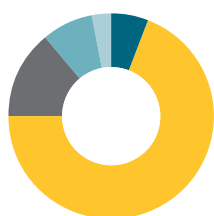
During the latter part of the year the Company started a share buyback programme. At the end of the financial year, in accordance with the parameters of the programme, the Company had purchased 15,522,066 ordinary shares for the consideration of \$44.2 million<sup>2</sup>.

### Exploration and evaluation investing activities

The Company's investment in exploration and appraisal activities has continued during 2014 with expenditure of \$594.3 million (2013: \$389.1 million).

The drilling of nine exploration and appraisal and two DST wells was completed during the year as well as an extensive 3D seismic acquisition programme. An amount of \$202.4 million which represented 34% of the total exploration and appraisal expenditure was invested in Block R, Equatorial Guinea. A further 36% (\$212.8 million) of exploration and appraisal expenditure was incurred during the year in Tanzania. This consisted of \$112.1 million in Blocks 1, 3 and 4, \$29.7 million in Block 7 and \$71.0 million in East Pande. Total expenditure in Gabon was \$153.5 million which represented 26% of the total spend in the Ntsina, Mbeli, Gnondo and newly acquired Nkawa and Nkouere blocks. However, with the farm-out of four of its Gabon blocks to OMV in mid-2014, the Company managed to reduce its net spend in Gabon to \$64.1 million.

### Exploration & Evaluation Assets 2014 – \$764.9m



● Gabon	6%
● Equatorial Guinea	69%
● Tanzania	14%
● Kenya	8%
● Seychelles	3%

### Liquidity risk and going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic review on pages 2 to 45. The financial position of the Group, consisting of cash resources of \$1,173 million, its cash flows and its liquidity position are described in the financial statements on pages 95 to 154. In addition, note 20 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

In making their going concern assessment, the Directors have considered Group budgets and cash flow forecasts, which include the impact of the completed acquisition of Salamander Energy plc subsequent to year-end for a period of at least 12 months. As a result of this review the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

<sup>2</sup> Amount includes associated broker fees and stamp duty.

### Events after the reporting period

On 3 March 2015 the Group acquired 100% of the share capital of Salamander Energy Plc, a South East Asian focused independent exploration and production company quoted on the LSE.

The Group announced that the scheme of arrangement was approved by Salamander Energy shareholders on 6 February 2015 and was sanctioned by the Supreme Court in London effective on 2 March 2015. The transaction has therefore closed and the entire issued ordinary share capital of Salamander Energy is now owned by Ophir. The consideration of \$326.1 million was satisfied in full by equity by which Salamander shareholders received 0.5719 Ophir ordinary shares for each Salamander Energy Plc ordinary share held.

The enlarged Group enhances Ophir's operating capabilities in both Africa and South East Asia and deepwater expertise across key technical and commercial functions. The combined Group provides shareholders with a diversified exposure to 21 production, development and exploration blocks in Africa and South East Asia.

The acquisition will be accounted for as a single business combination, full details of which are set out in note 31 of the Financial Statements.

### Financial strategy and outlook for 2015

Ophir's financial strategy remains focused on cost management and capital discipline to preserve its balance sheet strength. The Company will also retain the flexibility to monetise proven resources in keeping with its strategy. The Company will continue to self-fund its exploration activities, where appropriate executing pre drilling farm-outs and continue to pursue revenue generating business opportunities which together will minimise the overall costs of capital.

With the acquisition of Salamander Energy, the Company's capital expenditure in 2015 is expected to be between \$250 million and \$300 million. This will be used to fund:

- pre-development expenditure in Tanzania and Equatorial Guinea
- acquisition of further seismic data across the expanded exploration portfolio
- drilling of exploration wells on the G4/50 Block, Gulf of Thailand
- develop Bualuang and Kerendan fields.

Looking further ahead to 2016 and 2017, given the Company's limited exposure to committed exploration and appraisal capital expenditure of only \$100 million over the next three years, and its balance sheet strength, the Company should be well positioned to manage and leverage to its advantage the changing market conditions.

# Corporate responsibility

Ophir strives to achieve an appropriate balance between profitable operations and ethical practice by demonstrating a commitment to social and environmental responsibility.

Ophir's commitment to providing a sustainable contribution to both stakeholders and communities where we operate.

Ophir is committed to sustainable development. Our approach to Corporate Responsibility (CR) underpins the way we do business. We strive to conduct our operations in an ethical, responsible, apolitical, independent and transparent manner at all times.

We recognise that CR is key to how we support our employees and the communities in which we operate. We have a genuine commitment to the management of health, safety, security, environmental issues, community development projects and conducting our business ethically. Corporate Responsibility underscores the principle that exploring for oil and gas responsibly, to the highest international standards, is paramount.

Ophir is continually looking to evaluate and improve our CR policies and procedures. Both the UN Global Compact, the Principles for Responsible Investment and International Association of Oil and Gas Producers (OGP) have been sources of guidance.



This reviews the **five** areas of Ophir's Corporate Responsibility practices:

# 1

## Environment

Ophir has a responsibility to respect and to protect the environment in which it operates. The Company endeavours to meet all applicable legal and industry best standards in managing environmental risks. Ultimately, our goal is to minimise the environmental impact of our operations.

# 2

## Health, Safety and Security

Ophir strives to achieve the highest standards in Health, Safety and Security; ensuring that everyone working for the Company does so in a safe and healthy environment.

# 3

## Community Projects

Ophir is committed to responsible business practices and seeks to support local communities through sustainable projects aimed at empowerment, capacity building and improving education.

# 4

## Business Ethics

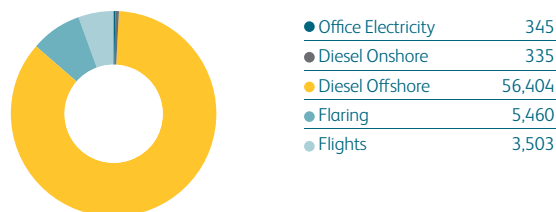
Acting with honesty and integrity is crucial to the long-term success of our business. The Company requires all those working for us to uphold the highest professional standards and to abide by all applicable anti-bribery and corruption laws, both international and local. We encourage the empowerment of staff and do not tolerate discrimination, bullying or harassment.

# 5

## Our People and Our Values

Ophir rewards performance and offers a progressive working environment and development opportunities for its employees.

## Emission sources (CO<sub>2</sub> tonnes)



## Environment

Protecting and maintaining the environment is paramount at all of our operations and we are constantly seeking ways to minimise the environmental impact of operations, reduce waste, conserve resources and respect biodiversity. Ophir complies with all applicable legal standards in managing environmental risks.

### Environment highlights

In the planning stages, prior to commencing operational activities, Ophir follows a conventional set of rigorous legal and industry best practice procedures to assess every potential environmental risk. Following the risk assessment, effective mitigation measures are then designed and implemented. For example, prior to acquiring seismic offshore in Gabon this year, we conducted an extensive programme of local stakeholder meetings with neighbouring fishing communities, informing and educating those potentially affected by the seismic planning and operational activities.

These local environment engagement processes are part of Ophir's Company-wide HSE policy, whereby before initiating any exploration project, in addition to engaging with local stakeholders, we conduct comprehensive and integrated Environmental Impact Assessments (EIAs). These EIAs are routinely scrutinised by local governmental agencies and NGOs before finally gaining approvals, all before work starts. We repeat these assessments at each stage of the project using qualified consultants and professional services. All aspects of our environmental performance are monitored during operations and then finally, after the operations are completed, the findings are reported back to local agencies to ensure transparency and compliance.



Marine Mammal Observers on board the seismic vessel in Gabonese waters.

### Emissions data

Ophir seeks to encourage energy efficiency best practices in all its activities and to minimise greenhouse gas (GHG) emissions. The emissions figures are provided as an absolute total figure of estimated CO<sub>2</sub> production for the Company's worldwide activities.

This is the second year emissions data are reported for the Company. Total emissions during 2014 were estimated at 66,046 tonnes of CO<sub>2</sub>. This compares to 15,138 tonnes CO<sub>2</sub> in 2013. The increase in emissions in 2014 compared with that of 2013 is due to the completion of our first ever flare testing and the drilling of eight wells in 2014 versus two in 2013.

As an oil and gas explorer, most of the Company's emissions are produced by third-party contracted services with respect to our operated exploration activity; primarily drill ships, seismic vessels and service boats working offshore. The majority of GHG emissions come from the fuel used in offshore operations and, to a far lesser extent, passenger air travel during the two drilling campaigns (totalling eight operated wells) across Equatorial Guinea, Tanzania and Gabon in 2014. Office emissions are a minor contributor. The emissions data is reported as an applicable intensity ratio, by using the number of operated wells as the key metric and therefore on this basis the estimated emissions were 8,255 tonnes per operated well drilled in 2014 (2013: 7,659 tonnes per operated well).

Emissions data is collected from every location where we operate. Where actual, measured data is not available, estimates are made. The measuring system is defined in the Ophir Health and Safety Environmental Management System (HSEMS).

### Reporting criteria:

<b>Office energy</b>	Calculated average annual electricity use from actual invoices for all office locations
<b>Ground transport</b>	For Africa office locations, collected data for actual fuel used for office vehicles
<b>Exploration</b>	For our offshore operations calculated diesel use rate which includes drilling rigs, helicopter support, seismic vessels and various PSVs (service boats) covering the operations period for each country with activities in 2014
<b>Air transport</b>	Estimated total number of long haul passenger flights in 2014, booked and paid for by Ophir Energy (includes employees and contractors)



Report of the  
Corporate Responsibility  
Committee  
page 61

## Health and Safety

Health and safety is a priority for Ophir. All operations are carried out in accordance with applicable local and international health and safety best practices.

Strict health and safety procedures are applied to all aspects of our operations, from simple everyday office activities to highly complex subsea technical drilling risk assessments, vessel operations and emergency response planning. All employees and contractors have a duty to ensure their activities are compliant with the rules and standards that apply. It is part of our duty of care to ensure our subcontractors and suppliers provide a safe and healthy working environment for their employees and to provide appropriate training, support and protective equipment. To confirm compliance with the appropriate health and safety practices subcontractors and suppliers are subject to regular checks.

Ophir's Corporate Responsibility Committee meets regularly to reviews these standards, and is responsible for monitoring health, safety, security and environmental (HSSE) practices. The Committee is also responsible for planning appropriate independent HSE audits across the range of our activities to assess our progress.

### Corporate Responsibility team developments

In 2014 the Corporate Responsibility management with respect to health and safety continued to evolve. All employees and contractors are expected to abide by our Corporate Responsibility standards. Ophir continued to concentrate its health and safety focus on those areas with the highest risk. In 2014 that meant targeting the drilling programmes in Gabon, Equatorial Guinea and Tanzania. Each drilling project was provided with full time, on and offshore, HSE professionals to ensure HSE compliance.

### Health and safety highlights

During 2014 Ophir's employees and contractors recorded only one LTI resulting from a minor injury offshore. There were no other significant recordable incidents during the year.

In early 2014, prior to contracting the drilling company engaged to carry out the West Africa drilling campaign in Gabon and Equatorial Guinea, Ophir carried out extensive health and safety assessments, audits and held integration sessions with the service company personnel to ensure health and safety alignment and compliance before and during the drilling campaign.

## Security

We have operated in several challenging environments in both East and West Africa during 2014 and our assessments have evaluated the various possible physical risks our personnel and assets could be exposed to during our operations. Our security personnel have supported our activities during the past year and in Tanzania we used local naval personnel to provide protection and response capability to our offshore drilling operation. There were no security incidents during 2014.



Tanzanian military personnel working alongside Ophir security for the 2014 drilling campaigns.

### Community Projects

As an international Oil and Gas operator it is abundantly clear that Ophir has a responsibility towards the communities where we operate. These responsibilities include aiding the development of the economic and social conditions of local communities. This year we have focused on improving access to education (primary and vocational) and on water and supporting health initiatives through donations.

When selecting projects, Ophir adopts a collaborative approach, conducting varied stakeholder engagement and needs assessments in order to identify projects that most positively contribute to the requirements of the local communities.

#### Community development highlights

In 2014 we set two corporate Key Performance Indicators (KPIs) in line with community development:

1. At least one project to be started or ongoing in each of our key operational assets.
2. The completion of two projects or phases in separate countries.

Our asset managers' performance was judged against these KPIs which reinforced our positive commitment to the initiation and completion of community projects in our operated countries of Tanzania, Seychelles, Kenya, Equatorial Guinea and Gabon.

To continue this progression we conducted a gap analysis of our current approach to community development. This highlighted a need for greater corporate governance and a more strategic approach to the selection and implementation of projects. We have reviewed the International Financial Corporation (IFC) guidance to help us more closely align our strategy for community development with our core business and to concentrate our efforts on sustainable projects that have a greater and longer lasting benefit to the communities in which we operate.



School children from Lilungu Primary school just before their dance performance at the handover ceremony in October 2014.



## The way forward for 2015: strategic Community Development



### 2014 Community projects by location

Upon commencing operations in the Seychelles in April, Ophir began engaging with several local stakeholders to identify a project to support alongside our seismic campaign. Ophir has funded the provision of two minivans for one occupational hospital in the south of the country and one in the north.

In Tanzania, we have completed the two phase re-development project of Lilungu Primary School in Mtwara. An opening ceremony was held to celebrate the completion of the project, which is having an extremely positive impact on the school children and the local surrounding communities, to which the Company is closely affiliated. Ophir will continue to support both Lilungu Primary School and the wider Mtwara region throughout 2015.

In Equatorial Guinea, we have completed two community projects: the re-development of De Ovang Okas primary school in the district of Mongomo, along with the construction of a water well which will service the school and the surrounding community. Additionally we have continued our support for the school re-development programme by providing the school with desks and furniture. Elsewhere in Equatorial Guinea we have provided funding for the National Technical Institute, which provides valuable training and development for the local communities.

### Completing the redevelopment of Lilungu School, Mtwara, Tanzania

Phase 1 and 2 of the project came to completion in October 2014.

The school now has five new and 11 renovated classrooms and one new and three renovated offices. Water has been connected to existing toilet facilities and a new large toilet facility has been constructed; the first of its kind in a school in Mtwara. Access to water has been improved further by the drilling of a borehole and construction of a 50,000 litre water storage tank. We have supplied the classrooms with 240, and planted trees for the school grounds and improved the sports field. To continue our support for the school and community Ophir will be contributing towards the school's operating costs for 2015, covering utility costs and stationery.



Vivien Gibney meeting students at Lilungu Primary School during the handover ceremony in October 2014.

In Kenya, following a needs assessment in Kilifi County, Ophir has completed the renovation work for Rima Ra Primary School, including school furniture and four toilets. The construction work was carried out by local contractors.

In Gabon, Ophir sponsored the training of 10 Gabonese students to become Marine Mammal Observers (MMO). Following the successful training course, the MMOs have gone on to complete their Basic Offshore Survival Training and their Offshore Oil and Gas Medical Training in preparation for working offshore. Plans are underway to begin several community development projects in Gabon in 2015, including working with NGOs to provide further training for Gabonese nationals.

For the first time, in 2014 Ophir has provided two scholarships to Tanzanian students on the four-year undergraduate petroleum degree course at the University of Dar Es Salaam. We have also sponsored two Petroleum Geoscience Masters students in London, offered several internship opportunities throughout the year to students or early graduates, and have implemented our first Early Career Development Programme, recruiting one candidate into our Geoscience team.

#### Charitable giving

This year our London office has launched Ophir's first Staff Charity Fund in support of The Egmont Trust. The Egmont Trust has a number of projects helping families in Tanzania affected by HIV and AIDs. The fund has been set up to allow employees to make collaborative donations to the charity and the Company has agreed to match the total.

#### Business Ethics

Ophir must comply with all applicable local, national and international laws and regulations in all locations in which we operate. This is crucial to both the commercial success and the reputation of the business. Everyone who works for us plays a key part in this. All employees are accountable for the way they conduct themselves in the course of their work. Managers have additional responsibility to set the tone and foster best practices within their teams.

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

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.

An area of current focus is the development and roll-out of an improved online system for internally conducting due diligence on third parties with whom we do business. This not only assists us in identifying risks presented but also captures the analysis of those risks as well as approval decisions at management level.

## Our People and Our Values

Ophir continues to build an experienced, resourceful, international employee base and our talented individuals are at the heart of our success. We provide exciting opportunities and challenges for our people to stretch and develop them in their roles. This culture allows us to successfully attract and retain the best in our industry. Our annual performance review process is an opportunity for quality feedback conversations to take place and for individual performance to be aligned with corporate performance.

We are committed to encouraging local talent within the countries we have offices and operations and we work in partnership with recognised institutions to support their development.

In addition, Ophir expects all of our people including contractors, consultants, interns and students to demonstrate the values in their daily working lives. The Company has six key values which underpin our business and are present in all of our activities.

### Respect for human rights

Ophir respects and supports the human rights of all people, including all those who work for us as well as the communities throughout the world which may be affected by our operations. We recognise that we have a responsibility to uphold these fundamental rights wherever we can.

### 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 2014 the organisation has one female Director representing 12.5% of the Board (this figure has since risen to 22% of the Board), 23% of the senior executives are female and throughout the organisation, the female proportion of our workforce is 37%.

## Ophir's key values

<b>Integrity</b>	honest and ethical
<b>Dynamism</b>	positive, energised and innovative
<b>Excellence</b>	for people and our partners
<b>Grounded</b>	down-to-earth, never arrogant
<b>Collaborative</b>	work in partnership

This Strategic Report was approved by the Board and signed on its behalf

**Nick Cooper**  
Chief Executive Officer  
18 March 2015

# Corporate Governance introduction

## Chairman's statement on Governance

### Dear Shareholder

It is with pleasure I present to you the Corporate Governance Report, the aim of which is to provide insight into the governance framework operated by the Board and its Committees, as well as their activities throughout the year. Ensuring that we have robust and effective governance processes in place will play a key role in the future success of the Company.

Last year, I reported that 2013 was a landmark year for the Company as it completed its transition from a private company to a well-respected public company. 2014 turned out to be as important. First, we completed the monetisation of half our stake in Blocks 1, 3 and 4, enabling the Company to be cash strong in times of significant opportunity in our sector. Secondly, we started to develop the exploration footprint of the Company in Asia with acquisitions of offshore licences in Myanmar and Indonesia. Thirdly, the Board also initiated the acquisition of Salamander Energy plc, a FTSE listed company with exploration and production interests in Asia, which completed on 2 March 2015. The Company has now become an enlarged exploration company with maturing future cash flows from production.



### Board and Committee composition

The composition of a Board needs to be reviewed regularly, particularly in periods of rapid growth. This year, in the context of the appointment of the Chief Operating Officer, the management of cost and the senior resource available below Board level, your Board focused on the level of executive leadership that should be represented on the Board going forward.

It concluded that there was both sufficient financial and strategic expertise amongst the members of the Board for the respective Board positions of Chief Financial Officer and Director of Corporate Strategy to no longer be necessary. Accordingly, Lisa Mitchell and Dennis McShane stood down from the Board on 17 October and 4 November 2014 respectively and I would like to thank them, on behalf of the Board, for their commitment and contribution to the success of the Company. Bill Higgs joined the Board as Chief Operating Officer on 10 September 2014, having previously worked for Chevron Corporation for 25 years in a number of senior roles and, most recently, as Chief Executive Officer of Mediterranean Oil & Gas plc.

There are two further changes that will affect the Board in 2015. Dr Carol Bell, a Non-Executive Director of Salamander Energy plc until its acquisition by the Company, joined the Board on 2 March 2015. Lyn Powell, a member of the Board since 2007, will step down at the forthcoming 2015 AGM in May. Lyn Powell has been involved in all elements of the Company's growth since his initial appointment and, most importantly, he has chaired the Corporate Responsibility Committee (previously named the HSE Committee) most effectively since joining. The Board thanks him for his continued commitment and contribution and wishes him well.

“Ensuring that we have robust and effective governance processes in place will play a key role in the future success of the Company.”



## Corporate governance framework

The Board has a coherent corporate governance framework 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.

**Board**  
Chairman, 2 Executive Directors and 6\* Independent Non-Executive Directors

### Audit Committee

3 Independent Non-Executive Directors

Main responsibilities are monitoring the integrity of the financial statements of the Company and reviewing effectiveness of internal control and risk management systems.

### Remuneration Committee

4 Independent Non-Executive Directors and Company Chairman

Main responsibilities are determining and agreeing with the Board the remuneration framework for the Chairman, the Executive Directors and the Company Secretary and recommending and monitoring reward of the senior management team.

### Nomination Committee

2 Independent Non-Executive Directors, 1 Executive Director and Company Chairman

Main responsibilities are regularly reviewing structure, size and composition of Board and identifying and nominating candidates to fill Board vacancies.

### Technical Advisory Committee

2 Independent Non-Executive Directors and 1 Executive Director

Main responsibilities are advising the Board on technical aspects of operational business proposals and their potential risks and they are consistent with the Company strategy.

### Corporate Responsibility Committee

4 independent Non-Executive Directors

Main responsibilities are evaluating effectiveness of Group's Corporate Responsibility policies and systems as well as social, charitable and educational community projects across the Company's operations.

Executive  
Committee

\* Including Dr Carol Bell.

## UK Corporate Governance Code

The UK Corporate Governance Code 2012 (the 'Code') applies to the year under review. A copy of the Code can be found at [www.frc.org.uk](http://www.frc.org.uk). As part of the 2014 external Board evaluation conducted by Socia Limited, the results from the evaluation concluded that the Company fully met the requirements of the Code. The Board, along with its own assessment of compliance with the Code, therefore concludes that during the year the Company has fully complied with all provisions of the Code. The UK Corporate Governance Code 2014 (the '2014 Code') applies to all premium listed companies with accounting periods beginning on or after 1 October 2014 and will, therefore, apply to the Company for the 2015 financial year. The Board expects the Company to comply with all provisions of the 2014 Code and will report on its compliance in 2016 for the financial year ending 31 December 2015.

## Board effectiveness

Each year, the Board conducts a review of its effectiveness, and after careful consideration of the findings from the second external Board evaluation also undertaken during the year, has agreed the priorities for next year. Ron Blakely, the Senior Independent Director, has also carried out a review of my performance with input from the other Non-Executive Directors. Further details surrounding the 2014 Board Evaluation process are set out on page 54. Following this review, I am satisfied that there is an appropriate balance of skills, experience, independence and knowledge amongst the Board to discharge its duties and responsibilities effectively. Furthermore, each Board member has sufficient time to undertake their duties responsibly and effectively.

## Board Committees

The Board delegates certain responsibilities to the Board Committees to enable it to carry out its functions effectively. An overview of the Board's governance framework is set out above. Recommendations identified from the evaluation of our Board Committees in 2013 have improved each Committee's effectiveness in dispensing its respective duties on behalf of

the Board. During the year under review, Terms of Reference for each of our Board Committees have been reviewed, updated and approved by the Board.

Reflecting the importance of corporate responsibility and how it underpins all the Company's activities, and taking into account the recommendations from the Board Committee evaluation in 2013, the Board charged the Corporate Responsibility Committee to become the key platform for mitigating against non-financial risks Group-wide. In addition to its key responsibility of monitoring the safe and ethical conduct of our operations, as this affects our employees and the environment, the Committee's mandate now includes engagement with local communities, planning around the recent Ebola crisis, anti-bribery and corruption policies and external greenhouse gas reporting.

**Nicholas Smith**  
Chairman

# 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.



## Name and title

**Nicholas Smith**  
Chairman of the Board

**Dr Nick Cooper**  
Executive Director &  
Chief Executive Officer

**Dr William (Bill) Higgs**  
Executive Director &  
Chief Operating Officer

**Ronald Blakely**  
Senior Independent  
Non-Executive Director

## Biography

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 Chairman of Aberdeen New Thai Investment Trust plc and Senior Independent Director of Schroder AsiaPacific Fund plc.

Dr Nick Cooper was appointed as an Executive Director and Chief Executive Officer in June 2011. Nick Cooper is a member of the Nomination Committee. Prior to joining Ophir, he 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. In September 2014 Nick Cooper was appointed as Non-Executive Director of Siccar Point Energy Limited. Dr Nick Cooper has a BSc and PhD in Geophysical Sciences and an MBA from INSEAD.

Dr Bill Higgs was appointed as an Executive Director and Chief Operating Officer on 10 September 2014. Bill Higgs is a member of the Technical Advisory Committee. He has over 25 years of global exploration, development and operations experience, the majority with Chevron Corporation. His roles at Chevron included Senior Vice President of Operations for Saudi Arabia Chevron, Reservoir Manager for Tengizchevroil in Kazakhstan, Asset Manager for the BBLT development in Block 14 Angola and General Manager for Strategy for Chevron Corporation. In his time at Chevron he was also a member of the Corporate Reserves Audit Committee and the Decision Review Boards for the Gorgon and Wheatstone LNG developments in Australia. Before joining Ophir, he was Chief Executive Officer of Mediterranean Oil & Gas plc (acquired by Rockhopper Exploration plc). Dr Bill Higgs has a BSc in Geological Sciences from the University of Leeds and a PhD in Structural Geology from the University of Wales.

Ronald Blakely was appointed as a Non-Executive Director in July 2011 and as Senior Independent Director in 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. Ronald Blakely is a member of the Society of Management Accountants of Alberta, Canada.

## Year appointed

2007

2011

2014

2011

## Committee membership

Nomination Committee (Chairman),  
Remuneration Committee

Nomination Committee

Technical Advisory Committee

Audit Committee (Chairman),  
Nomination Committee,  
Remuneration Committee

## Other Officers of the Company

### Chandrika Kher

Position Company Secretary and Committees' Secretary

Appointed March 2014

## Directors who retired or resigned during the reporting period

### John Lander

Position Non-Executive Director

Retired 28 February 2014

### Lisa Mitchell

Position Executive Director and Chief Financial Officer

Stepped down 17 October 2014

### Dennis McShane

Position Executive Director of Corporate Strategy

Stepped down 4 November 2014



### Dr Carol Bell

Independent  
Non-Executive Director

Dr Carol Bell has over 30 years of experience in the energy industry having enjoyed a successful career in the City, most recently as a Managing Director of Chase Manhattan Bank's Global Oil & Gas Group. Dr Carol Bell currently sits on the Boards at Petroleum Geo-Services ASA, Bonheur ASA and Ganger Rolf ASA and until completion of the transaction, was a Non-Executive Director at Salamander Energy plc. She is also a Non-Executive Director of the BlackRock Commodities Income Investment Trust plc and sits on the board of Finance Wales, the venture capital arm of the Welsh Government. Dr Bell holds an MA in natural sciences from the University of Cambridge and a PhD in Archaeology from University College London. Dr Carol Bell is a trustee of the Renewable Energy Foundation (a UK think tank) the National Museum of Wales, The Wales Millennium Centre, The British School at Athens, and the Institute for Archaeometallurgical studies. She is also a member of the S4C Authority and the Council of Cardiff University.

2015



### Alan Booth

Independent  
Non-Executive Director

Alan Booth was appointed as a Non-Executive Director in April 2013. He is the Chairman of the Technical Advisory Committee and member of the Remuneration, Corporate Responsibility 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 is a Non-Executive Director of InfraStrata plc. 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).

2013

Technical Advisory Committee (Chairman), Audit Committee, Remuneration Committee, Corporate Responsibility Committee



### Vivien Gibney

Independent  
Non-Executive Director

Vivien Gibney was appointed as a Non-Executive Director in August 2013. She is the Chairman of the Remuneration Committee and member of the Corporate Responsibility Committee. Vivien Gibney 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 Gibney set up the legal department and held the positions of General Counsel, Company Secretary and Head of HR. Vivien Gibney 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 Gibney is a barrister with an LL.B. and received an Honorary Fellowship in Petroleum law from the University of Dundee.

2013

Remuneration Committee (Chairman), Corporate Responsibility Committee



### Lyndon Powell

Independent  
Non-Executive Director

Lyndon Powell was appointed as a Non-Executive Director in October 2007. 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. Lyndon Powell was Chairman of the Corporate Responsibility Committee and a member of the Remuneration and Nomination Committees until his retirement from the Board at the AGM on 20 May 2015.

2007

Corporate Responsibility Committee (Chairman), Nomination Committee, Remuneration Committee



### William (Bill) Schrader

Independent  
Non-Executive Director

Bill Schrader was appointed as a Non-Executive Director in February 2013. He is a member of the Audit, Corporate Responsibility 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 December 2014 Bill Schrader was appointed Non-Executive Director of CHC Group Ltd, he is also Non-Executive Chairman of Bahamas Petroleum Company plc and 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.

2013

Corporate Responsibility Committee, Audit Committee, Technical Advisory Committee

# Corporate Governance report

**The Board is committed to maintaining high standards of corporate governance and fully recognises the benefits it brings to making the best decisions for the Company's future.**

## 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, risk management, resources, standards of conduct and accountability. The Board also leads in setting the values and the culture of the Company.

The Board has adopted a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its Committees.

The Board undertook a review of the schedule of matters specifically reserved for the Board (the 'Schedule') in 2014. The Board concluded that only minor amendments were required to those matters; principally to formally note that the Board was responsible for the anti-bribery policy, that all country entries and exits were subject to prior Board approval and revisions to the financial limits at which Board approval is required, to better reflect the size and operations of the Company since the Board first adopted the Schedule in 2012. Other specific responsibilities are delegated to the Committees of the Board, each of which has clear written Terms of Reference. The Terms of Reference for the Audit, Remuneration, Corporate Responsibility and Nomination Committees are available on the Company's website at [www.ophir-energy.com/about-us/board-committees](http://www.ophir-energy.com/about-us/board-committees).

### 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 leadership and effective running of the Board as well as for ensuring that it plays a full and constructive part in the development and determination of the Company's strategy.

Together with the Chief Executive Officer and the Company Secretary, the Chairman sets the agenda for Board meetings, ensuring that the decision-making process adopted by the Board allows for open and constructive debate. The Chairman works closely with the Chief Executive Officer, providing support and advice as well as ensuring that the strategies and actions agreed by the Board are effectively implemented.

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

Dr 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. Underpinning this, the Chief Executive Officer is supported by the Executive Committee consisting of the Chief Operating Officer and the Director of Finance, in addition to other members of the senior management team.

### Role of the Chairman

The Chairman is responsible for the leadership of the Board.

In particular, he will:

- Cultivate a boardroom culture of honesty and openness which encourages appropriate debate and challenges amongst the Board.
- 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.

## Non-Executive Directors' length of service as at 31 December 2014



● 0-3 years	3
● 3-6 years	1
● 6+ years	1

### Role of the Chief Executive Officer

The Chief Executive Officer is responsible for the 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 senior management team through the sub-committees of the Executive Committee.
- Build and develop an appropriate organisational structure for the Company, establish processes and systems and plan resourcing to ensure that the Company has the capability to achieve its aims.
- Lead the Executive and senior management team including undertaking appraisals, reviewing development needs and making recommendations to the Remuneration Committee with regard to remuneration where appropriate.
- 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 subject to annual re-election at the Annual General Meeting (AGM) 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.

#### Ronald Blakely

Date of appointment:	July 2011
Tenure from appointment to 2015 AGM:	Less than 4 years
Considered to be independent:	Yes

#### Alan Booth

Date of appointment:	April 2013
Tenure from appointment to 2015 AGM:	Less than 3 years
Considered to be independent:	Yes

#### Vivien Gibney

Date of appointment:	August 2013
Tenure from appointment to 2015 AGM:	Less than 2 years
Considered to be independent:	Yes

#### Lyndon Powell

Date of appointment:	October 2007
Tenure from appointment to 2015 AGM:	Less than 8 years
Considered to be independent:	Yes

#### William (Bill) Schrader

Date of appointment :	February 2013
Tenure from appointment to 2015 AGM:	Less than 3 years
Considered to be independent:	Yes

The Board considers that all its Non-Executive Directors at year end, namely Ronald Blakely, Alan Booth, Vivien Gibney, Lyndon Powell and Bill Schrader, were independent in character and judgement and free from relationships or circumstances that might affect their judgement. Carol Bell joined the Board as a Non-Executive Director on 2 March 2015 and is also considered to be similarly independent.

Throughout 2014 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 is the Senior Independent Director and was in place throughout the year. 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

As the Group has grown significantly since it initially listed, the Board decided that it was appropriate to separate the roles of the General Counsel and the Company Secretary. As a result Chandrika Kher was appointed as Company Secretary in March 2014, having previously been the Deputy Company Secretary.

## Board Activity

Key areas of focus for the Board in 2014 included:

- Strategy
- Risk reviews
- Acquisitions and new business development
- Share buyback programme
- Board restructure
- Drilling campaigns
- Governance and Board performance
- Investor feedback and communication
- Corporate Responsibility, including health and safety, security, environmental and community related projects

During 2015, the Board expects these areas of focus to remain broadly similar, with the exception of the need for Board restructuring.

## Effectiveness

### Board composition

At 31 December 2014 the Board was composed of the Chairman, two Executive Directors and five independent Non-Executive Directors. The following changes to the Board took place during the year ended 31 December 2014 and up to the date of this report:

#### 28 February 2014

John Lander retired as an independent Non-Executive Director.

#### 10 September 2014

Bill Higgs was appointed Chief Operating Officer.

#### 17 October 2014

Lisa Mitchell stood down as Chief Financial Officer.

#### 4 November 2014

Dennis McShane stood down as Director of Corporate Strategy.

#### 2 March 2015

Carol Bell was appointed an independent Non-Executive Director.

As previously announced, Lyndon Powell will be retiring from the Board at the conclusion of the 2015 AGM in May, having served more than seven years.

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. Further information on how this is achieved and consideration of this in the year, is contained in the Nomination Committee Report on pages 64 and 65. 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 48 and 49.

### Board composition at 31 December 2014



● Non-Executive Chairman	1
● Executive Directors	2
● Independent Non-Executive Directors	5

## Meeting attendance

The Board held four formal meetings during 2014, as well as 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 2014 at the formal and short-notice Board meetings are shown in the table below:

	Scheduled Board meetings	Meetings held at short notice
Nicholas Smith, Chairman	4/4	6/6
Nick Cooper, Chief Executive Officer	4/4	6/6
Bill Higgs, Chief Operating Officer <sup>1</sup>	1/1	5/5
Ronald Blakely, Non-Executive Director	4/4	6/6
Alan Booth, Non-Executive Director	4/4	6/6
Vivien Gibney, Non-Executive Director	4/4	6/6
Lyndon Powell, Non-Executive Director	4/4	6/6
Bill Schrader, Non-Executive Director	4/4	6/6

## Former Directors

Lisa Mitchell, Executive Director <sup>2</sup>	3/3	1/1
Dennis McShane, Executive Director <sup>3</sup>	3/3	1/2
John Lander, Non-Executive Director <sup>4</sup>	0/0	0/0

<sup>1</sup> Bill Higgs was appointed to the Board as an Executive Director on 10 September 2014.

<sup>2</sup> Lisa Mitchell stood down from the Board on 17 October 2014.

<sup>3</sup> Dennis McShane stood down from the Board on 4 November 2014.

<sup>4</sup> John Lander retired from the Board on 28 February 2014.

The Non-Executive Directors met with the Chairman four times during the year, without any Executives present, to discuss the performance of the Executive Directors. In 2014, the Chairman introduced a post-Board meeting review process, whereby the performance of the Chairman is discussed, led by the Senior Independent Director.

Formal quarterly meetings also take 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.

## Board process

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

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 advise the Board if there are any significant technical risks or concerns that should be taken into consideration when considering any such proposals. The Committee also ensures the technical activities of the Company are consistent with the overall strategy of the Company. The Board recognises that while the Committee is not a requirement of the Code, nonetheless, it enhances the Board's ability to approve appropriate business proposals of a technical nature pertaining to the Oil and Gas industry. During the course of 2014, the Committee undertook the following: a review of the Company's operating assets, evaluated new business developments, acted as technical advisers to the Board and reviewed and recommended changes to members of the Committee. 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 and other members are the Chief Operating Officer (replacing the Chief Executive Officer as a member on 17 November 2014) and Bill Schrader. The Committee's Terms of Reference are available on the Company's website at [www.ophir-energy.com/about-us/board-committees/technical-advisory](http://www.ophir-energy.com/about-us/board-committees/technical-advisory).

### Risk management

The Board believes that effective risk management is crucial to the Company's strategic objectives and long-term success. The Board has overall responsibility for ensuring risk is effectively managed. The Company's approach to risk and the Company's principal risks are detailed further on pages 18 to 21. The Audit Committee reviews the effectiveness of the risk management process on the Board's behalf, and its approach to this can be found in the Audit Committee Report on pages 56 to 60.

### Board Evaluation

A full external Board evaluation was carried out in October 2014 and Socia Limited was once again appointed to undertake the review. This follows a full Board appraisal in 2012 and a comprehensive appraisal of the Board Committees in 2013. The aim of the 2014 evaluation was to ensure that the Board remains fully compliant with the Code, to assess how the Board currently operates, and provide an opportunity to improve how it operates in the future. The objective of the 2014 evaluation was to address three key areas:

- Ensure that the Board is fit to meet the demands of a fast developing business;
- Ensure that the Board continues to have the appropriate balance of skills and experience built into its respective succession plans; and
- To continue developing the dynamics of the Board so that it remains an effective decision-making body.

The external facilitator conducted interviews with each member of the Board and the Company Secretary, attended Board meetings and was furnished with Board minutes and Terms of Reference for each Board Committee and other documentation to facilitate the evaluation. The resulting report, including recommendations for action, was then presented to the Board.

The principal conclusion from the 2014 Board evaluation was that the Board operated effectively and complied fully with the provisions of the Code.

### 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. Further details of Bill Higgs' induction programme is set out in the Nomination Committee Report on pages 64 and 65.

Ongoing development and training is provided to Directors at Board and Committee meetings. During 2014 the Directors received training on:

- Regulatory developments on the UK Listing Rules;
- Regulatory developments on Corporate Governance pertaining to risk management, audit committee reporting, board effectiveness and succession planning; and
- Cyber risk and prevention.

The Board and Committees expect to receive regular updates and briefings on new legislation and changes to best practice on corporate governance from, inter alia, the Company Secretary, the Group's General Counsel on anti-bribery and corruption matters, the Company's Auditor and, in terms of Directors' remuneration related matters, from the Company's Remuneration Consultants.

### 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 2014, none of the Company's Executive Directors held directorships in any other quoted company.

### Conflicts of interest

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

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 Ronald Blakely, the Senior Independent Director and Audit Committee Chairman met with major institutional shareholders during the first quarter of 2015 to listen to their views on the Company's strategic direction, 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.

All financial and regulatory announcements, as well as other important business announcements, are published on the Investors section of the Company's website and stakeholders can subscribe to receive news updates by email by registering online on the website at [www.ophir-energy.com/investors/register-for-email-alerts.aspx](http://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 2015 AGM will be held on 20 May 2015 at the offices of Linklaters LLP, 1 Silk Street, London EC2Y 8HQ. Full details of the business of the AGM are 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 2014 Annual Report will also be made available at: [www.ophir-energy.com](http://www.ophir-energy.com).

# Report of the Audit Committee



Ronald Blakely,  
Audit Committee  
Chairman

## Report of the Audit Committee Chairman

### Dear Shareholder

I'm very pleased to report to shareholders on the focus and deliberations of the Audit Committee for the past year.

The membership of the Committee during 2014 has remained constant after a number of changes witnessed in prior years. Bill Schrader and Alan Booth have now served since their respective appointments in 2013, bringing a strong commercial and operational acumen to the Committee.

Last year, I outlined areas of the Committee's focus, which was directed at strengthening the internal control framework within the Company. That focus continued throughout 2014. An internal audit function was appointed via a third party service provider, Mazars LLP, and has now been in operation for a full year. The Audit Committee receives regular internal audit updates and Mazars attend all Committee meetings. Another milestone achieved by the Company was the implementation of a new financial system in 2014 which will serve to provide many benefits, such as the use of automated controls thereby eliminating a high dependency on manual procedures. As the Company grows in size and complexity, the new system will allow more efficient data flows, better management of information and reporting across the Group and a much improved control environment.

In addition to the foregoing, the Committee, in support of the Board, conducted two reviews of IT infrastructure security. Given the growing risks associated with cyber attacks and the geographical spread of the Company's infrastructure, several improvements were implemented to strengthen IT systems security both internally and to the external world. In the coming year, it is planned to further test the Company's ability to withstand security breaches through the use of third parties that specialise in simulating cyber attacks. This area of activity will continue to remain of focus to the Board.

Through the two external reporting periods related to the 2014 accounts, the Committee's focus, in consultation with management and the external auditors, was essentially on the same accounting matters as in prior years, namely asset impairments and going concern. The outcomes of these deliberations are described in detail in the full report that follows this letter. I would only highlight the

### Membership and attendance

The members of the Committee, all of whom are independent Non-Executive Directors, together with details of their individual attendance at meetings held during the year ended 31 December 2014, are set out below:

Committee members	Meeting attendance
Ronald Blakely (Committee Chairman)	3/3
Alan Booth	3/3
Bill Schrader	3/3

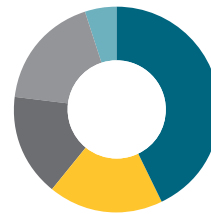
John Lander resigned from the Committee on leaving the Board on 28 February 2014. No Committee meetings were held in the year before his retirement from the Board.

The Board considers all members of the Committee to be independent and that, as Chairman, 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, Director of Finance, and representatives of the external auditor and internal auditor attend Committee meetings on a regular basis. In addition, the Group Financial Controller and Company Secretary may be invited to attend all or part of Committee meetings as required. The external auditor also met with the Committee on several occasions throughout the year without executive management being present.

### Role and responsibilities of the Audit Committee

During 2014, 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](http://www.ophir-energy.com/about-us/board-committees/audit) and are fully compliant with section C.3.2 of the Code.

## Areas of focus in 2014



Financial Reporting (including going concern)	43%
External Audit	18%
Risk and Internal Control	16%
Internal Audit	18%
Other	5%

additional steps taken as part of the final review of the financial statements which involved testing the near-term liquidity of the Company incorporating Salamander Energy plc into the going concern assessment, given the recent acquisition of Salamander in early 2015. This will provide the Company with a revenue stream for the first time since inception. However, long-term solvency of the Company will remain dependant on one of: monetising assets from exploration success; securing further capital from financial markets; or acquiring more revenue producing assets.

During the course of the year, steps have been taken to assess the effectiveness of the external auditor which are detailed later as part of this report. I have personally maintained regular communication with EY LLP throughout the year both in London and from the Group's other operating locations to discuss their various audit activities.

Proactive measures have been taken in the past year to reduce the use of non-audit services from EY. However, one area with prior approval by the Committee, was the use of EY services beyond the defined audit role of the Reporting Accountant, concerning certain matters relating to the Prospectus and Shareholder Circular for the Salamander acquisition. Here the Committee concluded that it would be considerably more expensive and take much longer to use an alternate firm, not previously familiar with the preparation of the Company's financial statements.

Looking ahead to 2015, a major focus of the Audit Committee will be on the integration of Salamander's operations with those of Ophir. It is well understood and our plans recognise that the integration activities, particularly financial reporting integration, introduce elevated risk to the Company, which will be closely followed.

My last comment is directed at the transition of finance staff during the year. Lisa Mitchell, formerly Chief Financial Officer, stood down from the Board as part of the re-structuring in October. On behalf of the Committee I wish to acknowledge and thank Lisa for her contribution in progressing the professional standards of the Group's finance function during her tenure.

**Ronald Blakely**  
Audit Committee Chairman

18 March 2015

### Financial reporting

The Committee has the responsibility of assessing the integrity of the financial statements of the Company on behalf of the Board. The Committee's approach to achieving this includes ensuring appropriate accounting standards are applied, reviewing in depth any material areas where accounting judgements have been used and/or new accounting policies or procedures have been applied. In addition, the Committee reviews and assesses the Annual Report to determine whether it can advise the Board that, taken as a whole, the Annual Report is fair, balanced and understandable and provides shareholders with the information they need to assess the Company's performance, business model and strategy as required by provision C.1.1 of the Code. The Committee considers the external auditor's proposed 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 auditor's report on the full and half-year financial results with EY LLP, prior to agreeing to recommend each set of financial statements and associated reports to the Board for approval.

One of the more significant areas of accounting judgement is 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 and assessed by the Committee. If necessary, the Committee can receive advice from the Technical Advisory Committee, and in 2014 did so regarding the most appropriate level of impairment charge for Tanzania Block 7. The external auditor also reports on this most prominent area of accounting risk to the Audit Committee and the Committee has been satisfied that exploration has been treated in the correct and consistent way in the financial statements.

### Impairment review

A significant area recognised by the Committee as subject to management judgement is the determination of impairments of the Group's exploration and evaluation assets. The Committee received a report from management on the status of each asset and along with their technical, as well as commercial knowledge and expertise on the assets, challenged management on their proposed impairment recommendations. Accordingly, the Committee reviewed each of the Group's assets for impairment in accordance with IFRS6 and concluded that full impairment of certain of the Group's Tanzania assets was appropriate given the outcome of Group's 2014 drilling programme and the Group's future plans for those assets.

# Report of the Audit Committee

continued

Additionally, the Committee reviewed the carrying value of the Group's remaining assets and either ascertained that, given the Group's future plans the carrying values of those assets were more than supported by the underlying fair value of the assets, or that impairment was appropriate.

## Going concern assessment

An important element of review by the Committee is the appropriateness of preparing the accounts on a going concern basis. The Committee receives a report setting out the going concern review undertaken by management which forms the basis of the Board's going concern conclusions. The going concern review includes 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. As portfolio management is a key strategic activity of the Company there is a regular review of the financial impacts and flexibility available to 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 the 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 2013 and the interim financial statements for 2014, the Committee considered the Company's forward plans for fund-raising and drilling commitments (being the most significant forward financial commitments that the Company makes) 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 68). Additionally this year with the completion of the acquisition of Salamander Energy plc on 2 March 2015 the Committee took additional steps in assessing going concern for the 2014 accounts.

## External Auditor

In 2013 the Committee decided, in accordance with best practice, that the Company's external audit services should be put out to tender, as EY had been the Company's auditor since Ophir's inception in 2004. As reported in last year's Annual Report, having carried out a thorough tender process, the Committee concluded that, on balance, there was not a compelling case to engage a new auditor.

The Committee has approved 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 \$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 met. The Committee is satisfied that there are no relationships between the Company and the auditor, its employees or its affiliates that may reasonably be thought to impair the auditor's objectivity and independence.

During the year ended 31 December 2014 the Company committed expenditure of \$411,000 on audit services (2013: \$435,000) and \$601,000 on non-audit work (2013: \$722,000). 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 auditor

To assess the effectiveness of the external audit process, the external auditor provides 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 auditor's 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 with the Company's audit partner at EY, 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. Further comfort was provided by the 2013 external audit tender process, which provided considerable opportunity to compare points of auditor effectiveness between firms.

### Re-appointment of external auditor

The Committee has reviewed the independence and effectiveness of EY and is satisfied they have remained independent throughout the year. The Committee has recommended to the Board that the re-appointment of EY as the Company's auditor is proposed to shareholders at the AGM in May 2015.

### Internal audit

As reported last year, in 2013 the Committee agreed that the Company had reached the stage of its development where it was appropriate to appoint an internal auditor. It was agreed that initially the role of internal auditor could be on an outsourced basis and following a detailed tender process, the Company appointed Mazars LLP. An internal audit needs assessment was conducted in the first quarter of 2014 which focused on the Company's objectives and operational risks to the business over a three-year period. To ensure the effectiveness of the function, the Committee reviewed and approved the 2014 Internal Audit Plan. Key actions undertaken by Mazars LLP during the period under review included:

- review and control testing of a new accounting system implemented during the year;
- review of the payroll system function; and
- review of processes and control surrounding the treasury function.

Additionally in December 2014, Internal Audit undertook its first asset review in Libreville, Gabon. The purpose of this review was to assess the management of key operational activities and to establish whether these were in accordance with the Group's policies and procedures and were effective, both in terms of design and operation. The scope of this review included financial controls, governance frameworks, compliance, information systems (including disaster recovery and business continuity plans) and human resources. The findings from the review will be followed up during 2015 and reported to the Audit Committee.

Key actions to be undertaken as part of the internal audit plan in 2015 include reviewing risk management controls and processes, an assessment of Production Sharing Contract (PSC) compliance

and to undertake further asset visits to some of the Company's main operational offices.

### 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 control 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 to 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. The Committee 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.

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 also receives regular updates on operational risks from the Corporate Responsibility Committee. 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. In particular, during 2014 the Committee met with the Executives responsible for evaluating country risks and IT risks and cyber security and reviewed the respective policies on them. The principal risks identified by the Company are set out on pages 18 to 21.

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

# Report of the Audit Committee

continued

failings or weaknesses. The following illustrates how the risk management process and the system of internal control operated during 2014:

Matter	Action
<b>Establishment of a single fully-integrated accounting system</b>	During the year management implemented the introduction of an improved financial accounting system so that there was an integrated and auditable authorisation process for procurement. The Committee closely monitored the process and any risks in the transition to the new system and any undue delays in implementation.
<b>Schedule of delegated authority</b>	Management had undertaken its annual review of the Group's delegation of authority. Appropriate modifications and improvements to the authority levels were made to reflect the Group's current operations.
<b>Year-end compliance</b>	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.
<b>Internal audit function</b>	The internal audit function has been formalised during the year. A partner of Mazars LLP attends all meetings of the Committee and reports to the Director of Finance and has direct access to the Executive Directors and the Chairman of the Committee.

## Anti-bribery and whistleblowing

The main emphasis during the year has been the development and roll-out of an improved online system for conducting due diligence on third parties with whom we do business. This online programme enhances our ability to identify risks and captures the analysis of those risks, as well as approval decisions at the management level. Another area of focus has been on the development of an enhanced due diligence process for high-risk new business partners and opportunities.

The Company is committed to the highest standards of business conduct and has adopted a whistleblowing hotline to support the achievement of this goal. All Company staff are encouraged to raise concerns with their line manager initially or, alternatively, the Compliance Officer who is the General Counsel, Lyndon Powell (Independent Non-Executive Director), or the Director of HR. Concerns are carefully considered in order to decide what action, if any, should be taken. For those who do not wish to raise a concern within the Company, they may report it through Safecall, an independent company which provides an alternative method of reporting concerns, using specially trained call operators. The service is available 24/7 for all staff as well as business partners. It also allows for anonymous reporting. The Company will not tolerate any retaliation or victimisation against anyone who has raised a concern in good faith.

During the year ended 31 December 2014, no whistleblowing issues were raised.

# Report of the Corporate Responsibility Committee



Lyndon Powell,  
Corporate Responsibility  
Committee Chairman

## Membership and attendance

The members of the Committee, all of whom are independent Non-Executive Directors, together with details of their individual attendance at meetings held during the year ended 31 December 2014, are set out below:

Committee members	Meeting attendance
Lyndon Powell (Committee Chairman)	3/3
Bill Schrader	3/3
Alan Booth	3/3
Vivien Gibney	3/3

John Lander resigned from the Committee on leaving the Board on 28 February 2014. No Committee meetings were held in the year before his retirement from the Board.

The Company Chairman, Chief Executive Officer and Chief Operating Officer have an open invitation to attend all Committee meetings as guests. In addition, the Company's Director of HR, Corporate Responsibility Manager and the Director of Corporate Services are invited to attend each meeting to present their reports to the Committee. Other senior members of staff and external advisors may be invited to attend as necessary.

## Report of the Corporate Responsibility Committee Chairman

### Dear Shareholder

Corporate Responsibility (CR) is a fundamental principle of how we do business, and whilst the Board clearly recognises that its main mission is to maximise shareholder value, it is very much aware that CR underpins all its activities. It has tasked the CR Committee to oversee the development and implementation of CR systems and procedures, that are of the highest international safety, environmental and ethical standards, and complement the Company's strategic vision and business objectives.

2014 has seen the CR Committee continue to evolve to fulfil this task. Our aim is to be the key platform to avoid or mitigate operational risks. Last year, I reported that an external evaluation of the CR Committee recommended an increase in the Committee's responsibilities, and that the merits of establishing an Operational Risk Committee should be examined. A thorough review concluded that the newly adopted responsibilities of the CR Committee negated the requirement for a separate Operational Risk Committee, and these risks would be best managed within the CR Committee. To assist this function, a number of policies were subsequently revised to reinforce our risk mitigation procedures, and an enhanced risk matrix created. The matrix is considered at each CR meeting and operational risks are highlighted as appropriate to the Audit Committee and the Board. The CR Committee's Terms of Reference have been revised accordingly.

This year has been Ophir's most operationally demanding with two simultaneous offshore drilling campaigns and a number of seismic surveys completed. Great care has been taken in establishing and maintaining robust Health, Safety and Environment (HSE) systems in all areas of operations, and prior to any activity, Risk Assessments and Environmental Impact Assessments (EIA) were completed. The safe management of HSE is a fundamental core value and is non-negotiable; we continue to place the safety of our employees and the protection of the environment at the forefront of our planning. I am pleased to report that 2014 has been another

# Report of the Corporate Responsibility Committee

## continued

successful year with no significant HSE or security incidents, and the Committee remains fully committed to achieving an equally good result going forward.

A key focus this year has been monitoring changes to policies to make them Oil & Gas Producers (OGP) compliant, and ensuring the ongoing HSE training continues apace, which has included a number of specific crisis management training periods.

As part of our Corporate Responsibility, Ophir gives particular emphasis to community development projects; we see proactive engagement with the local communities not only as a priority in mitigating any potential impact of our activities, but very much a key constituent for future success. We endeavour to ensure that the required community development projects match the needs of the local communities as well as providing them with opportunities. This year, particular emphasis has been paid in maintaining the tempo of projects, which has resulted in the successful completion of renovations to a school in Tanzania, the provision of a water well and reconstruction of a primary school in Equatorial Guinea, and a school building project in Kenya. These projects not only make substantial improvements to the educational prospects of the local community, but when coupled with our wider activities of CR, such as the sponsoring of undergraduates on Petroleum courses in Tanzania, have the potential to make Ophir the partner of choice. This year Ophir has initiated its first Staff Charity Fund, in support of The Egmont Trust charity, which is in addition to making several donations to charities and not for profit organisations across our operational areas. In recognition of CR value, an additional KPI has been included for 2015, which is to carry out at least one community project over and above the PSC obligations.

Last year I reported the implementation of a global travel tracking system which continually tracks the flights and locations of employees worldwide. It has been especially useful this year in West Africa, where careful route selection assisted in minimising the potential exposure of transiting staff to Ebola. Management are complimented for their proactive and diligent approach to the Ebola crisis, with their sound avoidance planning, and the provision of medical advice to employees. 2014 also saw Ophir reinforce its uncompromising approach to bribery and corruption, by the introduction of two new policies, the Committee sponsored anti-bribery and anti-corruption policies to the Board which were subsequently approved and distributed. I can also confirm that the Company is compliant with its reporting on GHG (Greenhouse Gas) emissions.

During the year, the Committee decreased by one following the retirement of John Lander from the Board on 28 February 2014. Following the appointment of Bill Higgs as Chief Operating Officer to the Board in September 2014, he has been invited to attend all future meetings of the CR Committee. We welcome Bill and are extremely pleased that he will be attending the Committee's meetings in future. Bill's broad experience of the Oil & Gas industry will further strengthen the role and responsibilities of the CR Committee.

Looking forward, a key focus for the Committee in 2015 will be around HSE implications for the Company following the acquisition of Salamander Energy plc.

### Lyndon Powell

Corporate Responsibility Committee Chairman

18 March 2015

### Role and responsibilities of the Corporate Responsibility Committee

The Committee is responsible for evaluating the effectiveness of the Group's policies and systems for managing health and safety, the environment, security, community projects and business ethics, including human rights and matters relating to equality and diversity and non-financial risks across the Group's operations. Following recommendations from the 2013 Committee evaluation, the Committee in 2014 adopted increased levels of responsibilities and has revised

its respective Terms of Reference to take account of these additional responsibilities.

It was previously reported that consideration would be given to the merits of creating an Operational Risk Committee in 2014. The decision was taken to not set up a separate committee and instead the monitoring of operational risk is to be overseen by the Committee.

The Committee's revised full Terms of Reference are available on the Company's website at [www.ophir-energy.com/about-us/board-committees/corporate-responsibility](http://www.ophir-energy.com/about-us/board-committees/corporate-responsibility).



### Corporate Responsibility Committee activities

During 2014, significant progress was made by the CR Committee covering many areas. The main activities of the Committee included the following:

- Health and Safety:** 2014 was an extremely busy year for the Company with two simultaneous offshore drilling operations in West and East Africa. The Committee validated the initiative to increase HSE resources on the ground in the project areas, particularly in relation to drilling projects. The Health and Safety statistics from those operations were very positive with only one LTI recorded resulting from a hand injury. The Committee is pleased with these positive results, and views them as a sound indication that the safety systems in place are working effectively. However, the Committee proposed that the Company should place greater emphasis in the future on measuring 'leading' (in addition to 'lagging') HSE indicators. This will add valuable data in accident prevention initiatives. During 2014, the Committee endorsed an increased training roll-out with focus on Hazard Identification processes, oil spill response and Crisis and Emergency Management procedures, from on scene training right up to corporate response training. The Committee also reviewed and approved changes to the Company's HSE Policy. Previously, the Policy addressed mainly HSE matters. Following its revision, it has been expanded to include two parts: Part 1 Health, Safety and Security Policy, and Part 2 Environment and Climate Change. Finally, with regards to health and safety, the Committee carefully considered the Ebola crisis in West Africa and how it may affect the Company's operations, particularly in Equatorial Guinea. Contingency plans were reviewed in case the crisis directly impacted the Company's operational activities.
- Environment:** The Committee can report that during the execution of the Company's operations in 2014 there were no significant, reportable environmental incidents. During the year we received regular status reports and confirmed that prior to the commencement of any operational phase all necessary environmental permits and impact assessments were complete and compliant.
- Security & Risk:** The security risks and plans for each operation are examined to ensure suitable risk mitigation is in place. This year, we reviewed and incorporated an updated risk assessment and risk matrix format. Further to its Terms of Reference, the Committee has reviewed the Company's Risk Register pertaining to operational risk at every meeting during the reporting period. There have been no reported security incidents in 2014.
- Community Projects:** A revised Corporate Responsibility policy statement has been approved and implemented during 2014. At each meeting of the Committee, it reviews the status and future direction of Community Project work. The Committee recognises the significant benefits which can result in having a successful Community Project strategy; however, it is also careful to consider the risks associated with these projects. All projects are reviewed to check they are suitable, effective, and safely managed. This is to ensure that the HSE standards expected of the Company's operations equally apply to the management of its Community Projects. The pace of Community Projects is increasing: the Company had four Community Projects underway during 2014, one of which is complete (Tanzania), with two nearing completion (Equatorial Guinea and Kenya). The Committee also endorsed the Company's sponsorship of two Tanzanian students to enrol in the four year undergraduate Petroleum Engineering degree at the University of Dar Es Salaam and sponsorship for two UK students in the Petroleum Geoscience MSc at Royal Holloway. In 2015 the Committee will continue to monitor improvements to the Community Project strategy. For further information relating to these successful projects, please refer to pages 42 to 44 of the Corporate Responsibility Report.

Further reviews carried out by the Committee in 2014 included:

- HSE key performance indicators;
- Routine HSE training for the Board, all employees and contractors;
- Auditing of contractors' HSE systems prior to engagement;
- Reports on HSE incidents within the Company, including a particular focus on lost time injuries and the results of any investigations; and
- HSE and CR external communications.

In 2015 the Committee will analyse the results of an HSE Gap Analysis carried out by the Company in late 2014. One objective of this analysis is to ensure Ophir's Corporate Responsibility objectives are optimally set up to address any potential new mergers or acquisitions.

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 45.

### Greenhouse gas emissions

Reducing energy consumption and associated emissions of greenhouse gases remains a priority of the Company. A breakdown of the Group's energy consumption and associated greenhouse gas emissions during 2014 is set out on page 40.

# Report of the Nomination Committee



Nicholas Smith,  
Nomination Committee  
Chairman

## Report of the Nomination Committee Chairman

### Dear Shareholder

Elsewhere in the Annual Report we have set out the Company's strategic objectives and discussed the changing commercial environment in which we operate and the associated risks. With these contexts in mind, the principal role of the Nomination Committee is to ensure the Board has the right balance of skills, experience, independence and knowledge of the Company to ensure the future success of the Company. This involves more than just filling vacancies as they arise. The composition is continually considered by the Committee to ensure it is fit for purpose now and in the future.

In view of this, there were three areas of focus for the Committee during 2014. Restructuring the executive management team at Board level; undertaking a search process for the newly-created role of Chief Operating Officer; and recommending to the Board on its composition.

### Nicholas Smith

Nomination Committee Chairman

18 March 2015

### 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 2014, are set out below:

Committee members	Meeting attendance
Nicholas Smith (Committee Chairman)	4/4
Nick Cooper	3/4
Ronald Blakely	4/4
Lyndon Powell	4/4

The Board considers a majority of the members of the Committee who served during the year to be independent, including the Chairman of the Board, who was independent on appointment. There were no changes to the Committee's membership during the year. Lyndon Powell will step down from the Committee on retiring from the Board at the conclusion of the 2015 AGM.

### Role and responsibilities of the Nomination Committee

During 2014, the Committee reviewed its Terms of Reference to ensure they remained appropriate. The Terms of Reference of the Committee are available on the Company's website at [www.ophir-energy.com/about-us/board-committees/nomination](http://www.ophir-energy.com/about-us/board-committees/nomination) and are fully compliant with section B.2.1 of the Code.

### Appointment of Chief Operating Officer

During the period under review, the Committee together with the Chief Executive Officer worked with Preng & Associates, an executive search agency, in its search for suitable candidates for the role of Chief Operating Officer. Preng & Associates has no other connection with the Company.

An appropriate job description and requisite skills for the role were first agreed with the Committee and the Chief Executive Officer which led to a short list of suitable candidates being recommended. The candidates identified from the search were interviewed and met with each member of the Board. Owing to his extensive experience in global exploration and having recently served as a Chief Executive Officer of Mediterranean Oil & Gas plc, the Committee recommended to the Board that Bill Higgs be appointed as Chief Operating Officer with effect from 10 September 2014. On appointment to the Board, Bill Higgs was provided with a formal induction programme tailored to his role as Chief Operating Officer of the Company. This included visits to the Tanzania and Perth offices to understand the drilling

operations, attending investor roadshows, Board strategy meetings, and also attendance at offsite Leadership events. In addition, Bill Higgs was provided with background information concerning the Group to assist his understanding of the nature of the Company, its business and the markets in which it operates. Details of Board procedures and other governance-related matters were also provided as part of his induction process.

### Board composition

This year, in the context of the appointment of the Chief Operating Officer, the management of costs and the senior resource available below Board level, the Board focused on the level of Executive leadership that should be represented on the Board going forward. It concluded that there was sufficient financial and strategic experience on the Board to make it no longer necessary for the roles of Chief Financial Officer and Director of Corporate Strategy to remain as Board positions. The Chief Executive Officer was seen as highly competent in his knowledge of the Company's finances. He had also previously served as a Chief Financial Officer of a FTSE 250 listed company in the same sector and it was further felt that the skills and experience of some of the Non-Executive Directors complemented this. As part of the streamlining of the Board, the Committee also evaluated the appropriateness of the role of the Director of Corporate Strategy, given the evolution of the Company since inception. The Committee in its recommendation to the Board agreed that the Board would be more effective in appointing a Chief Operating Officer, thereby resulting in the stepping down of the Director of Corporate Strategy from the Board in November 2014.

### Non-Executive Directors

With the appointment of Vivien Gibney, Alan Booth and Bill Schrader in 2013, together with the skills and experience they bring to the Board, the Committee did not consider it necessary to recommend any further Non-Executive Directors to be appointed to the Board during the period under review.

However, as part of the completion of the acquisition of Salamander Energy plc, the Committee considered the effectiveness and value of appointing Dr Carol Bell to the Board. Her relevant skills and experience in the oil & gas sector and continuity of knowledge surrounding the business of and the assets held by Salamander Energy plc were regarded as highly desirable. Following due consideration, the Committee recommended, and the Board in turn approved, the appointment

of Carol Bell as a Non-Executive Director of the Company on 2 March 2015. She will stand for election to the Board at the 2015 AGM. An external search firm was not used as the appointment was recommended to preserve the knowledge and understanding of Salamander and its operations amongst the Board.

### Succession planning

The Committee assessed succession planning of the Executive Directors during 2014. The Committee agrees that the Company has good internal candidates to succeed in more senior roles as the Company continues to grow. The formal Board Evaluation undertaken in 2014 highlighted the increasing importance of succession planning at Board level to ensure the Company's future success and continuity of talent. This will be an area of focus and a matter for the Committee to evaluate again in 2015. In 2016 Nicholas Smith will have served nine years on the Board and therefore, in line with the Code, Ron Blakely, the Senior Independent Director, will be leading a succession planning process during 2015.

### Diversity policy

The Board and Committee are committed to equal opportunities in recruitment and succession planning policies and continue 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 45.

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. 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. 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. As at the date of this report, women constitute 22% of the Board. The Board hopes to retain or improve this level in the future.

# 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 20 on pages 119 to 123 of the financial statements.

## Results for the year ended 31 December 2014

The Company's results for the financial year are shown in the consolidated financial statements on pages 98 to 154.

## Directors

Biographical details for the Directors of the Company who held office during the year ended 31 December 2014 and at the date of this report are set out on pages 48 and 49. 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 69 to 93. The Directors' insurance and indemnity provisions are set out on page 54.

## Substantial shareholders

As at 31 December 2014 and 18 March 2015, being the date of this report, the Company had been 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 and other regulatory requirements, as set out in the table below.

## Share capital

The called-up share capital of the Company, together with details of shares allotted during the year, is shown in note 21 to the Group financial statements.

## Purchase of own shares

The Directors, on behalf of the Company, after assessing the near-term capital needs of the business and the discount the Company's shares were trading at in relation to the underlying core value of the asset base, approved a share buyback programme of up to \$100m worth of ordinary shares, in August 2014, following prior shareholder approval at the 2014 AGM.

At 31 December 2014 a total of 15,522,066 shares with an aggregate nominal value of £38,805, at a cost of £27.7m (\$44.2m), representing 2.614% of the share capital, had been repurchased at an average price per share, including transaction costs, of 178 pence

Shares repurchased under this authority are currently held as treasury shares. The shares held in treasury may be used to satisfy options under the Company's various employee share schemes or cancelled. During the year, no shares were cancelled and 611,952 shares were used to satisfy option exercises under employee share schemes. Accordingly, as at 31 December 2014, 14,910,114 shares were held in treasury.

Name	Number of shares held as at 31 December 2014	% holding as at 31 December 2014 <sup>1</sup>	Number of shares held as at 18 March 2015	% holding as at 18 March 2015 <sup>2</sup>
Capital Group of Companies	75,863,412	13.10%	58,981,129	8.26%
Kulczyk Investments S.A.	56,607,366	9.78%	56,607,366	7.93%
BlackRock Group	54,503,941	9.42%	54,246,395	7.60%
SailingStone Capital Partners	49,659,917	8.58%	51,726,774	7.25%
Prudential PLC Group of Companies	37,860,440	6.54%	42,521,812	5.96%
Hotchkis & Wiley Capital Management	37,392,348	6.46%	47,355,071	6.63%
Janus Capital	30,627,569	5.29%	32,613,584	4.57%
Wellington Management Group LLP	29,226,406	5.05%	19,877,297	2.78%
Mittal Investments S.à.r.l.	25,314,653	4.37%	25,314,653	3.55%
The Vanguard Group	19,661,391	3.40%	20,009,304	2.80%

<sup>1</sup> Calculated by reference to the issued share capital of the Company as at 31 December 2014.

<sup>2</sup> Calculated by reference to the issued share capital of the Company as at 18 March 2015.

The general authority to repurchase shares will expire at the Company's 2015 AGM. The Directors presently intend that a resolution to renew this authority will be proposed at the 2015 AGM.

### 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 on pages 156 and 157. 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 2014 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.

### Report on greenhouse gas emissions

A breakdown of the Company's energy consumption and associated greenhouse gas emissions during 2014 is set out in the Strategic Report on page 40. 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 45 and the Board policy on diversity is summarised on page 65 of the Nomination Committee Report.

### Human rights

A statement of the Company's position on human rights is set out in the Strategic Report on page 45.

### 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 2014, the Company employed 133 people (2013: 119 people).

### Corporate 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 Responsibility review on pages 38 to 45.

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 154.

### 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 pages 78 and 79

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 69 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 will 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 statement

The corporate governance statement on pages 46 to 55, in accordance with Rule 7.2 of the Disclosure and Transparency Rules and Rule 9.8.6 (5) and (6) of the Listing Rules, 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 48 and 49. Having made enquiries of fellow directors and of the Company's auditor, 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 taken 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 58 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. In 2013, the Audit Committee undertook a review of audit services including

a tender by suppliers in advance of the 2014 audit, which concluded EY LLP should continue as the Company's Auditor for 2014.

The Audit Committee have also proposed that resolutions to re-appoint EY as the Company's auditor and to authorise the Directors to set the auditor's remuneration be proposed at the 2015 AGM.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic review on pages 2 to 45. The financial position of the Group, consisting of cash resources of \$1,173 million, its cash flows and its liquidity position which are described in the financial statements on pages 98 to 154. In addition, note 20 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

In making their going concern assessment, the Directors have considered Group budgets and cash flow forecasts, which include the impact of the completed acquisition of Salamander Energy plc subsequent to year-end for a period of at least 12 months. As a result of this review the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Post balance sheet events

A summary of the key post balance sheet events is set out in note 31 to the Group financial statements.

By order of the Board

### Nick Cooper

Chief Executive Officer

18 March 2015

Registered office:

Level 4, 123 Victoria Street, London SW1E 6DE

Company registered in England and Wales No. 5047425

# Chairman's Annual Statement on Remuneration



Vivien Gibney,  
Remuneration Committee  
Chairman

## Dear Shareholder

I am delighted to have the opportunity to provide you, our shareholders, with an overview of the key activities of the Committee during the year.

2014 has been a transformational year for Ophir, which has seen both a successful restructuring of the Board and, more recently, the acquisition of Salamander Energy plc which changes our footprint, mix of activities and scale. We have also monetised half of our stake in our LNG project in Tanzania. From a remuneration perspective, in what has been a busy year, the Committee has worked to ensure that the policy overwhelmingly approved by shareholders at our 2014 AGM has been implemented effectively.

## Remuneration and Strategy

As detailed in the reviews by the Chairman and the Chief Executive, our Company, as enlarged by the combination with Salamander, remains an exploration focused upstream company. Our strategy is to create shareholder value through the exploration and appraisal phase of the E&P cycle which will now be supported by selectively re-investing cash flow from Salamander's existing production. During the E&P cycle, we will continue to seek to monetise value at the appropriate time to maximise shareholder returns and exercise capital discipline.

With our strategy continuing to focus on long-term shareholder value creation and our activities impacting over more than a single year, it therefore remains appropriate for our remuneration policy for our two Executive Directors to be weighted towards long-term variable pay, with fixed pay set at or below comparable market benchmarks albeit at levels that are not considered likely to inadvertently create retention issues.

## Remuneration Committee key activities in 2014 Performance and Reward

At the same time as successfully changing the future scale of our business, 2014 was also a year in which substantial operational progress was achieved.

In what has been a challenging environment for E&P companies, the executive leadership team has delivered strong operational performance. We successfully de-risked our exposure in targeted areas (e.g. Tanzania), as well as discovering additional resources, achieved a three year historic finding costs of \$1.34/boe and had exploration success in seven out of twelve wells. Finally, and importantly, we achieved our successes safely. As a result, annual bonuses payable (pro-rata for the part year where relevant) were in the region of 52% to 58% of the maximum amount payable.

Taking a longer-term view and reflecting our strong relative performance during the three year period from our move to the Official List through to May 2014, the Company was ranked in the top quartile for each of the awards granted in 2011 (full details are included on page 86) and so these awards vested in full. The awards granted in the following financial year are anticipated to vest in April 2015, with performance ranking our relative Total Shareholder Return just below the top quartile, against a basket of our sector peers.

The Committee is comfortable that the incentive outcomes over the relevant performance periods reflect the level of performance achieved in what has been a challenging and difficult external environment.

## Changes to the Executive Board

As noted above, and detailed in the Report of the Nomination Committee, a restructuring of the Board was undertaken during August 2014 to ensure the Board included the appropriate balance of skills to lead Ophir through the next phase of its development. As a result of this exercise, in light of the level of financial and strategy expertise on the Board, Bill Higgs was appointed as Chief Operating Officer and Dennis McShane and Lisa Mitchell left the Board. In line with our shareholder approved Remuneration Policy, both Dennis and Lisa were treated as 'good leavers' under the terms of the 2011 Long Term Incentive Plan (which included performance conditions to be tested at the normal vesting date and rewards being time pro-rated) with payments in lieu of notice restricted

# Chairman's Annual Statement on Remuneration

continued

to the balance of their notice period from the date that they ceased employment. These payments were phased and subject to mitigation. Full details of the payment relating to each executive's cessation of employment are set out on pages 88 and 89.

The remuneration of Bill Higgs, who was appointed on 10 September 2014, was structured wholly in line with our shareholder approved Remuneration Policy and there was no compensation provided for awards forfeited on joining the Company.

### **Application of Remuneration Policy for 2015**

The Committee considered the overall structure of remuneration in 2014 and, in particular, whether there should be any revisions to the performance metrics targeted for improvement in 2015.

In conclusion, as the Committee utilises a broad range of performance metrics in the annual bonus plan which are directly linked to our Key Performance Indicators, and our long-term incentive measures how well we perform in creating long-term shareholder value relative to our peers, the Committee is comfortable that there should be no substantive change in our general approach to applying policy in 2015. However, to better reflect the enlarged Group's strategy, we have broadened the number of Key Performance Indicators targeted for improvement in our 2015 annual bonus plan to better support our 2015 corporate strategy.

As detailed in last year's Policy and Remuneration Report, the second stage of a two stage increase in salary for the Chief Executive Officer Nick Cooper, which was the subject of a comprehensive shareholder consultation in late 2013 and early 2014, has been implemented as planned. The Committee strongly supports this increase. Shareholders have agreed it, the operational performance and achievements of the Company during the year, as detailed above, support it and we are cognisant of the importance of retaining and motivating the Chief Executive Officer through this critical and challenging phase of our Company's development.

To further improve the alignment between executives and shareholders the Committee has decided that any future Executive Director appointments should be subject to a minimum shareholding guideline of 200% of salary, up from 100%. The current Chief Executive's guideline remains at 300% of salary.

Full details of the application of Remuneration Policy for 2015 are set out on pages 81 and 82.

### **Relationship between remuneration and risk**

As an upstream oil and gas business, Ophir continues to be 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 (as noted above) 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 believes that the current structure, weighted towards long-term variable pay, and including operating with share ownership guidelines and claw back 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 continue to engage in appropriate dialogue with our major investors on any significant changes to the Remuneration Policy and we, and I, welcome any feedback you may have.

### **Vivien Gibney**

Remuneration Committee Chairman

18 March 2015



# Directors' Remuneration Policy

For the purposes of completeness and transparency, this part of the Directors' Remuneration Report includes a summary of the Remuneration Policy that was approved by shareholders at last year's AGM on 21 May 2014 and is currently intended to operate until the AGM in 2017.

Where references were made in the Policy Report last year to (i) specific levels of pay in 2014 (e.g. the base salaries set with effect from 1 January 2014 and the scenarios chart which was based on these salary levels) or (ii) where explanations were provided as to

changes in remuneration practices between 2013 and 2014, these have been removed with the relevant information relating to 2015 included in the Annual Report on Remuneration. Disclosures relating to specific Directors have been updated where required, for example where there have been changes to Board membership. The full Policy Report approved by the Company's shareholders at last year's AGM can be accessed in the 2013 Annual Report on the Company's website at [www.ophir-energy.com](http://www.ophir-energy.com).

## 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 Executive 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:

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
<b>Base Salary</b>	To provide the core reward for the role.  Sufficient level to help recruit and retain employees.  Reflects role and experience of individual.	Reviewed annually and effective from 1 January.  Decision influenced by: <ul style="list-style-type: none"> <li>• Role, experience and personal performance</li> <li>• Average change in total workforce salary in the location where they are based</li> <li>• Total organisational salary budgets</li> <li>• Company performance and other economic conditions</li> </ul> Salaries are benchmarked periodically and are set by reference to companies of a similar size and complexity.	Salaries will be eligible for increases during the three-year period that the Remuneration Policy operates from the Effective Date (21 May 2014).  During this time (for the Chief Executive Officer once the increases detailed in last year's report 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 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 individual salaries at the appropriate Committee meeting each year after having due regard to the factors noted in operating the salary policy.

# Directors' Remuneration Policy

continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
<b>Benefits</b>	To recruit and retain employees.	<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>Other ancillary benefits including relocation expenses may be offered, as required.</p>	The value of benefits may vary from year to year depending on the cost to the Company from third-party providers.	n/a
<b>Pension</b>	To provide long-term savings via pension provision.	The Company operates a defined contribution pension scheme or may contribute directly into an Executive Director's personal pension, or pay a salary supplement in lieu of pension.	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
<b>Annual Bonus</b>	To incentivise the execution of business strategy. Rewards the achievement of annual financial and strategic business targets and delivery of personal objectives	<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 claw back 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.</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"> <li>• HSE/CR performance</li> <li>• Portfolio management/new business</li> <li>• Reserves and resources</li> <li>• Financial objectives</li> <li>• Personal objectives</li> </ul> <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/CR performance and some personal objectives).</p>

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
<b>Long-Term Incentive Plan</b>	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 claw back 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>
<b>Chief Executive Officer's Exceptional Long-Term Incentive Award (as approved by shareholders in 2012)</b>	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 claw back 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*</p> <p>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 three 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>
<b>Dennis McShane's Recruitment Award (2006 Share Option Plan)</b>	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 forfeited (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.</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>

\* 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. 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

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
<b>Share ownership</b>	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>During the year ending 31 December 2014, the Committee increased the share ownership requirement for the Executive Directors so that any appointment from 12 November 2014 will be required to build and maintain a shareholding of equal value to 200% 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
<b>Non-Executive Directors</b>	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>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>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 fee levels set at the start of the year if it is necessary to do so to appoint a new Chairman or Non-Executive Director of an appropriate calibre.</p> <p>No benefits or other remuneration are provided to Non-Executive Directors.</p>	

### Annual Bonus Plan & Long-Term Incentive Plan (LTIP) 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 appropriative 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 (KPIs).

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 KPIs, 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.

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## Directors' Remuneration Policy

continued

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### 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.

## Recruitment and Promotion Policy

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

Element	Policy	Element	Policy
<b>Base Salary</b>	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 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.	<b>Benefits</b>	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. Where necessary, the Committee may approve the payment of relocation expenses to facilitate recruitment.
<b>Pension</b>	A defined contribution or cash supplement at the level provided to current Executive Directors as set in the policy table.	<b>Annual Bonus</b>	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. 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.
<b>Long-term incentives</b>	Awards under the LTIP will be granted in line with the policy outlined for the current Executive Directors in the table set out on page 73. 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. 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.	<b>Buy out awards</b>	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.  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.

# Directors' Remuneration Policy

## continued

### 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 is 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 cease 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 inclusion of the change of control provisions in Nick Cooper and previously 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 did not form part of Dennis McShane or Lisa Mitchell's Service Agreements and do not form part of Bill Higgs' Service Agreement following his appointment as an Executive Director and will not form part of any future Service Agreements for Executive Directors.

A summary of the terms of the Service Agreements is set out below. This disclosure has been updated from last year to reflect Board changes during the period under review:

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
Bill Higgs**	10 September 2014	10 September 2014	12 months	12 months

\* Lisa Mitchell and Dennis McShane stood down as Executive Directors on 17 October 2014 and 4 November 2014 respectively and left the Company on 19 November 2014.

\*\* Bill Higgs was appointed as an Executive Director and Chief Operating Officer on 10 September 2014.

Copies of the service agreements for current Executive Directors, together with the Letters of Appointment for the Non-Executive Directors detailed above, 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.

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. With regards to the recruitment award granted to Dennis McShane, detailed on page 73, this lapsed in full on his cessation of employment with the Company on 19 November 2014.

#### 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 Non-Executive Director 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 Non-Executive Directors will serve for an initial three-year term. The Company may terminate the appointment under each Letter of Appointment if the Non-Executive Director has committed a serious or repeated breach or non-observance of their obligations to the Company.

#### Consideration of shareholder views

The Committee remains committed to shareholder dialogue and takes an active interest in voting outcomes. The Committee consults extensively with our major shareholders when setting the remuneration policy. If there are any particular shareholders opposed to our policy, members of the Committee would endeavour to meet with them, as appropriate, to understand any issues they may have.

# Annual Report on Remuneration

## Unaudited information

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 2015 AGM. The information on pages 83 to 91 (inclusive) has been audited.

## Consideration of remuneration matters

### Membership and attendance

The members of the Committee during the year ended 31 December 2014, together with details of their individual attendance at committee meetings held during the year, are set out below:

Committee members	Meeting attendance
Vivien Gibney, Committee Chairman	8/8
Ronald Blakely	8/8
Alan Booth	8/8
Lyndon Powell <sup>1</sup>	8/8
Nicholas Smith	8/8
John Lander <sup>2</sup>	0/1

- <sup>1</sup> Lyndon Powell is not standing for annual re-election and will step down from the Board at the conclusion of the 2015 AGM.  
<sup>2</sup> John Lander stepped down as a Non-Executive Director and a member of the Committee with effect on 28 February 2014.

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, the Chief Operating Officer, the Company Secretary, Director of Human Resources and representatives from New Bridge Street (NBS, part of Aon plc) and Eversheds LLP 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.

### 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 £113,971 as at 31 December 2014 (excluding VAT).

Other advice provided to the Committee was received from Eversheds LLP 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.

## Implementation of Remuneration Policy for 2015

### Base Salaries

As disclosed in last year's report, the Committee reviewed Executive Director remuneration during the final quarter of 2013 and found that the Chief Executive Officer's base salary was significantly below market levels. Accordingly, following prior consultation at the time with the Company's major shareholders and leading shareholder advisory bodies, it was decided to increase his base salary from £407,530 to £481,950 with effect from 1 January 2014 and to £550,000 with effect from 1 January 2015 (subject to continued appropriate levels of performance). The Committee is satisfied that the Chief Executive's performance during the year warrants the implementation of the second increase to £550,000 and in arriving at its decision, considered both his performance and the performance of the Company during the year. At a difficult time for E&P companies, the Company is well placed to move forward and exploit the opportunities available.

As Bill Higgs appointment commenced on 10 September 2014, the Committee considered whether to award him the standard 2% cost of living increase that had been given to employees in the Group. The Committee agreed they were satisfied his performance to date merited such an increase.

Role	Salary as at 1 January 2015	Salary as at 1 January 2014 or on appointment to the Board	Increase
Chief Executive	£550,000	£481,950	14.1%
Chief Operating Officer <sup>1</sup>	£382,500	£375,000	2.0%

<sup>1</sup> The Chief Operating Officer was appointed to the Board as an Executive Director on 10 September 2014 and his salary has been pro-rated from this date.

### Pension and Benefits

The Executive Directors receive Company contributions towards personal pension plans or salary in lieu of pension at a rate of 11% of base salary, or 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 2015, 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 2015, the Committee has set the following KPI targets for all Executive Directors. These have been refreshed for 2015 vis-à-vis the targets set in 2014 to better reflect the revised business and strategy of an enlarged Ophir following the successful acquisition of Salamander Energy plc:

Measure	Percentage of total bonus opportunity <sup>1</sup>
<b>Exploration</b> Metrics include the capture of high quality exploration acreage and drillable prospects	15%
<b>Operations</b> Metrics include exploration success, protection of intellectual property and health and safety	13%
<b>Financial strength &amp; returns</b> Metrics include optimisation of Ophir's capital and commercial returns generated	15%
<b>Business model</b> Metrics include level of revenue generation and operating cash flow	11%
<b>Stakeholder Engagement</b> Metrics include CR targets, employee engagement, retention and succession planning and diversity	13%
<b>Leadership</b> Metrics include delivery of agreed Group strategy and high levels of governance across the Group	33%

<sup>1</sup> Figures have been rounded down to the nearest whole number. 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.

# Annual Report on Remuneration

## continued

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. Clawback can be achieved through withholding of future incentive payments or through the recovery of the value overpaid (on a net of tax basis) from the individual.

### Long-Term Incentive Plan (LTIP)

The maximum normal annual award limit under the LTIP is 200% of salary and it is intended that awards will be granted in 2015 at this level to Nick Cooper and Bill Higgs. 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.

In relation to the awards to be granted in 2015, a 200% of salary award was agreed at the time of recruitment with the Chief Operating Officer. With regards to both the Chief Operating Officer and the Chief Executive Officer, given the importance of maximising the opportunities available to the enlarged Group following the acquisition of Salamander, granting awards at our policy level is considered important to assist in their retention and motivation during the next critical three year period in the Company's development. As per the Remuneration Policy, to smooth fluctuations in the Company's share price, the number of shares awarded will be based on 139.75p, being the three month average share price over the period from 14 November 2014 to 13 February 2015.

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.

The constituents of the comparator group were reviewed during the year and for the 2015 award. The constituents of the LTIP comparator group for 2015 award are

Africa Oil Corp	Bowleven plc
Cairn Energy plc	Chariot Oil & Gas Limited
Circle Oil plc	Cobalt International Energy, Inc.
Dragon Oil plc	EnQuest plc
Faroe Petroleum plc	Genel Energy plc
Gulf Keystone Petroleum Limited	JKX Oil & Gas plc
Kosmos Energy Ltd	Maurel & Prom.
Noble Energy Inc	Petroceltic International plc
Premier Oil plc	Rockhopper Exploration plc
SOCO International plc	Tullow Oil plc

Clawback provisions will apply that will enable the Committee to claw back value overpaid in the event of a material misstatement of the Company's results within a two-year period in relation to the award. Clawback can be achieved through withholding of future incentive payments or through the recovery of the value overpaid (on a net of tax basis) from the individual.

### 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:

	2015	2014
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 2014 are detailed below:

£000	Base Salary/Fees	Benefits <sup>1</sup>	Pension <sup>2</sup>	Bonus <sup>3</sup>	Long-term incentives <sup>4</sup>	Payment for loss of office	Total 2014
<b>Executive Directors</b>							
Nick Cooper	482	9	53	419	2,007	–	2,970
Dennis McShane <sup>5</sup>	344	9	38	279	–	316	986
Lisa Mitchell <sup>5,6</sup>	353	8	35	247	125	286	1,054
Bill Higgs <sup>7</sup>	115	3	13	100	–	–	231
<b>Chairman and Non-Executive Directors</b>							
Nicholas Smith	140	–	–	–	–	–	140
Ronald Blakely	75	–	–	–	–	–	75
Alan Booth	75	–	–	–	–	–	75
Vivien Gibney	75	–	–	–	–	–	75
John Lander <sup>8</sup>	12	–	–	–	–	–	12
Lyndon Powell	75	–	–	–	–	–	75
Bill Schrader	70	–	–	–	–	–	70
	1,816	29	139	1,045	2,132	602	5,763

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 2015. Further details set out below on pages 84 to 86.

4 The value provided for Nick Cooper was based on the awards which were granted to him in 2011 and 2012 under the Company's LTIP. The total shareholder return measures attached to these awards was achieved resulting in full vesting for the 2011 awards and is expected to be 95% vesting for the 2012 award. The value attributed to Lisa Mitchell is the anticipated value of the 2012 LTIP award vesting at 95%. Further details of the vesting values are given on page 86.

5 Dennis McShane and Lisa Mitchell stood down as Executive Directors on 4 November 2014 and 17 October 2014 respectively and left the Company on 19 November 2014. Their above payments reflect:

i. Salaries paid on a pro-rata basis from 1 January 2014 until the date of cessation of employment, 19 November 2014. For Lisa Mitchell, salary includes £35,859 paid in lieu of holiday entitlement, to which she was contractually entitled.

ii. A pro-rata bonus of 54% of the maximum bonus payable for Dennis McShane and 52% of the maximum bonus payable for Lisa Mitchell for the period from 1 January 2014 to 19 November 2014.

iii. Dennis McShane and Lisa Mitchell commenced their respective notice periods on 5 September 2014 and were paid salaries and benefits up to the 19 November 2014 departure date. Following their departures, the Company will be making monthly payments of salary for the balance of the 12 month notice periods up to 5 September 2015 which is subject to mitigation if alternative income is secured. This figure has been included in the above table under payment for loss of office to provide more relevant and reliable information to our shareholders when reviewing and approving the Directors' Remuneration for 2014. Additional disclosure, including the treatment of share awards held is provided in the Payments for Loss of Office section on pages 88 and 89.

6 Before becoming an Executive Director, Lisa Mitchell was granted non-performance based options in 2012 under the 2006 Share Option Plan. This award vested on 19 June 2014 prior to cessation of employment. For completeness, there was no notional gain on vesting as the option exercise price (£5.504 per share) was above the market price on the day of vesting (£2.367p).

7 Bill Higgs joined the Company and was appointed to the Board on 10 September 2014 and his emoluments are for the period from this date to the year end. He was appointed on an Annual Salary of £375,000.

8 John Lander retired from the Board on 28 February 2014.

# Annual Report on Remuneration

## continued

The detailed emoluments for the Executive and Non-Executive Directors for the year ended 31 December 2013 are detailed below:

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

1 Dennis McShane was a Non-Executive Director of the Company from 1 January 2013 until 17 February 2013 and was appointed Director of Corporate Strategy on 18 February 2013. His base salary on appointment as Director of Corporate Strategy was £380,363 pa. Full details of his fees for 2013 are contained on page 83 of the 2013 Annual Report & Accounts.

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

3 Jonathan Taylor retired as an Executive Director on 6 June 2013. Full details of his remuneration for 2013 are contained on pages 88 and 89 of the 2013 Annual Report & Accounts.

4 From 26 April 2013, date of appointed to the Board.

5 From 14 August 2013, date of appointed to the Board.

6 From 18 February 2013, date of appointment to the Board.

### Additional information in respect of the single figure table

#### Annual bonus plan outturn

For 2014, the Committee set KPI targets for the Executive Directors in respect of: HSE performance; reserves and resources; finance; portfolio management/new business; and personal objectives.

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

Metric	Extent of achievement	Percentage of overall target met
<b>Targets Applicable to all Executive Directors (pro-rata for the relevant proportion of the financial year served)</b>		
<b>HSE</b>		
No significant incidents reported	Fully achieved: No significant incidents reported	20% out of a maximum 30% of salary
Upgrading HSE policy in line with Ophir specific requirements	Partially met with strong progress achieved against the relevant requirements	
Achieving total recordable injury rate of less than two	Not met (rate recorded: 4.1)	
Initiate/complete CR projects in key operational countries	Fully achieved: CR projects initiated in key operational countries with two project phases completed in separate countries	
<b>Portfolio Management</b>		
Monetise agreed proportion of targeted assets	Partially achieved <sup>1</sup>	20% out of a maximum 30% of salary
Partner in line with 2014 planning	Partially achieved <sup>1</sup>	
Rework existing exploration footprint and secure additional footprints in line with planning	Majority achieved through the exit from Ghana, Somaliland, SADR, AGC and acquisition of basin footprints in Myanmar, Indonesia and Seychelles	
<b>Finance</b>		
Compliance within approved budgeted spend, cash flow and working capital	Partially achieved	16% out of a maximum 30% of salary
Three year average finding costs (based on targets set at the start of 2014 financial year): <\$1.50: 25%, <\$1.25: 50%, <\$1.15: 100%	32% achieved (\$1.32)	
<b>Reserves and Resources</b>		
Net 2P reserves and 2C resources (independent verified where practical): 100mmboe addition: 25% 140mmboe addition: 50% 180mmboe: addition 75% 210mmboe: addition 100%	Threshold achieved (97mmboe being within +/-5% tolerance of the target) <sup>2</sup>	7% out of a maximum 30% of salary <sup>2</sup>
<b>Personal targets: Chief Executive Officer &amp; Chief Operating Officer</b>		
Deliver on agreed Group strategy Build an effective leadership team Continued development of external relationships and set appropriate leadership tone within the Company Ensure best practice execution in the Company's key business areas (e.g. exploration, capital raising and M&A)	Majority achieved Key outcomes considered by the Committee included: Group footprint transformed with the acquisition of Salamander, completed a Board restructuring, including rebalancing of the skills required to lead the organisation through its next phase of development.	24% out of a maximum of 30% of salary

<sup>1</sup> The specific details of progress in the above areas remains commercially sensitive and the Board will consider further disclosure in next year's Directors' Remuneration Report.

<sup>2</sup> Estimation of reserves and resources by the Committee has, and will continue to be, undertaken typically within a +/-5% tolerance of the reported result. This is considered relevant by the Committee to reinforce the Company's open and honest reporting culture and working effectively with independent verification experts in an area that relies on a combination of scientific and informed estimation. In light of this discretion and the 97mmboe achieved, the Committee awarded 7% (as opposed to 7.5%) out of 30% performance.

# Annual Report on Remuneration

## continued

With regards to Dennis McShane and Lisa Mitchell, they in part shared common objectives as detailed above (e.g. delivering on Group strategy) but also were subject to role specific targets. Dennis McShane's targets included improving specific functions within the Group (e.g. Corporate Services) and providing support and mentoring as appropriate. The Committee's overall assessment of his performance was 18% out of 30%. Lisa Mitchell's role specific targets included restructuring the Group's finance function, managing (in tandem with the Chief Executive) relations with institutional investors and banks. Her targets were assessed to have been partially achieved at 15% out of 30%.

Overall, this resulted in bonuses becoming payable at 87% of basic salary in the case of the Nick Cooper and Bill Higgs, being 58% of the maximum bonus payable (time pro-rated from date of appointment in the case of the Bill Higgs), and 81% of basic salary in the case of Dennis McShane, being 54% of the maximum bonus payable and 78% of basic salary in the case of Lisa Mitchell, being 52% of the maximum bonus payable (figures pro-rated for the relevant part of the year employed).

## Long-Term Incentive awards vesting

Nick Cooper was granted LTIP awards in 2011 which were subject to a relative TSR performance condition. Based on a three year performance to 1 June 2014, the Company was ranked in the upper quartile (third out of the group of 18) and therefore, this award vested in full. The Committee also considered the Company's safety record, financial and operating performance over the performance period and approved the vesting result.

Nick Cooper and Lisa Mitchell were granted LTIP awards in 2012 which were subject to a relative TSR performance condition. Based on a three year performance to 31 December 2014, the Company was ranked approximately fifth out of the group of 17 (the full peer group is as previously disclosed in the 2012 Directors' Remuneration Report) based on TSR performance over the performance period. This ranking placed the Company marginally below the upper quartile of the Comparator Group and it is anticipated that 95% of the shares originally awarded to Nick Cooper and Lisa Mitchell will vest on 13 April 2015, being the third anniversary of the date of grant. As the performance period finished in 2014 an estimated value for this vesting is included in Nick Cooper and Lisa Mitchell's emoluments for 2014 on page 83.

	Date of grant	Vesting date	Lapse date	Number of awards granted*	Number of awards vested	Value of vested awards
<b>Nick Cooper</b>						
LTIP	01/06/2011	01/06/2014	31/05/2015	173,449	173,449	£465,364 <sup>1</sup>
LTIP	01/06/2011	01/06/2014	31/05/2015	247,785	247,785	£664,807 <sup>1</sup>
LTIP	22/11/2011	01/06/2014	31/05/2015	99,113	99,113	£265,920 <sup>1</sup>
LTIP	13/04/2012	13/04/2015	12/04/2016	373,190	354,530	£611,321 <sup>2</sup>
<b>Lisa Mitchell</b>						
LTIP	13/04/2012	13/04/2015	12/04/2016	87,669	72,256	£125,591 <sup>2</sup>

- The value of awards vested is based on a share price of £2.683 at the date of vesting, 1 June 2014. The awards vested at 100% following full satisfaction of the Performance Condition. Nick Cooper exercised all the options resulting from this vesting on 27 June 2014, when the share price was £2.1619, resulting in an actual gain of £1,124,938. He retained 274,804 shares post exercise.
- The value of awards vested is based on a share price of £1.7243, the average of the share price in the three months to 31 December 2014, as the share price at 13 April 2015 (the expected day of vesting) is not yet known and the awards vesting at 95%, which is the extent to which it is expected the Performance Condition will have been met. For Lisa Mitchell's 2012 LTIP Award, 11,610 shares lapsed on 19 November 2014 when she left the Company, as the Committee applied a time pro-rating to the Award for the proportion of the Performance Period she served as an employee of the Company.

\* The number of awards in the above table was adjusted for the March 2013 rights issue as disclosed in last year's Remuneration Report.

Before becoming an Executive Director, Lisa Mitchell was granted non-performance based options in 2012 under the 2006 Share Option Plan. These awards vested on 19 June 2014 prior to cessation of employment. Further details are provided in the Payments for Loss of Office section.



## 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 2014. Tranche 3 of the Exceptional LTIP has a three-year performance period which commenced on 19 June 2014. Bill Higgs did not receive a LTIP award during the year.

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 2013 to 14 February 2014) were:

- Chief Financial Officer (Lisa Mitchell): 200% of salary; and
- Director of Corporate Strategy (Dennis McShane): 200% of salary;

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

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 £'000	% of award that vests at the threshold performance level (performance is measured to 31 December 2016)
Lisa Mitchell	LTIP – Nominimal cost option	200% of salary	£2.54	–	228,526	718 <sup>1</sup>	25%
Dennis McShane	LTIP – Nominimal cost option	200% of salary	£2.54	–	248,351	778 <sup>1</sup>	25%

<sup>1</sup> In line with the Company's policy set out on page 73, the share price used to determine the number of awards was £3.13968, being the average share price during the period from 15 November 2013 to 14 February 2014.

The performance targets applying to the 2014 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 2014 LTIP comparator group are as set out on page 82 save that for the 2014 award Afren plc, Essar Energy plc, Heritage Oil plc and Salamander Energy plc were included in the 2014 LTIP comparator group, whilst Africa Oil Corp, Circle Oil plc, Dragon Oil plc and Noble Energy Inc were not then included.

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.

## Payments for Loss of Office

The Group undertook a reorganisation of the business during the year under review that covered all levels of the Company. This exercise was designed to reduce costs, and adjust to the future needs of the business. Part of this process included a restructuring and streamlining of the senior management team. The restructuring resulted in a smaller Board with the number of Executive Directors reducing from three to two and Non-Executive Directors reducing from six to five. As detailed in the Corporate Governance Report, the revisions to the Executive Board's individual responsibilities resulted in the roles of Chief Financial Officer and Director of Corporate Strategy no longer being Board positions and, as a result, these roles were made redundant. The payments in connection with the subsequent cessation of employment of each individual, which were in line with their contractual provisions and their treatment as 'good leavers' under the terms of the LTIP, are detailed below.

### **Lisa Mitchell**

#### **Payment in lieu of notice**

Lisa Mitchell has a 12 month notice period and the Company commenced her notice on 5 September 2014. Lisa Mitchell was paid her normal salary and benefits up to her departure date of 19 November 2014.

The Company is making monthly payments of salary for the balance of her unexpired notice period up to 5 September 2015 subject to mitigation if Lisa Mitchell secures alternative income in the period up to 5 September 2015. Lisa Mitchell's annual salary is £358,750 and therefore the maximum payment will be £284,010.

#### **Redundancy payment**

As Lisa Mitchell's role has been made redundant she received a statutory redundancy payment of £2,088.

#### **2014 Annual bonus payment**

Lisa Mitchell received an annual bonus payment for 2014 as disclosed on pages 84 to 86. The payment was reduced on a time worked basis to reflect her departure date of 19 November 2014.

#### **Long-Term Incentive Awards**

The outstanding LTIP awards previously granted to Lisa Mitchell over an aggregate of 474,121 shares (detailed on page 90) were retained by her in accordance with the good leaver provisions under the rules of the LTIP (which include redundancy) and shall vest on the normal vesting date for each of the respective awards. The number of shares over which the awards shall be capable of exercise, subject to performance conditions being met, will be reduced on a time worked basis to reflect the period between the date of grant of the award and the 19 November 2014 as compared to the period from the date of grant of that award to the normal vesting date for each award made to Lisa Mitchell.

The 2012, 2013, and 2014 LTIP awards information will be further updated in the 2015, 2016 and 2017 Directors' Remuneration Reports, as appropriate.

#### **Employee Share Options**

Lisa Mitchell retained the options previously granted to her pursuant to the Company's 2006 Share Option Plan over an aggregate of 173,448 shares in the Company (detailed on page 90) as they have vested in full and such options will remain exercisable until the 10th anniversary from the respective date of grant.

#### **Pension – related benefits**

Lisa Mitchell received a contribution to her pension, medical cover and life insurance until 19 November 2014 at which point these benefits ceased.

## Dennis McShane

### Payment in lieu of notice

Dennis McShane has a 12 month notice period and the Company commenced his notice on 5 September 2014. Dennis McShane was paid his normal salary and benefits up to his departure date of 19 November 2014.

The Company is making monthly payments of salary for the balance of his unexpired notice period up to 5 September 2015 subject to mitigation if Dennis McShane secures alternative income in the period up to 5 September 2015. Dennis McShane's annual salary is £389,872 and therefore the maximum payment will be £316,170.

### Redundancy payment

While Dennis McShane's role has been made redundant, he does not qualify for statutory redundancy payment due to a lack of continuous employment.

### 2014 Annual bonus payment

Dennis McShane received an annual bonus payment for 2014 as disclosed on pages 84 to 86. The payment was reduced on a time worked basis to reflect his departure date of 19 November 2014.

### Long-Term Incentive Awards

The outstanding LTIP awards previously granted to Dennis McShane over an aggregate of 419,979 shares (detailed on page 90) will be retained by him in accordance with the good leaver provisions under the rules of the LTIP (which include redundancy) and shall vest on the normal vesting date for each of the respective awards. The number of shares over which the awards shall be capable of exercise, subject to performance conditions being met, will be reduced on a time worked basis to reflect the period between the date of grant of the award and 19 November 2014 as compared to the period from the date of grant of that award to the normal vesting date for each award made to Dennis McShane.

The 2013 and 2014 LTIP awards information will be updated in the 2016 and 2017 Directors' Remuneration Reports as appropriate.

### Employee Share Options

Pursuant to the rules of the Company's 2006 Share Option Plan, the option which Dennis McShane holds under the plan over an aggregate of 360,127 shares (detailed on page 90) automatically lapsed on 19 November 2014.

### Pension – related benefits

Dennis McShane received contributions to his pension, medical cover and life insurance until 19 November 2014 at which point these benefits ceased.

# Annual Report on Remuneration

## continued

### Directors' Interests in Shares

Directors' options and share-based awards as at 31 December 2014:

Director and Scheme	Date of grant	Exercise price (pence)	Market price at release (pence)	Vesting date	Shares under award at 1 January 2014	Shares awarded	Shares vested in year	Shares exercised	Shares lapsed/cancelled or forfeited	Shares under Award at 31 December 2014	Lapse date
<b>Nick Cooper</b>											
Share Option Plan 2006	01/06/2011 <sup>1</sup>	216.20	–	01/06/2013	578,164	–	–	–	–	578,164 <sup>4</sup>	31/05/2021
Long-Term Incentive Plan	01/06/2011 <sup>1</sup>	0.00	268.30	01/06/2014	173,449	–	173,449	173,449	–	–	31/05/2015
Long-Term Incentive Plan	01/06/2011	0.00	268.30	01/06/2014	247,785	–	247,785	247,785	–	–	31/05/2015
Long-Term Incentive Plan	22/11/2011	0.00	268.30	01/06/2014	99,113	–	99,113	99,113	–	–	31/05/2015
Long-Term Incentive Plan	13/04/2012	0.00	–	13/04/2015	373,190	–	–	–	–	373,190	12/04/2016
Long-Term Incentive Plan	19/06/2012	0.00	–	19/06/2015	277,518	–	–	–	–	277,518	18/06/2016
Long-Term Incentive Plan	19/06/2012	0.00	–	19/06/2016	370,025	–	–	–	–	370,025	18/06/2017
Long-Term Incentive Plan	19/06/2012	0.00	–	19/06/2017	370,025	–	–	–	–	370,025	18/06/2018
<b>Dennis McShane<sup>2</sup></b>											
Share Option Plan 2006	26/03/2013	472.00	–	26/03/2016	360,127	–	–	–	360,127	–	25/03/2023
Long-Term Incentive Plan	26/03/2013	0.00	–	26/03/2016	171,628	–	–	–	77,202	94,426	25/03/2017
Long-Term Incentive Plan	24/03/2014	0.00	–	24/03/2017	–	248,351	–	–	193,968	54,383	23/03/2018
<b>Lisa Mitchell<sup>3</sup></b>											
Share Option Plan 2006	15/12/2011	216.20	–	15/12/2013	86,724	–	–	–	–	86,724 <sup>4</sup>	14/12/2021
Share Option Plan 2006	19/06/2012	550.40	236.70	19/06/2014	86,724	–	86,724	–	–	86,724 <sup>4</sup>	18/06/2022
Long-Term Incentive Plan	13/04/2012	0.00	–	13/04/2015	87,669	–	–	–	11,610	76,059	12/04/2016
Long-Term Incentive Plan	26/03/2013	0.00	–	26/03/2016	77,834	–	–	–	35,012	42,822	25/03/2017
Long-Term Incentive Plan	30/08/2013	0.00	–	30/08/2016	80,092	–	–	–	47,500	32,592	29/08/2017
Long-Term Incentive Plan	24/03/2014	0.00	–	24/03/2017	–	228,526	–	–	178,484	50,042	23/03/2018

Save as noted below, further details of the share awards can be found on page 73 of the Directors' Remuneration Policy, pages 86 and 87 relating to Long-Term Incentives awards vested and granted in the year and on pages 88 and 89 relating to Payments for Loss of Office.

1 Nick Cooper was granted market value options under the 2006 Share Option Scheme and an award under the Long-Term Incentive Plan as part of the terms of his recruitment.

2 Dennis McShane stepped down from the Board on 4 November 2014 and left the Company on 19 November 2014.

3 Lisa Mitchell stepped down from the Board on 17 October 2014 and left the Company on 19 November 2014.

4 These options have vested and are currently exercisable.

## 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 (increased to 200% of salary for Executive Director appointments after 14 November 2014) and are required to retain 50% of their vested or exercised awards (net of taxes) under share incentive schemes until the guideline is met.

Nick Cooper has met his share ownership requirements as at 31 December 2014. Bill Higgs, who only joined in September 2014, has yet to meet his requirement.

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 2014	Beneficially owned as at 31 December 2013	Share ownership guideline met as at 31 December 2014	Outstanding long-term incentive awards	Outstanding options (vested but unexercised)	Outstanding options (unvested)
Nicholas Smith	n/a	128,000 <sup>1</sup>	128,000	n/a	n/a	n/a	n/a
Nick Cooper	300%	770,001 <sup>2</sup>	495,197	100%	1,390,758	578,164	0
Bill Higgs	100%	0	0 <sup>3</sup>	0%	0	0	0
Dennis McShane	100%	145,600 <sup>4</sup>	145,600	79% <sup>4</sup>	148,809	0	0
Lisa Mitchell	100%	0 <sup>5</sup>	0	0% <sup>5</sup>	201,515	173,448	0
Ronald Blakely	n/a	47,000 <sup>6</sup>	35,000	n/a	n/a	n/a	n/a
Alan Booth	n/a	125,000 <sup>7</sup>	125,000	n/a	n/a	n/a	n/a
Vivien Gibney	n/a	10,000 <sup>9</sup>	10,000	n/a	n/a	n/a	n/a
John Lander	n/a	313,544 <sup>8</sup>	313,544	n/a	n/a	n/a	n/a
Lyndon Powell	n/a	33,600 <sup>9</sup>	33,600	n/a	n/a	n/a	n/a
Bill Schrader	n/a	10,200 <sup>9</sup>	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 Vestra Nominees Limited.

2 Nick Cooper holds a beneficial interest in 669,201 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 At 10 September 2014, date of appointment to the Board.

4 As at 4 November 2014, date of stepping down from the Board. The beneficial interest was in 145,600 Shares. The legal interest was held by Frank Nominees Limited.

5 As at 17 October 2014, date of stepping down from the Board.

6 Ronald Blakely and members of his family hold a beneficial interest in 47,000 Shares. The legal interest is held by RBC Dominion Securities.

7 Alan Booth holds a beneficial interest in 125,000 shares. The legal interest is held by TD Direct Investing Nominees (Europe) Ltd.

8 As at 28 February 2014, date of departure from the Board. John Lander and his family held a beneficial interest in 313,544 shares. The legal interest was held by WB Nominees Limited.

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

# Annual Report on Remuneration

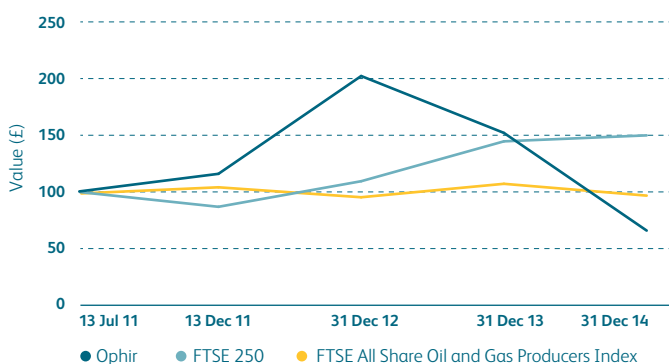
## continued

### 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 FTSE All Share Oil and Gas Producers Index.

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 returns (TSR)



Source: Thomson Reuters

### 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)
31/12/2014	Nick Cooper	2,970	58%	95 & 100% <sup>1</sup>
31/12/2013	Nick Cooper	1,027	92%	n/a <sup>2</sup>
31/12/2012	Nick Cooper	970	89%	n/a
31/12/2011	Nick Cooper	910 <sup>3</sup>	83%	n/a

- 1 In the year ending 31 December 2014 performance was established for the LTIPs awarded in 2011, which vested at 100% on 1 June 2014 and for the award made on 13 April 2012, which is currently expected to vest at 95% on 13 April 2015.
- 2 The LTIP award and 2006 Share Option Plan awards that vested in 2013 related to compensation agreed on joining the Company for awards forfeited at a previous employer. Neither award was subject to performance targets and as a result is not included in the Single Total Remuneration Figure.
- 3 Reflects the fact that Nick Cooper was appointed as Chief Executive Officer on 1 June 2011

### 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 2013 to 2014 for the Chief Executive Officer compared with the average UK Head Office employee.

	Chief Executive Officer	Average UK employee <sup>1</sup>
Salary	18.3%	13.8%
Benefits	-25.0%	8.2%
Annual Bonus	-25.4%	6.7%

- 1 The comparator group chosen comprises 15 employees who are the Company's UK based employees, excluding the Executive Directors, who were employed continuously from 1 January 2013 to 31 December 2014. 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 and allows for a like-for-like comparison.

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

	2014	2013	% change
Staff Costs (£m)	28.1	22.2	26.6
Distributions to shareholders (£m)	27.7 <sup>1</sup>	0	n/a

<sup>1</sup> Via the share buyback programme.

## Statement of shareholder voting (not subject to audit)

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

	Votes in favour	Votes against
Remuneration Policy	98.9%	1.1%
Annual Statement and Annual Report on Remuneration	74.2%	25.8%

In relation to the votes cast against the Annual Statement and Annual Report on Remuneration, the Committee understood the primary reasons to relate to legacy issues. Specifically, the treatment of a founder's share incentive awards on his cessation of employment with the Company along with the recruitment terms of Dennis McShane and the salary increase awarded to the Chief Executive during the final year of his effective participation in an Exceptional Long-Term Incentive award introduced shortly after Ophir's move to the Official List ('Tranche 3' as detailed on page 73). As a result of a comprehensive shareholder consultation during late 2013, these legacy issues were understood to be shareholder issues prior to the 2014 AGM and addressed, as appropriate, in the drafting of the Company's future Remuneration Policy which was overwhelmingly supported by shareholders at our 2014 AGM as detailed above.

### By Order of the Board

#### Vivien Gibney

Chairman of the Remuneration Committee

18 March 2015

## 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 Strategic Report and Directors' Report 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 on 18 March 2015.

#### Nick Cooper

Chief Executive Officer  
18 March 2015

## 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 International Financial Reporting Standards (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 18 March 2015.

#### Nick Cooper

Chief Executive Officer  
18 March 2015



# Independent Auditor's report to the members of Ophir Energy plc

[Consolidated financial statements](#)

[Company financial statements](#)

We have audited the financial statements of Ophir Energy plc for the year ended 31 December 2014 which comprise the Group Income Statement and Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements 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 and, as regards the Parent Company financial statements, 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and for the Parent Company as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Our 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 and 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.

## Our application of materiality

### Materiality

Overall Group materiality of \$34 million which represents 2% of Total Equity

We have used total equity of the Group as the basis for our materiality calculation as we concluded that total equity is the most closely monitored financial measure for the stakeholders of Ophir Energy plc. Typically we would expect to focus on an income statement based measure such as profit before tax when calculating materiality. However, for an exploration company such as Ophir Energy plc, where minimal or no revenues are generated, we concluded that income statement based measures are less relevant where stakeholder value is primarily generated through discovering commercial hydrocarbons. Hence we have concluded that total equity provides the most appropriate financial measure that is responsive to the main value driver for the shareholders of Ophir Energy plc.

Having identified a relevant basis for materiality, we calculated the planning materiality for the Group to be \$34 million (2013: \$35 million), which is 2% (2013: 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.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality (i.e., our tolerance for misstatement in an individual account or balance) for the Group should be 50% (2013: 50%) of materiality, namely \$17 million (2013: \$18 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 \$1.7 million (2013: \$1.8 million).

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

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

## The scope of our audit

Our audit is risk based and is designed to focus our efforts on the areas at greatest risk of material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size. In scoping the audit, and with reference to the management and control structure employed by Ophir Energy plc, we concluded that there is one full scope audit component located in London which represents the entire group and has been audited from London.

## Our assessment of risks of material misstatement

We consider that the following areas present the greatest risk of material misstatement in the financial statements and consequently have had the greatest impact on our audit strategy, the allocation of resources and the efforts of the engagement team, including the more senior members of the team:

Principal risk area and rationale	Audit response
<p><b>The carrying value of exploration and evaluation assets.</b></p> <p>The carrying value of exploration and evaluation assets can be subjective based on the Group's ability, and intention, to continue to explore the asset. The carrying value may also be impacted by the results of exploration work indicating that the exploration and evaluation asset may not hold hydrocarbons that are commercially viable for extraction. This creates a risk that the amount may be overstated in the financial statements.</p> <p>Refer to Note 10 – Exploration and evaluation assets in the notes to the financial statements for the amounts held on the sheet by the Group as at 31 December 2014.</p>	<ul style="list-style-type: none"> <li>• We have challenged management's assessment of the carrying value of exploration and evaluation assets. In particular we challenged Ophir Energy plc's:</li> <li>• right to explore in the relevant exploration licence which included obtaining and reviewing supporting documentation such as licence agreements and or correspondence with relevant government agencies;</li> <li>• intention to carry out exploration and evaluation activity in the relevant exploration area which included the review of management's cash-flow forecast models, discussions with senior management and Directors as to the intentions and strategy of the Group;</li> <li>• carrying value of intangible assets where recent exploration activity in a given exploration licence provides negative indicators as to the recoverability of other intangible costs that remain capitalised;</li> <li>• commercial viability of results of exploration and evaluation activities carried out in the relevant licence area; and</li> <li>• ability to finance any planned future exploration and evaluation activity. This also links to the audit procedures performed related to Going concern (see below).</li> <li>• We have also assessed the capabilities of management's experts and or use of third party experts engaged for the purposes of assessing the potential resources associated with those exploration and evaluation assets.</li> </ul>
<p><b>Going concern</b></p> <p>Due to Ophir being an exploration company and having no ongoing revenue stream, it may not be able to continue as a going concern if it is unable to raise additional funds from other sources such as selling assets or raising funds from capital markets.</p> <p>We have therefore considered that the conclusion on whether the Group represents a going concern continues to be a significant risk of material misstatement.</p> <p>Refer to Note 2 in the notes to the financial statements for the basis of preparation and the Directors' Report for their assessment of going concern.</p>	<ul style="list-style-type: none"> <li>• 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 uses of funding, including any actual or planned reduction of debt, with particular reference to the acquisition of Salamander Energy plc on 3 March 2015, 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.</li> </ul>
<p><b>Management override of controls</b></p> <p>Due to the number of significant accounting estimates and judgements that are relevant to the financial statements, with reference to the carrying value of the Company's exploration and evaluation assets, we have concluded that there is a risk that management may manipulate accounting records.</p> <p>We have therefore concluded that there is a risk that management may override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>• We assessed whether there was evidence of bias by the Directors and senior management in the significant accounting estimates and judgements relevant to the financial statements.</li> <li>• We tested manual and automated journal entries and included a selection of journals, with a focus on those journal entries that may impact the carrying value of the exploration and evaluation assets, related to other significant risks identified as part of our audit engagement.</li> <li>• In addition, as part of our audit procedures to address this fraud risk, we assessed the overall control environment, including the arrangements for staff to 'whistle-blow', and interviewed senior management and Ophir's internal audit function to understand whether there had been any reported actual or alleged instances of fraudulent activity during the year.</li> </ul>

### 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.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 94, the Directors are responsible for the preparation of the 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.

### Opinion on other matter prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Director's Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following:

Under the 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:

- adequate accounting records have not been kept by the Parent Company; 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; 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 68, 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.

### Paul Wallek

(Senior statutory auditor)

for and on behalf of Ernst & Young LLP

Statutory Auditor

London

18 March 2015

#### Notes:

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

# Consolidated income statement and statement of comprehensive income

## For the year ended 31 December 2014

	Notes	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Consolidated income statement</b>			
<b>Continuing operations</b>			
Gain on farm-out	3 (a)	671,677	–
Other income		26	12
Exploration expenses	3 (b)	(333,782)	(229,103)
General & administration expenses	3 (c)	(20,746)	(32,098)
Other operating expenses	3 (d)	(22,821)	(46,357)
<b>Operating profit/(loss)</b>	<b>3</b>	<b>294,354</b>	<b>(307,546)</b>
Net finance (expense)/income	4	(5,861)	27,079
<b>Profit/(loss) from continuing operations before taxation</b>		<b>288,493</b>	<b>(280,467)</b>
Taxation	8	(233,651)	34,660
<b>Profit/(loss) from continuing operations for the year attributable to:</b>		<b>54,842</b>	<b>(245,807)</b>
Equity holders of the Company		54,846	(245,777)
Non-controlling interest		(4)	(30)
		<b>54,842</b>	<b>(245,807)</b>
<b>Earnings per share (pence)</b>			
Basic – Profit/(loss) for the period attributable to equity holders of the Company	9	6.0 pence <sup>1</sup>	(29.0) pence <sup>3</sup>
Diluted – Profit/(loss) for the period attributable to equity holders of the Company	9	6.0 pence <sup>2</sup>	–
<b>Consolidated statement of comprehensive income</b>			
<b>Profit/(loss) from continuing operations for the year</b>		<b>54,842</b>	<b>(245,807)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Other comprehensive income/(loss) to be classified to profit or loss in subsequent periods:</i>			
Exchange differences on retranslation of foreign operations net of tax		1,784	(1,396)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>1,784</b>	<b>(1,396)</b>
<b>Total comprehensive income/(loss) for the year, net of tax attributable to:</b>			
Equity holders of the Company		56,630	(247,173)
Non-controlling interest		(4)	(30)
		<b>56,626</b>	<b>(247,203)</b>

1 9.4 cents per share.

2 9.4 cents per share.

3 (45.0) cents per share.

# Consolidated statement of financial position

## As at 31 December 2014

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statements

	Notes	As at 31 Dec 2014 \$'000	As at 31 Dec 2013 \$'000
<b>Non-current assets</b>			
Exploration and evaluation assets	10	764,933	1,124,423
Goodwill	11	–	20,868
Property, plant and equipment	12	6,307	3,237
Financial assets	13	17,104	4,773
		<b>788,344</b>	<b>1,153,301</b>
<b>Current assets</b>			
Inventory	14	23,902	25,890
Trade and other receivables	15	12,839	8,236
Taxation receivable		13,424	–
Cash and cash equivalents	16	877,872	506,762
Investments	17	294,904	159,921
		<b>1,222,941</b>	<b>700,809</b>
<b>Total assets</b>		<b>2,011,285</b>	<b>1,854,110</b>
<b>Current liabilities</b>			
Trade and other payables	18	(242,148)	(120,787)
Provisions	19	(26,787)	(35,371)
		<b>(268,935)</b>	<b>(156,158)</b>
<b>Non-current liabilities</b>			
Deferred income tax	8	(44,048)	(20,806)
Provisions	19	(263)	(237)
		<b>(44,311)</b>	<b>(21,043)</b>
<b>Total liabilities</b>		<b>(313,246)</b>	<b>(177,201)</b>
<b>Net assets</b>		<b>1,698,039</b>	<b>1,676,909</b>
<b>Capital and reserves</b>			
Called up share capital	21	2,474	2,466
Reserves	23	1,695,845	1,674,719
<b>Equity attributable to equity shareholders of the Company</b>		<b>1,698,319</b>	<b>1,677,185</b>
Non-controlling interest	23	(280)	(276)
<b>Total equity</b>		<b>1,698,039</b>	<b>1,676,909</b>

The financial statements of Ophir Energy plc (registered number 05047425) on pages 98 – 131 were approved by the Board of Directors on 18 March 2015.

On behalf of the Board

**Nicholas Smith**  
Chairman

**Nick Cooper**  
Chief Executive Officer

## Consolidated statement of changes in equity

For the year ended 31 December 2014

	Called up share capital \$'000	Treasury shares \$'000	Other <sup>1</sup> reserves \$'000	Non- controlling interest \$'000	Total equity \$'000
<b>As at 1 January 2013</b>	<b>1,739</b>	<b>–</b>	<b>1,102,957</b>	<b>(246)</b>	<b>1,104,450</b>
Loss for the period, net of tax	–	–	(245,777)	(30)	(245,807)
Other comprehensive loss, net of tax	–	–	(1,396)	–	(1,396)
Total comprehensive loss, 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 payment	–	–	9,094	–	9,094
<b>As at 31 December 2013</b>	<b>2,466</b>	<b>–</b>	<b>1,674,719</b>	<b>(276)</b>	<b>1,676,909</b>
Profit/(loss) for the period, net of tax	–	–	54,846	(4)	54,842
Other comprehensive income, net of tax	–	–	1,784	–	1,784
Total comprehensive income, net of tax	–	–	56,630	(4)	56,626
Purchase of own shares	–	(59)	(44,168)	–	(44,227)
Exercise of options	8	–	1,847	–	1,855
Share-based payment	–	–	6,876	–	6,876
<b>As at 31 December 2014</b>	<b>2,474</b>	<b>(59)</b>	<b>1,695,904</b>	<b>(280)</b>	<b>1,698,039</b>

1 Refer to Note 24.

# Consolidated statement of cash flows

## For the year ended 31 December 2014

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	Notes	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Operating activities</b>			
Profit/(loss) before taxation		288,493	(280,467)
<b>Adjustments to reconcile profit/(loss) before tax to net cash flows:</b>			
Gain on farm-out	3 (a)	(671,677)	–
Interest income	4	(7,049)	(2,410)
Foreign exchange losses/(gains)	4	12,910	(16,977)
Depreciation of property, plant and equipment	3 (d)	1,955	1,049
Impairment of goodwill	3 (d)	20,868	36,297
(Profit)/loss on disposal of assets	3 (d)	(2)	11
Provision for employee entitlements		(207)	(203)
Allowance for provision	3 (d)	–	9,000
Share-based payment expense	3 (c)	6,876	9,094
Exploration expenditure – pre licence costs	3 (b)	23,947	2,351
Exploration expenditure – written off	3 (b)	–	54,006
Exploration expenditure – provision for impairment	3 (b)	309,835	172,360
Inventory write off		–	386
<b>Working capital adjustments</b>			
(Decrease)/increase in trade and other payables		(4,409)	393
Decrease/(increase) in trade and other receivables		2,066	(584)
<b>Cash utilised in operations</b>		<b>(16,394)</b>	<b>(15,694)</b>
Income taxes paid		(3,226)	–
Interest Income		8,307	793
<b>Net cash flows used in operating activities</b>		<b>(11,313)</b>	<b>(14,901)</b>
<b>Investing activities</b>			
Proceeds from farm-out		1,329,672	–
Tax paid on gain on farm-out		(222,411)	–
Purchases of property, plant and equipment	12	(4,770)	(2,016)
Exploration expenditure		(521,302)	(363,207)
Proceeds on disposals of assets		2	3
Disposal/(purchase) of inventory		1,988	(13,625)
Cash placed on deposit	17	(134,983)	(159,921)
Security (deposits)/refunds	13	(12,331)	5,820
<b>Net cash flows from/(used) in investing activities</b>		<b>435,865</b>	<b>(532,946)</b>
<b>Financing activities</b>			
Share issue costs		–	(34,399)
Proceeds from issue of ordinary shares		–	837,627
Proceeds from exercise of share options		1,914	7,340
Purchase of own shares		(44,230)	–
<b>Net cash flows (used in)/from financing activities</b>		<b>(42,316)</b>	<b>810,568</b>
<b>Increase in cash and cash equivalents for the year</b>		<b>382,236</b>	<b>262,721</b>
Net effect of foreign exchange rates on cash and cash equivalents		(11,126)	16,298
Cash and cash equivalents at the beginning of the year		506,762	227,743
<b>Cash and cash equivalents at the end of the year</b>		<b>877,872</b>	<b>506,762</b>

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# 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 123 Victoria Street, London SW1E 6DE.

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 Africa and Asia.

The Group's financial statements for the year ended 31 December 2014 were authorised for issue by the Board of Directors on 18 March 2015 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 consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and adopted by the European Union (EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements are prepared on a going concern basis.

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 2013 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 2014:

- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRIC 21 Levies

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 2014.

### *Standards and interpretations issued but not yet effective*

The following interpretation to existing standards relevant to the Group is not yet effective and had not been early adopted by the Group. The Group expects to adopt this interpretation in accordance with the effective date.

Disclosure Initiative (Amendments to IAS 1). The narrow-focus amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. In most cases the proposed amendments respond to overly prescriptive interpretations of the wording in IAS 1.

The following standards and interpretations, relevant to the Group, 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

IFRS 14 'Regulatory Deferral Accounts', effective for annual accounting periods beginning on or after 1 January 2016. IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS.

IFRS 15 'Revenue from Contracts with Customers', effective for annual accounting periods beginning on or after 1 January 2017. IFRS 15 replaces all existing revenue requirements (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions



Involving Advertising Services) in IFRS and applies to all revenue arising from contracts with customers.

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.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, Amendments to IAS 27: Equity Method in Separate Financial Statements, Amendments to IAS 16 and IAS 41: Bearer Plants, Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation, Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations, and Annual Improvements to IFRSs 2012–2014 Cycle, with effective date for annual accounting periods beginning on or after 1 January 2016.

The Group has reviewed the impact to financial reporting for the changes arising from these standards and interpretations 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 consolidation

The Group financial statements incorporate the financial statements of the Company, subsidiaries controlled by the Company and joint operations that are subject to joint control, 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 for and evaluation of potential mineral reserves and resources. The Group applies the successful efforts method of accounting for E&E costs as permitted by IFRS 6 'Exploration for and Evaluation of Mineral Resources'.

Under the successful efforts method of accounting, all licence acquisition, exploration and appraisal costs (such as geological, geochemical and geophysical costs, exploratory drilling and other direct costs associated with finding mineral resources) are initially capitalised in well, field or specific exploration cost centres as appropriate, pending determination.

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

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

If, on completion of evaluation activities, 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.

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## Notes to the financial statements continued

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

#### *Impairment*

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. The cash generating unit ('CGU') applied for impairment test purposes is generally the block, except that a number of block interests may be grouped as a single cash generating unit where the cash flows of each block are interdependent.

Where an indicator of impairment exists, management will assess the recoverability of the carrying value of the asset or CGU. This review includes 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.

#### *Farm-in/farm-out arrangements*

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.

When an oil or gas field has been approved for development, the accumulated exploration and appraisal costs are transferred to oil and gas properties.

#### **(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-related costs incurred are expensed and included in general & 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. This includes the separation of embedded derivatives in host contracts by the acquiree. Those oil and 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) in 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 not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. If the contingent consideration is classified as equity, it is not remeasured and subsequent settlement is accounted for 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 Groups 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 three 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 twelve 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.

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## 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 arrangements**

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

*i. Joint operations*

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to its interests in joint operations, the Group recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

*ii. Joint ventures*

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Group's investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of the joint venture is shown on the face of the statement of profit or loss and other comprehensive income as part of operating profit and represents profit or loss after tax and NCI in the subsidiaries of joint venture. The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss and other comprehensive income.

On loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss and other comprehensive income

**(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.

**(p) 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.

**(q) 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.

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## Notes to the financial statements continued

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

#### (r) 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 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.

#### (s) 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 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.

#### (t) 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.

### (u) Impairment

The accounting policy for the impairment of exploration and evaluation assets is described in more detail in 2.3(a) and 2.4.

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, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of an asset or cash-generating unit's ('CGU') fair value less costs of disposal and its value in use. The recoverable amount 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 of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Impairment losses of continuing operations (including impairment on inventories), are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued where 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. Where conditions giving rise to the impairment subsequently reverse, the effect of the impairment charge is also reversed, net of any depreciation that would have been charged since the impairment.

### 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.

## Notes to the financial statements continued

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

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.

#### Share-based payments 2.3(r)

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(t)

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 profit/(loss)

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

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>(a) Gain on farm-out</b>		
– Gain on farm-out (note 10)	(671,677)	–
<b>(b) Exploration expenses</b>		
– Pre licence exploration costs	23,947	2,351
– Inventory write down	–	386
– Exploration expenditure written off	–	54,006
	23,947	56,743
– Provision for impairment (note 10)	309,835	172,360
	333,782	229,103



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	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>(c) General &amp; administration expenses include:</b>		
– Operating lease payments – minimum lease payments	4,865	2,376
– Share-based payment expense	6,876	9,094
	11,741	11,470
<b>(d) Other expenses</b>		
– (Profit)/loss on disposal of assets	(2)	11
– Depreciation of property, plant & equipment	1,955	1,049
– Impairment of goodwill (note 11)	20,868	36,297
– Allowance for provision	–	9,000
	22,821	46,357

**4 Net finance (expense)/income**

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
– Interest income on short-term bank deposits	3,630	2,410
– Other interest income (note 10)	3,419	–
– Net foreign currency exchange (losses)/gains	(12,910)	24,669
	(5,861)	27,079

**5 Segment information**

The Group operates in two geographical segments located in Africa and Asia. The Group's only reportable segment under IFRS 8 is the exploration and evaluation of oil & gas related projects 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>(a) Paid/payable to Ernst &amp; Young LLP</b>		
Audit of the financial statements	372	350
Local statutory audits of subsidiaries	39	85
Total audit services	411	435
Audit related assurance services	57	189
Corporate finance services	544	533
	1,012	1,157
<b>(b) Paid/payable to auditor if not Ernst &amp; Young LLP</b>		
Local statutory audits of subsidiaries	5	8
Taxation services	810	4
Corporate finance services	804	–
Other services	–	3
	1,619	15
	2,631	1,172

## 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
Salaries and wages	33,574	21,834
Social security costs	3,722	2,759
Contributions to pension plans/superannuation funds	2,095	1,127
Share based payment expense (note 25)	6,876	9,094
	46,267	34,814

#### (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 2014 \$'000	Year ended 31 Dec 2013 \$'000
Aggregate compensation:		
Salaries and wages	10,531	8,832
Social security costs	1,602	1,492
Contributions to pensions/superannuation funds	574	367
Compensation for loss of office <sup>1</sup>	1,780	298
Share-based payment expense (note 25)	5,391	7,386
	19,878	18,375

<sup>1</sup> Compensation for loss of office includes payments in lieu of notice of \$943,366 in respect of two Directors that commenced their respective notice periods on 5 September 2014 and left the Company on 19 November 2014. The amount represents the monthly salary payments that the Company will make in respect of the balance of the Directors' unexpired notice period up to 5 September 2015. The payments are subject to mitigation if alternative income is secured. The amount above includes \$842,376 which is unpaid at year end.

Key management emoluments above excludes aggregate gains made by directors on the exercise of share options of \$1,019,827 (2013: \$3,158,426).

#### (c) Directors' emoluments

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
(i) Aggregate compensation:		
Salaries and wages	3,103	2,744
Bonuses	2,251	2,244
Social security costs	981	1,149
Contributions to pensions/superannuation funds	228	203
Compensation for loss of office <sup>1</sup>	943	298
Other benefits	44	39
	7,550	6,677

<sup>1</sup> Compensation for loss of office includes payments in lieu of notice of \$943,366 in respect of two Directors that commenced their respective notice periods on 5 September 2014 and left the Company on 19 November 2014. The amount represents the monthly salary payments that the Company will make in respect of the balance of the Directors' unexpired notice period up to 5 September 2015. The payments are subject to mitigation if alternative income is secured. The amount above includes \$842,376 which is unpaid at year end.

Directors' emoluments above excludes aggregate gains made by directors on the exercise of share options of \$1,019,827 (2013: \$3,158,426).

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
(ii) Share-based payment expense (note 25)	3,444	5,495
(iii) Amounts paid to director-related entities not included in (i) above (note 30)	-	10
Number of directors to whom superannuation or pension benefits accrued during the year	4	4

**Consolidated  
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statements**(d) Average number of persons employed (full time equivalents)**

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
CEO	1	1
Exploration and technical	35	33
Commercial and support	91	58
	127	92

**8 Taxation****(a) Taxation charge/(credit)**

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Current income tax:		
UK corporation tax	–	1,530
UK corporation tax – adjustment in respect of prior periods	341	–
Foreign tax	209,259	–
Foreign tax – adjustments in respect of prior periods	809	–
Total current income tax charge	210,409	1,530
Deferred tax:		
Origination and reversal of temporary differences	23,242	(36,190)
Tax charge/(credit) in the income statement	233,651	(34,660)

**(b) Reconciliation of the total tax charge/(credit)**

The tax benefit not recognised in the income statement is reconciled to the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%).  
The differences are reconciled below:

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Profit/(loss) on operations before taxation	288,493	(280,467)
Profit/(loss) on operations before taxation multiplied by the UK standard rate of corporation tax of 21.50% (2013: 23.25%)	62,026	(65,209)
Non-deductible expenditure	6,132	14,517
Share-based payments	634	953
Expenditure in tax exempt jurisdictions	–	2,662
Effect of overseas tax rates	92,492	–
Unrecognised deferred tax assets	71,389	12,417
Other adjustments	(172)	–
Adjustment in respect of prior periods	1,150	–
Total tax charge/(credit) in the income statement	233,651	(34,660)

## 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
Deferred tax liabilities:		
Exploration and evaluation assets	(38,048)	–
Fair value adjustment in respect of exploration assets	(6,000)	(20,806)
	(44,048)	(20,806)

#### (d) Unrecognised tax losses

The Group has gross tax losses arising in the UK of \$135,921,762 (2013: \$68,623,000) and Australia \$7,331,000 (2013: \$3,400,365) 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 \$164,441,000 (2013: \$244,620,000) 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 23% to 21% with effect from 1 April 2014 and a further rate change to 20% from 1 April 2015 was 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% (2013: 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share		
Profit/(loss) for the year	54,842	(245,807)
Less non-controlling interest	4	30
Profit/(loss) attributable to equity holders of the parent	54,846	(245,777)
	Year ended 31 Dec 2014	Year ended 31 Dec 2013
<b>Number of shares</b>		
Basic weighted average number of shares	577,799,351	546,885,741

There were 6,469,484 (2013: 10,111,578) outstanding share options and warrants at 31 December 2014 which were dilutive (2013: anti-dilutive).

No ordinary shares of 0.25p each on exercise of options and warrants have been issued between the year end 31 December 2014 and the date of approval of these Financial Statements.

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statements**10 Exploration and evaluation assets**

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Cost</b>		
Balance at the beginning of the year	1,296,783	961,713
Additions <sup>1</sup>	594,340	389,076
Expenditure written off <sup>2</sup>	–	(54,006)
Recovery of costs incurred on farm out of exploration interests <sup>3</sup>	(643,995)	–
Balance at the end of the year	1,247,128	1,296,783
<b>Provision for impairment</b>		
Balance at the beginning of the year	(172,360)	–
Additional allowance <sup>4</sup>	(309,835)	(172,360)
Balance at the end of the year	(482,195)	(172,360)
<b>Net book value</b>		
Balance at the beginning of the year	1,124,423	961,713
Balance at the end of the year	764,933	1,124,423

1 Additions in the year include exploration activities in: Equatorial Guinea – Block R (\$200.8 million), Tanzania – Blocks 1, 3 & 4 (\$112.1 million), Gabon – Gnondo Block (\$97.1 million), Tanzania – East Pande (\$71.0 million) and Tanzania – Block 7 (\$29.7 million).

Additions in the prior year include exploration activities in: Tanzania – Blocks 1, 3 & 4 (\$266.2 million), Tanzania – Block 7 (\$61.8 million) and Equatorial Guinea – Block R (\$16.3 million).

2 Expenditure written off in the prior year comprise: 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).

3 Recovery of costs incurred on farm-out of exploration interest relates to:

- The Group's disposal of a 20% interest (\$566.2 million) in Tanzania Blocks 1, 3 & 4 to Pavilion Energy PTE LTD. The transaction completed on 22 March 2014. The Group received cash consideration of \$1,250 million plus a completion adjustment of \$5.3 million to reflect interest (\$3.4 million – refer to note 4) and working capital movements (\$1.9 million) from the effective date of the transaction of 1 January 2014. A further \$38.0 million is payable following the final investment decision in respect of the development of Blocks 1, 3 & 4, currently expected in 2016. The total gain on disposal, after taking into account working capital adjustments and direct costs of the transaction (\$13.9 million), recognised for the year ended 31 December 2014 was \$671.7 million.
- The Group also received \$77.8 million relating to back costs (\$13.3 million) and interim costs (\$64.5 million) relating to the farm-out of the Gabonese exploration blocks (refer to note 26)

4 Allowance for impairment of \$309.8 million comprise:

- Impairment loss of \$107.3 million in respect of Tanzania – East Pande Block. The trigger for the impairment test was the conclusion of the Tendei-1 drilling operations which did not encounter live hydrocarbons and indicated that the carrying value of the block was not recoverable. The cash generating unit ('CGU') applied for the purpose of the impairment assessment is the block and the recoverable amount of \$nil was based on management's estimate of value in use;
- Impairment loss of \$62.8 million in respect of Gabon – Gnondo Block. The trigger for the impairment test was the conclusion of the Affanga Deep-1 drilling operations which did not encounter live hydrocarbons and indicated that the carrying value of the block was not recoverable. The cash generating unit ('CGU') applied for the purpose of the impairment assessment is the block and the recoverable amount of \$nil was based on management's estimate of value in use;
- Impairment loss of \$80.3 million in respect of Tanzania – Block 7. The trigger for the impairment test was the conclusion of the Mkuki-1 drilling operations which did not encounter live hydrocarbons and indicated that the carrying value of the block was not recoverable. The cash generating unit ('CGU') applied for the purpose of the impairment assessment is the block and the recoverable amount of \$nil was based on management's estimate of value in use; and
- Impairment loss of \$59.4 million in respect of Kenya – Block L9. 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 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.

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.

Allowance for impairment of \$172.4 million for the year ended 31 December 2013 comprise:

- 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 indicated that the carrying value of the block was not recoverable. The cash generating unit ('CGU') applied for the purpose of the impairment assessment is the block and the recoverable amount of \$50 million 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 of \$nil 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
Balance at the beginning of the year	20,868	57,165
Impairment of goodwill <sup>1</sup>	(20,868)	(36,297)
Balance at the end of the year	–	20,868

<sup>1</sup> A goodwill impairment loss of \$20.9 million (2013: \$36.3 million) was recognised in respect of Kenya – Block L9 (2013: Tanzania – Block 7). The impairment loss was primarily driven by the impairment review of the Blocks' CGUs which resulted in impairment losses in the current and prior years, reducing the carrying values of the Blocks (refer to note 10).

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

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Kenya (Block L9)	–	62
	–	62

The following goodwill balances result from the requirement on acquisition to recognise a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquisition assets and liabilities and their tax bases. For the purposes of testing this goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that remain at balance date are treated as part of the relevant CGU or group of CGU's.

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Kenya (Block L9)	–	20,806
Deferred tax liability	–	20,806
Balance at the end of the year	–	20,868

#### 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 1 December 2014. In assessing whether goodwill has been impaired, the carrying amount of the CGU or reportable segment is compared with its recoverable amount. In determining whether goodwill is impaired the Group reviewed the status of projects including recent farm-out transactions and whether the Group's intention is to further develop the Groups various assets.

The Group recognised an impairment expense of \$20.9 million (2013: \$36.3 million) for the year ended 31 December 2014 (refer to note 3(d) and note 10).

## 12 Property, plant and equipment

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Office furniture and equipment</b>		
<b>Cost</b>		
Balance at the beginning of the year	5,786	6,497
Foreign currency translation	766	(772)
Additions	4,770	2,016
Disposals	(44)	(1,955)
Balance at the end of the year	11,278	5,786
<b>Depreciation</b>		
Balance at the beginning of the year	2,549	4,050
Foreign currency translation	511	(609)
Depreciation charge for the year	1,955	1,049
Disposals	(44)	(1,941)
Balance at the end of the year	4,971	2,549
<b>Net book value</b>		
Balance at the beginning of the year	3,237	2,447
Balance at the end of the year	6,307	3,237

## 13 Financial assets

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Non-current</b>		
Security deposits – Rental properties	3,646	3,347
Security deposits – Exploration commitments <sup>1</sup>	13,458	1,426
	17,104	4,773

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.

## 14 Inventory

	Year 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Drilling consumables	23,902	25,890

## Notes to the financial statements continued

### 15 Trade and other receivables

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Trade and other debtors	10,056	6,544
Prepayments	2,783	1,692
	12,839	8,236

All debtors are current. There are no receivables that are past due or impaired. Trade and other debtors primarily relate to receivables from joint operations.

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

### 16 Cash and cash equivalents

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Cash	138,603	326,764
Short-term deposits	739,269	179,998
	877,872	506,762

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 \$877.9 million (2013: \$506.8 million).

### 17 Investments

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Short-term investments	294,904	159,921

Short-term investments consist of cash deposit accounts that are made for varying periods of between three months and twelve 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 \$294.9 million (2013: \$159.9 million).

### 18 Trade and other payables

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Trade payables	3,004	3,784
Accruals	221,681	8,711
Payables in relation to joint operation partners	17,463	108,292
	242,148	120,787

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



## 19 Provisions

	Employee annual leave \$'000	Litigation and other claims \$'000	Other provision \$'000	Employee long service leave \$'000	Total \$'000
<b>At 1 January 2014</b>					
Current	671	24,700	10,000	–	35,371
Non-current	–	–	–	237	237
Arising during the year	29	1,650	–	47	1,726
Utilised/paid	–	–	(10,000)	–	(10,000)
Foreign exchange revaluation	(36)	–	–	(21)	(57)
Amounts released	(227)	–	–	–	(227)
<b>At 31 December 2014</b>					
Current	437	26,350	–	–	26,787
Non-current	–	–	–	263	263

### 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 2014 represent the best estimate of the expected loss.

### Other provision

Other provision consisted of an amount representing the unavoidable, least net cost of exiting a contract. The provision was settled in full during the year.

## 20 Financial instruments

### Capital management

Capital consists of equity attributable to the equity holders of the parent. The Group met its primary capital management objective of ensuring that 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 2014.

### Financial risk management

The Group's principal financial assets and liabilities comprise trade and other receivables (note 15), cash and cash equivalents (note 16), short-term investments (note 17) and trade and other payables (note 18, 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.

## Notes to the financial statements continued

### 20 Financial instruments continued

#### (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 cash equivalents, short-term investments 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 2014 (2013: nil).

#### Credit quality of financial assets

	Equivalent S&P rating <sup>1</sup>			Internally rated	Total \$'000
	A-1 and above \$'000	A-2 and above \$'000	A-2 and below \$'000	No default customers \$'000	
<b>Year ended 31 December 2014</b>					
<b>Current financial assets</b>					
Cash and cash equivalents	877,776	–	47	49	877,872
Investments	294,904	–	–	–	294,904
Trade and other receivables	–	–	–	23,626	23,626
	1,172,680	–	47	23,675	1,196,402
<b>Non-current financial assets</b>					
Security deposits	13,458	3,288	–	358	17,104
	13,458	3,288	–	358	17,104

<sup>1</sup> The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

	Equivalent S&P rating <sup>1</sup>			Internally rated	Total \$'000
	A-1 and above \$'000	A-2 and above \$'000	A-2 and below \$'000	No default customers \$'000	
<b>Year ended 31 December 2013</b>					
<b>Current financial assets</b>					
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
<b>Non-current financial assets</b>					
Security deposits	3,342	–	1,426	5	4,773
	3,342	–	1,426	5	4,773

<sup>1</sup> 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 cash equivalents and short-term investments is managed by limiting the term of deposits to periods of less than twelve months and selecting counterparty financial institutions with reference to long and short-term credit ratings published by Standard & Poor's.

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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 2014		31 Dec 2013	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Security deposits	17,104	16,899	4,773	4,550
	17,104	16,899	4,773	4,550

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 2014, the Group has no borrowings (2013: 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Financial assets</b>		
Security deposits	17,104	4,773
Cash and cash equivalents	877,872	506,762
Investments	294,904	159,921
Net exposure	1,189,880	671,456

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit/(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 2013.

Increase/decrease in interest rate	Effect on profit 31 Dec 2014 \$'000	Effect on loss 31 Dec 2013 \$'000
+0.5%	5,949	3,357
-0.5%	(5,949)	(3,357)

The sensitivity in 2014 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.

## Notes to the financial statements continued

### 20 Financial instruments continued

As at 31 December 2014, 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents		
AUD	3,858	412
EUR	82	293
GBP	73,839	138,719
TZS	308	96
XAF	626	780
	78,713	140,300
Investments		
GBP	69,904	109,921
Security deposits		
GBP	3,642	3,095
	152,259	253,316
<b>Financial liabilities</b>		
Trade and other payables		
AUD	(663)	(661)
EUR	(277)	–
GBP	(6,210)	(5,207)
	(7,150)	(5,868)
Net Exposure	145,109	247,448

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)	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
US Dollar to GBP +5% (2013: +5%)	7,059	12,172	–	–
US Dollar to GBP -5% (2013: -5%)	(7,059)	(12,172)	–	–
US Dollar to AUD +5% (2013: +5%)	160	(12)	89	(70)
US Dollar to AUD -5% (2013: -5%)	(160)	12	(89)	70
US Dollar to EUR +5% (2013: +5%)	(10)	15	–	–
US Dollar to EUR -5% (2013: -5%)	10	(15)	–	–
US Dollar to XAF +5% (2013: +5%)	31	39	–	–
US Dollar to XAF -5% (2013: -5%)	(31)	(39)	–	–
US Dollar to TZS +5% (2013: +5%)	15	5	–	–
US Dollar to TZS -5% (2013: -5%)	(15)	(5)	–	–

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic forecaster's expectations.
- The reasonably possible movement was calculated by taking the US Dollar spot rate as at 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. The Group uses its cash and cash equivalents and short-term investments to manage liquidity risk.

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 2014 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
Level 1	–	–
Level 2	–	–
Level 3	16,899	4,550
	16,899	4,550

There were no transfers between fair value levels during the year.

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## 21 Share capital

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>(a) Authorised</b>		
2,000,000,000 ordinary shares of 0.25p each	7,963	7,963
<b>(b) Called up, allotted and fully paid</b>		
591,961,422 ordinary shares of 0.25p each in issue at the beginning of the year (2013: 400,004,189)	2,466	1,739
1,849,373 ordinary shares of 0.25p each issued on exercise of share options during the year (2013: 4,081,558)	8	16
Nil ordinary shares of 0.25p each issued during the year (2013: 187,875,675 <sup>1</sup> )	–	711
593,810,795 ordinary shares of 0.25p each in issue at the end of the year (2013: 591,961,422)	2,474	2,466

<sup>1</sup> 19,850,000 ordinary shares issued in relation to the placement announced by the Company on 4 March 2014 and subsequently issued on 5 March 2014. The market value of the Companies 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 2014 and subsequently issued on 26 March 2014. The market value of the Companies shares on these dates were: £4.62 (\$6.94) and £4.71 (\$7.17) respectively.

The balances classified as called up; allotted and fully paid share capital represents the nominal value of the total number of issued shares of the Company of 0.25p each.

Fully paid shares carry one vote per share and carry the right to dividends.

## 22 Treasury shares

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Nil ordinary shares of 0.25p each held by the Group as treasury shares at the beginning of the year (2013: nil)	–	–
15,522,066 ordinary shares of 0.25p each acquired during the year (2013: nil)	62	–
611,952 ordinary shares of 0.25p each disposed of on exercise of share options during the year (2013: nil)	(3)	–
14,910,114 ordinary shares of 0.25p each held by the Group as treasury shares at the end of the year (2013: nil)	59	–

Treasury shares represents the cost of shares in the Group purchased in the market and held by the Group to satisfy options under the Group's employee incentive share option plans (refer to note 25). On 14 August 2014, the Company announced that the Board had approved a share buyback programme of up to \$100 million of ordinary shares (the 'Programme'). During the year, the Group repurchased shares under the Programme for a total consideration of \$44.2 million, including costs of \$0.3 million. The remaining facility as at 31 December 2014 was \$56.1 million.

## 23 Reserves

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Treasury shares (note 22)	(59)	–
Other reserves (note 24)	1,695,904	1,674,719
	1,695,845	1,674,719
Non-controlling interest <sup>1</sup>	(280)	(276)
	1,695,565	1,674,443

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

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	Share premium <sup>1</sup> \$'000	Capital redemption <sup>2</sup> reserve \$'000	Options premium <sup>3</sup> reserve \$'000	Special <sup>4</sup> reserve \$'000	Consolid- ation <sup>5</sup> reserve \$'000	Merger <sup>6</sup> reserve \$'000	Equity component on convertible bond <sup>7</sup> \$'000	Foreign currency translation <sup>8</sup> reserve \$'000	Accum- ulated profits/ (losses) \$'000	Total other reserves \$'000
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 loss, net of tax	–	–	–	–	–	–	–	(1,396)	–	(1,396)
Total comprehensive loss, 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 payment	–	–	9,094	–	–	–	–	–	–	9,094
Transfers within reserves <sup>6</sup>	–	–	–	(156,435)	–	–	–	–	156,435	–
As at 1 January 2014	805,580	–	43,338	–	(500)	1,218,239	669	4,456	(397,063)	1,674,719
Profit for the period, net of tax	–	–	–	–	–	–	–	–	54,846	54,846
Other comprehensive income, net of tax	–	–	–	–	–	–	–	1,784	–	1,784
Total comprehensive income, net of tax	–	–	–	–	–	–	–	1,784	54,846	56,630
Purchase of own shares	–	62	–	–	–	–	–	–	(44,230)	(44,168)
Exercise of options	1,847	–	–	–	–	–	–	–	–	1,847
Share-based payment	–	–	6,876	–	–	–	–	–	–	6,876
Transfers within reserves <sup>6</sup>	–	–	–	–	–	(876,447)	–	–	876,447	–
As at 31 December 2014	807,427	62	50,214	–	(500)	341,792	669	6,240	490,000	1,695,904

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 capital redemption reserve represents the nominal value of shares transferred following the Company's purchase of them.

3 The option premium reserve represents the cost of share-based payments to Directors, employees and third parties.

4 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.

5 The consolidation reserve represents a premium on acquisition of a minority interest in a controlled entity.

6 In the prior year the provisions of the Companies Act 2006 relating to Merger Relief (s612 and s613) were applied to the March 2013 share placement and rights issue raising performed through a cash box structure. The 'cash box' method of affecting an issue of shares for cash is commonplace and enabled the Company to issue shares without giving rise to a share premium. The premium on shares issued, net of applicable transaction costs of \$34.5 million, as part of the 'cash box' arrangement is instead recognised in the Merger Reserve. Following on from the completion of the Group's farm out of 20% of its interest in Tanzania Blocks 1, 3 & 4 in March 2014 Ophir Ventures (Jersey) Limited and Ophir Ventures (Jersey) No.2 Limited, which are wholly owned subsidiaries of the Company, redeemed the preference shares that had been acquired by the Company as part of the 'cash box' arrangement. This has allowed the Company to realise \$876.4 million of the Merger Reserve to accumulated profits/(losses) as the redemption of the preference shares was considered to be performed with qualifying consideration in the form of free cash and a readily recoverable receivable from Ophir Holdings Limited, a 100% owned subsidiary of the Company and beneficial holder of the Group's interest in Tanzania Blocks 1, 3 & 4.

7 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.

8 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.

## Notes to the financial statements continued

### 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 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.

	2014 Number	2014 WAEP	2013 Number	2013 WAEP
Outstanding options beginning of year	10,111,578	\$1.50/£0.96	11,131,204	\$2.21/£1.40
Granted during the year	2,052,911	\$0.30/£0.19	3,453,199 <sup>1</sup>	\$2.02/£1.29
Exercised during the year	(2,461,325)	\$0.71/£0.46	(4,081,558)	\$1.78/£1.14
Expired during the year	(1,501,851)	\$3.06/£1.97	(391,267)	\$0.00/£0.00
Outstanding options at end of year	8,201,313	\$1.39/£0.90	10,111,578	\$1.50/£0.96
Exercisable at end of year	3,885,282	\$3.28/£2.11	4,002,826	\$3.63/£2.32

<sup>1</sup> Awards granted under employee incentive share option plans before 25 March 2014 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 2006 Share Option awards of 1,725,972 in respect of this adjustment.



The weighted average exercise price of options granted during the year was \$0.30 (2013: \$2.02). The range of exercise prices for options outstanding at the end of the year was \$0.00 to \$8.55 (2013: \$0.00 to \$8.61) with a remaining exercise period in the range of 3 to 9 years.

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The table below lists the inputs to the model used for the year ended 31 December 2014.

	2006 Share Option Plan		Long Term Incentive Plan		2012 Deferred Share Plan	
	2014	2013	2014	2013	2014	2013
Dividend yield (%)	–	–	–	–	–	–
Exercise Price	\$4.29/£2.60	\$7.18/£4.72	nil	nil	nil	nil
Share Volatility (%)	50%	50%	41%	45%	50%	50%
Risk-free interest rate (%)	1%	1%	0.94%	0.40%	1%	1%
Expected life of option (years)	2–10	2–10	0–5	0–5	1–3	1–3
Weighted average share price	\$4.06/£2.46	\$7.17/£4.71	\$4.06/£2.46	\$6.08/£3.97	\$4.06/£2.46	\$7.17/£4.71

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 directors

During the year a total of 552,522 (2013: 501,182) 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 no options were granted to directors under the Ophir Energy Company 2006 Share Option Plan. In the prior year 360,127 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

### 26 Joint operations

The Group has the following interests in joint operations:

	Asset	Beneficial interest 2014 (%)	Beneficial interest 2013 (%)
AGC	Profond	— <sup>1</sup>	79.2
Equatorial Guinea (Operator)	Block R	80	80
Gabon (Operator)	Mbeli	40 <sup>2</sup>	50
Gabon (Operator)	Ntsina	40 <sup>2</sup>	50
Gabon (Operator)	Manga	70 <sup>2</sup>	100
Gabon (Operator)	Gnondo	70 <sup>2</sup>	100
Gabon (Operator)	Nkouere	100 <sup>2</sup>	—
Gabon (Operator)	Nkawa	100 <sup>2</sup>	—
Ghana	Accra	— <sup>3</sup>	20
Kenya (Operator)	Block L9	90 <sup>4</sup>	90
Kenya	Block L15	— <sup>4</sup>	90
Myanmar (Operator)	Block AD-03	95 <sup>5</sup>	—
SADR	Daora	— <sup>6</sup>	50
SADR	Haouza	— <sup>6</sup>	50
SADR	Mahbes	— <sup>6</sup>	50
SADR	Mijek	— <sup>6</sup>	50
Seychelles (Operator)	Block 5B/1	75 <sup>7</sup>	—
Seychelles (Operator)	Block 5B/2	75 <sup>7</sup>	—
Seychelles (Operator)	Block 5B/3	75 <sup>7</sup>	—
Somaliland	Berbera	25 <sup>8</sup>	25
Tanzania	Block 1	20 <sup>9</sup>	40
Tanzania	Block 3	20 <sup>9</sup>	40
Tanzania	Block 4	20 <sup>9</sup>	40
Tanzania (Operator)	Block 7	80 <sup>10</sup>	80
Tanzania (Operator)	East Pande	70 <sup>11</sup>	70
Uganda	EA4B	— <sup>12</sup>	95

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

The final exploration period for the block (the second renewal period which carried one commitment well) expired on 18 September 2014 and the PSC terminated. No viable explorations targets had been identified within the Block and the partners paid a financial penalty as required under the PSC.

2 The Government of Gabon has the option to participate in the petroleum operations through a 10% participating interest in Mbeli Marin, Ntsina Marin and Gnondo Marin; and a 15% participating interest in Manga Marin. Such interest would be acquired from the 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 acquired 30% non-operated interests in the Manga and Gnondo Blocks and 10% non-operated interests in the Mbeli and Ntsina Blocks. The transaction completed on 16 July 2014.

#### Acquisition

On 24 October 2014, the Group announced the signing of exploration and production sharing contracts for two additional blocks. The new blocks, A3 and A4, are located outboard of the Group's existing acreage in the North Gabon basin. Block A3 will be called the Nkouere PSC and Block A4 the Nkawa PSC.

The Gabonese State has the right to acquire a 20% interest in the newly awarded Nkouere and Nkawa PSCs on commencement of production. The Gabon National Oil Company also has the right to acquire up to an additional 15% interest at market rates.

3 On 19 March 2014, the JV Partners entered into an assignment deed (the 'Assignment Deed') to transfer (i) the entire Participating Interests of Ophir Ghana (Accra) Limited, Tap Oil (Ghana) Limited and Vital Upstream (Accra) Limited under the Petroleum Agreement and the Operating Agreement to Afex Oil (Ghana) Limited and Azonto Petroleum (Ghana) Limited in the proportions set out in the Assignment Deed; and (ii) operatorship under the Petroleum Agreement and the Operating Agreement from Ophir Ghana (Accra) Limited to Azonto Petroleum (Ghana) Limited. The transfers of Participating Interests and operatorship were effective from 13 November 2014.

4 The Group currently has a 90% participating interest with the Government of Kenya having a 10% carried interest. 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. The minimum obligations for the initial exploration period had been fulfilled and the Group withdrew from the block on 3 January 2014.

5 On 5 December 2014, the Group announced that it had signed a Production Sharing Contract with the Myanmar Ministry of Energy for a 95% operated interest in Block AD-03 offshore Myanmar.

6 On 25 November 2014, the Group sold its interests in the SADR blocks: Daora, Haouza, Mahbes and Mijek to Calima Energy Limited.

7 On 4 March 2014, the Group announced that it had entered into an agreement with WHL Energy ('WHL'), an Australian listed E&P company, to acquire a 75% operated interest in Blocks 5B/1, 5B/2 and 5B/3 located offshore to the south of the Seychelles Islands in the Indian Ocean.

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8 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**

In the prior year, 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.

**Sale of interest in Berbera PSC**

On 13 January 2015, the Group sold its remaining 25% interest in the Berbera Blocks SL9 and SL12 to Independent Energy Capital Corp.

9 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 percent interest in Tanzanian Blocks 1, 3 & 4 to Pavilion Energy. The sale was approved by Ophir's shareholders on 16 December 2013 and the transaction completed on 22 March 2014.

The First Extension Period for Block 3 and 4 expired in October 2014. In August 2014, BG elected not to continue into the Second Extension period of Block 3. Under the terms of the licence and the Joint Operating Agreement, Ophir and Pavilion Energy have made an application to enter the final term. Ophir will operate the block with a 80% interest. Application is subject to Government approval.

10 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.

11 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.

12 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.

**27 Operating lease commitments**

At 31 December 2014 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 2014 \$'000	Year ended 2013 \$'000
Due within one (1) year	1,877	2,029
Due later than one (1) year but within five (5) years	8,982	9,956
Due later than two (2) years but within five (5) years	4,792	6,810
	15,651	18,795

**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 2014 \$'000	Year ended 2013 \$'000
Due within one (1) year	63,328	516,134
Due later than one (1) year but within two (2) years	28,600	40,877
Due later than two (2) years but within five (5) years	6,630	47,837
	98,558	604,848

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## Notes to the financial statements continued

### 29 Contingent liabilities

An individual has commenced action against the Group relating to a number of terminated consultancy agreements. Interim hearings in relation to security for costs applications were scheduled to be heard on 12 February and 23 February 2015 but were deferred to another date to be determined. 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 18 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 \$25,872,984 (2013: \$7,537,080). Transactions between the Company and its subsidiaries have been eliminated on consolidation.

#### (b) Other transactions with key management personnel

The Company made payments of \$nil (2013: \$10,311) to Vectis Petroleum Limited, a company associated with 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 3 March 2015 (the acquisition date), the Group acquired 100% of the share capital of Salamander Energy Plc ('Salamander'), a South East Asian focused independent exploration and production company quoted on the LSE.

The Group announced that the scheme of arrangement was approved by Salamander's shareholders on 6 February 2015 and was sanctioned by the Supreme Court in London effective on 2 March 2015. The transaction has therefore closed and the entire issued ordinary share capital of Salamander is now owned by Ophir. The consideration of \$326.1 million was satisfied in full by equity by which Salamander shareholders received 0.5719 Ophir ordinary share for each Salamander ordinary share held.

The enlarged Group enhances Ophir's operating capabilities in both Africa and South East Asia and deepwater expertise across key technical and commercial functions. The combined Group provides shareholders with a diversified exposure to 21 production, development and exploration blocks in Africa and South East Asia.

The acquisition will be accounted for as a single business combination. The fair value assessment of the Salamander identifiable assets and liabilities acquired as at the date of acquisition have 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 assets acquired have been calculated using valuation techniques based on discounted cash flows using forward curve commodity prices, a discount rate based on market observable data and cost and production profiles.

Assets acquired and liabilities assumed:

	Fair value Recognised 3 March 2015 \$'000
<b>Assets</b>	
Exploration & evaluation assets	150,000
Property, plant & equipment	877,000
Financial assets	58,054
Investments accounted for using the equity method	228,000
Inventory	51,228
Trade and other receivables	25,033
Cash and cash equivalents	113,133
	<b>1,502,448</b>
<b>Liabilities</b>	
Trade and other payables	(95,857)
Current tax liability	(75,436)
Bank borrowings	(303,858)
Convertible bonds	(91,897)
Bonds payable	(145,596)
Provisions	(52,614)
Deferred tax liability	(530,559)
	<b>(1,295,817)</b>
<b>Total identifiable net assets at fair value</b>	<b>206,631</b>
Goodwill arising on acquisition	119,500
	326,131
Consideration:	
Equity instruments (152,208,612 ordinary shares of parent company)	326,131
<b>Total consideration transferred</b>	<b>326,131</b>

The Group issued 152,208,612 new shares in consideration for the entire share capital of Salamander.

The fair value of the shares is the published price of the shares of the Group at the acquisition date. Therefore, the fair value of the share consideration given is \$326.1 million.

The goodwill balance is the result of the requirement to recognise deferred tax assets and liabilities, as specified in IFRS 3 and IAS 12 and is calculated as the difference between the tax effect of the fair value of the assets and liabilities acquired and their tax bases. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of the trade receivables amounts to \$25.0 million. The gross amount of trade receivables is \$25.0 million. However, none of the trade receivables have been impaired and it is expected that the full amounts can be collected.

The fair values disclosed are provisional due to the timing and complexity of the acquisition. The Group is continuing to refine the fair value of assets and liabilities identified as part of the acquisition. The review of the fair value of the assets and the liabilities acquired will continue for 12 months from the acquisition date at the latest.

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## 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 International Financial Reporting Standards (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 18 March 2015

**Nick Cooper**

Chief Executive Officer

# Company statement of financial position

## As at 31 December 2014

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	Notes	As at 31 Dec 2014 \$'000	As at 31 Dec 2013 \$'000
<b>Non current assets</b>			
Property, plant and equipment	5	4,538	1,314
Investment in subsidiaries	6	542,445	2,300,049
Financial assets	7	6,942	3,095
		<b>553,925</b>	<b>2,304,458</b>
<b>Current assets</b>			
Inventory	8	6,067	1,843
Trade and other receivables	9	4,330	39,745
Cash and cash equivalents	10	769,939	69,189
Investments	11	294,904	–
		<b>1,075,240</b>	<b>110,777</b>
<b>Total assets</b>		<b>1,629,165</b>	<b>2,415,235</b>
<b>Current liabilities</b>			
Trade and other payables	12	(14,499)	(5,207)
Taxation payable		(25)	–
Provisions	13	–	(227)
		<b>(14,524)</b>	<b>(5,434)</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	14	–	(540,630)
		<b>–</b>	<b>(540,630)</b>
<b>Total liabilities</b>		<b>(14,524)</b>	<b>(546,064)</b>
<b>Net assets</b>		<b>1,614,641</b>	<b>1,869,171</b>
<b>Capital and reserves</b>			
Called up share capital	16	2,474	2,466
Treasury shares	17	(59)	–
Reserves	18	1,612,226	1,866,705
<b>Total equity</b>		<b>1,614,641</b>	<b>1,869,171</b>

The financial statements of Ophir Energy plc (registered number 05047425) on pages 133 – 154 were approved by the Board of Directors on 18 March 2015.

On behalf of the Board:

**Nicholas Smith**  
Chairman

**Nick Cooper**  
Chief Executive Officer

## Company statement of changes in equity

For the year ended 31 December 2014

	Called up share capital \$'000	Treasury shares \$'000	Other <sup>1</sup> reserves \$'000	Total equity \$'000
<b>As at 1 January 2013</b>	<b>1,739</b>	<b>–</b>	<b>1,180,443</b>	<b>1,182,182</b>
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 payment	–	–	9,094	9,094
<b>As at 31 December 2013</b>	<b>2,466</b>	<b>–</b>	<b>1,866,705</b>	<b>1,869,171</b>
Loss for the period, net of tax	–	–	(219,034)	(219,034)
Other comprehensive income, net of tax	–	–	–	–
Total comprehensive income, net of tax	–	–	(219,034)	(219,034)
Purchase of own shares	–	(59)	(44,168)	(44,227)
Exercise of options	8	–	1,847	1,855
Share-based payment	–	–	6,876	6,876
<b>As at 31 December 2014</b>	<b>2,474</b>	<b>(59)</b>	<b>1,612,226</b>	<b>1,614,641</b>

<sup>1</sup> Refer to Note 18.



# Company statement of cash flows

## For the year ended 31 December 2014

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	Notes	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Operating activities</b>			
Loss before taxation		(219,009)	(132,673)
<b>Adjustments to reconcile loss before tax to net cash flows:</b>			
Interest income		(27,915)	(37,296)
Interest expense		7,291	–
Foreign exchange gains		(14,840)	–
Depreciation of property, plant and equipment	5	1,167	312
Provision for employee entitlements		(227)	(145)
Share-based payment expense		6,876	9,094
Allowance for impairment of investment in subsidiaries	6	215,912	133,004
<b>Working capital adjustments</b>			
Increase in trade and other payables		9,292	949
Increase in trade and other receivables		(1,918)	(821)
<b>Cash flows used in operating activities</b>		<b>(23,371)</b>	<b>(27,576)</b>
Income taxes paid		–	–
Interest expense		65,190	17
Interest expense		(7,291)	–
<b>Net cash flows from/(used in) operating activities</b>		<b>34,528</b>	<b>(27,559)</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment	5	(4,391)	(909)
Purchase of inventory		(4,224)	(1,843)
Investment in subsidiaries	6	(20,000)	(837,557)
Proceeds from the redemption of preference shares	6	1,079,450	–
Loans (repaid by)/to subsidiaries	6	508,869	(462,193)
Cash placed on deposit	11	(294,904)	–
Security (deposits)/refunded		(3,847)	2,679
<b>Net cash flows from/(used in) investing activities</b>		<b>1,260,953</b>	<b>(1,299,823)</b>
<b>Financing activities</b>			
Share issue costs		–	(34,399)
Proceeds from issue of ordinary shares		–	837,627
Proceeds from exercise of share options		1,914	7,340
Purchase of own shares		(44,230)	–
(Repayment)/proceeds from loans and borrowings	14	(540,630)	540,630
<b>Net cash flows (used in)/from financing activities</b>		<b>(582,946)</b>	<b>1,351,198</b>
<b>Increase in cash and cash equivalents for the year</b>		<b>712,535</b>	<b>23,816</b>
Net effect of foreign exchange rates on cash and cash equivalents		(11,785)	(7)
Cash and cash equivalents at the beginning of the year		69,189	45,380
<b>Cash and cash equivalents at the end of the year</b>	10	<b>769,939</b>	<b>69,189</b>

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# 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 123 Victoria Street, London SW1E 6DE.

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 Africa and Asia.

The Company's financial statements for the year ended 31 December 2014 were authorised for issue by the Board of Directors on 18 March 2015 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 issued by the International Accounting Standards Board and adopted by the European Union (EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are prepared on a going concern basis.

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 2013 are for the year ended on that date.

### New and Amended Accounting Standards and Interpretations

The Company has adopted relevant new and amended IFRS and IFRIC interpretations as of 1 January 2014. 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 3 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.

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## Notes to the financial statements continued

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

#### (k) 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.

#### (l) 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.

#### (m) 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.

## (n) 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.

## (o) Impairment

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

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

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

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## Notes to the financial statements continued

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

#### 2.3 Significant accounting judgements, estimates and assumptions

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

The Company has used estimates and assumptions in deriving certain figures within the financial statements. Such accounting estimates may not equate with the actual results which will only be known in time. The key areas of estimation are detailed in note 2.4 of the Group financial statements.

### 3 Loss attributable to members of the parent company

The loss attributable to the members of the Company for the year ended 31 December 2014 is \$219.0 million (2013: \$132.7 million).

### 4 Share-based compensation

#### (a) Employee incentive share option plans

##### Ophir Energy Company Foundation Incentive Scheme

On 12 May 2004 the Ophir Energy Company Foundation Incentive Scheme was established 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 19th 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.

	2014 Number	2014 WAEP	2013 Number	2013 WAEP
Outstanding options beginning of year	10,111,578	\$1.50/£0.96	11,131,204	\$2.21/£1.40
Granted during the year	2,052,911	\$0.30/£0.19	3,453,199 <sup>1</sup>	\$2.02/£1.29
Exercised during the year	(2,461,325)	\$0.71/£0.46	(4,081,558)	\$1.78/£1.14
Expired during the year	(1,501,851)	\$3.06/£1.97	(391,267)	\$0.00/£0.00
Outstanding options at end of year	8,201,313	\$1.39/£0.90	10,111,578	\$1.50/£0.96
Exercisable at end of year	3,885,282	\$3.28/£2.11	4,002,826	\$3.63/£2.32

<sup>1</sup> 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 2006 Share Option awards of 1,725,972 in respect of this adjustment.

The weighted average exercise price of options granted during the year was \$0.30 (2013: \$2.02). The range of exercise prices for options outstanding at the end of the year was \$0.00 to \$8.55 (2013: \$0.00 to \$8.61) with a remaining exercise period in the range of 3 to 9 years.

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The table below lists the inputs to the model used for the year ended 31 December 2014.

	2006 Share Option Plan		Long Term Incentive Plan		2012 Deferred Share Plan	
	2014	2013	2014	2013	2014	2013
Dividend yield (%)	–	–	–	–	–	–
Exercise Price	\$4.29/£2.60	\$7.18/£4.72	nil	nil	nil	nil
Share Volatility (%)	50%	50%	41%	45%	50%	50%
Risk-free interest rate (%)	1%	1%	0.94%	0.4%	1%	1%
Expected life of option (years)	2–10	2–10	0–5	0–5	1–3	1–3
Weighted average share price	\$4.06/£2.46	\$7.17/£4.71	\$4.06/£2.46	\$6.08/£3.97	\$4.06/£2.46	\$7.17/£4.71

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 directors

During the year a total of 552,522 (2013: 501,182) 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 no options were granted to directors under the Ophir Energy Company 2006 Share Option Plan. In the prior year 360,127 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Office furniture and equipment</b>		
<b>Cost</b>		
Balance at the beginning of the year	2,023	1,187
Additions	4,391	909
Disposals	–	(73)
Balance at the end of the year	6,414	2,023
<b>Depreciation</b>		
Balance at the beginning of the year	709	470
Disposals	–	(73)
Depreciation charge for the year	1,167	312
Balance at the end of the year	1,876	709
<b>Net book value</b>		
Balance at the beginning of the year	1,314	717
Balance at the end of the year	4,538	1,314

### 6 Investments in subsidiaries

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Balance at the beginning of the year</b>	<b>2,546,692</b>	<b>1,240,493</b>
<b>Additions during the year</b>		
Ophir Holdings Limited	174,699	413,791
Ophir Services Pty Limited	18,659	–
Ophir Asia Limited	341	–
Ophir Ventures (Jersey) No. 2 Limited	20,000	837,558
Dominion Petroleum Limited	81,917	77,223
Ophir Gabon (Manga) Limited	502	–
Ophir Gabon (Gnondo) Limited	2,981	–
Ophir Gabon (Ntsina) Limited	2,254	–
Ophir Gabon (Mbeli) Limited	2,119	–
Ophir Gabon (Nkawa) Limited	131	–
Ophir Gabon (Nkouere) Limited	92	–
Ophir AGC (Profond) Limited	11	–
Ophir Seychelles (Area 1,2 and 3) Limited	951	–
Ophir Myanmar (Block AD-3) Limited	20	–
Ophir Equatorial Guinea (Block R) Limited	7,122	–
Ophir East Africa Ventures Limited	1,792	–
Ophir Tanzania (Block 1) Limited	2,405	–
Dominion Tanzania Limited	–	6,268
Dominion Petroleum Kenya Limited	505	–
Dominion Petroleum Congo SPRL	–	6,496



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	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Repayments during the year</b>		
Ophir Holdings Limited	(800,000)	–
Ophir Ventures (Jersey) Limited – Preference share redemption <sup>1</sup>	(241,893)	–
Ophir Ventures (Jersey) No. 2 Limited – Preference share redemption <sup>2</sup>	(837,557)	–
Ophir Services Pty Limited	–	(3,671)
Dominion Petroleum Acquisitions Limited	–	(17,103)
Dominion Oil & Gas (Tanzania) Limited	–	(80)
Dominion Tanzania Limited	(5,368)	(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)
Balance at the end of the year	978,375	2,546,692
Foreign exchange translation gains and losses	26,625	–
<b>Allowance for impairment</b>		
Balance at the beginning of the year	(246,643)	(107,143)
Additional allowance	(215,912)	(139,500)
Balance at the end of the year	(462,555)	(246,643)
<b>Net book value</b>		
At the beginning of the year	2,300,049	1,133,350
At the end of the year	542,445	2,300,049

- 1 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 cent per annum. The Preferential Dividend is payable half-yearly in arrears on 31 December and 30 June each year.  
On 27 May 2014, Ophir Ventures (Jersey) Limited provided the Company with a Notice of Redemption of the Redeemable Preference Shares. These were redeemed on 28 May 2014 for \$241,892,975. The cumulative outstanding Preferential Dividend was also settled on 28 May 2014.
- 2 On 8 March 2014, 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 cent per annum. The Preferential A Dividend is payable half-yearly in arrears on 31 December and 30 June each year.  
On 27 May 2014, Ophir Ventures (Jersey) No.2 Limited provided the Company with a Notice of Redemption of the Redeemable Preference Shares. These were redeemed on 28 May 2014 for \$136,965,000. The cumulative outstanding Preferential A Dividend was also settled on 28 May 2014.  
On 26 March 2014, 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 cent per annum. The Preferential B Dividend is payable half-yearly in arrears on 31 December and 30 June each year.  
On 27 May 2014, Ophir Ventures (Jersey) No.2 Limited provided the Company with a Notice of Redemption of the Redeemable Preference Shares. These were redeemed on 28 May 2014 for \$700,592,324. The cumulative outstanding Preferential B Dividend was also settled on 28 May 2014.

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

Significant subsidiaries at 31 December 2014, and Ophir's percentage of share capital (to the nearest whole number) are set out below. All of these subsidiaries have been included in the Consolidated Financial Statements on pages: 98 – 131. Those held directly by the Company are marked with an asterisk (\*):

	Country of Incorporation	Principal Activity	Class of Shares	Holding 31 Dec 2014	Holding 31 Dec 2013
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.	Holding	Ordinary	100%	100%
Ophir Ventures (Jersey) Limited *	Jersey C.I.	Holding	Ordinary	100%	100%
Ophir Ventures (Jersey) Limited *	Jersey C.I.	Holding	Preference	–	100%
Ophir Ventures (Jersey) No.2 Limited *	Jersey C.I.	Holding	Ordinary	100%	100%
Ophir Ventures (Jersey) No.2 Limited *	Jersey C.I.	Holding	Preference	–	100%
Dominion Petroleum Limited *	Bermuda	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 Gabon (Nkouere) Limited	Jersey C.I.	Exploration	Ordinary	100%	–
Ophir Gabon (Nkawa) Limited	Jersey C.I.	Exploration	Ordinary	100%	–
Ophir Equatorial Guinea (Block R) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Seychelles (Area 1,2 and 3) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Myanmar (Block AD-3) Limited	Jersey C.I.	Exploration	Ordinary	100%	–
Ophir East Africa Holdings Limited	Jersey C.I.	Holding	Ordinary	100%	100%
Ophir Tanzania (Block 1) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir East Africa Ventures Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Dominion Petroleum Administrative Services Limited	United Kingdom	Holding	Ordinary	100%	100%
Dominion Tanzania Limited	Tanzania	Exploration	Ordinary	100%	100%
Dominion Petroleum Kenya Limited	Kenya	Exploration	Ordinary	100%	100%

All subsidiaries have a functional currency of US Dollars with the exception of Ophir Services Pty Ltd and Dominion Kenya Holdings Limited which have Australian Dollar and Pounds Sterling functional currencies respectively.

### 7 Financial assets

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Non-current</b>		
Security deposits – Rental properties	3,642	3,095
Security deposits – Exploration commitments <sup>1</sup>	3,300	–
	6,942	3,095

<sup>1</sup> Floating interest deposits pledged to third parties or banks as security in relation to the Group's exploration commitments.

There are no receivables that are past due or impaired.

### 8 Inventory

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Drilling consumables	6,067	1,843

## 9 Trade and other receivables

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Other debtors	1,707	680
Prepayments	2,623	1,374
Amounts due from subsidiary undertakings <sup>1</sup>	–	37,691
	4,330	39,745

<sup>1</sup> Amounts due from subsidiary undertakings in the prior year 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
Cash	30,687	69,189
Short-term deposits	739,252	–
	769,939	69,189

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 \$769.9 million (31 December 2013: \$69.2 million).

## 11 Investments

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Short-term investments	294,904	–

Short-term investments consists of cash deposits that are made for varying periods of between three months and twelve 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 \$294.9 million (31 December 2013: \$nil).

## 12 Trade and other payables

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Trade creditors	893	955
Accruals	13,606	4,252
	14,499	5,207

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

## Notes to the financial statements continued

### 13 Provisions

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Employee annual leave:		
Balance at the beginning of the year	227	372
Arising during the year	–	551
Utilised	–	(461)
Amounts released	(227)	(235)
Balance at the end of the year	–	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.

### 14 Interest-bearing loans and borrowings

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'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 (3) month LIBOR rate plus a margin of two and a half per cent. (2.5%). The total facility is \$300 million. The Company settled the outstanding loan balance, including accrued interest, on 28 May 2014.

#### 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 (3) month LIBOR rate plus a margin of two and a half per cent. (2.5%). The total facility is \$600 million. The Company settled the outstanding loan balance, including accrued interest, on 28 May 2014.

### 15 Financial instruments

The Company utilises the same financial risk and capital management as the Group. Refer to note 20 of the Group financial statements for further details.

#### (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 Company. The Company's maximum exposure to credit risk of third parties is the aggregate of the carrying value of its security deposits, cash and cash equivalents, short-term investments and trade and other receivables.

The Company trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables

In addition, receivable balances are monitored on an ongoing basis with the result that the Company's experience of bad debts has not been significant. No impairment loss has been recognised at the year ended 31 December 2014 (2013: nil).

## Credit quality of financial assets

	Equivalent S&P rating <sup>1</sup>			Internally rated	
	A-1 and above \$'000	A-2 and above \$'000	A-2 and below \$'000	No default customers \$'000	Total \$'000
<b>Year ended 31 December 2014</b>					
<b>Current financial assets</b>					
Cash and cash equivalents	769,927	–	–	12	769,939
Investments	294,904	–	–	–	294,904
Trade and other receivables	–	–	–	4,330	4,330
	1,064,831	–	–	4,342	1,069,173
<b>Non-current financial assets</b>					
Security deposits	3,300	3,288	–	354	6,942
	3,300	3,288	–	354	6,942

<sup>1</sup> The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

	Equivalent S&P rating <sup>1</sup>			Internally rated	
	A-1 and above \$'000	A-2 and above \$'000	A-2 and below \$'000	No default customers \$'000	Total \$'000
<b>Year ended 31 December 2013</b>					
<b>Current financial assets</b>					
Cash and cash equivalents	69,184	–	–	5	69,189
Trade and other receivables	–	–	–	680	680
	69,184	–	–	685	69,869
<b>Non-current financial assets</b>					
Security deposits	3,095	–	–	–	3,095
	3,095	–	–	–	3,095

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

## Fair values

The maximum exposure to credit risk is the fair value of security deposits and receivables. Collateral is not held as security.

The fair values and carrying values of non-current receivables of the Company are as follows:

	31 Dec 2014		31 Dec 2013	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Year ended 31 December</b>				
Security deposits	6,942	6,837	3,095	3,095
	6,942	6,837	3,095	3,095

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.

## Notes to the financial statements continued

### 15 Financial instruments continued

#### (b) Interest rate risk

As of 31 December 2014, the Company has no external borrowings (2013: nil) so interest rate risk is limited to interest receivable on deposits and bank balances.

The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's cash assets held in short-term cash deposits. The Board monitors its cash balance on an ongoing basis and liaises with its financiers regularly to mitigate the risk of a fluctuating interest rate. The benchmark rate used for short-term deposits is US LIBOR.

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Financial assets</b>		
Security deposits	6,942	3,095
Cash and cash equivalents	769,939	69,189
Investments	294,904	–
	1,071,785	72,284
<b>Financial liabilities</b>		
Loans from subsidiary undertakings	–	(540,630)
Net exposure	1,071,785	(468,346)

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 2013.

	Effect on loss 31 Dec 2014 \$'000	Effect on loss 31 Dec 2013 \$'000
<b>Increase/decrease in interest rate</b>		
+0.5%	5,359	(2,342)
-0.5%	(5,359)	2,342

The sensitivity in 2014 was maintained at 0.5% as interest rate volatilities remained similar to those in the prior period.

**(c) Foreign currency risk**

The Company adopts the same policies to manage foreign currency risk as the Group. Refer to note 20(c) of the Group financial statements for further details.

As at 31 December 2014, 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents		
EUR	1	28
GBP	73,580	2,656
	73,581	2,684
Investments		
GBP	69,904	–
Security deposits		
GBP	3,642	3,095
	147,127	5,779
<b>Financial liabilities</b>		
Trade and other payables		
AUD	(18)	–
EUR	(86)	–
GBP	(4,949)	(5,207)
	(5,053)	(5,207)
Net exposure	142,074	572

## Notes to the financial statements continued

### 15 Financial instruments continued

The below table demonstrates the sensitivity to reasonable possible changes in GBP and EUR against the US Dollar exchange rates with all other variables held constant, of the Company's loss before tax and equity (due to the foreign exchange translation of monetary assets and liabilities).

	Loss before tax higher/(lower)	
	2014 \$'000	2013 \$'000
US Dollar to AUD +5% (2013: +5%)	(1)	–
US Dollar to AUD -5% (2013: -5%)	1	–
US Dollar to EUR +5% (2013: +5%)	(4)	1
US Dollar to EUR -5% (2013: +5%)	4	(1)
US Dollar to GBP Sterling +5% (2013: +5%)	7,109	27
US Dollar to GBP Sterling -5% (2013: -5%)	(7,109)	(27)

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic forecaster's expectations.
- The reasonably possible movement was calculated by taking the US Dollar spot rate as at 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. This Company utilises the same policies to mitigate liquidity risk as the rest of the Group. Refer to note 20(d) of the Group financial statements for further details.

All of the Company's trade creditors and other payables (note 12) are payable in less than six months.

The Company did not make use of derivative instruments during the year or during the prior year.

#### (e) Disclosure of fair values

The carrying value of security deposits and financial liabilities disclosed in the financial statements as at 31 December 2014 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
Level 1	–	–
Level 2	–	–
Level 3	6,942	3,095
	6,942	3,095

There were no transfers between fair value levels during the year.



## 16 Share capital

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
<b>(a) Authorised</b>		
2,000,000,000 ordinary shares of 0.25p each	7,963	7,963
<b>(b) Called up, allotted and fully paid</b>		
591,961,422 ordinary shares of 0.25p each in issue at the beginning of the year (2013: 400,004,189)	2,466	1,739
1,849,373 ordinary shares of 0.25p each issued on exercise of share options during the year (2013: 4,081,558)	8	16
Nil ordinary shares of 0.25p each issued during the year (2013: 187,875,675 <sup>1</sup> )	–	711
593,810,795 ordinary shares of 0.25p each in issue at the end of the year (2013: 591,961,422)	2,474	2,466

<sup>1</sup> 19,850,000 ordinary shares in relation to the placement announced by the Company on 4 March 2014 and subsequently issued on 5 March 2014. The market value of the Companies 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 2014 and subsequently issued on 26 March 2014. The market value of the Companies shares on these dates were: £4.62 (\$6.94) and £4.71 (\$7.17) respectively.

The balances classified as called up; allotted and fully paid share capital represents the nominal value of the total number of issued shares of the Company of 0.25p each.

Fully paid shares carry one vote per share and carry the right to dividends.

## 17 Treasury shares

	Year ended 31 Dec 2014 \$'000	Year ended 31 Dec 2013 \$'000
Nil ordinary shares of 0.25p each held by the Group as treasury shares at the beginning of the year (2013: nil)	–	–
15,522,066 ordinary shares of 0.25p each acquired during the year (2013: nil)	62	–
611,952 ordinary shares of 0.25p each disposed of on exercise of share options during the year (2013: nil)	(3)	–
14,910,114 ordinary shares of 0.25p each held by the Group as treasury shares at the end of the year (2013: nil)	59	–

Treasury shares represents the cost of shares in the Company purchased in the market and held by the Company to satisfy options under the Group's employee incentive share option plans (refer to note 4). On 14 August 2014, the Company announced that the Board had approved a share buyback programme of up to \$100 million of ordinary shares (the 'Programme'). During the year, the Company repurchased shares under the Programme for a total consideration of \$44.2 million, including costs of \$0.3 million. The remaining facility as at 31 December 2014 was \$56.1 million.

# Notes to the financial statements continued

## 18 Other reserves

	Share premium <sup>1</sup> \$'000	Capital redemption <sup>2</sup> reserve \$'000	Options premium <sup>3</sup> reserve \$'000	Special <sup>4</sup> reserve \$'000	Merger <sup>5</sup> reserve \$'000	Equity <sup>6</sup> component on convertible bond \$'000	Foreign <sup>7</sup> currency translation reserve \$'000	Accumulated profits/(losses) \$'000	Total other reserves \$'000
<b>As at 1 January 2013</b>	<b>798,256</b>	–	<b>34,244</b>	<b>156,435</b>	<b>415,722</b>	<b>669</b>	<b>11,839</b>	<b>(236,722)</b>	<b>1,180,443</b>
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 payment	–	–	9,094	–	–	–	–	–	9,094
Transfers within reserves <sup>5</sup>	–	–	–	(156,435)	–	–	–	156,435	–
<b>As at 1 January 2014</b>	<b>805,580</b>	–	<b>43,338</b>	–	<b>1,218,239</b>	<b>669</b>	<b>11,839</b>	<b>(212,960)</b>	<b>1,866,705</b>
Loss for the period, net of tax	–	–	–	–	–	–	–	(219,034)	(219,034)
Other comprehensive income net of tax	–	–	–	–	–	–	–	–	–
Total comprehensive income net of tax	–	–	–	–	–	–	–	(219,034)	(219,034)
Purchase of own shares	–	62	–	–	–	–	–	(44,230)	(44,168)
Exercise of options	1,847	–	–	–	–	–	–	–	1,847
Share-based payment	–	–	6,876	–	–	–	–	–	6,876
Transfers within reserves <sup>5</sup>	–	–	–	–	(876,447)	–	–	876,447	–
<b>As at 31 December 2014</b>	<b>807,427</b>	<b>62</b>	<b>50,214</b>	–	<b>341,792</b>	<b>669</b>	<b>11,839</b>	<b>400,223</b>	<b>1,612,226</b>

1 The share premium account represents the total net proceeds on issue of the Company's shares in excess of their nominal value of 0.25p per share less amounts transferred to any other reserves.

2 The capital redemption reserve was established in connection with the purchase of own shares.

3 The option premium reserve represents the cost of share-based payments to Directors, employees and third parties.

4 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.

5 In the prior year the provisions of the Companies Act 2006 relating to Merger Relief (s612 and s613) were applied to the March 2013 share placement and rights issue raising performed through a cash box structure. The 'cash box' method of affecting an issue of shares for cash is commonplace and enabled the Company to issue shares without giving rise to a share premium. The premium on shares issued, net of applicable transaction costs of \$34.5 million, as part of the 'cash box' arrangement is instead recognised in the Merger Reserve. Following on from the completion of the Group's farm out of 20% of its interest in Tanzania Blocks 1, 3 & 4 in March 2014 Ophir Ventures (Jersey) Limited and Ophir Ventures (Jersey) No.2 Limited, which are wholly owned subsidiaries of the Company, redeemed the preference shares that had been acquired by the Company as part of the 'cash box' arrangement. This has allowed the Company to realise \$876.4 million of the Merger Reserve to accumulated profits/(losses) as the redemption of the preference shares was considered to be performed with qualifying consideration in the form of free cash and a readily recoverable receivable from Ophir Holdings Limited, a 100% owned subsidiary of the Company and beneficial holder of the Group's interest in Tanzania Blocks 1, 3 & 4.

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 arose as a result of the change in functional currency of the Company from Pound Sterling to US Dollars on 21 May 2008.

## 19 Operating lease commitments

At 31 December 2014 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 2014 \$'000	Year ended 31 Dec 2013 \$'000
Due within one (1) year	855	237
Due later than one (1) year but within five (5) years	7,885	7,490
Due later than two (2) years but within five (5) years	4,792	6,810
	13,532	14,537

## 20 Borrowing facilities

The Company had no external borrowing facilities as at 31 December 2014 (2013: nil).

## 21 Related party transactions

### (a) Identity of related parties

The Company has related party relationships with its subsidiaries (refer to note 6, note 9 and note 14), 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 nil (2013: \$10,311) to Vectis Petroleum Limited, a company associated with 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 of the Group financial statements.

## 22 Contingent liabilities

An individual has commenced action against the Group relating to a number of terminated consultancy agreements. Interim hearings in relation to security for costs applications were scheduled to be heard on 12 February and 23 February 2015 but were deferred to another date to be determined. 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.

## 23 Events after reporting period

On 3 March 2015 (the acquisition date), the Group acquired 100% of the share capital of Salamander Energy Plc ('Salamander'), a South East Asian focused independent exploration and production company quoted on the LSE.

The Group announced that the scheme of arrangement was approved by Salamander's shareholders on 6 February 2015 and was sanctioned by the Supreme Court in London effective on 2 March 2015. The transaction has therefore closed and the entire issued ordinary share capital of Salamander is now owned by Ophir. The consideration of \$326.1 million was satisfied in full by equity by which Salamander shareholders received 0.5719 Ophir ordinary shares for each Salamander ordinary share held.

The enlarged Group enhances Ophir's operating capabilities in both Africa and South East Asia and deepwater expertise across key technical and commercial functions. The combined Group provides shareholders with a diversified exposure to 21 production, development and exploration blocks in Africa and South East Asia.

The acquisition will be accounted for as a single business combination. The fair value assessment of the Salamander identifiable assets and liabilities acquired as at the date of acquisition have 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 assets acquired have been calculated using valuation techniques based on discounted cash flows using forward curve commodity prices, a discount rate based on market observable data and cost and production profiles.

## Notes to the financial statements continued

Assets acquired and liabilities assumed:

	Fair value Recognised 3 March 2015 \$'000
<b>Assets</b>	
Exploration & evaluation assets	150,000
Property, plant & equipment	877,000
Financial assets	58,054
Investments accounted for using the equity method	228,000
Inventory	51,228
Trade and other receivables	25,033
Cash and cash equivalents	113,133
	<b>1,502,448</b>
<b>Liabilities</b>	
Trade and other payables	(95,857)
Current tax liability	(75,436)
Bank borrowings	(303,858)
Convertible bonds	(91,897)
Bonds payable	(145,596)
Provisions	(52,614)
Deferred tax liability	(530,559)
	<b>(1,295,817)</b>
<b>Total identifiable net assets at fair value</b>	<b>206,631</b>
Goodwill arising on acquisition	119,500
	326,131
Consideration:	
Equity instruments (152,208,612 ordinary shares of parent company)	326,131
<b>Total consideration transferred</b>	<b>326,131</b>

The Group issued 152,208,612 new shares in consideration for the entire share capital of Salamander.

The fair value of the shares is the published price of the shares of the Group at the acquisition date. Therefore, the fair value of the share consideration given is \$326.1 million.

The goodwill balance is the result of the requirement to recognise deferred tax assets and liabilities, as specified in IFRS 3 and IAS 12 and is calculated as the difference between the tax effect of the fair value of the assets and liabilities acquired and their tax bases. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of the trade receivables amounts to \$25.0 million. The gross amount of trade receivables is \$25.0 million. However, none of the trade receivables have been impaired and it is expected that the full amounts can be collected.

The fair values disclosed are provisional due to the timing and complexity of the acquisition. The Group is continuing to refine the fair value of assets and liabilities identified as part of the acquisition. The review of the fair value of the assets and the liabilities acquired will continue for 12 months from the acquisition date at the latest.

# Shareholder information

[Shareholder information](#)
[Glossary](#)

## Registered and other offices

The Company's registered office and head office is:

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### Jakarta

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### Bangkok

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Tungmahamek  
Sathorn District  
Bangkok 10120  
Thailand  
Telephone: +66 2620 0800  
Fax: +66 2620 0820

We also have smaller offices in Equatorial Guinea, Gabon, Kenya, Malaysia, Myanmar and Tanzania

## Registrars

The Company has appointed Equiniti Limited to maintain its register of members. Shareholders should contact Equiniti using the details below in relation to all general enquiries concerning their shareholding:

Equiniti Limited\*  
Aspect House  
Spencer Road  
Lancing, West Sussex BN99 6DA  
Telephone: 0871 384 2030\*\*  
International callers: +44 121 415 7047

\* Equiniti Limited and Equiniti Financial Services Limited are part of the Equiniti group of companies. Company share registration, employee scheme and pension administration services are provided through Equiniti Limited, which is registered in England & Wales with No. 6226088. Investment and general insurance services are provided through Equiniti Financial Services Limited, which is registered in England & Wales with No. 6208699 and is authorised and regulated by the UK Financial Conduct Authority.

\*\* Lines are open Monday – Friday from 8.30am – 5.30pm, excluding bank holidays. Calls to 0871 numbers are charged at 8p plus network extras.

## 2015 Financial calendar

Annual General Meeting	20 May 2015
Half year results announcement	August 2015
Full year results announcement	March 2016

## Trading market and shareholder profiles

Ophir Energy plc's shares are traded on the London Stock Exchange with ticker OPHR. The Company's SEDOL number is B24CT19 and ISIN number is GB00B24CT194.

## Unsolicited mail

The Company is required by law to make its share register available on request to unconnected organisations. As a consequence, shareholders may receive unsolicited mail, including mail from unauthorised investment firms. If you wish to limit the amount of unsolicited mail received, please contact the Mailing Preference Service, an independent organisation whose services are free for consumers.

Further details can be obtained from:

Mailing Preference Service  
MPS Freepost LON 20771  
London W1E 0ZT  
Website: [www.mpsonline.org.uk](http://www.mpsonline.org.uk)

Further information on share fraud and unauthorised investment firms targeting UK investors ("boiler room scams") may be obtained from the website of the Financial Conduct Authority:

<http://www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams>

## Shareholder information continued

### Shareholder profile by size of holding as at 31 December 2014

Range	No. of holders	% of total	Shares held 31.12.2014	% of total
1 – 1,000	371	32.92%	153,006	0.03 %
1,001 – 10,000	355	31.50%	1,215,181	0.21 %
10,001 – 100,000	210	18.63%	7,841,904	1.35 %
100,001 – 1,000,000	133	11.80%	50,310,927	8.69 %
1,000,001 – 10,000,000	44	3.90%	167,296,681	28.90 %
10,000,000+	14	1.24%	352,082,982	60.82 %
	1,127	100.00%	578,900,681	100 %

### Shareholder profile by category as at 31 December 2014

Category	No. of holders	% of total	Shares held 31.12.2012	% of total
Private shareholders	325	28.84%	896,891	0.15%
Nominees and other institutional investors	802	71.16%	578,003,790	99.85%
	1,127	100.00%	578,900,681	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.

### 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:

Jefferies Hoare Govett  
Vintners Place  
68 Upper Thames Street  
London, EC4V 3BJ

Morgan Stanley  
20 Bank Street  
Canary Wharf  
London, E14 4AD

RBC Capital Markets  
Thames Court  
One Queenhithe  
London, EC4V 3DQ

# Glossary

## **\$**

Throughout the report figures are stated in US Dollars

## **Appraisal well**

A well drilled to follow up a discovery and evaluate its commercial potential

## **BBbbl**

Billion barrels

## **bbl**

Barrel(s) of oil or condensate

## **bcf**

Billion cubic feet

## **bcm**

Billion cubic metres

## **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

## **CR**

Corporate responsibility

## **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

## **FID**

Final Investment Decision

## **FLNG**

Floating LNG technology

## **G&A**

General & Administrative expenses

## **HoA**

Head of Agreement

## **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

## **Mbtu**

Million British thermal units

## **mmbbl**

Million barrels

## **mmtpa**

Millions of tonnes per annum

## **mmcf**

Million cubic feet of gas per day

## **MoU**

Memorandum of Understanding

## **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

## **Spud**

To commence drilling a well

## **TCF**

Trillion cubic feet

## **TCFe**

Trillion cubic feet equivalent

## **TPDC**

Tanzania Petroleum Development Corporation

## **WTI**

West Texas Intermediate

## **2C**

Best estimate of contingent resources









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