ophir
Focused on value creation
Annual Report and Accounts 2015

Our purpose

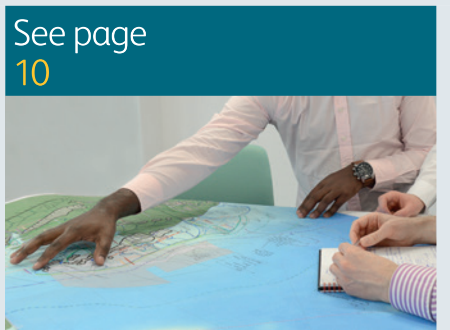
Who we are:
We are entrepreneurial, free thinking and differentiated.
We pursue excellence and are empowered to build the most valued independent E&P company.

What we do:
We create value through safely exploring for and providing sources of energy in the most sustainable way.
We are trusted to share the value we create through intelligent partnering with society and shareholders.

These pages provide insight and understanding of how our business delivers value:

High grading the exploration portfolio

See page 10



Finding hydrocarbons that can be monetised
Ophir has demonstrated it can combine the technical excellence required to find oil and gas with the commercial skills to monetise this success. This combination creates value for shareholders.

Innovative approach, proven technology

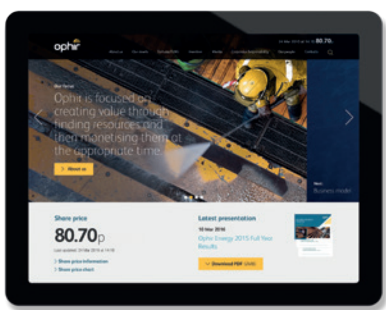
See page 12

Fortuna FLNG
Fortuna is a unique asset where many factors including the world-class reservoirs, dry, pure-methane gas and benign metocean conditions allow for a low-cost, low-risk, floating LNG development utilising standard, proven industry technologies.

Balance sheet strength and financial stability

See page 14

Stability in an uncertain world
The combination of Ophir's balance sheet and low levels of committed capital expenditure means it has a position of relative strength in the current environment.



Read more at ophir-energy.com

Highlights in 2015

5 new plays

High-graded the exploration portfolio; added five new plays and exited, or in process of exiting, five plays

$60million

Delivered G&A savings and synergies of $60 million

$355million

Net cash at year end 2015 of $355 million (2014: $1.17 billion)

$122million

Pre-tax cash generated from operations $122 million ($150 million on a full year pro-forma basis) (2014: cash outflow of $16.4 million)

$87million

Commitment capital expenditure of only $87 million (as the balance sheet date)

$15per bbl

Production break-even at oil price of $15 per bbl

$161million

Revenue of $161 million ($211 million on a full year pro-forma basis) (2014: nil)

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Business model

Our operational focus is on the exploration and appraisal (E&A) 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.

Ophir strives to be the leading independent international oil and gas exploration and production company.

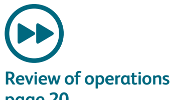
Ophir's platform in the Gulf of Thailand

The asset life cycle and Company's model is summarised in the chart opposite. 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 is BIG E and little p

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



Review of operations
page 20

Cash

2
Development

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

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

Return to shareholders

Chairman's statement

"We are making NAV per share growth the strategic driver for the business."

Dear Shareholder

2015 proved to be a hard year for our industry and Ophir has responded well in adapting to a very different operating environment. Although we are fortunate to have a strong balance sheet and high quality asset base, we rebalanced swiftly our business to reduce costs which ensured we utilised fully the strength of our balance sheet.

In the Chief Executive's review, Nick Cooper outlines our thinking in terms of how we can ensure value creation in both the current and future cycles through a sharper strategic focus on increasing net asset value (NAV) per share.

I am pleased that the work of our excellent team of people, together with our strong governance processes and structure, has enabled the Board to lead the business forward to comprehensively meet our strategic objectives.

During 2015 we:

- reduced underlying costs by $60 million. This was achieved through a number of measures including synergies from the acquisition of Salamander Energy, the closure of five operational offices, and the attendant staff reductions;
- made significant progress with moving forward the Fortuna FLNG project in Equatorial Guinea by agreeing Heads of Terms (HoT) with Golar LNG to be the Midstream provider and with seven potential gas offtakers. Post year-end we also agreed HoT with Schlumberger for an Upstream investment of 40% in the project that will see Ophir's share of capital expenditure on the project covered to beyond first gas. This project will deliver in excess of $200 million of free cash flow per annum from 2019 net to our residual 40% economic interest; and
- continued to act counter-cyclically to secure attractive exploration acreage with minimal commitments that effectively provide us with a series of options.

2015 was a milestone year with the commencement of continuous revenues and cash flow from the Asian producing assets obtained through the acquisition of Salamander Energy. This brought with it a new set of operational challenges and the Board is pleased that we maintained our excellent track record for operating safely with no Lost Time Incidents recorded during the year. We constantly review our health and safety and environmental practices and will be adopting leading, as well as lagging, indicators this year as we seek to further advance our management systems and procedures. More details on this are available in the Corporate Responsibility section of this Annual Report.

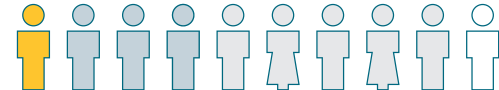
Corporate Governance introduction page 39

As I have mentioned before, we are making NAV per share growth the strategic driver for the business. To reflect this, we felt it was necessary to establish a new Group-wide remuneration structure that we believe aligns shareholders' and employees' interests most appropriately. Details of this new policy are set out in detail in the Remuneration Report on pages 67 to 77. We have engaged with both employees and shareholders on this and have received strong indications of support. The policy will be put forward for shareholder approval at the forthcoming Annual General Meeting.

Finally, as was indicated in last year's Annual Report, I will be stepping down from the role of Chairman and retiring from the Board of Ophir on 30 April 2016 after nine years. I would like to thank all the staff at Ophir for their efforts over the past seven years that I have been Chairman. There is a first class team in place and I have every confidence they will deliver on the strategic aims of the business over the coming years. I would also like to congratulate Bill Schrader on his appointment to the role of Chairman. Having worked alongside Bill on the Board for the past three years, I know he will make an excellent Chairman for the next phase in the Company's evolution.

Nicholas Smith
Chairman

Board of Directors and Officers*



Nicholas Smith
Chairman (N) R

Dr Nicholas (Nick) Cooper
Executive Director and Chief Executive Officer

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

Anthony (Tony) Rouse
Executive Director and Chief Financial Officer

Ronald Blakely
Senior Independent Non-Executive Director

Dr Carol Bell
Independent Non-Executive Director

Alan Booth
Independent Non-Executive Director

Vivien Gibney
Independent Non-Executive Director

William (Bill) Schrader
Independent Non-Executive Director

Philip Laing
General Counsel & Company Secretary

*As at the date of publication

Chief Executive's review

"We believe there is an opportunity right now to amend the model and build an upstream business which will consistently create value for shareholders and other stakeholders."

At Ophir we have given considerable thought over the past 18 months as to how we can develop a business that is differentiated from that of other E&P companies, both in terms of its approach to doing business, and as a place to work.

The current commodity price environment creates an opportunity for Ophir to redefine itself, placing net asset value creation at the forefront of everything we do. I would like to take this opportunity to set out our assessment of the international upstream sector, and Ophir's place within it.

Let us start with the bad news. Despite fluctuating share and commodity prices, and some notable discoveries, the international upstream sector as a whole has had a poor record of value creation over the past decade.

In particular, the sector has suffered in two ways:

1. Diminishing exploration success rates, which with hindsight have been driven by:

- financial and risk-taking indiscipline amongst exploration companies;
- too many commitment wells drilled as host governments increased their demands of explorers; and
- an indecent haste, partly motivated by equity market appetite, to chase new or breaking frontier plays rather than assimilate and build on collective understanding as a play is de-risked over time.

2. Increasing finding costs, as the above factors reduced finding rates, compounded by increased pricing in all three key exploration cost areas: acreage entry, seismic and drilling.

Even before the collapse in commodity prices, investors were beginning to question the value equation for upstream, seeing high finding costs and only rare examples of companies monetising their discoveries promptly and profitably.

The significant capital inflow into the sector, primarily on the back of the unprecedented oil price rise in the period 2004 to 2008, had led many upstream players to chase growth at almost any cost, losing sight of the fact that value is created for investors by 'finding cheap and monetising high'.

Specifically, when we look back on the recent period, it is clear that Ophir too made misjudgements and that we can sharpen our focus on value creation. At times we were drawn into high-risk commitment wells and chased look-alike plays with more haste than our geoscientists would have wanted. As a result, much deliberation has gone into how Ophir can tighten up its model with a real focus on return on invested capital.

Now that prices have been reset, the weaknesses in the E&P sector have been laid painfully bare. A rethink of the upstream model and of how to create value is essential and overdue.

Despite our mistakes, we feel Ophir's track record is good.

Ophir has demonstrated in Tanzania that it can monetise exploration success and we expect to provide further evidence of our ability to monetise our successes when we make a FID on the Fortuna FLNG project in 2016.

Ophir has been one of the more successful international E&P companies of the past decades with finding costs of $3.78/boe and success rates of 65%.

We have found 3,000mmboe of gross discovered commercial resource in the past seven years and have divested 560mmboe of this for cash at $2.31boe. We have also achieved this without overly leveraging our balance sheet to much higher, mid-cycle oil prices.

And now the good news. We believe that there is an opportunity right now to amend our model and build an upstream business which will more consistently create value for shareholders and other stakeholders.

Current exploration conditions are arguably the most favourable for decades:

1. Competition for assets has dramatically decreased and host governments have generally adjusted their demands in terms of work commitments to levels more aligned with the technical maturity of licence blocks.

2. The cost environment is deflating. Exploration service costs – both seismic and drilling – have dropped significantly. Development cost reductions are starting to feed through to operators.

3. The equity markets' scepticism toward exploration and upstream investment means there is less pressure on upstream companies to rush the science.

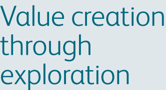
4. Those upstream parties now able to secure acreage from a position of technical competitive advantage find themselves at the table for opportunities that were out of reach just two years ago.

Ophir's strategy for growth overview

Vision

Ophir's vision is to be the leading independent 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

Ophir's response to these conditions will be as follows:

- Our primary objective must remain that of protecting and growing NAV per share.
- We define NAV as the value of our producing assets, net cash and a risked value of developments that are beyond FID, minus 12 months of G&A costs.
- We remain an exploration company at heart and will look to create NAV through best-in-class exploration and then monetising our exploration success. We are well-capitalised with a $355 million end-2015 net cash position, a significantly lowered capital expenditure programme and with much discretion in where we use our funds.
- We will remain a 'big E, little p' upstream player. Our focus is on value creation with the drill bit. Our development and production activity will be sized to deliver a self-sustaining company. Each project decision will be made on a risked IRR basis. We do not have production or reserve growth targets, and so will not chase these opportunities if they do not create value.
- We have rebuilt our exploration portfolio in Africa and Asia with high quality positions where Ophir has competitive advantage, where drilling commitments are minimised and where the fiscal regime allows material value creation at current commodity prices. This approach enables us to properly pace the exploration, high grade plays (withdrawing from any plays which, over time, disappoint) and focus our attention, and ultimately our drilling, solely on those attractive plays.
- We will not rush to drill; we are carefully and counter-cyclically building an exploration acreage of low-cost options that we can decide whether or not to pursue at an appropriate stage when our play analyses are complete.

To deliver this model we have re-thought the way we manage our assets, our people and our capital.

Assets are only held and progressed if they can demonstrably create substantial value for shareholders. If they do not, then they will be divested or relinquished.

Capital is being directed only at those assets which offer the highest risk-weighted returns. Assets offering weaker IRRs will either be improved or managed out of the portfolio.

Ophir's people are its biggest asset. The technical team is stronger now than at any time in the Company's history. We have reorganised to maximise the impact of our technical professionals and to minimise our support activities.

All Ophir's staff are stakeholders and their compensation is designed to include rewards only when investors benefit through NAV per share growth. That is why I sincerely hope that shareholders will support the new remuneration scheme which will more tightly align the actions of our team with the interests of our shareholders.

Moreover, we think it is necessary to define the purpose of upstream companies to include another element of shareholder value creation. The 2015 Paris Agreement re-emphasises the obligation on us to focus on a model of 'finding cheap, monetising high' whilst minimising environmental impact in doing so.

Ophir's purpose is simple: to create value through safely exploring for and providing sources of energy in the most sustainable way. Ophir has the experience and the operational track record that gives the management the belief, and should give shareholders the reassurance, that we can deliver this.

The E&P industry makes decisions based on a risk-adjusted outcome and on occasion our endeavours will not succeed, so we will learn from failure and success in equal measure to improve Ophir's performance. Our ambition is to become the most valued E&P company.

As a final note, I thank the Chairman, Nic Smith, who steps down on 30 April 2016, for all the support, guidance and energy he has brought to Ophir since 2007. I would also like to welcome Bill Schrader to the role of Chairman, Bill has been a Board member since 2013 and his expertise will be invaluable for the next phase.

Dr Nick Cooper
Chief Executive Officer

A clear strategy to create exploration-led growth

Ophir's strategy is to create value for shareholders through having an industry-leading exploration success rate and then monetising this success to grow NAV per share.

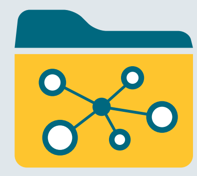
Vision
Ophir's vision is to be the leading independent international oil and gas exploration and production company.

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:**
  - Acquire 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 the ability to generate material returns on capital employed.**

Focus on capital allocation and returns

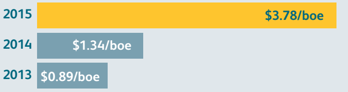
- **Target is to derisk the business model through funding core exploration activity from operating cash flow:**
  - Apply prudent levels of debt to development and production activity and preserve balance sheet strength and flexibility.
- **Only allocate capital to highest return opportunities following 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

Principal risks page 16

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.

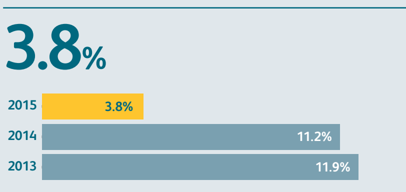
2015 three-year average finding cost



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 2015 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



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

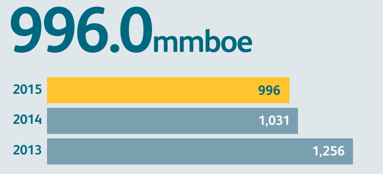
Turnover rates were lower than in the previous year. Turnover has remained within manageable levels and has not had a negative impact upon technical disciplines. Recruitment levels remained consistent across all areas of the business. Ophir continues to be able to attract high calibre staff.

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)

996.0mmboe



The Company has a large contingent resource base. Importantly the majority of these resources are cost advantaged and therefore remain commercially viable in the current commodity price environment. We expect to convert a significant proportion of these resources to reserves in 2016.

Total Recordable Incident Rate (TRIR) (incidents/million man-hours worked)

0.83

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

0

	2015	2014	2013
Average number of employees and contractors	826	445	197
Total man-hours worked	2,416,734	1,462,332	522,056
Lost time incidents	0	1	1
TRIR (incidents/million man-hours worked)	0.83	n/a	n/a
LTIF rate	0	0.7	1.9

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 Company.

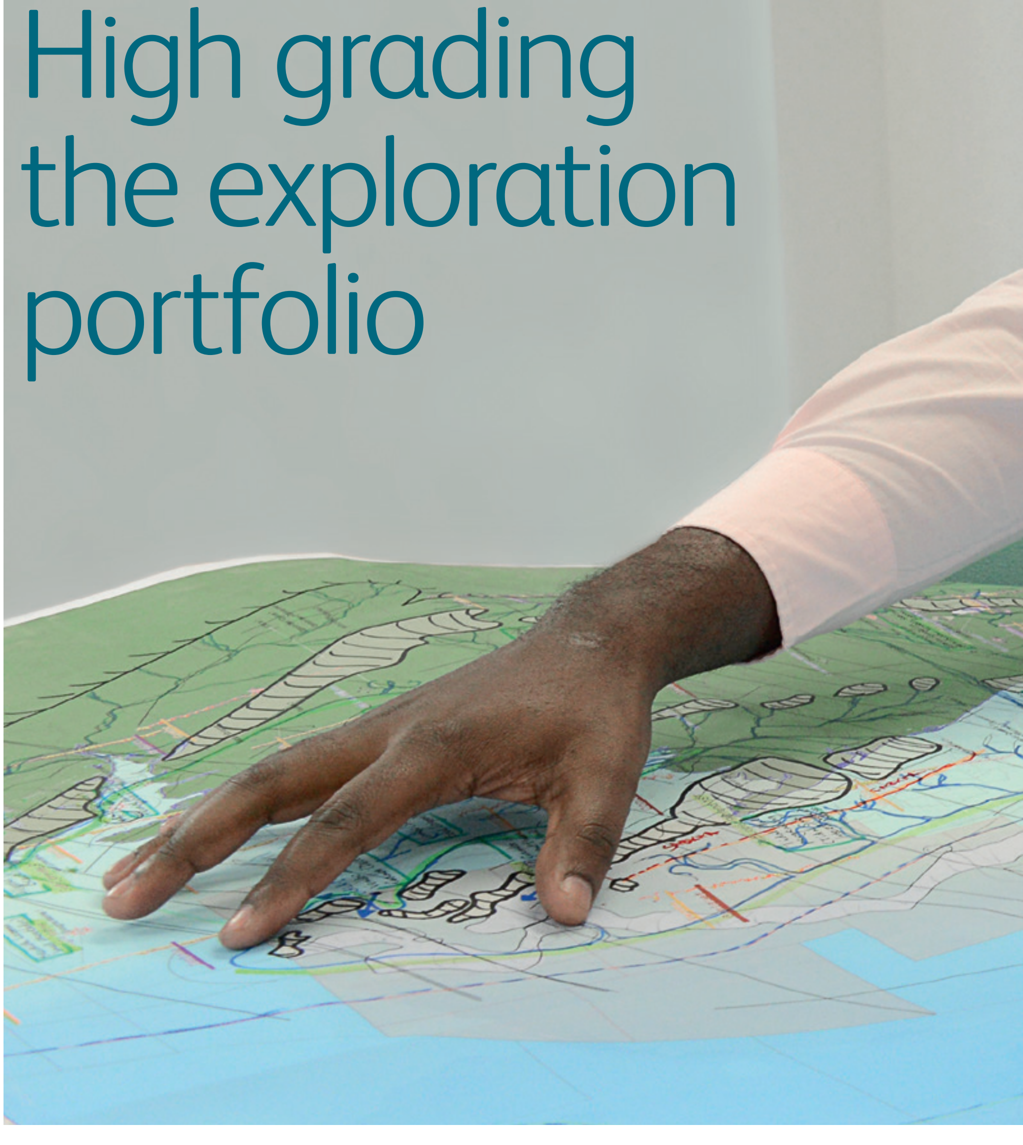
Accountability rests with every employee, including management and senior executives, who uphold their obligations through the active management of Ophir's health and safety agenda.

Performance

The acquisition of Salamander Energy early in 2015 resulted in a large increase in man-hours worked during 2015. Although the number of man-hours is nearly double the previous year, the 2015 TRIR rate recorded was 0.83, which puts Ophir into the top quartile of safety performance (Company and contractor personnel included) according to the IOGP survey data. We are very proud of this superior HSE performance and will continue to put the health, safety and welfare of those working for and on behalf of Ophir at the top of the agenda on how Ophir does business.

Ophir is focused on creating growth in Net Asset Value (NAV) per share. The international Exploration and Production (E&P) sector has a poor track record in terms of value creation over the past few years. There are numerous drivers for this which are discussed in the Chief Executive's review. Our response is to be relentlessly focused on how to maximise the value created from our assets.

High grading the exploration portfolio



$3.78/boe

2015 three-year average finding cost

5

New plays added to portfolio in 2015

As we went through 2015 and started to mature and high grade our exploration portfolio, we screened the various plays against a number of commercial and technical criteria. This enabled us to rank the projects, not only against each other, but against new opportunities outside the portfolio.

In practice, this meant that in 2015 we high graded exploration opportunities in Myanmar, Indonesia (Aru Trough) and matured new opportunities that we brought into the portfolio in early 2016 in Cote d'Ivoire and Malaysia. As we determined that these areas would be a focus for our capital and people, naturally it meant that other areas dropped to the bottom of the portfolio.

These were for a variety of reasons, some purely technical, while others were technically interesting but did not work for commercial reasons. On this basis, we exited or are in the process of exiting, nine licences in Indonesia, Kenya, Seychelles and Tanzania. This provides a more focused portfolio with lower carrying costs.

All exploration areas where we work need to offer transformational potential at breakeven prices below the new oil price ceiling imposed by US unconventional production.

Going forward, we expect to continue the process in 2016, bringing further new acreage into the portfolio as we mature other prospects to drill-ready status.

These new blocks are effectively low-cost options. We will also have the discipline to exit those blocks that do not screen well. If we are to improve returns to shareholders from exploration, then we must be disciplined and only drill prospects that can ultimately be monetised in the event of success.

We believe that this process will result in Ophir holding a streamlined, world-class exploration portfolio with the aim of exposing shareholders to a number of new plays every year. We believe this is the way we can differentiate ourselves and deliver material returns to shareholders.

The Fortuna FLNG project is simple in both development and operating philosophy. This simplicity begins with the reservoir, which is shallow and has excellent porosity and permeability. This then extends through the hydrocarbon composition, benign sea state and all the way through to the development of the field.

Innovative approach, proven technology

A schematic of the Fortuna FLNG development

60,000 boepd

Gross production from first vessel

Peak (gross) cash flow

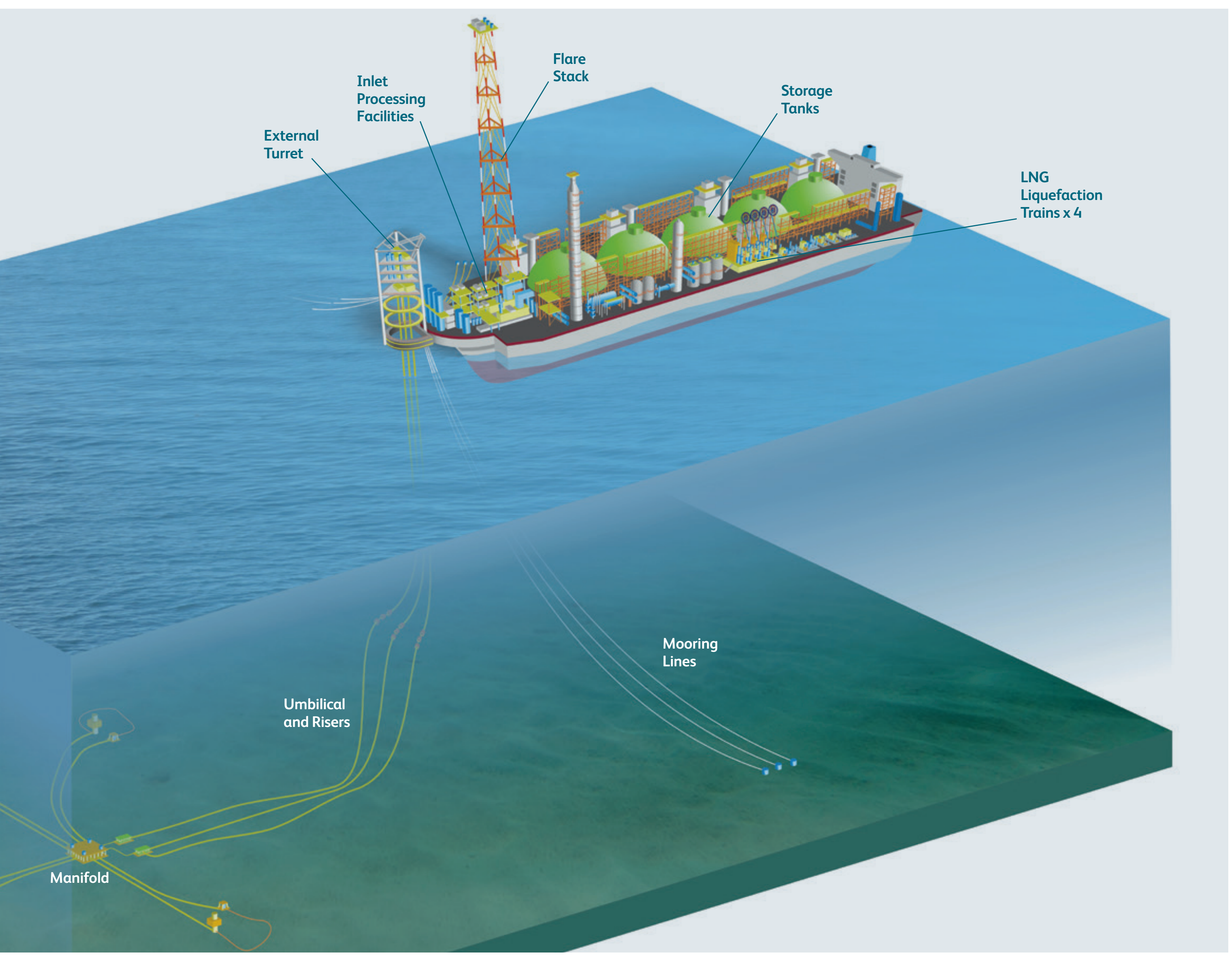
Development plan

The project has been structured to bring together several industry-leading partners and contractors, leveraging off Company skill sets. Ophir will be the operator of the upstream development and Golar LNG will be the Midstream FLNG supplier.

Upstream development

The upstream development will consist of 17 development wells over four phases. In the first phase, up to first gas in 2019, four wells will be drilled. A minimum of two wells are required to achieve the 2.2mmtpa plateau. These production wells in the Fortuna and Viscata reservoirs will be simple well completions and tie-backs. The gas will be produced from these wells via gathering flowlines, manifolds and risers to an external turret of the FLNG facility.

Over the next three phases of development, 13 more wells will be drilled with a view to elevating the production plateau to 4.4mmtpa utilising a second FLNG vessel.



Midstream solution

In its role as the Midstream partner, Golar LNG will convert, own, operate and maintain an existing vessel, the Gandria. Golar LNG will deploy topsides, processing and liquefaction facilities designed and engineered by Black and Veatch; technology chosen for its long-established record of reliable performance in global operations. The Gandria will store the gas, in liquefied form, for other specialist tankers to transport away.

Upcoming milestones:

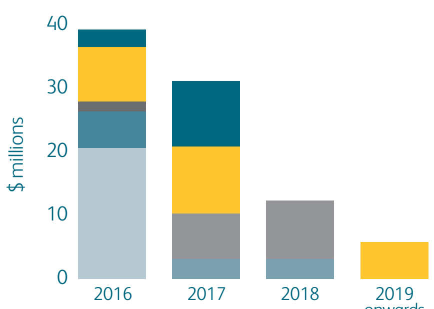
- Upstream FEED to be completed in 1H 2016.
- Sign a definitive agreement with Schlumberger whereby Schlumberger will receive a 40% economic interest in the Fortuna FLNG project and reimburse 50% of Ophir's past costs in the form of a development carried interest.
- Progress various commercial and technical workstreams ahead of FID in mid-2016.
- First gas expected mid-2019.
- Finalising gas sales agreements.

Ophir is focused on growing NAV per share. We believe we are a top quartile explorer and the route for us to deliver NAV per share growth is through the monetisation of exploration success. Management has demonstrated its ability to monetise, and not just find barrels, through the partial sell-down of our position in Tanzania. We expect to take a material step forward in the monetisation of Equatorial Guinea when we make a FID in mid-2016. The ability to monetise Tanzania, and the cash generated from the sale of a 20% interest in the project, has helped to differentiate Ophir as one of the handful of international E&P companies that are in a net cash position.

Balance sheet strength and financial stability

Alpha and Bravo platforms on the Bualuang field, Thailand

Committed Capex



- Indonesia West Papau/Aru seismic
- Indonesia Bangkanai seismic
- Thailand B8/38 produced water debottlenecking
- Malaysia PM322 3D seismic
- Gabon Manga well
- Tz Blocks 1,4 Block 1 well
- Kenya L9 well

This balance sheet strength has been especially important as we have entered a downturn in the commodity price cycle. Ultimately we want to be a self-sustaining explorer. Although we are still some way off this goal, we added low breakeven production, and therefore recurring cash flow, to the business for the first time in 2015.

In 2020 with a first full-year contribution from when the Fortuna FLNG project comes onstream, we will be producing around 30,000 boepd in our base case.

A key challenge from a financial management perspective is to make sure we have sufficient funds to come through the low point of the cycle and reach mid-2019 when we will start to receive cash flow from our Fortuna FLNG project. Therefore we are extremely focused on capital allocation, cost minimisation and preserving financial flexibility.

Cost reduction

We entered the downturn with a 'top of the cycle' General and Administration (G&A) base and we have spent 2015 re-aligning the business to the new commodity price environment. We closed five offices during the year and, with the associated reduction in headcount, we have reduced underlying G&A costs by $60 million per annum. We are conscious of the need to protect as well as grow NAV per share and therefore have to think carefully about every dollar we spend. The proposed new remuneration structure discussed elsewhere in this report aims to embed this thinking in all our decision making. By only allocating capital and people to the best assets, we will optimise returns to shareholders.

Financial flexibility

The relative strength of our balance sheet permits us to invest counter-cyclically in opportunities that carry low levels of commitment expenditure but also provides options with the potential to create significant amounts of value. As a result, we have a modest total of $87 million of commitment spend between now and 2019 and none thereafter. When coupled with our cash-producing assets and cash on the balance sheet, this provides sufficient liquidity for us to get to the point where we will start to receive cash flow from Fortuna without additional capital.

Having said that, we expect to refinance, and prudently expand, our debt facilities during 2016. As Fortuna matures, this project will also be leverageable, providing additional sources of liquidity. We therefore believe we will still be able to allocate capital to discretionary opportunities over the next few years and this may well be evidenced by drilling in a number of new plays in 2017 and 2018.

Principal risks

Ophir works in often challenging environments that present risks to its activities, operational sites and assets. Managing these risks is critical to address uncertainty, protect Ophir and create value. The risk management process continued to be developed in 2015 and will be further strengthened in 2016.

Board

The Board has overall accountability for determining the type and level of risk it is prepared to take, whilst also ensuring that sound risk management and internal control systems are in place across the Group.

Reporting within the Group is arranged so that risks are escalated through various internal management and Board committees and, when appropriately material, to the Board. These principal risks are regularly discussed at Board meetings with a focus on the effectiveness of the controls and the associated risk action plans.

In accordance with the UK Corporate Governance Code, the Board has conducted a full assessment of principal risks that could potentially threaten the Group's business.

Viability Statement

The Directors have assessed the viability of the Group over a four year period to December 2019, taking account of the Group's current position and the potential impact of the principal risks documented in this report. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2019.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period.

The Directors have determined that the four year period to December 2019 is an appropriate period over which to provide its Viability Statement. This period is when the Group's Fortuna FLNG development is expected to be completed and the asset is onstream delivering a long-term source of funds. In addition to Fortuna, Ophir has assessed its capital expenditure requirements to 2019 recognising that the Group has significant flexibility to defer its investment programmes, as required, with only $87 million of committed capital expenditure at the balance sheet date.

In making their assessment, the Directors have additionally taken into account the Group's current cash position, along with the need to service the Group's debt portfolio, and the possibility that the current low commodity price environment may prevail for an extended period.

The Group further anticipates that additional funding needs may be met, as appropriate, by access to the debt and capital markets, although there are no immediate plans to do so, along with the divestment of assets. The divestment of assets may include 50% of the Group's interest in the Fortuna project which is currently subject to a non-binding Heads of Terms, and of other tradable assets in its portfolio.

The Board has assigned risk oversight to the Audit Committee, the Corporate Responsibility Committee and the Technical Advisory Committee. These Committees report their findings to the Board on a regular basis.

Board

To review the Group's principal risks and uncertainties which may affect Ophir achieving its objectives

Corporate Responsibility Committee

To review the operational, people, information and ethical compliance risks and controls

Audit Committee

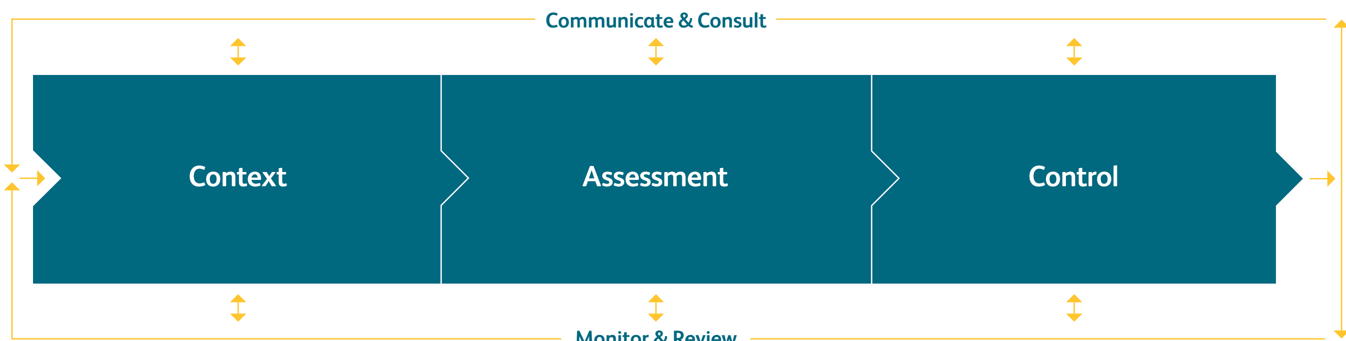
To review financial, regulatory and information risks and controls

Technical Advisory Committee

To review subsurface risks and controls

The key elements of Ophir's risk management are:

- establishing the risk context with reference to Ophir's objectives
- conducting a risk assessment through:
  - understanding the causes, impacts, likelihood and potential impacts on Ophir's objectives;
  - assessing if the risks can be reduced to a tolerable level; and
  - determining appropriate controls to deal with the risk, allocating responsibility for managing the risk controls and executing the activities based on plans and procedures
- regularly communicating and consulting on the risks through established management control procedures
- recurrent monitoring and reviewing of risks



Risk management performance in 2015

External

- zero recordable environmental incidents
- preserved and advanced the dialogue with stakeholders with a focus on creating shared value
- supported successful sustainable initiatives with local communities

Strategic

- moved to a more distinct focus on maximising value created from our assets
- high graded the exploration portfolio in Africa and Asia to those blocks that offer the highest risk-weighted returns, lower carrying costs and where we have competitive advantage
- improved portfolio measurement

Operational

- operated safely with no Lost Time Incidents
- output from production operations outperformed budget by 5%
- completed and commissioned the Kerendan gas plant facilities with excellent safety record
- made major progress in the Fortuna FLNG project through an innovative approach in contracting, gas marketing and financing strategies
- shortly after completing our Myanmar PSC, successfully and safely conducted a seismic campaign validating the Company's operational agility
- drilled two operated exploration wells, three work-over projects and three 3D seismic surveys safely, securely and under budget
- successfully integrated Salamander Energy
- maintained and improved an exceptionally strong technical capability within the Company

Financial

- rebalanced the business to lower G&A and significantly reduce running costs
- added low breakeven production and recurring cash flow to the business
- preserved financial flexibility through low commitment spend
- reallocated capital to only be focused at those assets which offer the highest risk weighted return
- made significant progress in funding arrangements for the Fortuna FLNG project to reduce risk and maximise returns

Principal risks continued

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

Type	Risk	Description of Risk	Control	Responsibility	Change
External	**Legal compliance regulatory or litigation**	• The Group conducts business in jurisdictions with inherent risks relating to fraud, bribery and corruption. • Litigation against the Group could materially impact its business. • Reputational damage – withdrawal of support by shareholders, governments, lenders and partners. • Investigation could lead to significant business disruption. • Loss of assets, PSCs and projects.	• The Group accords the highest importance to corporate governance matters and upholding the highest ethical standards. • The Group employs suitably experienced and qualified staff and, when required, external advisors to ensure full compliance. • Legal risk assessment and due diligence is undertaken as appropriate. • Robust Code of Conduct and Anti-Corruption policies and standards.	**General Counsel**	▶
	Capital Constraints and adverse market sentiment towards the E&P sector	• Depressed sector. • Significant competition for development funds. • Market questioning the value equation for upstream, seeing high finding costs and only rare examples of companies monetising their discoveries, promptly and for a profitable price. • Impact on project value and modelling.	• Maintain cash balance to sustain business through reduction in LNG capex. • Aim to internally fund core exploration and appraisal activities from the addition of production assets and monetisation of resources to generate cash flow. • Diversify the sources of funding and apply prudent levels of debt to development and production activities. • Ensure that commercial terms on new acreage reflect the changing landscape and involve minimal financial commitments with options to exit early. • Refocus Ophir's upstream model and how to create value as follows: - assets will only continue to be held and progressed if they can demonstrably create substantial value for shareholders. Capital is being selectively directed at those assets which offer the highest risk-weighted returns. - we have reorganised to maximise the impact of our technical professionals and to minimise our support activities.	**Chief Financial Officer**	▲
	Political	• The Group operates in jurisdictions that are subject to significant political, economic, legal, regulatory and social uncertainties. • Dependence on permits and consents granted by the authorities where we operate can lead to delays and increased costs in obtaining necessary permits. • Uncertainties in the interpretation and application of laws and regulations in the jurisdictions in which we operate.	• Ophir regularly monitors and seeks to understand changes taking place in political and regulatory environments and the potential for unforeseen events. • The Group works to the highest industry standards with regulators, closely monitoring compliance with the Group's licence and PSC obligations. • Spread our portfolio/regional exposure. • Maintain positive relationships with governments and key stakeholders in host countries. • All material information is released to the market on a timely basis and in accordance with all applicable regulations.	**Director Security and Surface Risk**	▲
	Stakeholder sentiment	• Actual or perceived failure to address social and environmental issues or corporate responsibility matters may adversely affect the Group.	• Ophir is committed to a shared value approach to ensure sustainable development with its stakeholders. • The Group conducts its operations in an ethical, responsible, apolitical and transparent manner. • Ophir places a strong emphasis on maintaining excellent relationships with the local communities and host country governments. • There is ongoing monitoring of public sentiment towards the Group and its operations.	**Director Security and Surface Risk**	▲
	Global economic volatility	• Numerous and complex changes in macro environment around global affairs and international economics, e.g. China's slowdown and deceleration in the growth of global trade, are contributing to uncertainty and higher market volatility.	• Regularly review how external risks impact the Group's strategy and remain agile to change. • Act counter-cyclically to take advantage of the opportunities developing from the industry downturn.	**Director Portfolio and Strategy**	▲
	Low commodity price	• Continued supply and demand concerns. • 'Lower for Longer'.	• Continue to review the Group's cost structure and make sure it reflects the new oil price environment. • Economics of development plans re-worked to reflect low oil price environment. • Selectively exploit the low service costs that have resulted from the drop in the oil price.	**Chief Financial Officer**	▲
Strategic	**Divestment**	• Difficult divestment environment. • Inability to successfully divest assets at an acceptable price and/or time.	• Management restructuring designed to provide greater focus on IRR when making investment decisions. • Monitor and tailor projects to fit macro environment. • Facilitate buyer access/relationship with host Government. • Maximise transparency with equity buyers. • Contingency planning and preparedness to change the course of action as situations change.	**Director Portfolio and Strategy**	▲

Type	Risk	Description of Risk	Control	Responsibility	Change
	Investment decisions	• The Group may not be able to identify appropriate expansion opportunities or be able to manage such expansion effectively.	• Investments are not dictated by production or reserves growth targets; instead each investment will be assessed on an IRR and materiality basis. • Focus on growing a revenue generating business to fund exploration activities and minimise the overall cost of capital. • Allocate capital to highest return opportunities following rigorous risk reward analysis. • Risk assessment and due diligence process is undertaken on all potential new country entries. • Ophir endeavours to transact at the most appropriate time to create value for shareholders.	**Director Africa Global New Ventures/ Director Asia**	▼
Operational	**Health Safety and Environment (HSE) and Security incident**	• Oil and gas exploration, development and production can involve numerous risks and hazards, the most significant for Ophir are loss of hydrocarbon containment and the transportation of staff.	• Ophir is committed to maintaining robust health, safety, security and environmental management, and procedures are in place in order to respond to unexpected events that have a direct impact on the Group and the communities in which it works. • Comprehensive HSE and operations management systems including emergency response and oil spill response capability, as well as maintaining asset integrity. • Active security monitoring and management. • Learning from Group and third-party incidents. • Introduction of leading indicator system. • The contracting and procurement process ensures suitably qualified contractors are employed and trained in Ophir's requirements and industry best practices.	**Director Security and Surface Risk**	▶
	Commercial	• Discovery risk and success rate.	• Ophir has rebuilt its exploration portfolio in Africa and Asia with high quality operated positions where Ophir has competitive advantage, where drilling commitments are minimised and where the fiscal regime allows material value creation at current prices. • This approach enables Ophir to manage the exploration risk by high grading plays in prospective acreage; this focuses attention (and ultimately drilling) solely on the most prospective plays. • Ophir is carefully and counter-cyclically building a portfolio of low-cost opportunities with defined exit options for investors in order to decide whether or not to progress to the next phase of exploration. • Technical Advisory Committee and peer reviews. • Appropriate balance between growth by exploration and acquisition. • Report on finding costs. • Measuring value of exploration investments. • Application of technical excellence and use of appropriate technologies in exploration methodologies. • Review new geographic opportunities without impacting focus on strategic core growth areas. • Managing risk with partners in existing assets and new ventures.	**Director Commercial/ Director Subsurface**	▼
Financial	**Inability to fund exploration work programmes**	• Liquidity and inability to deliver the business plan. • Gas discoveries may require the Group to invest in LNG development projects which require long lead times and material investment in receipt, processing and transportation infrastructure and the marketing of LNG. • The Group's business will require significant capital expenditure and the future expansion and development of its business could require future debt and equity financing. The future availability of such funding is not certain. • Revenues, profitability and cash flows concentrated in a small number of producing assets. • The Group may face the possibility of future decommissioning costs that it cannot accurately predict.	• Regular review of cash flow, working capital and funding options, and prudent approach to budgeting and planning, to ensure sufficient capital to meet commitments. • Effective portfolio management via farm outs/asset sales as appropriate. • Budget focused on high and medium ranked assets/projects to deliver value creation and to ensure the Group can live within its means. • A formalised annual budget process and ongoing monthly reviews and analysis of actuals. • Board approval of Annual Work Programme.	**Chief Financial Officer**	▲

Review of operations

"We are committed to taking advantage of the softness in the market for exploration acreage to add high quality exploration licences to our portfolio."

The morning of 4 March 2015 signalled a significant change for Ophir, when our first-ever daily production report was published relating to the newly-acquired assets in Thailand, the Bualuang oil field and the Sinphuhorm gas field. The addition of revenue from production is a key strategic objective to move towards our goal of becoming a self-sustaining explorer. Becoming a producer created a number of new challenges for Ophir, in particular making sure our operating standards and procedures were appropriate for an operator now involved in activities across the full cycle of exploration and production.

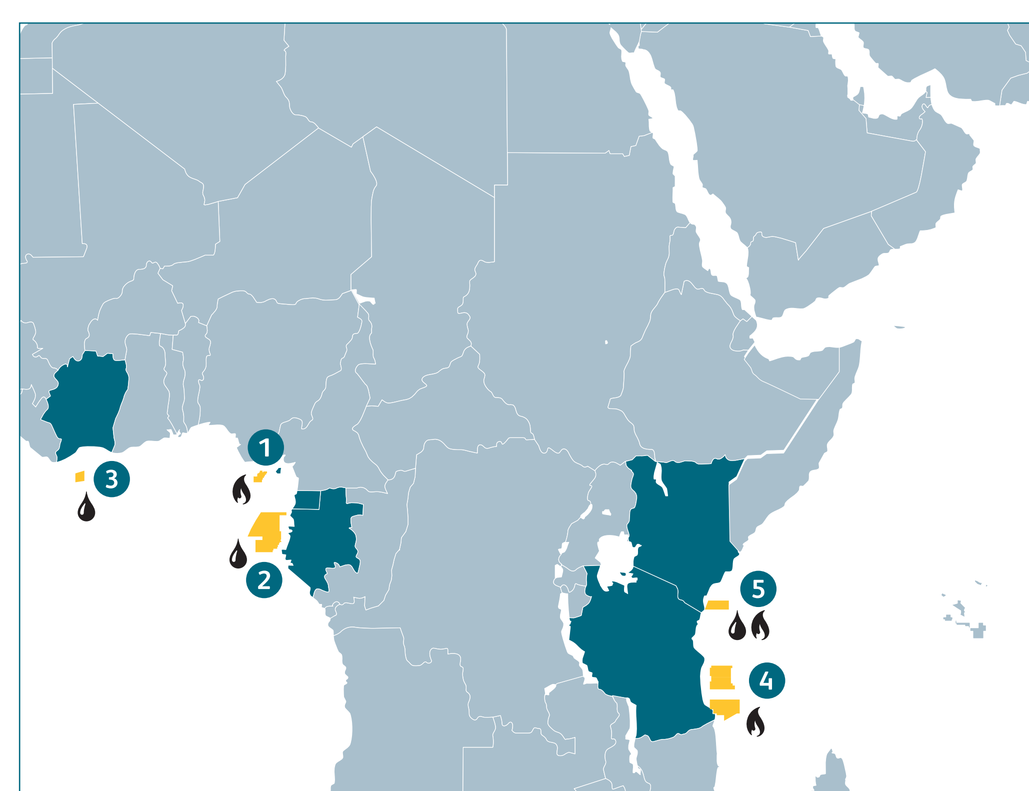
I am pleased to report that Ophir has adapted well to these changes and this transition has been achieved in line with our plans. In some areas, such as in the approach to managing relationships with local communities, Ophir has been able to enhance and improve its processes and procedures through learning from the experience of the teams already working on the Kerendan development in Indonesia and the production, development and exploration operations in the Gulf of Thailand.

In other areas, such as drilling, where Ophir has demonstrated 'best in class' performance, we have been able to apply Ophir's operational practices to improve the processes within the Asian business units. The net result has been that it has been a good opportunity to upgrade our processes and procedures in pursuit of operational excellence. A great example of this in practice was the work that we completed on the Bualuang field in late 2015/early 2016. A series of drilling and well workover activities to increase water handling were completed ahead of schedule, with no safety incidents and under budget. We expect this to be a template for Ophir as we move forward.

Health and safety

Against the background of integrating the new production assets into the broader Ophir portfolio, it was a pleasing achievement for us to complete over 2.4 million man-hours of work in 2015 with only two minor recordable injuries. We promptly completed investigations into both incidents and applied the lessons learned.

While we have achieved top quartile performance for our Total Recordable Incident Rate, unfortunately, both incidents were employees being hurt while conducting routine operations. As part of the continuous improvement of our operations, we have introduced our first leading indicators of safety performance, which are focused on our highest risk operational activities.



Africa

❶ Equatorial Guinea

80% operated interest, Block R
Gross area: 2,051km²
Water depths up to 1,950m

❷ Gabon

40% operated interest, Mbeli and Ntinsa Blocks
70% operated interest, Gnondo and Manga Blocks
100% operated interest, Nkawa and Nkouere Blocks
Gross area: 15,472km²
Water depths up to 2,500m

❸ Cote d'Ivoire

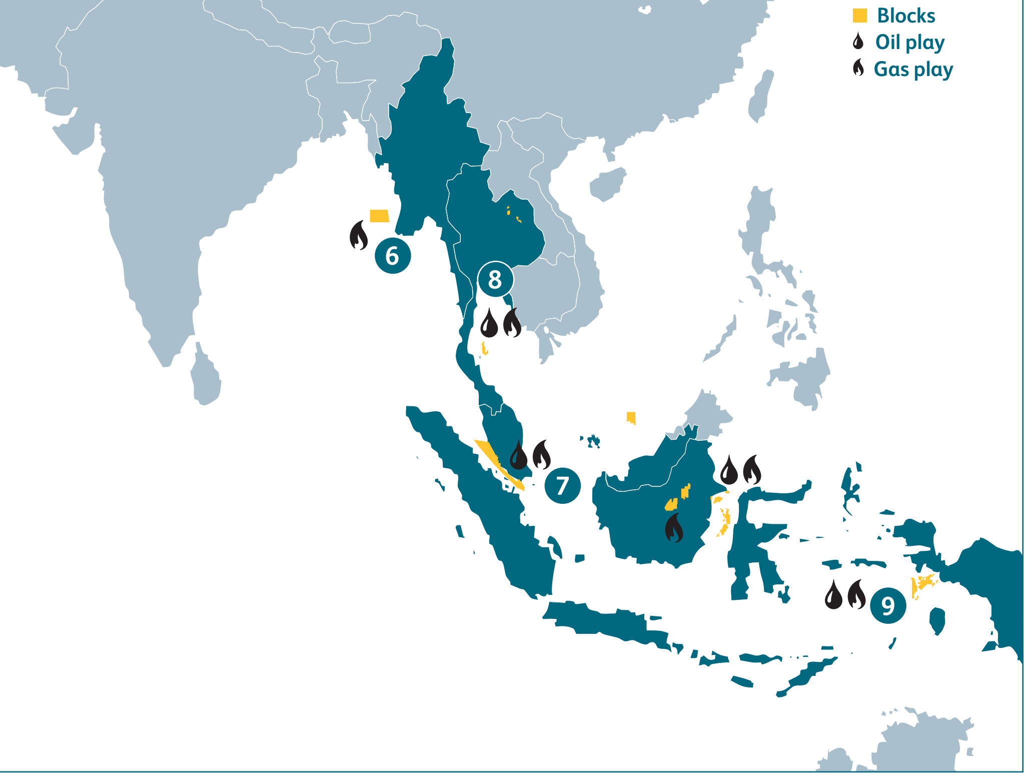
45% operated interest, Blocks CI-513
Gross area: 1,443km²
Water depths up to 3,000m

❹ Tanzania

20% non-operated interest, Blocks 1 and 4
Gross area: 12,294km²
Water depths up to 3,000m

❺ Kenya

100% participating interest, Block L9
Gross area: 3,833km²
Water depths up to 1,400m



Asia

❻ Myanmar

95% operated interest, Block AD-03
Gross area: 9,898km²
Water depths up to 2,500m

❼ Malaysia

85% operated interest, Block PM-322
Gross area: 20,000km²
Water depths up to 70m
40% non-operated interest, Block 2A
Gross area: 2,400km²
Water depths up to 1,600m

❽ Thailand

Gulf of Thailand
100% operated interest, Block B8/38 (Bualuang)
100% operated interest, Block G4/50
Gross area: 6,201km²
Onshore North East Thailand
9.5% non-operated interest, Block E5N/EU1 (Sinphuhorm) (PTTEP operator)
27.2% non-operated interest, Block L15/43 (APICO operator)
27.2% non-operated interest, Block L27/43 (Dong Mun) (APICO operator)
Gross area: 926km²

❾ Indonesia

Onshore Kalimantan
70% operated interest, Bangkanai Block
70% operated interest, West Bangkanai Block
100% operated interest, North East Bangkanai Block
Gross area: 12,352km²
Makassar Straight
100% operated interest, Bontang Block
100% operated interest, South East Sangatta Block
18.5% non-operated interest, North Ganal
Gross area: 2,697km²
Eastern Indonesia
50% operated interest, West Papua Block
60% operated interest, Aru Block
Gross area: 5,701km²

Review of operations continued

Growing asset value

As Nick Cooper outlines in his Chief Executive's review, in 2015 we have focused on ways to differentiate Ophir, and a relentless focus on delivering growth in asset value is a key part of this strategy. From an operational perspective, we have continued the implementation of our asset-led strategy and have restructured all our operations to put in place Asset Managers to lead value creation. In their enhanced role, they are tasked to develop long-term asset development plans and determine the returns that can be offered through investment in their asset. As a management team, we will benchmark opportunities across the portfolio and only move ahead with those that we believe create the highest risk-adjusted returns.

The consequences of this approach can already be seen by Ophir making the decision to exit a number of low-graded exploration acreage opportunities during 2015 and to high grade the portfolio by replacing it with new acreage that we believe has the potential for higher returns. We will maintain this discipline across the portfolio and will seek to execute our selected operations with excellence.

Asset overview

Reserves

With the addition of the Asian production base, we report reserves for the first time. As at 31 December 2015 we booked 54.4 mmboe of proved and probable reserves in line with expectations. In addition we had 996.0 mmboe of contingent resource. We expect a significant proportion of the contingent resource to move to reserves when we make the FID on the Fortuna FLNG project.

Production assets

Production operations outperformed with output from the Bualuang and Sinphuhorm fields more than 5% ahead of budget at 13,000 boepd (on a full year proforma basis). The Bualuang field produced its 25 millionth barrel in October 2015, a significant achievement given the field was originally projected to contain 14 million barrels of proven and probable reserves. The field is expected to carry on producing into the next decade. This operational milestone has been achieved whilst maintaining an excellent track record for health and safety with no LTIs having been recorded since May 2014.

The focus now is on extracting maximum value from the remaining reserves over the rest of the field life. With a view to optimising the next phase of development, we completed an Ocean Bottom Node 3D seismic survey in mid-2015. For the first time we now have modern 3D seismic data coverage of the field, designed with development in mind. These data are being integrated into our models and will help us make better-informed investment decisions as we design the optimal Asset Development Plan.

During 2016, our focus will be on completing the facilities de-bottlenecking project on the Bualuang field, which will allow higher rates of water treatment and disposal, and thus accelerate oil production and recovery. We expect the project to deliver additional production and increase recovery from the field. The first phase of this project was completed successfully in 1Q 2016.

Gross production from the Sinphuhorm gas field was 26% ahead of budget at 121 mmscfd (11.5 mmscfd net). This was driven by additional demand for power from the Nam Phong power plant, which utilises gas from Sinphuhorm, as a result of a dry season in Laos that reduced the availability of imported hydro-power from the supply mix.

Development projects

We were pleased to complete the construction and commissioning of the Kerendan gas plant facilities during 2015, and right at the end of the year we supplied a small quantity of commissioning gas to the PLN Power Plant. The project was completed with an excellent HSE record despite being in a remote, challenging environment. We forecast that low rate commissioning activities will continue into the second half of 2016, at which time the plant will start full production of phase 1.

Agreement has been reached with PLN to amend the Gas Sales Agreement (GSA) to set the commercial start date as 11 January 2016 with Take or Pay on the initial GSA applicable from this date. There is little progress to report so far in revising upwards the price of the gas; the negotiation is taking longer than hoped due to regulatory processes that have had to be completed prior to the gas price being finalised. We expect these processes to conclude during 2016 and to yield an improvement to the current gas price. In the meantime, as part of the amendment to the GSA, the inflation mechanism was amended from 3% every three years to 3% per annum.

The Fortuna FLNG project in Equatorial Guinea was a main focus of activity for us during 2015. Given the challenging macro environment, Ophir has made remarkable progress on this asset. The approach we have taken exemplifies all that is good about the independent sector as we have had to be innovative and ground-breaking in our

contracting, gas marketing and financing strategies. During 2015 we achieved all the milestones we set, reaching agreement with Golar LNG to be the Midstream provider, agreeing Heads of Terms (HoT) on gas sales with seven off-takers and embarking on Upstream FEED with our two world-class competing consortia.

In January 2016, we announced that we had agreed HoT with Schlumberger for them to acquire a 40% economic interest in the field in return for reimbursing 50% of Ophir's back costs (in the form of a development carry). This agreement is expected to be finalised in 2Q 2016, at which point our share in the development will be fully funded to beyond first gas.

Clearly, the first half of 2016 will be important for the Fortuna FLNG project as we look to finalise gas off-take agreements, award EPCIC contracts for the sub-sea production system, finalise the agreement with Schlumberger, submit and receive approval of the development plan and sign the Umbrella Agreement with the Government of Equatorial Guinea. I am pleased to say all of these items are currently proceeding to schedule and we anticipate making a FID in mid-2016.

In Tanzania, progress has been relatively disappointing as momentum on the award of the land was slow prior to the presidential election in November 2015. Since the election, the new President has moved quickly to demonstrate the Government's commitment to the project by commencing the programme for the acquisition of the land. Pre-FEED studies continued whilst the land issue was waiting to be resolved. This year we will focus on ensuring that land acquisition and resettlement plans are robust and meet international standards. In addition, a focus on completing terms for a Host Government Agreement (HGA) will enable the project to complete the year with a clear plan for first gas.

Ophir's platform in the Gulf of Thailand

Exploration

As stated in the Chief Executive's review, we are committed to taking advantage of softness in the market for exploration acreage to add high quality exploration licences to our portfolio. We can mature these licences with low capital expenditure outlay and then retain the top-ranked opportunities whilst relinquishing those which we think are least prospective or not commercially viable. This process will result in Ophir focusing capital and people on those exploration opportunities that offer shareholders the best potential risk-adjusted return.

The Rakhine Basin in Myanmar has exploration potential that has excited the industry. It is a large deepwater province with proven basins that, for political reasons, has been under-explored. Ophir moved quickly from signing the PSC at the end of 2014 to completing the acquisition of over 10,000 sq km of 3D seismic by mid-2015. This seismic survey was completed safely and under budget. The processing of this seismic will be completed in 2Q 2016. Work has already started on interpreting the fast-track data and we are hoping to mature the prospect inventory during the second half of 2016 to give us the option of drilling a well in Myanmar in 2017.

Review of operations
continued

The two play fairways of Kutai Basin and West Papua in Indonesia are focal points for exploration activity. Having completed the acquisition of five licences from Niko Resources Limited, we have continued to high grade our exploration footprint. We believe the West Papua and Aru licences have the potential to be liquids prone and initial work suggests prospects could contain several hundred million barrels. We will acquire new 3D seismic in 2016 over the key leads and prospects. Once this has been fully processed and interpreted, we will determine whether to move ahead and drill – most likely in 2017.

Having obtained all of the environmental approvals to enable drilling in the G4/50 licence in the Gulf of Thailand, we were disappointed not to make a commercial discovery with our 2015 drilling programme, although we did prove a working hydrocarbon system in a previously undrilled basin.

The Soy Siam well was disappointing in that it did not encounter hydrocarbons. The Parichat South West well however encountered oil, albeit not in commercial quantities. We are in the process of completing the post-well analysis to determine whether a breached seal or a limited charge is the root cause of the result. If it was due to the seal, then the basin may warrant another well, most likely on the Sala North prospect in 2H 2016, before we call a halt to the exploration of this licence.

In Gabon, we completed the acquisition of the Olumi Rouge 3D seismic survey and will be interpreting these data during 2016 with a view to making a drill or drop decision in 1H 2016.

As referred to earlier, we are exiting our low-priority assets in order to focus our people and capital on maximising value creation from high-priority acreage. As a result, during 2015 we exited – or started the process of exiting – from Kenya, Seychelles and a number of blocks in Indonesia (South Sokang, Kofiau, Halmahera Kofiau, Kutai) and Tanzania (Block 3, Block 7 and East Pande).

However we have at the same time continued to take advantage of the lack of competition for exploration acreage to rebuild the portfolio with high-class acreage. We have signed our first PSC in Cote d'Ivoire. The CI-513 Block, located in a relatively under-explored part of the transform-margin play fairway, contains exploration opportunities of similar geology and scale to the discoveries in the Tano Basin to the east. Success in CI-513 would unlock another segment of this emerging oil play fairway in which Ophir is seeking to establish a

Ophir's operations in the Gulf of Thailand

material position, and we are excited about the potential for this basin, where we expect to be drilling in 2017. Furthermore, we have continued to build on our entry to Southeast Asia by adding a new block in Malaysia (Block 2A). Block 2A is pushing an extension of an existing play in the Sarawak basin into deeper water. We hope to be further expanding our position in both Malaysia and Myanmar during 2016.

Summary

Conditions for the Upstream E&P sector are difficult at present, but quality projects are always more resilient to macro conditions. We believe we have a high-quality asset base with a production base that is cash-generative at an oil price in the low $20s per barrel. Our Fortuna FLNG project in Equatorial Guinea is robust and we are confident that we will be in a position to make a FID in mid-2016 thereby leading to first production in the second half of 2019.

Production in 2016 is expected to be between 10,500 and 11,500 boepd and we scope for it to increase to around 30,000 boepd in our base case for 2020.

We are focused on value creation and the restructuring we have completed means that assets, and how to extract maximum value from them, are front and centre of everything we do.

Bill Higgs
Chief Operating Officer

Statement of contingent resources and proved and probable reserves
(working interest basis)

	Africa			Asia			Total		
Contingent Resource (2C)	Oil MMstb	Gas bscf	Total MMboe	Oil MMstb	Gas bscf	Total MMboe	Oil MMstb	Gas bscf	Total MMboe[1]
Opening Balance	–	5,120.0	853.3	–	–	–	–	5 120.0	853.3
Additions	–	–	–	18.5	452.6	98.9	18.5	452.6	98.9
Revisions	–	285.0	47.5	2.2	(34.7)	(3.7)	2.2	250.3	43.8
Production	–	–	–	–	–	–	–	–	–
Closing Balance	–	5,405.0	900.8	20.7	417.9	95.2	20.7	5,822.9	996.0

	Africa			Asia			Total		
Proved and Probable Reserves (2P)	Oil MMstb	Gas bscf	Total MMboe	Oil MMstb	Gas bscf	Total MMboe	Oil MMstb	Gas bscf	Total MMboe
Opening Balance	–	–	–	–	–	–	–	–	–
Additions	–	–	–	26.4	191.4	59.7	26.4	191.4	59.7
Revisions	–	–	–	(0.5)	(0.3)	(0.6)	(0.5)	(0.3)	(0.6)
Production	–	–	–	(4.0)	(4.2)	(4.7)	(4.0)	(4.2)	(4.7)
Closing Balance	–	–	–	21.9	186.9	54.4	21.9	186.9	54.4

1 All gas reserves are converted at 6.0 Bcf/MMboe except Kerendan, which is converted at 5.5 Bcf/MMboe. Gas reserves include those attributable to the Sinphuhorm asset which is equity accounted for in the financial statements.

2C contingent resources are based on reports produced by the Group's independent engineer, ERC, and are supplemented by the Group where necessary with additional and more recent information.

2P commercial reserves are based on reports produced by the Group's independent engineer, RPS Energy, and are supplemented by the Group where necessary with additional and more recent information.

The Group provides for amortisation on its oil and gas properties on a new entitlements basis, which reflects the share of future production estimated to be attributable to the Group under the terms of the PSCs related to each field.

Financial review

"We are fortunate that our forward programme is relatively free of committed expenditure."

	Units	2015	2014	2013
Operating income and cash flow				
Realised prices: oil/liquids (including oil hedge realisations)	$/bbl	56.32	–	–
Realised prices: gas	$/Mscf	4.73	–	–
Revenue	$'millions	161.1	–	–
Field operating cost	$/boe	10.01	–	–
Profit/(loss) before taxation	$'millions	(376.0)	288.5	(280.5)
Cash generated from operations:		122.1	(16.4)	(15.7)
Investing cash flow and capital expenditure:				
Acquisitions	$'millions	1,128	–	–
Exploration and appraisal	$'millions	132.0	594.3	389.1
Development and production	$'millions	42.7	–	–
Financing cash flow and debt:				
Net cash	$'millions	354.9	1,172.8	666.7

Introduction

2015 was a year of significant change for Ophir, both in terms of our asset mix and the broader market context. The macro environment saw a further deterioration of the capital markets, a 34% fall in the oil price, from $56/bbl at the beginning of the year to $37/bbl at the end of the year, and a tightening of the debt markets.

Ophir has a relatively strong balance sheet after partially monetising our exploration success in Tanzania in 2014. A key objective for us is to preserve our financial strength through the cycle whilst retaining our ability to invest counter-cyclically in opportunities that provide low-cost options of potential long-term value creation.

During 2015, we advanced discussion with the various stakeholders in our Fortuna FLNG project and developed innovative ways by which to finance the development to first gas in mid-2019. These measures include the signing of the HoT with Schlumberger in January 2016. It is expected that this agreement will be finalised in 2Q 2016, at which time we will be able to confirm that our share of the development project is fully funded.

Having solved the funding of the Fortuna FLNG project, this will free up capital for other assets in our portfolio.

Recognising changes to the external environment and our need to preserve capital, we took steps to lower our operating cost base during 2015 by reducing our General and Administration (G&A) costs by $60 million and we expect to further reduce in 2016.

The all-share acquisition of Salamander Energy plc for $326.1 million completed in March 2015, bringing for the first time production revenues as a source of funds. This transaction followed the decision to become a self-sustaining explorer and the acquisition secured a cash-flow stream with a low break-even of only $15/boe. The assets continued to perform to expectations, producing on average 13,000 boepd for the full year (on a pro forma basis), exceeding production guidance.

Overall, as set-out in the Group's viability statements, the Group is well placed and has sufficient flexibility to fund itself through to first gas at Fortuna in 2019.

Key performance indicators
Page 9

Financial statements

With the acquisition of Salamander Energy completing on 3 March 2015, the financial statements reflect revenues and expenses incurred for the Salamander Energy assets for the 10-month period from the date of acquisition. In addition, the Sinphuhorm asset, under IFRS 11, is reflected in the financial statement on an equity accounting basis through APICO LLC. For completeness, full year pro forma numbers are also stated in the relevant sections below, which include both the Sinphuhorm asset, as if accounted on a proportional consolidated basis.

Overall, the Group reported a loss after taxation for the year of $322.5 million (2014: profit of $54.8 million), representing a loss per share of $0.47 (2014: profit per share $0.09). After removing the non-cash adjustments, the underlying pre-tax cash flow from the producing assets was $122.1 million ($149.9 million on a full year pro forma basis) with a net cash outflow reported after accounting for all activities of $268.6 million (2014: inflow $382.2 million).

Operating income and cash flow

Revenue

Revenue for 2015 amounted to $161.1 million ($211.1 million on a full year pro forma basis). The realised price for oil and liquids is $56.32/bbl including $17.1 million of commodity price hedges which are accounted for in other financial gains in the consolidated income statement.

Cost of sales

2015 cost of sales predominantly included field operating costs of $31.8 million (or $10.01/boe), royalty of $14.5 million (or $4.50/boe) and depreciation and amortisation of $80.9 million (or $21.40/boe). On a full year pro forma basis, the equivalent numbers were: operating costs $40.3 million (or $10.03/boe), and royalty of $19.5 million.

Equity accounted investments

Reporting of Sinphuhorm's financial contribution under IFRS 11 resulted in a share of profit through APICO LLC of $7.2 million for 2015. Sinphuhorm gas revenues of $16.7 million ($4.73/Mscf) were offset by operating costs of $4.4 million, taxes of $4.6 million and other costs of $0.5 million.

Impairment of producing and development assets and exploration expenses

Following the 34% reduction in the commodity price during the year, the pre-tax fair values of the producing and development assets were assessed at the balance sheet date based on the lower commodity price environment. Consequently, the assets were impaired on a pre-tax basis by $126.7 million and on a post-tax basis by $63.4 million. In addition, impairment of investments amounted to $42.1 million.

Exploration expenses for 2015 amounted to $183.1 million (2014: $333.8 million). The 2015 exploration charge partly reflects the decision to high grade the exploration portfolio and exit from licences that do not offer sufficient returns. Therefore, the 2015 write off partly results from decisions to exit operations in Kenya and Indonesia and reduce activity levels in Gabon.

General and administration expenses

With our clear focus on minimising costs in 2015, underlying gross G&A expenses were reduced by $60 million. Our target in 2016 is to further decrease long-run gross G&A expenses by a further $15 million, representing a total reduction of 47% over the two-year period.

After allocating costs to operating activities, our net G&A expenses for 2015, after eliminating one-off restructuring costs of $13.5 million, were 14% lower than 2014 at $17.8 million (2014: $20.7 million). The one-off restructuring costs arose through the implementation of synergies, the closure of offices and the reduction in staff numbers following the acquisition of Salamander.

Operating profit and cash flow generated from operating activity

Pre-tax operating loss for 2015 is reported as $376.0 million (2014: profit $288.5 million). After adjustment for non-cash items totalling $498.1 million (2014: $304.9 million), the pre-tax cash flow generated from operating activity for 2015 is $122.1 million or $38.59/boe (2014: outflow $16.4 million). On a full year pro forma basis, pre-tax cash flow generated from operating activity for 2015 amounted to $149.9 million.

Financial review
continued

Taxation

The 2015 taxation credit of $53.6 million comprised an income tax charge of $5.0 million, Special Remuneratory Benefit (SRB) charge of $19.6 million and a deferred tax credit of $78.2 million. The taxation charge predominantly arose on production activities in Thailand where income tax is charged at a rate of 50% on taxable profits, and SRB which was incurred at a rate of 28% in 2015. With the fall in commodity prices, the SRB component is expected to be negligible in 2016. The deferred tax credit predominantly arose with the impairment of the Bualuang asset.

This compared to taxation payments made during the year totalling $83.0 million (2014: $3.2 million).

Investing cash flow and capital expenditure

Investing cash flow as reported in the cash flow statement was an outflow of $39.4 million (2014: inflow $435.9 million) and included net payments in respect of oil and gas assets of $374.9 million, partly offset by the withdrawal of long-term cash deposits of $294.9 million.

Translating this into capital expenditure as reported in the balance sheet (by adjusting for accrued expenditures and other non-cash adjustments), capital expenditure for the year totalled $174.7 million ($209.8 million on a full year pro forma basis). This predominantly comprised investments on: exploration activities in Myanmar, Thailand and Indonesia; FEED studies for the Fortuna FLNG project in Equatorial Guinea; and a seismic and water handling upgrade for the Bualuang field in the Gulf of Thailand.

Oil and gas assets held on the balance sheet at year end 2015 comprised exploration totalling $879.9 million (2014: $764.9 million) and producing and development totalling $662.2 million (2014: $nil).

Financing cash flow and debt

Financing cash outflows of $270.3 million (2014: outflow of $42.3 million) were driven by the deleveraging of the balance sheet following the acquisition of Salamander with debt repayments totalling $240.5 million, and interest payments against the facilities of $22.5 million (at an average all-in interest cost of 5.6%). This reduced the Company's gearing from 30% to 15%.

In addition, we closed out the share buy-back programme implemented in 2014 with the further acquisitions in 2015 totalling $56.1 million (2014: $44.2 million).

Liquidity, going concern and longer-term viability

A total of $502.6 million of debt and $48.8 million of cash was inherited as part the Salamander acquisition. The debt comprised a convertible bond of $93.9 million, a Norwegian bond of $154.8 million and reserves based lending facility of $253.9 million. Since the acquisition, total debt has reduced by $242.9 million (to $259.7 million) with the full repayment of the convertible bond, the Norwegian bond lenders' put option being exercised at change of control totalling $45.6 million and scheduled repayment of the reserves based lending facility of $100.9 million.

Total cash available to the Company at year-end 2015 totalled $614.6 million (2014: $1,172.8 million), comprising cash and cash equivalent of $614.6 million (2014: $877.9 million) and investments (short-term deposits) of $nil (2014: $294.9 million). Consequently, closing net cash at year end 2015 was $354.9 million (2014: $1,172.8 million).

The Company'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 1 to 38. The financial position of the Company, consisting of cash resources of $614.6 million, its cash flows and its liquidity position are described in the financial statements on pages 90 to 160. In addition, Note 26 to these Group financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

In making our going concern assessment, the Directors have considered Company budgets and cash flow forecasts, which include the impact of approving the investment decision for its Fortuna FLNG project during 2016. As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors have also considered the longer-term four-year viability of the Company, and based on their assessment as fully detailed on page 16, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 2019.

Financial outlook

The Company has reviewed its plans for the remainder of 2016 to position itself against the possibility that the current low commodity price environment is protracted and will continue beyond the current year. Accordingly, the Company has reset its guidance for 2016.

On the basis of production guidance outlined in the review of operations, at the current forward curve price assumption, revenue is forecast at $140-160 million for 2016, with cash flow from producing assets of $75-100 million.

Capital expenditure forecast for 2016 is revised downwards to $150-200 million.

Our current plans remain to refinance our debt facilities in 2016 subject to market conditions improving. Accordingly, with a lower oil price forecast for 2016, the Company expects to close the year with net cash of $200-250 million and cash of $525-575 million.

With a strong net cash position, reduced cost base and high degree of financial flexibility, Ophir is well positioned to navigate through the difficult market conditions at present and emerge on the other side as a stronger entity.

Tony Rouse
Chief Financial Officer

Corporate Responsibility

Corporate Responsibility (CR) is about the manner in which we approach maintaining our reputation and the trust of our stakeholders, as well as completing our operations in a safe and environmentally responsible way. Our commitment to CR will both protect NAV (Net Asset Value) and create the right conditions for it to grow.

Corporate Responsibility is a key part of our Company. The Corporate Responsibility Committee, a sub-committee of the Board, provides oversight into all of our activities in this area. Our focus is on having an appropriate framework in place to preserve our reputation, manage risk, build strong sustainable relationships with our internal and external stakeholders and conduct our operations in a safe and responsible manner.

CR underscores the principle that it is vital to explore for, and produce oil and gas responsibly, to the highest international standards. At Ophir, we have established a clear set of guidelines in terms of how we expect our people to behave. These were enhanced in 2015 when a new Code of Conduct was launched and our Values were rolled out across the Company.

However, we recognise that we have a responsibility to review our approach to CR in light of the Paris Agreement at the end of 2015. After much consideration, we have decided that we will embed the principle of creating shared value throughout all of our operations. The central premise behind this is that the competitiveness of a company and the health of its stakeholders are mutually dependent. Recognising this and capitalising on the connections between societal and economic progress can allow Ophir to create value for itself and all its stakeholders. We already have some examples of where we are successfully creating shared value and we will be making this a central part of our planning process in future.

A strong approach to CR also involves transparent communication. We engage regularly with stakeholders including employees, governments, local communities and shareholders through a combination of, amongst other things, meetings and written communication. We recognise a need to enhance our reporting in this area and this year have expanded our HSE (Health, Safety, and the Environment) reporting to include a number of new metrics.

Board visit to Ophir's platform in the Gulf of Thailand

We strive to be an open and transparent company, which is why we have made a commitment to report to CDP's 2016 Climate Change Questionnaire. We are also implementing systems to gather more data from across the Company so that, from next year, we can begin to report in line with the GRI's Sustainability Reporting Guidelines.

Environment

We have a responsibility to protect the environment and recognise that we all need to address the effects of climate change while we meet all applicable standards in managing environmental risks. Ophir is in the process of expanding its emissions reporting standards and seeking ways to reduce carbon emissions. Our ultimate aim is to minimise the environmental impact of operations, reduce waste, conserve resources and respect biodiversity.

Environment highlights

Prior to every new activity in the field, we carry out appropriate Environmental Impact Assessments (EIA) to assess the current baseline environment and identify potential environmental risks. Following the risk assessment, effective mitigation measures are then designed and implemented. The implementation process applies to all our operations, including those carried out by contractors and sub-contractors. For example, prior to acquiring 3D seismic offshore Myanmar in 2015, we conducted an extensive programme of stakeholder meetings with local communities, informing and educating those potentially affected by the seismic planning and operational activities.

These local environment engagement processes are part of our Company-wide HSE policy. Our environmental planning and performance are routinely scrutinised by local governmental agencies and NGOs before and during activities. We repeat these assessments at various stages of the project using qualified consultants and professional service providers. All aspects of our environmental performance are monitored during operations and then, when the operations are completed, the findings are reported back to local agencies to ensure transparency and compliance.

Group-wide environmental KPIs

CO_2 emissions (tonnes)[1]	82,904 tonnes	
CO_2 emissions (tonnes per thousand tonnes production)[2]	144	In 2014 the average upstream figure was 134 (source: OGP), therefore 2015 was slightly higher than average. This is due to our mix of business activities that focus more on exploration activities than production.
Flaring	No flaring reported from Ophir assets in 2015	
Venting (MMscf)	1.16MMscf	At the Bualuang field a small amount of gas is produced along with the oil. This gas is vented to the atmosphere.
Venting (tonnes per thousand tonnes of production)	0.04	In 2014, OGP average was 0.9 tonnes CH4 per thousand tonnes oil production; our low figure is due to minimal associated gas with the oil we produce.
Oil and chemical spills	None	
Oil and chemical spills – released to the environment	None	
Produced water discharged (tonnes)	No produced water discharged in 2015	All water at the Bualuang field is re-injected into the reservoir.
Oil in produced water discharged (tonnes)	None	

1 Compiled from data from individual locations.
2 Based on full year Bualuang production.

Corporate Responsibility
continued

Emissions data

We are committed to improving our transparency and scope of reporting on emissions data and are ever mindful of the necessity to minimise emissions of greenhouse gases (GHG) and to encourage energy efficiencies wherever possible. 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 Safety and Environmental Management System (HSEMS).

Ophir records and reports on Scope 1 and 2 and certain Scope 3 emissions. Scope 1 emissions are those over which Ophir has direct control via ownership of activities, such as emissions from combustion in production facilities, contracted offshore drilling rigs, seismic vessels as well as Company vehicles. Scope 2 emissions are indirect emissions, for example emissions from Ophir-chartered aircraft and electricity used in offices and logistic bases. Scope 3 emissions are also indirect emissions from sources not directly owned or controlled by Ophir, an example being emissions from passenger air miles from business flights.

The emissions figures are provided as an absolute total figure (Scope 1 – 3) of estimated CO_2 production for the Company's worldwide activities during 2015. This includes data from Ophir as well as full-year data for Salamander Energy including the period prior to its acquisition by Ophir in March 2015. This is the third year emissions data are reported for the Company. Total emissions during 2015 (Salamander and Ophir combined) were estimated at 82,904 tonnes of CO_2. This compares to 66,046 tonnes (Ophir only) of CO_2 in 2014. The increase in emissions in 2015 compared with that of 2014 is due primarily to the inclusion of Southeast Asia emissions from Ophir's newly-acquired Salamander assets.

2015 marked a major shift in Ophir's activities, from being a pure explorer in 2014 to becoming a combined explorer and producer in 2015. This shift affects the character of the emissions we produce. Our emissions relating to exploration activities were produced primarily by third-party contracted services; such as drilling units (e.g. Bualuang, Thailand), seismic vessels (e.g. 3D seismic in Myanmar) and service boats working offshore. GHG emissions from production operations (Thailand) come primarily from crude oil combusted offshore to fuel generators and equipment used in the production processes.

Across the business, indirect emissions from passenger air travel and offices make up the remaining data. In Thailand, the combined activities of drilling and production made this asset the producer of the majority of emissions for the Company followed by Myanmar in second place due to the extensive offshore seismic acquisition programme in 2015.

In 2014 Ophir reported the emissions data as an intensity ratio, calculated by dividing the emissions total by the number of exploration wells drilled. In 2015 this metric is no longer meaningful following the shift from being a pure explorer to a combined explorer and producer. Therefore in 2015 we are reporting the figures as absolute totals.

Reporting criteria:

Office energy	Calculated average annual electricity use from actual invoices or estimates for all office and logistics base locations
Ground transport	For all office locations, collected data for actual fuel used for vehicles
Exploration & Production activities	For our offshore and onshore operations calculated fuel use rate which includes production-related fuel as well as drilling rigs, helicopter support, seismic vessels, PSVs (service boats) covering the operations period for each country with activities in 2015
Air transport	Estimated total number of long haul passenger flights in 2015, booked and paid for by Ophir (includes employees and contractors)

Health and safety

We strive to achieve the highest standards in health and safety, ensuring that everyone working for the Company does so in a safe and healthy environment. All activities 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.

Report of the Corporate Responsibility Committee
page 54

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. In order to confirm compliance with the appropriate health and safety practices, subcontractors and suppliers are subject to regular checks.

Our Corporate Responsibility Committee meets regularly to review 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.

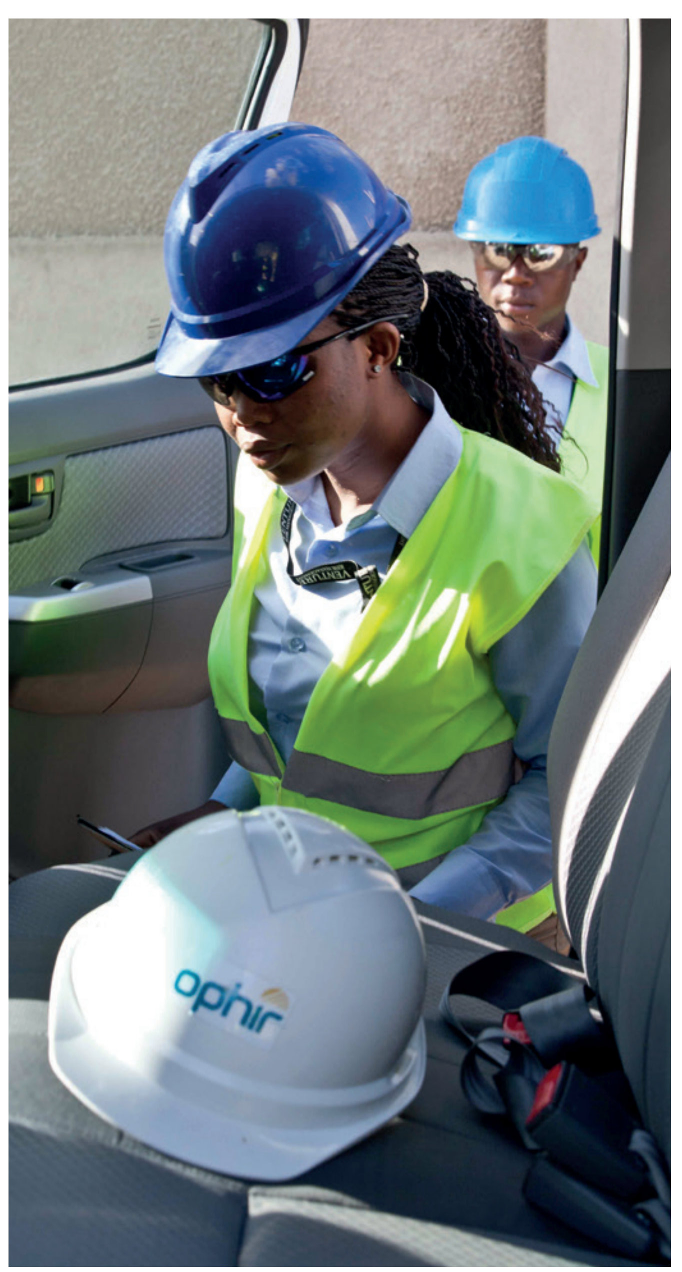
Corporate Responsibility team developments

In 2015 the Corporate Responsibility management with respect to health and safety continued to evolve and in January 2016 we appointed a Group Head of HSE and Operational Excellence. We continued to concentrate our health and safety focus on those areas with the highest risk. In 2015 that meant targeting the new producing assets and associated drilling programme offshore Thailand. Each project was provided with full-time, on and offshore, HSE professionals to ensure HSE compliance and foster operational excellence.

Health and safety highlights

During 2015 our employees and contractors recorded zero LTIs. There were only two recordable incidents during the year, giving Ophir a Total Recordable Incident Rate (TRIR) of 0.83.

In early 2015, prior to contracting the drilling company engaged to carry out the Thailand drilling campaign, we 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 campaign. The 2015 Thailand drilling campaign ended on a very positive safety note having had the fewest safety related incidents (of all kinds) of any Ophir drilling campaign in the history of the Company. Overall, we are proud of our excellent health and safety record, especially bearing in mind the Company's shift into more operationally complex production activities with the acquisition of Salamander in 1Q 2015.



Corporate Responsibility continued

Security

During 2015 we continued to operate in several challenging environments in both East and West Africa, and from March onwards had responsibility for a number of additional assets in Southeast Asia. Our assessments have evaluated the various physical risks our personnel and sites could be exposed to during our operations. There were no security incidents during 2015.

Community projects

We are very aware of our responsibility towards the communities where we operate as an international oil and gas operator. 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), on water provision and supporting health initiatives through donations.

When selecting projects, we adopt 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 in the long term, as well as the Company itself.

Community development highlights

In 2015 we continued two corporate Key Performance Indicators (KPIs) in line with community development:

1. At least one project to be started or in progress 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 Tanzania, Seychelles, Kenya, Equatorial Guinea, Gabon, Thailand and Indonesia.

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.

O-NET Tutor Camp in Thailand

Over 600 Thai students took part in a successful education scheme in 2015

In 2015 we worked in partnership with the Koh Samui municipality and the Koh Pha-Ngan Tourism Association to sponsor the O-NET (Ordinary National Education Test) Tutor Camp project. 665 students in Koh Samui and Koh Pha-Ngan attended tutoring sessions aimed at preparing them for Thailand's national education tests. School children in Thailand are required to take this test and if they do not pass, are unable to continue on to the next level of education. The Tutor Camp provides tips and useful suggestions to help the students understand the key subject areas that will enable them to attain higher scores in the O-NET examination.

Clean water provision in Indonesia

Water filtration systems installed to help local communities

The clean water project in Indonesia, near our Kerendan operations, is an excellent example of creating shared value. We worked in partnership with communities in the villages of Kerendan, Luwe Hulu, Muara Pari and Haragandang along the Barito River. Through our stakeholder mapping and engagement, we identified a need for a regular supply of clean water.

A filtration system was installed by which water is taken from the river and then filtered and purified using a Floating Filtration System. The filtered water is then stored in a tower and piped to the houses in the villages. The local community has seen improvements in the health of its people due to having access to clean water. As a number of our employees come from these villages, Ophir has therefore benefited from a more productive and reliable workforce.

2015 Community projects by location

In 2015 in Thailand we provided funding for a number of Fishing Aggregation Devices for the Chumpon and Ban Chalokelum communities on the islands of Koh Samui and Koh Pha-Ngan. The devices attract marine wildlife and provide a vital source of food and income for these fishing communities.

In Equatorial Guinea we continued to provide funding for the National Technical Institute, which provides valuable training and development for the local communities.

In Gabon, we financed the training of 50 Gabonese students at the Sodexo Training Centre in Libreville. The training helps trainees to gain skills in catering and hospitality, and helps young people move into the working world.

Continuing work from the previous year, in 2015 we also sponsored two Petroleum Geoscience Masters students in London, and offered a number of internship opportunities throughout the year to students or recent graduates.

Fishery Observer training in Gabon

52 fishery training sessions took place in 2015

In early 2015 we began working with international NGO the Wildlife Conservation Society (WCS) to provide funding for a Fishery Observer Training Programme initially for 30 Gabonese nationals. The programme provides vocational training in order to develop the observer competencies of the students who, once qualified, will be offered full-time employment as Fishery Observers, working on 25 trawling vessels off the coast of Gabon. The Fishery Observers assist with the regulation of the fishing industry; improving the biodiversity of Gabonese oceans and the state of national food security.

By December 2015, 52 training sessions had taken place, with 23 people having completed their first on-board mission. 15 of the trainees were employed as Industrial Observers as of December 2015.

Corporate Responsibility
continued

Business ethics

We must comply with all applicable local, national and international laws and regulations in all locations in which we operate and have interests. This is crucial to both our sustained commercial success and our reputation. All staff 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.

In 2015 we materially strengthened our Ethical Compliance processes to reflect changes to the corporate risk profile and scope of our activities.

We have launched a Code of Conduct (the Code) clearly defining our expectations of staff and key stakeholders in relation to business integrity.

We have also introduced enhanced Ethical Compliance processes, notably an Anti-Corruption Policy (the Policy) and a suite of Personal Conduct Standards (the Standards). All staff are required to confirm at the start of each calendar year that, in relation to the prior year, they complied with the Code, the Policy and the Standards. The Board of Directors has overall responsibility for the Ethical Compliance programme and receives regular reports.

The Ethical Compliance processes also introduce an enhanced requirement for Anti-Corruption Reporting, for example any third party request for a facilitation payment is reported to a designated Compliance function which takes up the matter further on behalf of Ophir, and there is clearer guidance around seeking corporate approvals for gifts and hospitality given and received, and the declaration of employee conflicts of interest. Gifts and Hospitality, Conflict of Interest and Anti-Corruption Reporting Registers are maintained by assets and functions and monitored by the Compliance function.

Due diligence on third parties including intermediaries, suppliers, prospective business partners and social investment counter-parties is supported by a set of improved processes enabling early identification of red flags and appropriate risk management measures to be applied prior to contract award, contract execution and during the life of any contract.

The prevention, detection and reporting of bribery and corruption is the responsibility of all those working for and on behalf of 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 gives even the appearance of violating anti-bribery laws, as this can damage our reputation; and
- report any suspicions of bribery, including requests for bribes, immediately.

Our people and our Values

We continue to evolve as a leading international company, and our business plans are ambitious and require people with superior performance to deliver them. Our people are therefore key to success and we continue to build an experienced, resourceful and globally-diverse employee base. In 2015, we undertook a Company-wide Employee Engagement Survey to ensure an understanding of our expanded workforce. The Survey was very successful with a higher-than-average industry response rate. Since the survey closed, management have been reviewing all the feedback and have already implemented targeted responses to the data received.

Integral to our Company's success will be the combined efforts of our people, who must be led and managed by an inspired and highly competent senior management team, comprising technical specialists supported by professional/functional experts. As part of a wider corporate initiative to further strengthen our Company (in line with the outcomes from the Employee Survey), we are investing in leadership development as a critical factor in support of our strategic objectives.

We provide exciting opportunities and challenging work assignments for people to gain wider experience across the business to enhance their skills. This culture allows us to successfully attract and retain the best in our industry.

Our performance review philosophy is designed to encourage robust feedback conversations to take place and for individual performance to be aligned to deliver corporate performance and create value.

Respect for human rights

We recognise the importance of respecting and promoting human rights, both internally and externally. At Ophir we are committed to maintaining the fair and equal treatment of all of our employees and contractors, without discrimination. We support human rights and encourage our joint ventures, partners, suppliers and contractors to do the same.

We comply with all applicable human rights laws and regulations and use the UN Guiding Principles of Business and Human Rights for guidance.

Equality and diversity

We are an equal opportunities employer and have a stated policy as part of our Global Code of Conduct to deal fairly and equitably with all of our employees in the workplace.

We are committed to equal opportunities in recruitment and succession planning policies and continue to welcome the current emphasis on diversity in general. We remain 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.

We have a commitment to extend equal employment opportunities to all, irrespective of race, colour, gender, sexual orientation, gender reassignment, religion or belief, age, nationality, ethnicity, marital or civil partnership status, pregnancy and maternity, or disability.

As at 31 December 2015 the Company has two female Directors representing 25% of the Board, 7.7% of the senior management are female and throughout the Company, women represent 27% of our workforce.

We have six key Values which underpin our business and capture the essence of Ophir's identity. They form the foundation on which we all perform and conduct ourselves and the Company expects all of its people to demonstrate these Values in their daily working lives.

Corporate Responsibility
continued

We have six key Values which underpin our business and capture the essence of Ophir's identity. They form the foundation on which we all perform and conduct ourselves and the Company expects all of its people to demonstrate these Values in their daily working lives.

Ophir's Values

Grounded
down-to-earth, never arrogant

A grounded individual conducts themselves in a pragmatic and practical way. They are down to earth and display no airs and graces in terms of their approach or how they interact with others. They welcome comments and interactions and, though confident, do not display traits of arrogance.

Integrity
act in an honest and ethical way

A person who has integrity demonstrates the Values every day in their relationships with colleagues and stakeholders. Honesty and a strong sense of ethics are central to integrity. People who demonstrate integrity draw others to them because they are trustworthy and dependable.

Respect
for our people and our partners

Treating those around you with respect means that through your behaviour you demonstrate that you have regard for them, their thoughts and feelings. It is imperative that this is shown, not just within the Company but also to external parties, as it is a core driver of our reputation and therefore our licence to do business.

Collaborative
work in partnership

A person who collaborates is open to the input of others and welcomes alternative views to their own. They look to partner with colleagues, internal and external to Ophir, to deliver the best possible outcome for the Company.

Dynamism
positive, energised and innovative

A dynamic person will help drive forward the Company agenda by making quality decisions, acting as a positive force in their team and wider function. They will contribute to a dynamic organisation where there exists energy, enthusiasm and determination to succeed.

Excellence
in everything we do

Striving for excellence is a key component of a job at Ophir. We aim to continue to have a significant presence in the industry, which can only be attained through the efforts of everyone internally to create and deliver excellence in all activities we undertake.

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

Nick Cooper
Chief Executive Officer
9 March 2016

Corporate Governance introduction

"At Ophir, we are committed to ensuring that robust and effective governance processes are in place, as they are key to the future success of the Company."

Your Board is committed to the highest standards of corporate governance and is responsible for reviewing governance, risk management and internal controls. These reviews bind the various elements of our business and empower our staff to make decisions by establishing clear parameters for behaviour. In 2015, we updated our Code of Conduct and established a clear set of Values that we expect to be demonstrated by our employees in all facets of their work.

The information contained in this report, along with the reports of the Audit, Remuneration, Nomination and Corporate Responsibility Committees set out the processes in place that both protect net asset value and foster the right conditions under which we can grow NAV.

During 2015 an independent external Board evaluation was conducted. The principal conclusions from this were that the Board's effectiveness had improved in 2015. Board governance had also continued to improve and is fully compliant with the Combined Code. More details on this can be found on page 46 of this report.

Corporate governance framework (at date of publication)

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, three Executive Directors and five Independent Non-Executive Directors

Audit Committee – Chairman: Ronald Blakely
Four 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 – Chairman: Vivien Gibney
Four 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 – Chairman: Nicholas Smith
Four Independent Non-Executive Directors, one Executive Director and Company Chairman
Main responsibilities are regularly reviewing structure, size and composition of the Board and identifying and nominating candidates to fill Board vacancies.

Technical Advisory Committee – Chairman: Alan Booth
Two Independent Non-Executive Directors and one Executive Director
Main responsibilities are advising the Board on technical aspects of operational business proposals and their potential risks and that they are consistent with the Company strategy.

Corporate Responsibility Committee – Chairman: Bill Schrader
Four 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

UK Corporate Governance Code

The UK Corporate Governance Code 2014 (the 'Code') applies to the year under review. A copy of the Code can be found at www.frc.org.uk. This report, which incorporates reports from the Audit, Corporate Responsibility and Nomination Committees on pages 48 to 59 together with the Remuneration report on pages 64 to 88 and the Directors' Report on pages 60 to 63 describes how the Company has applied the relevant principles 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.

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	**Anthony (Tony) Rouse** Executive Director & Chief Financial Officer
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 Schroder AsiaPacific Fund plc and a Director of JPMorgan European Smaller Companies Trust plc. Nicholas Smith will retire from the Board on 30 April 2016.	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. Nick Cooper has a BSc in Geophysical Sciences from the University of Leeds, a PhD in Exploration Geophysics from the University of Leicester and an MBA from INSEAD.	Dr Bill Higgs was appointed as an Executive Director and Chief Operating Officer in 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). Bill Higgs has a BSc in Geological Sciences from the University of Leeds and a PhD in Structural Geology from the University of Wales.	Tony Rouse joined Ophir in October 2014 and was appointed as an Executive Director in January 2016. Tony has over 30 years' experience in the Upstream oil and gas industry including 13 years of assignments in Europe, Africa, Asia and South America. Tony started his career with BP, before moving to LASMO plc, Premier Oil and most recently Salamander Energy plc where he was Group Financial Controller for nine years. Tony is a Fellow of the Chartered Certified Accountants (FCCA).
Year appointed	2007	2011	2014	2016
Committee membership	Nomination (Chairman), Remuneration	Nomination	Technical Advisory	

Other Officers of the Company

Philip Laing

Position	General Counsel & Company Secretary
Appointed	2 February 2016

Directors who retired or resigned during reporting period

Lyndon Powell

Position	Independent Non-Executive Director
Appointed	10 October 2007

Ronald Blakely
Senior Independent
Non-Executive Director

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.

2011

Audit (Chairman), Nomination, Remuneration

Dr Carol Bell
Independent
Non-Executive Director

Dr Carol Bell was appointed as a Non-Executive Director in March 2015. 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. Carol Bell currently sits on the Boards at Petroleum Geo-Services ASA, Bonheur ASA and Ganger Rolf ASA and 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. Carol Bell holds an MA in natural sciences from the University of Cambridge and a PhD in Archaeology from University College London. 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. On 30 April 2016 Carol Bell will become Chairman of the Corporate Responsibility Committee.

2015

Audit, Nomination, Corporate Responsibility

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 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 (Chairman), Audit, Remuneration, Corporate Responsibility

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 and Nomination Committees. 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 (Chairman), Corporate Responsibility, Nomination

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. On 30 April 2016 Bill Schrader will succeed Nicholas Smith as Chairman of the Board. At that date he will also become Chairman of the Nomination Committee and will step down from the Audit Committee and as Chairman of the Corporate Responsibility Committee (but will remain a member).

2013

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

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 by 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 establishing 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 in November 2015 as part of its annual review process. The Board concluded that only minor amendments were required to those matters; principally to formally note that the Board remains responsible for financial hedging decisions, approving Group treasury policies and ensuring that the monitoring of financial and non-financial risks are being appropriately carried out between the Audit Committee and the Corporate Responsibility Committee. The Directors felt that these changes made to its schedule of reserved matters better reflect the size and complexity of the Company's operations in particular, following the acquisitions of Salamander Energy plc and assets from Niko Resources Limited.

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.

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. On 30 April 2016 he will retire as Chairman and will be succeeded by Bill Schrader who has served as an Non-Executive Director since February 2013. 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 General Counsel & 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 Chief Financial Officer, 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 2015

0–3 years	2
3–6 years	3
6+ years	0

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.

The Board considers that all its Non-Executive Directors at year end, namely Carol Bell, Ronald Blakely, Alan Booth, Vivien Gibney and Bill Schrader, were independent in character and judgement and free from relationships or circumstances that might affect their judgement. Throughout 2015 and up to the date of publication of this report, a majority of the Board members, excluding the Chairman, were independent Non-Executive Directors.

Dr Carol Bell

Date of appointment:	March 2015
Tenure from appointment to 2016 AGM:	Less than 2 years
Considered to be independent:	Yes

Ronald Blakely

Date of appointment:	July 2011
Tenure from appointment to 2016 AGM:	Less than 5 years
Considered to be independent:	Yes

Alan Booth

Date of appointment:	April 2013
Tenure from appointment to 2016 AGM:	Less than 4 years
Considered to be independent:	Yes

Vivien Gibney

Date of appointment:	August 2013
Tenure from appointment to 2016 AGM:	Less than 3 years
Considered to be independent:	Yes

William (Bill) Schrader

Date of appointment:	February 2013
Tenure from appointment to 2016 AGM:	Less than 4 years
Considered to be independent:	Yes

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 been, 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.

Ronald Blakely has notified the Board of his intention not to stand for re-election as a Non-Executive Director of Ophir at the 2017 AGM, consequently he will be stepping down from his role as Senior Independent Director, and will retire as a Director, all in the first quarter of 2017.

Company Secretary

Chandrika Kher was appointed as Company Secretary in March 2014, having previously been the Deputy Company Secretary since October 2013. Philip Laing succeeded Chandrika as Company Secretary on 2 February 2016 and this role is combined with his duties as General Counsel.

Board activity

Key areas of focus for the Board in 2015 included:

- strategy
- financial performance and budget approval
- assessment and evaluation of production assets
- risk reviews and assessment
- prospective acquisitions and new business development
- post-acquisition integration
- governance and Board performance
- investor feedback and communication
- Corporate Responsibility, including health and safety, security, environmental and community related projects
- legal and regulatory compliance
- employee engagement.

During 2016, the Board expects these areas of focus to remain broadly similar with the exception of post-acquisition integration.

The Board occasionally holds its meetings overseas. In November 2013, the Board visited Tanzania and, in November 2015, following the Salamander acquisition, the Board held its meeting in Bangkok, Thailand.

Effectiveness

Board composition

At 31 December 2015 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 2015 and up to the date of this report:

- 2 March 2015: Dr Carol Bell was appointed as an Independent Non-Executive Director.
- 20 May 2015: Lyndon Powell retired as an Independent Non-Executive Director.
- 27 January 2016: Tony Rouse was appointed as an Executive Director.

The following changes to the Board will take place after the publication of this report:

- 30 April 2016 Nicholas Smith will retire as Chairman.
- 30 April 2016 Bill Schrader will be appointed Chairman.

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.

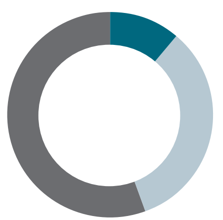
The composition of the Board is regularly reviewed to ensure that the Directors have the required skills, knowledge and experience to meet the needs of the business.

Further information on how this is achieved and consideration of this in the year, is contained in the Nomination Committee Report on pages 57 to 59. 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 40 and 41.

Board composition at 31 December 2015

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

Board composition at date of publication



● Non-Executive Chairman	1
● Executive Directors	3
● Independent Non-Executive Directors	5

Meeting attendance

The Board held six formal meetings during 2015, as well as a meeting to consider the strategic direction of the business. In addition, two 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 2015 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	6/6	2/2
Nick Cooper, Chief Executive Officer	6/6	2/2
Bill Higgs, Chief Operating Officer	6/6	2/2
Carol Bell, Non-Executive Director	2/4	1/2
Ronald Blakely, Non-Executive Director	6/6	2/2
Alan Booth, Non-Executive Director	4/6	2/2
Vivien Gibney, Non-Executive Director	6/6	2/2
Bill Schrader, Non-Executive Director	6/6	2/2
Former Directors		
Lyndon Powell[1]	4/4	1/1

1 Lyndon Powell retired from the Board on 20 May 2015.

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 2015, the Chairman introduced a post-Board meeting review process, whereby the performance of the Chairman is discussed, and 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 and risk management information where applicable. The Chairman agrees the agenda for Board meetings in consultation with the Chief Executive Officer and General Counsel & 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 2015, the Committee undertook the following: a review of the Company's operating assets, evaluated new business developments, a review of the Group's reporting on reserves, and acted as technical advisors to the Board. 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 and Bill Schrader. The Committee's Terms of Reference are available on the Company's website at www.ophir-energy.com/about-us/corporate-governance/board-committees/technical-advisory/.

Corporate Governance report continued

Board Evaluation

A full external Board evaluation in relation to Board effectiveness was carried out in November 2015 by Mr Raymond Dinkin of Consilium Limited. This follows full Board appraisals in 2012 and 2014 and a comprehensive appraisal of the Board Committees in 2013, all in the context of the appointment of the new Chairman. The aim of the 2015 evaluation was to assess how the Board currently operates, its focus, capability, behaviours and dynamics, and to provide an opportunity to improve how the Board operates in the future.

Mr Dinkin conducted interviews with each member of the Board, the Company Secretary and members of the Executive Committee. He also attended a full Board meeting as well as a full cycle of sub-committee meetings and was furnished with Board minutes and Terms of Reference for each Board Committee and other documentation to facilitate the evaluation. The anonymity of all respondents was ensured throughout the process, in order to encourage an open and frank discussion. The resulting report, including recommendations for action, was then presented to the Board and a series of action items agreed.

The principal conclusions from the 2015 Board evaluation were that the Board's effectiveness and governance had continued to improve and the Company is fully compliant with the Combined Code. The report made a number of recommendations to improve the effectiveness of the Board, including recommendations relating to strategic stewardship and organisational capability, improving the quality of Board meetings and Board succession and composition. These recommendations are being addressed during 2016.

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 is further detailed on pages 16 to 19. 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 48 to 53.

Insurance and indemnification

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

Appointment, induction and training

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

Ongoing development and training is provided to Directors at Board and Committee meetings. During 2015 the Directors received training on:

- regulatory developments in the UK Listing Rules;
- regulatory developments on Corporate Governance;
- insider trading and market abuse;
- crisis management;
- anti-bribery and corruption matters; and
- money laundering.

The Board and Committees expect to receive regular updates and briefings on new legislation and changes to best practice on corporate governance including anti-bribery and corruption matters from the General Counsel & Company Secretary, 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 General Counsel & 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 2015, 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 250 investor meetings and calls were hosted during the year in Europe, Asia, Africa and North America. 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 2016 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.

In addition, the Chairman, with Vivien Gibney, Chairman of the Remuneration Committee, met or spoke with principal shareholders and the leading shareholder protection bodies to explain and seek their support for the proposed new remuneration scheme.

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/.

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

The 2016 AGM will be held on 10 May 2016 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 2015 Annual Report will also be made available at: www.ophir-energy.com.

Report of the Audit Committee

Ronald Blakely,
Audit 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 2015, are set out below:

Committee members	Meeting attendance
Ronald Blakely (Committee Chairman)	3/3
Carol Bell[1]	2/2
Alan Booth	3/3
Bill Schrader	3/3

1 Carol Bell was appointed to the Committee on 20 May 2015 and therefore she was unable to attend the Committee meeting held prior to her appointment.

On 30 April 2016 Bill Schrader will step down from the Committee. A process to recruit two new Non-Executive Directors to replace Nicholas Smith and Ronald Blakely has commenced and is expected to be concluded during 2016. It is anticipated that one of the new appointees will become Chairman of the Audit Committee.

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, Chief Financial Officer, and representatives of the external Auditor and internal Auditor attend Committee meetings on a regular basis. The external Auditor also met with the Committee on several occasions throughout the year without executive management being present.

Report of the Audit Committee Chairman

Dear Shareholder

In my continuing capacity as Chairman of the Audit Committee, I'm pleased to provide you with my report on the deliberations of the Audit Committee during the past year.

The Committee expanded in 2015 with Carol Bell joining as a fourth member. Carol had previously been a member of the Salamander Energy Audit Committee and following the acquisition of Salamander Energy, which brought Carol to the Board of Ophir, amongst other Committees, Carol joined the Audit Committee. She has brought to our discussions and considerations a strong background in capital markets and energy industry finance as well as her knowledge of the Salamander Energy assets and operations.

As has been previously highlighted in this report, the past year has been one of significant transition for Ophir with the acquisition of Salamander Energy. This immediately brought into focus several matters for the Audit Committee to consider. Firstly, on an operational level, there was the need to integrate financial reporting systems, which always carries an element of control risk. As important was the integration of staff functions in the Finance Department. This included the closure of the Perth office and transfer of certain Finance activities from Perth to both the London and Bangkok offices. At corporate level, redundant positions were managed as a number of staff exited the organisation. Again, these discontinuities could raise control risks for the organisation. The Committee reviewed plans and execution of these transitional activities and by the fourth quarter, all changes had been implemented successfully.

Several accounting matters also required consideration and review. Accounting policies required harmonisation between the organisation. Accounting was applied to allocate the acquisition costs to the fair value of Salamander Energy assets and liabilities. The Company produced financial statements for the first time including production revenue, along with all the complexities of accounting for Thai taxation, both current and deferred.

Areas of focus in 2015

● Financial Reporting (including going concern and viability)	40%
● External Audit	19%
● Risk and Internal Control	20%
● Internal Audit	17%
● Other	4%

In addition, 2015 was the first year the Company had commercial reserves and the Committee reviewed both the reporting of the reserves along with the accounting impacts driven by those reserves such as DD&A, impairment and decommissioning. These matters generated added discussion and review with our Auditors and increased the scope of the year-end audit.

Lastly, the integrated organisation required a full review of the risk matrix to ensure all risks are identified and significant risks appropriately reviewed by the Board.

Beyond the acquisition related issues, the Committee considered the areas of major risk and accounting judgement which were a continuation from prior years. The most significant being asset impairments related to unsuccessful drilling programmes and abandoned assets, and at year-end with the substantially lower oil price, the carrying value of development and producing assets. The other areas of particular review were the 'Going Concern' review and the 'Viability Statement', the results of which for both are outlined in the report. As this was the first year for the Viability Statement, considerable time was given to this requirement. In an environment of low oil prices, projected by many to endure through a long trough, the Company will remain dependent on asset sales, joint partnering and, potentially, capital market funding until a sustainable business model is fully in place. Therefore, we felt it was incumbent on the Board to ensure shareholders fully assess the longer-term risks associated with the Company's viability, as outlined in our disclosure.

Shareholders will also read our commentary on Auditor assessment. This past year provided ample opportunity to appraise Auditor effectiveness following the acquisition of Salamander Energy. It was a challenging period to assume the audit responsibility in a timely manner, which was handled extremely well from planning through to execution and ultimately to sign off of the year-end accounts.

In addition to the accounting matters, the Committee also received and approved an updated Tax Policy for the Company. Given the concerns raised in public debate related to cross-jurisdictional tax matters, the updated Policy provides much clearer linkage between the business model and corporate structure that influence tax transactions.

I would also like to come back to a matter that I've highlighted the past two years in my letter which is that of non-audit fees to our Auditor, which is an ongoing dilemma for the Committee. As a very proactive transactional-focused organisation, that leads to a significant requirement for accounting support particularly related to the production of offering memorandums and for a relatively small organisation, a heavy burden to manage the duplicate activity when the work relates to presentation of financial statements. In addition, the work invariably takes longer to complete when it involves a company that has no history with the financials. For example, when preparing the Offering Memorandum for Salamander Energy, the Committee weighed up the work requirements and time lines to produce the document and decided in favour of using EY as the most economic and efficient use of resources. The Committee is however conscious of the regulatory direction on non-audit work directed to our Auditors and will work toward this in future, particularly as specific guidelines come into effect. It will be a challenging proposition.

This will be my last report to shareholders as Chairman of the Audit Committee. For succession planning purposes, I have notified the Board of my intention not to stand for re-election in 2017. In the course of the next year, the Board will recruit a new Chairman which will allow a full and effective transition. I shall depart Ophir with very fond memories of the first six years of Ophir as a public company.

Ronald Blakely
Audit Committee Chairman
9 March 2016

Report of the Audit Committee continued

Role and responsibilities of the Audit Committee

During 2015, 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/corporate-governance/board-committees/audit and are fully compliant with section C.3.2 of the Code.

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 the 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. 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 IFRS 6 and concluded that full impairment of certain of the Group's assets was appropriate given the Group's future plans for those assets.

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 Audit Committee is the appropriateness of preparing the accounts on a going concern basis. The Audit 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 exploration assets, which invariably are non-revenue generating. It follows from this that the principal focus of the Audit 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 the full-year financial statements for 2015, the Audit 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 2015 Accounts (further detail on the going concern statement is set out on page 63).

Viability Statement

The Financial Reporting Council (FRC) has revised the Code to include a Viability Statement and the Company's full Statement can be found on page 16 of the Strategic Report.

External 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 2015 the Company committed expenditure of $1,088,650 on audit services (2014: $411,000), an increase of $677,650 due to the additional audit and audit related work required post acquisition of Salamander Energy plc and the introduction of producing assets into the Group. In addition, the Company committed expenditure of $1,127,910 on non-audit work (2014: $601,000). 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 8 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.

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 2016.

Report of the Audit Committee continued

Internal audit

Mazars LLP remained appointed as the Company's internal Auditors during the period under review.

To ensure the continued effectiveness of the function, the Committee reviewed and approved the 2015 Internal Audit Plan.

Key actions undertaken by Mazars LLP during 2015 included the following:

- review and control testing of a new accounting system implemented during the year;
- review of the payroll system function;
- review of processes and control surrounding the Treasury function;
- key assets visits to Equatorial Guinea and Tanzania focusing on internal controls; and
- evaluated the authorisation processes and controls relating to Joint Venture and Production Sharing Contracts.

Key actions to be undertaken as part of the internal audit plan scheduled for 2016 include:

- reviewing the Group's governance and controls around tax accounting to ensure compliance against regulatory standards and internal policies;
- an assessment of the Company's processes and controls around cyber security and the mitigating factors used to prevent a cyber attack;
- asset visits to Indonesia to assess the overall risk management and reporting controls that have been deployed around key assets in the area; and
- reviewing the effectiveness of risk management and control across the Group.

The findings from the review will be followed up during 2016 and reported to the Audit Committee.

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 time frame. 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 2015 the Committee met with the Executives Directors and the senior management team responsible for evaluating new country risks in particular in Southeast Asia immediately following the acquisition of Salamander Energy plc and assets from Niko Resources Limited. The Committee also undertook a review of the policies relating to internal controls for both entities and developed an action plan to amalgamate these with the Company's existing policies to better streamline the Company's risk management structure.

The principal risks identified by the Company are set out on pages 16 to 19.

The Board has reviewed the effectiveness of the internal control systems in operation during the financial year and, where necessary and appropriate, action has been taken to remedy any identified failings or weaknesses. The following illustrates how the risk management process and the system of internal control operated during 2015:

Matter	Action
Schedule of delegated authority	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.
Year-end compliance	A formal process exists for year-end risk management compliance reporting, requiring the Executive Directors together with the senior management team to confirm their responsibilities for risk management and internal control. Ultimate compliance reporting is required from each Board member.
Treasury and Finance policies and procedures	A formal review of the various treasury and finance policies and procedures to ensure consistency across the Group in particular, following the acquisitions of Salamander Energy plc and assets from Niko Resources Limited.

Anti-bribery and whistleblowing

In 2015 Ophir materially strengthened its ethical compliance processes to reflect changes to the corporate risk profile and scope of our activities. Ophir has revised its Code of Conduct clearly defining its expectations of staff and key stakeholders in relation to business integrity.

The Code of Conduct has been supplemented by the introduction of enhanced Ethical Compliance processes notably, a revised Anti-Corruption Policy (the Policy) and a suite of personal conduct Standards (the Standards) observance of which is mandatory for all staff who are required to confirm at the start of each calendar year that, in relation to the prior year, they complied with the Policy and the Standards.

The Ethical Compliance processes introduce an enhanced requirement for Anti-Corruption Reporting, for example any third party request for a facilitation payment is reported to a designated compliance function who address the matter. Further, there is clearer guidance around seeking corporate approvals for gifts and hospitality given and received and the declaration of employee conflicts of interest. Gifts and Hospitality, Conflict of Interest and Anti-Corruption Reporting Registers are maintained by assets and functions and monitored by the Compliance function.

Due diligence on third parties including intermediaries, suppliers, prospective business partners and social investment counter-parties is supported by a set of improved processes enabling early identification of red flags and appropriate risk management measures to be applied prior to contract award, contract execution and during the life of any contract. A rolling staff Ethical Compliance training programme is also in place to raise awareness and understanding of the application of the Code, the Policy and the Standards.

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 General Counsel & Company Secretary, Ronald Blakely, 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 2015, no whistleblowing issues were raised.

Report of the Corporate Responsibility Committee

Bill Schrader,
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 2015, are set out below:

Committee members	Meeting attendance
Bill Schrader (Committee Chairman)	4/4
Alan Booth	3/4
Vivien Gibney	4/4
Lyndon Powell[1]	2/2

1 Lyndon Powell resigned from the Committee on leaving the Board on 20 May 2015 and attended two Committee meetings prior to his retirement from the Board.

On 30 April 2016, Nicholas Smith will retire from the Board and will be succeeded by Bill Schrader as Chairman of the Company. On that date Bill Schrader will resign as the Chairman of the Corporate Responsibility Committee but remains a member of this Committee. Dr Carol Bell joined the Corporate Responsibility Committee on 27 January 2016 and will replace Bill Schrader as Chairman with effect from 30 April 2016.

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, General Counsel & Company Secretary, Corporate Responsibility Manager and the Director of Security and Surface Risk 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

The Corporate Responsibility Committee is mindful that as we grow, continued success depends on our ability to work responsibly and to deliver safety and environmental performance which is 'best in class'. Ophir's philosophy is based on the fundamental objective of keeping people, the environment and our assets safe in order to protect our reputation.

The values underpinning Ophir define the choices we make as corporate citizens. We strive to maximise the benefit to stakeholders in an accountable, transparent, responsive manner; central to our operations is working effectively with local businesses, communities and governments in order to achieve success together.

The Committee is very proud of the top quartile safety record achieved by our staff and contractors during 2015. As we look to continually improve safety, we recommended the introduction of a comprehensive leading indicator KPI system to help predict and prevent potential incidents or accidents before they occur; this will be operational in 2016. A key improvement was the advancement of Ophir's incident management framework.

Our environmental record in 2015 was excellent, with zero recordable spills. Our operations are environmentally compliant with local regulations and industry best practice.

The security and safety of our staff and contractors is strongly linked to our Ophir Values and I am pleased to say we experienced no Lost Time Incidents and only two minor recordable injuries (classed as TRIRs) over the year.

In 2015 Ophir's community project efforts expanded in a number of areas. We operate these programmes in all jurisdictions and are compliant with local requirements. Ophir is well aware of its continuing need to maintain its licence to operate as well as the importance of supporting sustainable initiatives to increase local capacity and opportunities.

In March 2015 the acquisition of Salamander Energy was an important event for the Company and the integration of the Corporate Responsibility systems and procedures of the two entities has been one of the major undertakings the Committee has overseen in 2015. Immediately following the acquisition, Ophir carried out a comprehensive gap analysis covering the two organisations. It was evident that Salamander had robust Corporate Responsibility systems in place and developed noticeable strengths in its social licence to operate. Over the past year we have been able to effectively implement Ophir's business ethics and compliance policies and standards across all assets. The Committee is pleased to report that the culture of the two organisations has been aligned successfully and we will continue to focus our efforts in this area to maintain the positive momentum we have achieved.

The Committee ensured that Ophir continued to maintain the highest ethical performance in its activities during 2015. The Code of Conduct was enhanced early in the year and a comprehensive employee engagement survey was carried out to help measure how well the Ophir values were being applied across the business.

In order to demonstrate compliance and continuous improvement in the areas of Corporate Responsibility, the Committee has supported the development and implementation of the highest standards measured using meaningful KPIs. To ensure the Committee is effective and providing maximum value we review our Committee Terms of Reference annually.

I would like to express my sincere thanks to my fellow Committee members for their support, commitment and effectiveness over the past 12 months. Finally, both the Committee and I would like to recognise the significant contribution Lyndon Powell made over the last seven years as Chairman of this Committee. Lyndon retired in May 2015 and we wish him well for the future.

Bill Schrader
Corporate Responsibility Committee Chairman
9 March 2016

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

Report of the Corporate Responsibility Committee continued

Corporate Responsibility Committee activities

During 2015, significant progress was made by the Corporate Responsibility Committee covering many areas. The Committee's key focus and outcomes are set out below:

Corporate Responsibility function	2015 Corporate Responsibility Committee highlights
Health and Safety	No major incidents – top quartile TRIR – including the safest-ever Ophir drilling campaign (Vantage Emerald Driller, Thailand)
	Health and safety continuous improvement – developed and introduced a leading indicator system – to expand and improve how we measure HSE performance
	Business continuity continuous improvement – streamlined and updated incident management procedures and training
	Successful integration of Southeast Asia assets (Salamander and Niko Resources acquisitions)
Environment	Zero recordable spills. All operations compliant with relevant standards
Security	Zero security incidents – all field operations preceded by risk assessment and security plans put in place as appropriate
Community projects	Supporting successful sustainable initiatives with local capacities
Ethics	Ophir Values – developed a list of Company Values which were communicated throughout the Group
	Code of Conduct established and deployed across the Company
	Employee Engagement – 2015 Employee Survey

In December 2014 Ophir carried out an independent HSE management system gap analysis and the results were analysed during 2015.

The scope of the study was to carry out a gap analysis of the existing HSE management system and how it stands up against industry best practice.

The Corporate Responsibility Committee was presented with the summary findings:

- The HSE management is a legislatively-compliant management system.
- Further Group-wide implementation is required.
- Efficiencies and continual improvements can be made.

In response to the gap analysis findings, the newly appointed Group Head of HSE and Operational Excellence will continue to develop and expand corporate-level HSE audit processes. We are adopting leading, as well as lagging, indicators this year, and this will encourage auditing processes. In addition, Ophir has recently acquired a web-based, real-time HSE management system. The roll out of this system will greatly help to enforce global standards and efficiencies, as well as continuing to ensure all parts of the Group work using a single integrated HSE management system.

Further information on the Company's approach to Corporate Responsibility and HSE matters can be found in the Corporate Responsibility report on pages 30 to 38.

Greenhouse gas emissions

Reducing energy consumption and associated emissions of greenhouse gases remains a priority of the Company. The Group's energy consumption and associated greenhouse gas emissions during 2015 are set out on page 32.

Report of the Nomination Committee

Nicholas Smith, Nomination Committee Chairman

Membership and attendance

The members of the Nomination Committee, together with details of their individual attendance at meetings held during the year ended 31 December 2015, are set out below:

Committee members	Meeting attendance
Nicholas Smith (Committee Chairman)	3/3
Nick Cooper	3/3
Carol Bell[2]	1/1
Ronald Blakely	3/3
Vivien Gibney[2]	1/1
Lyndon Powell[1]	1/1

1 Lyndon Powell resigned from the Committee on leaving the Board at the conclusion of the 2015 AGM.
2 Carol Bell and Vivien Gibney were appointed to the Committee on 20 May 2015.

On 30 April 2016, Nicholas Smith will retire from the Board and as Chairman of the Committee. Bill Schrader has been chosen to succeed him as Chairman of the Company. Bill Schrader joined the Nomination Committee on 27 January 2016 and will assume the position of Chairman of the Nomination Committee as of 30 April 2016.

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.

Role and responsibilities of the Nomination Committee

During 2015, 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/corporate-governance/board-committees/nomination and are fully compliant with section B.2.1 of the Code.

Report of the Nomination Committee Chairman

Dear Shareholder

There were three areas of focus for the Nomination Committee this year. The addition of a Board member from the Board of Salamander Energy plc, the search for my successor as Chairman and the commissioning of a Board Effectiveness Review.

I am very pleased that Dr Carol Bell joined us in April 2015 and her positive contributions were felt immediately. Further information setting out the Chairman succession process run by Ron Blakely and Board Effectiveness Review is given on page 46.

The Board has started the process of recruiting two new Non-Executive Directors that will replace Ron Blakely and me, and both appointments will hopefully be concluded by December 2016.

I am also pleased that Tony Rouse has joined the Board as Chief Financial Officer as per the announcement made on 27 January 2016. Since joining the Company, Tony has demonstrated financial skill and judgement and I am confident that he will be a valuable addition to the Board.

Nicholas Smith
Nomination Committee Chairman
9 March 2015

Report of the Nomination Committee continued

Chairman succession

As reported last year, the Committee led by Ronald Blakely worked with a global executive search agency, in its search for suitable candidates to succeed Nicholas Smith as Chairman of the Board. The global executive search firm has no other connection with the Company.

The Committee undertook a comprehensive search process against objective criteria and with due regard for the benefits of diversity, including gender. The role of the global executive search firm was to prepare a detailed role specification agreed with the Committee and the Senior Independent Director, incorporating the expected time commitment and duties to be performed as Chairman of the Company. The following key attributes for the role were identified:

- considerable experience working in the oil and gas sector and in particular, direct experience working in Africa and Asia;
- understanding of capital markets and established relationships with the banking community as well as shareholder relations;
- possessing a comprehensive knowledge and understanding of UK corporate governance practices; and
- having sufficient time to discharge their responsibilities effectively, acknowledging the role to be their primary commitment.

The search firm produced detailed profiles of prospective candidates, which were later reduced to a short-list with briefing reports reviewed by the Committee. The candidates identified from the search were interviewed by members of the Board.

The Committee consulted with the Company's advisors and received feedback from its major shareholders concerning the prospective successor and took detailed references. Following this rigorous selection process, the Committee recommended that Bill Schrader be appointed as successor to Nicholas Smith. The Board accepted the recommendation and it was announced on 27 January 2016 that Bill Schrader would succeed Nicholas Smith as Chairman of the Board with effect from 30 April 2016.

Bill Schrader met the independence test set out in section B.1.1 of the Code on appointment and will be able to dedicate the requisite time to the role.

Board composition

The Committee considers that the Board consists of individuals with the right balance of skills, experience and knowledge to provide strong and effective leadership of the Company. The majority of the Board, excluding the Chairman, are independent Non-Executive Directors, and the Board's collective experience covers a range of relevant sectors, as illustrated on pages 40 and 41. In addition to possessing a breadth of relevant experience in the oil and gas sector, the Board members have personal experience of working in both complex organisations and countries relevant to the countries in which the Company operates.

As part of this year's review, the Committee also evaluated the level of financial experience amongst the Board following the restructuring of the Board in 2014 and given the complexity of the Group following the corporate acquisitions completed this year. Following a detailed assessment, the Committee recommended that the role of Chief Financial Officer will be elevated to that of an Executive Director. Consequently, Tony Rouse became an Executive Director on 27 January 2016.

Following the acquisition of Salamander, the changes in the industry and the upcoming Chairman succession, the Committee commissioned an independent Board Effectiveness Review in November 2015 to consider if the current Board skills matched the industry requirements going forward. It was agreed that the Chief Financial Officer position should be elevated and a process to recruit two new Non-Executive Directors to replace the outgoing Nicholas Smith and Ronald Blakely is underway and is expected to be concluded during 2016. It is anticipated that one of the new appointees will become Chairman of the Audit Committee and will hold 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.

Succession planning

The Committee once again assessed succession planning of the Executive Directors including other members of the senior management team during 2015, in particular, potential internal candidates for senior vacancies which may arise on a crisis, short, medium or long-term basis. 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 2015 highlighted the increasing importance of succession planning at Board level to ensure the Company's future success and continuity of talent.

Diversity and equality

The Board and Nomination 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 37.

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 an appropriate balance. When searching for candidates for Board positions, the Committee will only use the services of those executive search firms which 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 26 on pages 128 to 132 of the financial statements.

Results for the year ended 31 December 2015

The Company's results for the financial year are shown in the consolidated financial statements on pages 90 to 160.

Directors

Biographical details for the Directors of the Company who held office during the year ended 31 December 2015 and at the date of this report are set out on pages 40 and 41. 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 64 to 88. The Directors' insurance and indemnity provisions are set out on page 46.

Substantial shareholders

As at 31 December 2015 and 9 March 2016, 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 27 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.

Following the conclusion of the programme on 1 May 2015, a total of 41,636,469 shares with an aggregate nominal value of £104,091 at a cost of £64.7m ($98.0m), representing 5.58% of the share capital, had been purchased at an average price per share, including transactions costs, of 161 pence.

Name	Number of shares held as at 31 December 2015	% holding as at 31 December 2015[1]	Number of shares held as at 9 March 2016	% holding as at 9 March 2016[2]
SailingStone Capital Partners LLC	85,690,866	12.14	78,567,257	11.13
Hotchkis & Wiley Capital Management LLC	78,561,578	11.13	78,561,578	11.13
Prudential PLC Group of Companies	77,757,214	11.02	79,689,091	11.29
BlackRock Inc.	55,700,884	7.89	55,700,884	7.89
The Capital Group Companies, Inc.	43,478,569	6.16	43,478,569	6.16
Standard Life Capital Partners LLC	42,637,020	6.04	42,637,020	6.04
Janus Capital Management	35,280,313	5.00	26,948,592	3.82
Mittal Investments Sarl	25,314,653	3.59	0	0

1 Calculated by reference to the issued share capital of the Company as at 31 December 2015.
2 Calculated by reference to the issued share capital of the Company as at 9 March 2016.

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 1,285,868 shares were used to satisfy option exercises under employee share schemes. Accordingly, as at 31 December 2015, 40,350,601 shares were held in treasury.

The general authority to repurchase shares will expire at the Company's 2016 AGM. The Directors presently intend that a resolution to renew this authority will be proposed at the 2016 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 161 to 163. The Articles can be found on the Company's website (www.ophir-energy.com).

Statement of shareholder voting

In relation to the votes cast against the recommended acquisition of Salamander Energy plc at this year's General Meeting held on 6 February 2015, the Board had continually reviewed the strategic rationale and metrics of the transaction against the fall in the oil price since the transaction was announced. The Board remains of opinion that the transaction makes full strategic sense and will create value for shareholders. The Company will continue its ongoing consultation with shareholders as we begin to create value from our African and expanded Southeast Asian businesses.

Dividend policy

The Directors have not recommended a final dividend for the year ended 31 December 2015 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

The Group's energy consumption and associated greenhouse gas emissions during 2015 are set out in the Strategic Report on pages 31 and 32. 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 37, and the Board policy on diversity is summarised on page 59 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 37.

Employees

The Company is committed to actively communicating with employees in many ways, including Town Hall meetings, video briefings, team meetings, print and email communications, as well as regular training on health and safety, and regulatory matters. The Company is an equal opportunities employer and continues to have a diverse workforce comprising local employees, contractors and expatriates at most sites. The Company provides all its employees with the opportunity to identify and engage in training to aid and accelerate career development opportunities. As at 31 December 2015, the Company employed 302 people (2014: 133 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 30 to 38.

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. An updated version of Code of Conduct was published on 20 May 2015.

Directors' responsibility statement

The Directors' responsibility statement is set out on page 89 and the Company's financial statements are included on pages 90 to 160.

Change of control

The Company has entered into a number of commercial contracts which might take effect, alter or terminate on a change of control of the Company. However, none of these is considered to be significant in terms of their likely impact on the business of the Company as a whole. Details of change of control clauses contained in the Service Agreements of the Executive Directors are set out on page 76 of the Directors' Remuneration Report.

All the Company's share incentive plans contain provisions relating to a change of control and full details of these plans are provided in the Directors' Remuneration Report on pages 64 to 88. Generally, outstanding awards under the Foundation Incentive Plan, the 2006 Share Option 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 39 to 47, 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 40 and 41. 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 51 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 2015.

The Audit Committee has 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 2016 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 report on pages 1 to 38. The financial position of the Group, consisting of cash resources of $614.6 million, its cash flows and its liquidity position is described in the financial statements on pages 90 to 160. In addition, Note 26 to the financial statements includes 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. 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.

Viability Statement

The Financial Reporting Council (FRC) has revised the "Code" to include a Viability Statement and the Company has included its viability statement for the 2015 year end. The full statement can be found on page 16. The Viability Statement provides investors with an improved and broader assessment of long-term solvency and liquidity of the Company. The Directors have agreed that the Company can sign the Viability Statement as it has developed a robust strategy over the medium term, which includes sufficient forecasting that takes account of industry and macro-economic factors, such as a low commodity price for oil and gas in addition to an improved control over capital expenditure.

Post balance sheet events

A summary of the key post balance sheet events is set out in Note 39 to the Group Financial statements.

By order of the Board

Nick Cooper
Chief Executive Officer
9 March 2016

Registered office:
Level 4, 123 Victoria Street, London SW1E 6DE
Company registered in England and Wales No. 05047425

Chairman's Annual Statement on Remuneration

Vivien Gibney,
Remuneration Committee
Chairman

Dear Shareholder

I am delighted to have the opportunity to provide you with an overview of the key activities of the Committee during the year and outline for you our proposals to better align remuneration with strategy.

2015 has been a year of progress at Ophir in what continues to be a challenging commercial context for E&P companies. We completed the Salamander Energy acquisition and successfully integrated the Asian assets and operations into our Company. This was a significant step in achieving our longer-term objective of becoming a self-financing exploration Company which is focused on value creation from our assets. Given the current E&P environment, we took a prudent approach to investment and made significant progress in de-risking certain assets where it made commercial sense to do so. Progress in these areas was achieved in line with our planning expectations set at the start of the year. As a result of our actions, we have African and Asian focused assets that are well positioned with a competitive advantage, even at current commodity prices, which with minimised drilling commitments continues to offer the opportunity for material value creation.

From a people perspective, the integration of new colleagues from Salamander Energy presented the opportunity to combine the best of our cultures, but with a renewed focus on disciplined capital allocation and asset management. This process involved some restructuring of our internal workforce, and the nature of individual roles, but it has ensured that we are now structured to best support our core objective of value creation. This cultural evolution is very much in tune with the current challenging E&P environment.

As a result of the refinement of our strategy, and the cultural changes we have implemented during the year, we are seeking your approval to better align our Remuneration Policy with our strategy for the current financial year. As I will explain in summary below, and in detail in the Remuneration Report, this involves moving away from a standard UK remuneration model to one that is aligned with the successful delivery of the unique value proposition at Ophir, as detailed in the Chief Executive's review. Subject to your approval, we will align the entire workforce at Ophir in the same remuneration structure, which will only provide material rewards if we are successful in delivering our core objective, which is value creation as measured based on growth in Net Asset Value (NAV) per share.

Given that we are seeking to make a change to our Remuneration Policy for the current financial year, the Directors' Remuneration Report which follows, is split into two parts:

1. Our revised Remuneration Policy, which sets out the proposed changes we are to make (pages 67 to 77), will be put to a binding shareholder resolution at the forthcoming AGM; and
2. Our Annual Report on Remuneration, which describes how our previously approved Remuneration Policy was implemented in 2015 and how the new Remuneration Policy will, subject to the necessary approvals at the AGM, be applied in 2016. This will be subject to an advisory shareholder resolution.

Remuneration Committee key activities in 2015

Performance and Reward

As part of transitioning to the new Remuneration Policy which follows, remuneration earned in relation to the 2015 financial year will pay out and be awarded in line with the current remuneration policy.

In what has been a challenging environment for E&P companies, the executive leadership team has performed strongly. In the key areas we targeted at the start of the year we have made robust progress.

In exploration, for example, we broadened our portfolio in a responsible way (e.g. completing the low commitment acquisitions of five deep-water PSCs in Indonesia), completed a number of seismic acquisition programmes (e.g. Myanmar). In addition, where it has made commercial sense to do so, we have de-risked assets (e.g. Fortuna FLNG with Golar LNG signed on as a Midstream partner).

From an operational perspective, we have also created a culture of strong financial discipline, operating within our targeted levels of spend for the year. In terms of positioning for 2016, we are well placed from both a financial perspective and continue to high grade our exploration portfolio ahead of drilling in 2017. Finally, and importantly, we achieved our 2015 successes safely.

With our annual bonus targets linked to many of the above actions, bonuses are to be payable in the region of 0% to 150% of the maximum amount payable.

With regards to longer-term performance, the absolute total shareholder return performance target that applied to Tranche 1 of the Chief Executive Officer's 2012 Exceptional Long-Term Incentive Award (tested to 18 June 2015) was not met and so the relevant part of this award lapsed during the year under review.

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.

Application of Remuneration Policy for 2016

As I noted above, we plan to introduce a new Remuneration Policy for 2016 which includes a complete reworking of our current remuneration structure.

We are proposing to move from a standard UK remuneration model that has been applied across the vast majority of UK listed companies (from general retailers to manufacturing companies), to one that is more closely aligned with our long-term business model of being a self-funded exploration focused Company.

In summary, this includes restructuring our remuneration so that material rewards are only available when we create value from our assets, which, by their nature, have very long-term life cycles (e.g. typically well beyond a standard three-year long-term incentive cycle). Specifically, this involves:

- Reducing annual bonus opportunity from a maximum of 150% of salary to 50% of salary for Executive Directors, with a balanced scorecard of targets continuing to determine individual bonuses.
- Replacing the current Long-Term Incentive Plan with a scheme based on growth in NAV per share. In summary, this would involve:
  - All Ophir employees participating in the scheme effective from 1 January 2016 (subject to shareholder approval at our 2016 AGM).
  - The scheme only rewarding if we deliver long-term growth in NAV per share which is measured based on well-defined NAV events. When an event does take place, 12.5% of the increase in NAV above the prior Benchmark NAV will be used to create a reward pool.
  - NAV events will generally be monetisation events such as farm-outs and asset sales, which have defined values, and the risked value of development assets once a Final Investment Decision (FID) is taken or first production takes place to ensure NAV events are tangible and demonstrably value creating.
  - The impact of commodity prices is factored out of the scheme so that these events are neutral to ensure that the reward pool is not artificially inflated or deflated by the commodity cycle. Similarly, cash distributions, fundraising or capital changes are also factored out of the scheme.

- When a reward pool is created, it will be distributed with the following features to apply to Executive Directors:
  - Individual rewards are capped;
  - 75% of NAV scheme rewards are delivered as deferred shares that vest after three, four and five years with a requirement for the total number of after tax shares to be retained for a minimum of five years;
  - 25% of rewards are delivered in cash; and
  - recovery and withholding provisions apply to ensure that only true value creation is the basis of rewards.
- Tougher share ownership guidelines will apply.

Implementing a revised Remuneration Policy that will only reward employees for delivering value-creating events supports our culture of empowering employees to act like owners when allocating capital and is considered to better align employees with our strategy and take full account of the current E&P environment. Furthermore, the capping and deferral of the majority of rewards, operated with recovery and withholding provisions and tougher share ownership guidelines, ensures that the scheme is consistent with effective risk management and achieves long-term alignment with shareholders.

In light of the current E&P environment, no increases were awarded to base salaries of the Executive Directors. With regard to the appointment of Tony Rouse as Chief Financial Officer on 27 January 2016, his salary was set at £325,000, which is reflective of the market rate for the role having taken into account the calibre and experience of the individual.

Shareholder feedback

Following an extensive shareholder consultation in relation to the above new scheme, I wanted to take the opportunity to express my gratitude, and that of the Company Chairman, to our major shareholders and the leading shareholder protection bodies for taking the time to enter into constructive dialogue with us around our revised Remuneration Policy. We found your input extremely helpful in shaping the final design of our scheme. You were right to describe the scheme as innovative, but it is our belief that in the present low price environment, innovation is required and we look forward to receiving your support for our new scheme, and wider approach to remuneration, at our AGM.

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
9 March 2016

Directors' Remuneration Policy

In this section we set out our Remuneration Policy, how it supports our strategy, how the Committee intends to operate it, the selection of performance metrics and why we believe they support our strategy and are appropriately stretching and other relevant information about the Directors' service agreements.

The effective date of the Policy is 10 May 2016, which is the date shareholder approval is being sought for the revised policy at the AGM.

Under the revised Remuneration Policy, remuneration will continue to be structured with 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 a long-term incentive scheme). However, the long-term incentive scheme, as detailed below, is to be reworked to better fit with the Company's strategy and the current E&P environment.

Remuneration Policy

As detailed in the Chief Executive's review, unlike full cycle E&P companies, Ophir's focus is on becoming a self-financed explorer using production assets to fund exploration. As we move to achieve this objective, shareholder returns are generated through the monetisation of our exploration assets at the appropriate time rather than looking to continually increase production.

How successful we are in implementing this 'Big E, little p' strategy is captured through our success in growing our NAV per share and, therefore, the change to our Remuneration Policy from 2016 primarily relates to the introduction of a new long-term incentive scheme, based on growth in NAV per share, to replace our conventional Long-Term Incentive Plan.

At the same time as replacing our Long-Term Incentive Plan, we are also reducing the emphasis on short-term performance with annual bonus opportunity for Executive Directors reduced from 150% of salary to 50% of salary (earned based on performance against a balanced scorecard of key performance indicators) and toughening our share ownership requirements.

In terms of the replacement long-term incentive scheme, participants will no longer benefit from annual awards of shares that vest in three years' time subject to performance targets and continued employment. Under the new scheme, opportunity for reward only takes place when value is created (measured based on NAV per share growth) through the long-term development of our assets. Once value is created, reward is payable in a combination of cash (25%) and shares (75%) which vest over five years and all shares (net of tax) must be retained for a minimum of five years from grant. The scheme's long-term focus is considered entirely appropriate for an industry where decisions taken have multi-year time horizons. The scheme will ensure clear alignment between Executives and shareholders. A full summary of the principal terms of the scheme is set out in the Notice of AGM, with summary details of the operation of the plan included below:

- Remuneration will only be earned if we deliver long-term growth in NAV per share, which is measured based on well-defined NAV events. When an event does take place, 12.5% of the increase in NAV above the prior Benchmark NAV is used to create a reward pool.
- NAV will be calculated based on the SEC definition of Net Present Value at a 10% discount rate (NPV).
- Every $1 spent on development reduces Benchmark NAV, so payouts under the scheme only take place, in principle, when there is a return on our investment decisions through value creation. There are only certain well defined events that count towards testing the prevailing Benchmark NAV, with these events potentially triggering a reward if the reduced NAV due to development spend has been more than offset by the value attributable to the NAV event.

Opening Benchmark NAV → NAV falls with development spend → NAV rises: monetisation, FID or First Production → New NAV Benchmark: Reward pool

- NAV events will be monetisation events, which have defined values, or the risked value of development assets once a Final Investment Decision (FID) is taken. The list of NAV events is as follows:
  - farm-outs;
  - asset sales;
  - FID events;
  - first production; and
  - a gross sales agreement renegotiation (since this effectively revalues the asset).
- If one of the above events takes place, then a calculation of current Group NAV per share will be undertaken to ascertain whether the previous Benchmark NAV has been exceeded.
- When testing whether or not a NAV event has resulted in the opening Benchmark NAV per share being exceeded and thereby creating a reward pool, the historic benchmark will be rebased, as appropriate for (i) current forward strip commodity prices to ensure that the reward pool is not artificially inflated or deflated by the commodity cycle and (ii) any cash distributions to shareholders or funds raised from shareholders and/or the issue or cancellation of shares so that these events are neutral to the operation of the scheme;
- In the event that a NAV event has triggered a reward, the pool would be distributed to all employees, with the following features applying to Executive Directors:
  - The maximum variable pay (annual cash bonus plus NAV scheme) that an Executive Director may receive in any calendar year has been limited to 500% of base salary (i.e. 50% annual cash bonus and 450% NAV scheme). NAV events are unlikely to occur regularly in each financial year; two (or more) events may occur in any given year, or conversely none may occur in any given year. Since there are likely to be periods where NAV events do not take place in multiple years, but their value when they do has the potential to be substantial, if a NAV event occurs in a year where there has not been a NAV event in the prior year that triggers a reward pool, the maximum variable pay (annual cash bonus plus NAV scheme) will be increased to 750% of salary in that year;
  - 75% of NAV scheme rewards are delivered as deferred shares that vest after three, four and five years for Executive Directors. However, the total number of after tax shares must be retained for a minimum of five years;
  - Recovery and withholding provisions apply to ensure that only true value creation is the basis of rewards. Trigger events for recovery of value overpaid include (i) when an FID is taken but the development is subsequently cancelled prior to production or (ii) the Company is the subject of a lawsuit that is successfully pursued by a third party in relation to a NAV event under which a reward pool was generated.

Since the above scheme will apply to all employees in the Group (albeit tailored by employee level), a single 10% in 10 years dilution limit will operate in relation to the award of shares through the scheme.

In addition to the deferral requirements under the NAV scheme, tougher share ownership guidelines will apply. These will require the Chief Operating Officer and Chief Financial Officer to move to a 200% guideline (from 100% of salary) with the Chief Executive Officer continuing to have a 300% of salary guideline.

Transitioning to the new scheme

The new scheme will operate (subject to shareholder approval) in 2016. Therefore rewards earned in relation to the 2015 financial year will take place in line with current policy with performance having been tested against the original targets (i.e. annual bonuses and long-term incentive awards as detailed in the Annual Report on Remuneration on pages 78 to 88 will be paid and awarded as per the Remuneration Policy approved by shareholders at the 2014 AGM).

Following the above awards, from the 2016 AGM, all future employee share awards will operate in accordance with the new policy (i.e. lower annual cash bonuses plus participation in the NAV scheme).

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
Base Salary	To provide the core reward for the role. Sufficient level to help recruit and retain employees. Reflects role and experience of individual.	Reviewed annually and effective from 1 January. Decision influenced by: • Role, experience and personal performance • Average change in total workforce salary in the location where they are based • Total organisational salary budgets • Company performance and other economic conditions Salaries are benchmarked periodically and are set by reference to companies of a similar size and complexity.	Salaries will be eligible for increases during the three-year period that the Remuneration Policy operates from the Effective Date (AGM date). During this time, 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.
Benefits	To recruit and retain employees.	Directors are entitled to health insurance, life assurance, medical evacuation insurance, travel insurance, holiday pay, sick leave and other Group-wide benefits offered by the Company. Other ancillary benefits including relocation expenses may be offered, as required.	The value of benefits may vary from year to year depending on the cost to the Company from third-party providers.	n/a
Pension	To provide long-term savings via pension provision.	The Company operates a defined contribution pension scheme or may contribute directly into an Executive Director's personal pension, or pay a salary supplement in lieu of pension.	The Executive Directors receive a Company contribution into the Group (or their personal) pension plan (or a salary supplement in lieu of pension) to the greater of the statutory minimum and 11% of salary.	n/a
Annual Bonus	To incentivise the execution of business strategy. Rewards the achievement of annual financial and strategic business targets and delivery of personal objectives.	Targets are renewed annually and relate to the business as a whole. Bonus level, payable in cash, is determined by the Committee following the end of the financial year and is based on performance against targets set at the start of the year. Recovery and withholding provisions apply that enable the Committee to recover value overpaid in the event of a material misstatement of the Company's results within a two-year period (this can be through the withholding of variable pay awards or requiring a repayment).	The maximum award under the annual bonus scheme is 50% of salary (reduced from 150% of salary in relation to the year ending 31 December 2015).	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. The Company's bonus is based on the achievement against a range of business objectives and key performance indicators. Given the nature of an exploration led 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: • Exploration • Operations • Financial strength & returns • Business model • Stakeholder engagement • Leadership The Committee retains discretion to reduce the bonus payment in the event of a serious HSE incident or series of incidents. For the bonus measures which operate using a sliding scale of targets, the proportion of maximum bonus earned for achieving threshold performance is set from 0% 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. 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).

Directors' Remuneration Policy continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
2011 Long-Term Incentive Plan **(No further awards will be granted from the 2016 AGM)**	To incentivise the achievement of business strategy over the longer term.	The Company's Long-Term Incentive Plan (LTIP) was approved by shareholders in 2011 and amended in 2012. 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. 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. Awards are granted as soon as the preliminary results are announced (or later if a close period continues to apply as of that date). The normal LTIP performance period is three calendar years beginning on 1 January of the year of grant and ending on 31 December of the third year. 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. Recovery and withholding provisions apply that enable the Committee to recover value overpaid in the event of a material misstatement of the Company's results within a two-year period (this can be through the withholding of variable pay awards or requiring a repayment).	The maximum annual award is 200% of salary, although the Committee is able to grant an award of up to 300% in exceptional circumstances.	Awards vest based on the Company's Total Shareholder Return (TSR) performance over a three-year performance period. 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. 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.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Long Term Value Creation Plan 2016 (sole long-term incentive plan to operate from the 2016 AGM)	To reward for the creation of NAV per share.	A reward pool comprising 12.5% of the growth in NAV is available for distribution to all employees following a NAV event which takes the NAV per share of the Company above the previous high watermark Benchmark NAV per share. For Executive Directors following a NAV event 25% of an individual share of the pool is paid in cash with 75% payable in deferred shares. Deferred shares vest equally after years three, four, and five. A holding period applies to vested shares requiring a minimum of the after tax number of shares to be retained for a minimum period of five years from grant. 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 (or to the conclusion of any holding period). Recovery and withholding provisions apply in the event that value is overpaid as a result of (i) an FID is taken but the development is subsequently cancelled prior to production or (ii) the Company is the subject of a lawsuit that is successfully pursued by a third party in relation to a NAV event under which a reward pool was generated.	500% in any calendar year or 750% of salary if there was no NAV event in the prior year. The limits are inclusive of any bonus payments relating to the calendar year (e.g. should a bonus in respect of the year ending 31 December 2016 be earned to the maximum of 50% of salary then the maximum pay-out under the scheme in relation to the same year is limited to 450% of salary).	A high watermark Benchmark NAV is set (either at the outset of the scheme or following a NAV event where the previous Benchmark NAV is exceeded) and a payment can only become payable once the previous high watermark Benchmark NAV is exceeded.
Share ownership	To align the interests of Directors with those of the Company's shareholders.	The Chief Executive Officer has a 300% of salary holding requirement and other Executive Directors are required to build up a holding of 200% of salary through the retention of 50% of the after tax number of shares vesting under the Company's long-term incentive plans.	n/a	n/a
Non-Executive Directors	To provide a competitive fee which will attract high calibre individuals with the relevant skills and experience to enhance the Board.	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 set having had regard to the median fee payable for Non-Executive Chairmen of companies of a comparable size and complexity. Remuneration levels are agreed based on external advice and give consideration to the time commitment and responsibilities of the role. The Chairman and Non-Executive Directors are not entitled to participate in the Company's executive remuneration programmes or pension arrangements.	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. 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. 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. No benefits or other remuneration are provided to Non-Executive Directors although the Company may make payments to Non-Executive Directors to compensate them on a pre-tax basis for any reasonable expenses incurred undertaking Company business.	n/a

Operation of incentive plans

The Committee will operate the Annual Bonus Plan and long-term incentive plans 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 the operation of those plans restricted to the descriptions detailed in the policy table above for Executive Directors):

- 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 incentive plans 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 long-term incentives 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 prior to the 2016 AGM 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 as per the list on page 69 together with health and safety metrics are used. As an upstream oil and gas exploration company, 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 prior to the 2016 AGM vest as a minimum, subject to relative or absolute TSR conditions which measured our performance either against a group of other oil and gas companies or in terms of absolute shareholder returns.

From the 2016 AGM, long-term performance will be assessed based on our performance in growing NAV per share, which is our key long-term performance metric.

The Committee believes the above measures each achieve alignment between shareholders and executives and that executives are only rewarded for either outperforming their peers or for creating NAV per share.

Other than in the case of NAV per share where a high watermark is established that must be exceeded for a pay-out to take place, 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 2011 LTIP are consistent with the policy set out above and are set out in the Annual Report on Remuneration.

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

Consideration of employment conditions elsewhere in the Group

The Company, in line with current market practice, does not actively consult with employees on Executive Remuneration. The Group has a diverse workforce operating in several different countries, with various local pay practices, which would make any cost-effective consultation impractical. However, when setting the Remuneration Policy for Executive Directors, the Committee takes into account the pay and employment conditions for other employees within the Group. This process ensures that any increase to the basic pay of Executive Directors is not out of proportion with that proposed for other employees.

Differences in Remuneration Policy for Executive Directors compared to other employees

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

Overall, the Remuneration Policy for the Executive Directors is more heavily weighted towards variable pay than for other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the Executive Directors as 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.

Directors' Remuneration Policy
continued

Recruitment and promotion policy

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

Element	Policy
Base Salary	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.
Pension	A defined contribution or cash supplement at the level provided to current Executive Directors as set in the policy table.
Long-term incentives	New joiners will normally be eligible to participate in the Long Term Value Creation Plan 2016 after completion of a probationary period.

Element	Policy
Benefits	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.
Annual Bonus	The Annual Bonus would operate as outlined for current Executive Directors (i.e. to a maximum of 50% 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.
Buy-out awards	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 as permitted under the Listing Rules.

The amount an Executive Director could earn under the remuneration policy

A significant proportion of remuneration is linked to performance, particularly at maximum performance levels. The charts below show how much the Chief Executive, Chief Operating Officer and Chief Financial Officer could earn under Ophir's remuneration policy (as detailed above) under different performance scenarios (based on their salaries as at 1 January 2016). The following assumptions have been made:

Minimum (performance below threshold)

- Fixed pay only with no vesting under any of Ophir's incentive plans.

In line with expectations

- Fixed pay plus a bonus at the mid-point of the ranges typically set (giving 50% of the maximum opportunity of 50% of salary) and a NAV event in 2016 triggering an aggregate payment (in cash and shares) at 225% of salary.

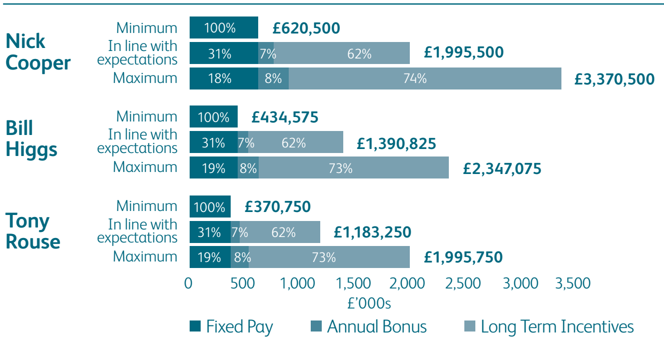
Maximum (performance meets or exceeds maximum)

- Fixed pay plus maximum bonus at 50% of salary and a NAV event in 2016 triggering an aggregate payment (in cash and shares) at 450% of salary.

Fixed pay comprises:

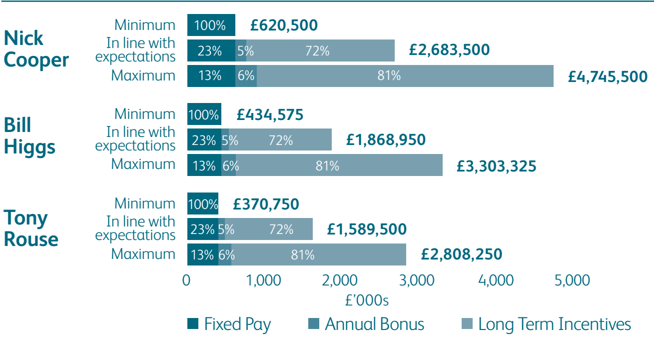
- salaries – salary effective as at 1 January 2016;
- benefits – amount received by each Executive Director in the 2015 financial year;
- pension – employer contributions or cash-equivalent payments at 11% of base salary.

NAV every year



It should be noted that since the analysis above shows what could be earned by the Executive Directors in 2016 based on a NAV event in the year, if there is no NAV event, then the following year (e.g. in 2017 or a later year) there is the potential for remuneration to be higher (as described in the table above) allowing for the fact that NAV events may be infrequent. The charts below include an illustration of the potential remuneration that could be earned in this circumstance based on the same assumptions as noted above but with the NAV event payments being at 350% of salary where performance is in line with expectations and 700% of salary at maximum performance levels.

NAV gap year



The scenarios do not include any share price growth or dividend assumptions.

It should also be noted that the final LTIP awards granted in relation to 2015 performance (as explained on pages 80 to 88 and to be granted in March 2016), when aggregated with a potential NAV event in 2016, would fall within the quantum illustrated in the second set of scenario charts above.

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 in 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's Service Agreement 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 Bill Higgs' Service Agreement, or Tony Rouse's Service Agreement, 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 the current Board:

Name	Continuous employment	Service Agreement date	Notice by Company	Notice by Executive
Nicholas Cooper	1 June 2011	26 May 2011	12 months	12 months
Bill Higgs	10 September 2014	10 September 2014	12 months	12 months
Tony Rouse	1 October 2014	27 January 2016	12 months	12 months

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 death, then the award will vest in full on the date of death.

In relation to the Long Term Value Creation Plan 2016 awards will lapse on the date of cessation of employment unless an executive leaves under certain 'good leaver' circumstances such as death, injury, ill-health, disability, redundancy, retirement with the agreement of his employer, his employing company or the business for which he works being sold out of the Company's Group or in other circumstances at the discretion of the Remuneration Committee (reflecting the circumstances that prevail at the time). If treated as a good leaver, then deferred shares, having been earned as a result of creating NAV growth per share, would ordinarily vest on the dates that they would have vested had the individual not ceased such employment. For Executive Directors, they will continue to be required to retain the after tax number of vested shares for a minimum period of five years from award.

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 2016 AGM. The information on pages 80 to 87 (inclusive) has been audited.

Consideration of remuneration matters

Membership and attendance

The members of the Committee during the year ended 31 December 2015, 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	4/5
Ronald Blakely	4/5
Alan Booth	5/5
Lyndon Powell[1]	3/3
Bill Schrader[2]	2/2
Nicholas Smith[3]	4/5

1 Lyndon Powell stepped down from the Board following the 2015 AGM.
2 Bill Schrader joined the Committee on 20 May 2015.
3 Nicholas Smith will step down from the Committee on 30 April 2016.

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, will step down at the end of April 2016, was independent on appointment. Bill Schrader will become Chairman of the Company from 30 April 2016.

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) 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 at www.ophir-energy.com/about-us/corporate-governance/board-committees/remuneration.

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 £128,784.50 as at 31 December 2015 (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 2016

Base Salaries

The Committee reviews the Executive Directors' base salaries prior to each financial year taking into account individual performance and experience, Company performance and economic conditions.

The Committee assessed the above factors and awarded no base salary increases to the Chief Executive and the Chief Operating Officer, which was in line with the average increase awarded to UK employees. The base salaries, effective 1 January 2016, are included in the table below.

Role	Salary as at 1 January 2016	Salary as at 1 January 2015	Increase
Chief Executive Officer	£550,000	£550,000	0%
Chief Operating Officer	£382,500	£382,500	0%

The Chief Financial Officer's salary was set at £325,000 on appointment which was considered the appropriate market rate for the role having taken into account the responsibilities of the role and the calibre and experience of the individual. It is the Committee's intention, in line with policy, to review salaries annually effective 1 January each year.

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.

Subject to approval of the Remuneration Policy presented to shareholders for approval at the 2016 AGM, the bonus opportunity for the year ending 31 December 2016 will be limited to 50% of base salary, reduced from 150% of base salary in the year ending 31 December 2015.

No bonus is payable for below certain defined performance levels with bonuses earned on a sliding scale (where appropriate) based on the Committee's assessment of achievement against the targets set.

For 2016, the Committee is to operate the following KPI targets for all Executive Directors. These are the same broad categories as those operated in 2015.

Measure	Percentage of total bonus opportunity[1]
Exploration Metrics include the capture of high quality exploration acreage and drillable prospects	14.67%
Operations Metrics include leading and lagging HSSE performance, capital management and production reliability	16%
Financial strength and returns Metrics include optimisation of Ophir's capital and generation of growth in net asset value for key assets	14.67%
Business model Metrics include level of revenue generation and minimise our overall cost of capital	7%
Stakeholder engagement (internal & external) Metrics include CR targets, employee engagement action plans, leadership and capability development and nurturing diversity	14.67%
Leadership Metrics include delivery of agreed Group strategy and high levels of governance across the Group	33%

1 The above percentages have been rounded to total 100%.

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 outturn will be disclosed in next year's Annual Report on Remuneration, save where they remain commercially sensitive.

Recovery and withholding 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. These provisions, in line with the 2014 UK Corporate Governance Code recommendations, enable the withholding of future incentive payments or through the recovery of the value overpaid (on a net of tax basis) from the individual.

Long Term Value Creation Plan 2016

As detailed in the Remuneration Policy, the current financial year will be the first year in which the Long Term Value Creation Plan 2016 will operate, subject to shareholder approval at the AGM for the revised Remuneration Policy and the new scheme.

A full summary of the principal terms of the scheme explaining how it will operate in the current financial year, and future years, is included in the Notice of AGM.

The Committee will include full details of any NAV events taking place in the year in the Annual Report on Remuneration with the value of any reward pool subject to review by the Company's Auditors. This will be explained in the context of the previous high watermark Benchmark NAV which is set out in detail in the Notice of AGM.

Long-Term Incentive Plan (LTIP)

The maximum normal annual award limit under the LTIP is 200% of salary. When granting awards under the 2011 LTIP, the Committee 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 based on performance in the prior financial year.

In relation to the awards to be granted in 2016, in line with the policy and practice noted above, a 200% of salary award is to be made to the Chief Executive Officer and Chief Operating Officer. Granting awards at 200% of salary to these individuals relates to their performance in the year ending 31 December 2015. An award at 150% of salary will also be made to the Chief Financial Officer with his award reflecting the maximum award to which he was eligible at the start of the year under review and his award reflecting robust performance during the year ending 31 December 2015.

As per awards granted since the 2014 Remuneration Policy, to smooth fluctuations in the Company's share price, the number of shares awarded will be based on 87.06p, being the three-month average share price over the period from 24 November 2015 to 23 February 2016.

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 for the period prior to the introduction of the Long Term Value Creation Plan 2016.

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 (with returns converted to US Dollars to reflect the currency denomination of oil and gas assets). 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 2016 award. The constituents of the LTIP comparator group for the 2016 award are:

Africa Oil Corp	Bowleven plc
Cairn Energy plc	Chariot Oil & Gas Limited
Circle Oil plc	Cobalt International Energy, Inc.
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	Oryx Petroleum
Amerisur Resources	

Recovery and withholding provisions will apply that will enable the Committee to recover value overpaid in the event of a material misstatement of the Company's results within a two-year period in relation to the award vesting.

Recovery can be achieved through withholding of future incentive payments or through seeking repayment of the value overpaid (on a net of tax basis) from the individual in line with the recommendations of the UK Corporate Governance Code.

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:

	2016	2015
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 2015 are detailed below:

£000	Base Salary/Fees	Benefits[1]	Pension[2]	Bonus[3]	Long-term incentives	Total 2015
Executive Directors						
Nick Cooper	550	12	61	592	355[7]	1,215
Bill Higgs	383	9	42	412	0[6]	846
Chairman and Non-Executive Directors						
Nicholas Smith	140	–	–	–	–	140
Carol Bell[4]	58	–	–	–	–	58
Ronald Blakely	75	–	–	–	–	75
Alan Booth	75	–	–	–	–	75
Vivien Gibney	75	–	–	–	–	75
Lyndon Powell[5]	29	–	–	–	–	29
Bill Schrader	73	–	–	–	–	73

1 Benefits include health insurance, life assurance and income protection 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 2016. Further details set out below on pages 83 and 84.
4 Carol Bell was appointed on 2 March 2015. Carol Bell received £7,730.77 as part of her Non-Executive Director fee from 1 January 2015 to 2 March 2015 from Salamander Energy plc. She also received £5,000 as redundancy pay from Salamander Energy plc.
5 Lyndon Powell stepped down from the Board following the 2015 AGM.
6 No long-term incentives vested with performance periods ending in the year under review.
7 95% of Nick Cooper's Long-Term Incentive Plan award granted on 13/04/2012 vested on 13/04/2015.

Annual Report on Remuneration
continued

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

1 Full disclosure was included in relation to the 2014 annual bonus targets and actual performance where information was not considered price sensitive. In areas where disclosure was considered price sensitive (e.g. in relation to progress with certain organisations in relation to the monetisation of assets), summary details were provided only. It is not considered appropriate to provide disclosures beyond those provided in last year's Directors' Remuneration Report in relation to 2014.

2 The long-term incentive values are restated from those included in the Single Figure Table in the Directors' Remuneration Report last year to reflect the value at vesting for certain awards (as opposed to the estimated value at vesting based on the three-month average share price to 31 December 2015).

3 Bill Higgs joined the Company and was appointed to the Board on 10 September 2014 and his emoluments are for the pro-rata period from his appointment to the year end.

4 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. A full breakdown of the above payments was included in last year's Directors' Remuneration Report.

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

Additional information in respect of the single figure table

Annual bonus plan outturn

For 2015, the Committee set KPI targets for the Executive Directors in respect of: exploration; operations; financial strength and returns; business model; stakeholder engagement; and leadership.

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
Targets applicable to all Executive Directors (pro-rata for the relevant proportion of the financial year served)		
Exploration	Partially achieved	7% out of a maximum of 23% of salary
Complete first interpretation on all acquired seismic within six months Commercially attractive well proposals approved Add risked additions to the portfolio	Key outcomes considered by the Committee include: • Seismic interpretation completed ahead of schedule; • Approved G4/50 drilling programme and matured additional prospectivity in Gabon and Indonesia; and • Did not meet metrics for additions of prospective resources to the portfolio.	
Operations	Fully achieved	19% out of a maximum of 19% of salary
Introduce a leading indicator system to improve safety across the Group Compliance within approved budget spend, cash flow and working capital and G&A (gross) Complete two independent security penetration test exercises	Key outcomes considered by the Committee include: • Leading indicator system introduced and TRIR target achieved; • Delivered against budget; • G&A achieved against target; and • Independent security penetration test exercises completed and security assessments completed for any major new technologies.	
Financial strength and returns	Partially achieved	3% out of a maximum of 23% of salary
Divest target Mmboe of LNG Increase corporate valuation by 10% Deliver net G&A excluding integration costs	Key outcomes considered by the Committee include: • Partially delivered net G&A targets; and • Commercial operating environment created challenges to achieving valuation and asset sales goals.	
Business model	Fully achieved	16% out of a maximum of 16% of salary
Acquire revenue generating production-led business or assets that deliver operating cash flow at a targeted level and at an appropriate cost	Key outcomes considered by the Committee include: • Completion of the Salamander acquisition and integration into Ophir in line with planning expectations.	
Internal stakeholder engagement	Fully achieved	9% out of a maximum of 9% of salary
Conduct an employee engagement survey to measure the climate within the organisation Succession plans for mission critical roles Diversity strategy and standards	Key outcomes considered by the Committee include: • Survey completed and action plan in place based on results; • Rebalancing of the Group ensuring the staff team has the skills required; • Empowering Asset Managers to deliver against strategy; • Succession plans in place; and • Diversity standard deployed and strategy defined.	

Metric	Extent of achievement	Percentage of overall target met
External stakeholder engagement	Fully achieved	10% out of a maximum of 10% of salary
Asset strategies in place including exit strategies Achieve CR engagement beyond contractual expectations	Key outcomes considered by the Committee include: • All exit strategies reviewed by Operations Committee (OpCom); and • Undertook CR programmes in Gabon and Seychelles beyond contractual commitments to demonstrate the value of the work	
Leadership	Majority achieved	43.75% out of a maximum 50% of salary
Deliver on agreed Group strategy Deliver "tone from the top" and ensure highest professional and corporate standards across the Group Reorganisation of the operations and staff to ensure Company is able to deliver on its strategic objectives Ensure best practice in exploration, portfolio management and deal execution	Key outcomes considered by the Committee include: • Clear definition and articulation of Group strategy; • Rebalancing of the Group ensuring the staff team has the skills required to achieve against strategy and that the Company has fit for purpose decision making processes; • Asset Managers have been given increased responsibility to deliver value; • Successful integration of Salamander both culturally and operationally; and • Roll out of 'One Ophir' principles of Asset Management, capital allocation and empowerment of staff completed to better align value creation to objectives of shareholders.	

The specific details of progress in those areas remains commercially sensitive and the Board will consider further disclosure in next year's Directors' Remuneration Report.

The extent of achievement detailed in the table above, overall, resulted in bonuses becoming payable at 72% of the maximum of basic salary in the case of Nick Cooper and Bill Higgs.

The first Tranche of the Chief Executive Officer's Exceptional Long-Term Incentive Award was eligible to vest on 19 June 2015. Vesting was dependent on the Company delivering a minimum compound TSR growth of 20% per annum over the performance period from a base share price of £4.28 (adjusted to take account of the Rights Issue that became effective in March 2013). Actual TSR growth was below the minimum requirement and so no vesting took place.

	Date of grant	Vesting date	Lapse date	Number of awards granted	Number of awards vested	Value of vested awards
Nick Cooper						
LTIP	19/06/2012	19/06/2015	18/06/2016	277,518	0	£0

Long-Term Incentive awards granted in 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 14 November 2014 to 13 February 2015 (as per the Company's policy detailed on page 80) of 87.06p, were:

- Chief Executive Officer (Nick Cooper): 200% of salary;
- Chief Operating Officer (Bill Higgs): 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 (26 March 2015)	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 2017)
Nick Cooper	LTIP – Nominal cost option	200% of salary	£1.413	–	787,108	1,100[1]	25%
Bill Higgs	LTIP – Nominal cost option	200% of salary	£1.413	–	547,398	765[1]	25%

1 Tony Rouse was appointed to the Board 27 January 2016. His 2016 LTIP awards will be outlined in the 2016 Annual Report

The performance targets applying to the 2015 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 LTIP comparator group applicable to the 2015 LTIP award is as per the group set out on page 81 for the 2016 award with the following exceptions, Amerisur Resources and Oryx Petroleum added to the comparator group.

Provisions, enabling the recovery and withholding of variable pay, 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

There were no payments for loss of office made in 2015.

Details of the payments made (or to be made) for loss of office in relation to the 2014 departures of Lisa Mitchell and Denis McShane were included in full in last year's Directors' Remuneration Report.

Directors' interests in shares

Directors' options and share-based awards as at 31 December 2015:

Director and Scheme	Date of grant	Exercise price (pence)	Market price at release (pence)	Vesting date	Shares under award at 1 January 2015	Shares awarded	Shares vested in year	Shares exercised	Shares lapsed/ cancelled or forfeited	Shares under award at 31 December 2015	Lapse date
Nick Cooper											
ESOP[1]	01/06/2011	216.20	–	01/06/2013	578,164	–	–	–	–	578,164[2]	31/5/2021
Long-Term Incentive Plan	13/04/2012	0.00	–	13/04/2015	373,190	–	–	–	18,660[3]	354,530	12/04/2016
Long-Term Incentive Plan	19/06/2012	0.00	–	19/06/2015	277,518	–	–	–	277,518	0	19/06/2015
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
Long-Term Incentive Plan	26/03/2015	0.00	–	26/03/2018	0	787,108	–	–	–	787,108	25/03/2016
Bill Higgs											
Long-Term Incentive Plan	26/03/2015	0.00	–	26/03/2018	0	547,398	–	–	–	547,398	25/03/2016

Save as noted below, further details of the share awards can be found on page 70 of the Directors' Remuneration Policy, pages 84 and 85 relating to Long-Term Incentives awards lapsing and granted in the year.

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 These options have vested.
3 95% of these options vested based on the performance criteria.

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. Subject to approval of the 2016 Remuneration Policy at the AGM, the share ownership requirements of the Chief Operating Officer and Chief Financial Officer will increase to 200% of salary.

Nick Cooper has met his share ownership requirements as at 31 December 2015. Bill Higgs, who joined in September 2014, has yet to meet his requirement. Tony Rouse, who was appointed to the Board on 27 January 2016, 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 2015	Beneficially owned as at 31 December 2014	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	140,000	128,000[1]	n/a	n/a	n/a	n/a
Nick Cooper	300%	1,336,531[2]	770,001	100%	1,527,158	932,694	0
Bill Higgs	100%	44,258	0[3]	0%	0	0	0
Carol Bell[4]	n/a	6,870	n/a	n/a	n/a	n/a	n/a
Ronald Blakely	n/a	47,000	47,000[5]	n/a	n/a	n/a	n/a
Alan Booth	n/a	125,000	125,000[6]	n/a	n/a	n/a	n/a
Vivien Gibney	n/a	15,000[7]	10,000	n/a	n/a	n/a	n/a
Lyndon Powell	n/a	33,600[7]	33,600	n/a	n/a	n/a	n/a
Bill Schrader	n/a	17,700[7]	10,200	n/a	n/a	n/a	n/a
Tony Rouse	200%	202,735[8]	0	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 The legal interest is held by Goldman Sachs International. 1,715 shares held by Nick Cooper's spouse, Alison Nightingale. The legal interest of these shares is held in the name of James Capel (Nominees) Limited.
3 At 10 September 2014, date of appointment to the Board.
4 Carol Bell was appointed on 2 March 2015.
5 Ronald Blakely and members of his family hold a beneficial interest in 47,000 shares. The legal interest is held by RBC Dominion Securities.
6 Alan Booth holds a beneficial interest in 125,000 shares. The legal interest is held by TD Direct Investing Nominees (Europe) Ltd.
7 Vivien Gibney, Lyndon Powell (prior to stepping down from the Board on 20 May 2015) and Bill Schrader hold the legal and beneficial interest in the shares registered in their respective names.
8 Tony Rouse was appointed to the Board on 27 January 2016. Following the acquisition of Salamander Energy plc on 3 March 2015 shares and options held in Salamander Energy plc converted to Ophir Energy plc shares. The legal interest of 6,155 share are held by his wife.
9 Nick Cooper had met the 300% of salary share ownership guideline at 27 June 2014 with the number of shares required to be held against the guideline fixed at 653,066.18 shares. Subsequent to this a further 682,549 shares has been acquired meaning that he has exceeded the share ownership requirements by 38.60%

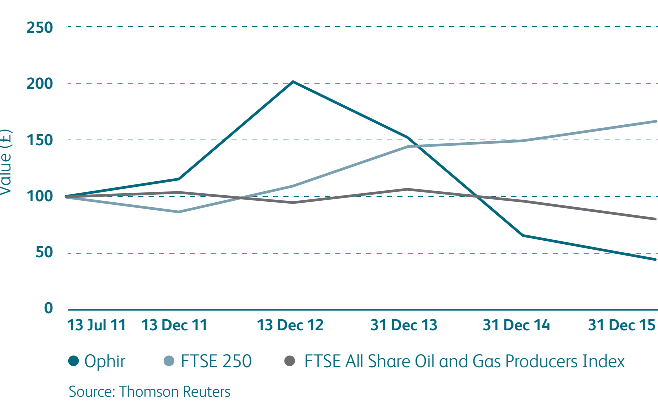
Performance graph (not subject to audit)

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.

This graph shows the value, by 31 December 2015, of £100 invested in Ophir Energy plc on 13 July 2011 (the date of listing on the London Stock Exchange) compared with the value of £100 invested in the FTSE 250 Index and the FTSE All-Share Oil & Gas Producers Index.

Total shareholder returns (TSR)



Source: Thomson Reuters

Annual Report on Remuneration continued

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 81 to 82 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)
31/12/2015	Nick Cooper	1,215	72%	0%
31/12/2014	Nick Cooper	2,970	58%	95 & 100%[1]
31/12/2013	Nick Cooper	1,027	92%	n/a[2]
31/12/2012	Nick Cooper	970	89%	n/a
31/12/2011	Nick Cooper	910[3]	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 vested 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 are 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 2014 to 2015 for the Chief Executive Officer compared with the average UK Head Office employee.

	Chief Executive Officer	Average UK employee[1]
Salary	+14.1%	+7.8%
Benefits	+11.1%	7.4%
Annual Bonus	+43.7%	10.8%

1 The comparator group chosen comprises 18 employees who are the Company's UK based employees, excluding the Executive Directors, who were employed continuously from 1 January 2014 to 31 December 2015. 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)

	2015	2014	% change
Staff costs (£m)	43.6	28.1	55.2%
Distributions to shareholders (£m)	38.4	27.71	10.7%

1 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	Votes withheld
Annual Statement and Annual Report on Remuneration	92.35% (500,136,655)	7.65% (41,408,470)	n/a (11,690,690)

By Order of the Board

Vivien Gibney
Chairman of the Remuneration Committee
9 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 9 March 2016.

Nick Cooper
Chief Executive Officer
9 March 2016

Statement of Directors' responsibilities in relation to the financial statements and Annual Report

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

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

- present fairly the financial position, financial performance and cash flows of the Group and parent 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 Group and parent Company's financial position and financial performance; and
- state whether the Group and parent 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 Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company's and enable them to ensure that the Group and parent 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 Group and parent 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 9 March 2016

Nick Cooper
Chief Executive Officer
9 March 2016

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

Our opinion on the financial statements

In our opinion:

- Ophir Energy plc's Group financial statements and Parent company financial statements (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 2015 and of the group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

What we have audited

Ophir Energy plc's financial statements comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2015	Balance sheet as at 31 December 2015
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Cash flow statement for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 20 to the financial statements
Consolidated cash flow statement for the year then ended	
Related notes 1 to 39 including Appendix A to the financial statements	

The financial reporting framework that has been applied in their preparation of both the Group and Company Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Overview of our audit approach

Risks of material misstatement	• Impairment of exploration and evaluation assets ("E&E"), tangible assets and the equity accounted investment held in APICO LLC ("APICO") The decline in oil and gas prices represents an indicator of impairment, which potentially could impact the carrying values of the exploration, development and production assets and the underlying assets in the 27.18% equity-accounted investment held in APICO. • Estimate of oil and gas reserves Significant judgements and assumptions are applied in determining the reserves and there is a risk that these may be manipulated to achieve desired results. This has been linked to other risks of material misstatement identified as part of our audit engagement. • Acquisitions/business combinations The risk of incorrectly recording business combinations, in particular the valuation of the underlying assets and liabilities in respect of the acquisition of Salamander Energy plc. • Management override There are a number of significant accounting estimates and judgements that are relevant to the financial statements that are exposed to potential bias. • Special remuneratory benefit ("SRB") The risk of incorrectly estimating this unique Thailand tax given the wide range of assumptions used to calculate the tax provision.
Audit scope	• We selected 14 out of a total of 53 components within the Group for our audit. We performed an audit of the complete financial information of 10 components across London, Thailand and Indonesia and audit procedures on specific balances for a further 4 components across London and Indonesia. • The components where we performed full or specific audit procedures accounted for 100% of Revenue and 99% of total group equity and group total assets.
Materiality	• Overall Group materiality of $37m (2014: $34 million) which represents 2% of total equity. We agreed with the Audit Committee that we would report to the Audit Committee all audit differences in excess of $1.9 million (2014: $1.7 million).

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Impairment of exploration and evaluation assets ("E&E"), tangible assets and the equity accounted investment ("APICO") The significant decline in the oil and gas prices represented an indicator of impairment, which potentially could impact the carrying values of Ophir's E&E, development and production assets and APICO. Refer to Note 13 – Exploration and Evaluation, Note 14 – Oil and Gas Properties and Note 28 – Investments accounted for using the equity method (APICO) in the notes to the financial statements for $879.9m, $662.1m and $130.2m held respectively in the balance sheet by the Group as at 31 December 2015.	We, in conjunction with our component teams in Bangkok and Jakarta, challenged the impairment analysis and assumptions prepared and used by management through a combination of audit testing and bench-marking. In addition, we performed journal entry testing to ensure that management had recorded an accurate reflection of the outcome of the impairment assessment as at the balance sheet date. **For E&E assets:** • We checked that Ophir had the right to explore in the relevant exploration licence which included obtaining and reviewing supporting documentation such as license agreements and or correspondence with relevant government agencies; • We checked that management had the 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; • We considered whether recent exploration activity in a given exploration licence provides negative indicators as to the recoverability of other intangible costs that remain capitalised; • We considered whether Ophir has the ability to finance any planned future exploration and evaluation activity. • We have also assessed the competency of management's experts, and (where applicable), the competency and objectivity of third party experts engaged for the purposes of assessing the reserves and resources associated with those exploration and evaluation assets. • We assessed the commercial viability of the exploration block based on the results of exploration and evaluation activities carried out in the relevant licence area; and **For Development and Production assets:** • We discussed asset performance, specifically on production and reserves data, and future plans with the operations and finance management to assess whether there were any other performance-related indicators of impairment. • For assets where an impairment indicator was identified, we obtained the relevant underlying value-in-use model (e.g. discounted cash-flow model) and fair value assessment for the asset from management and compared the higher of these to the carrying value of the asset as of the balance sheet date to identify if there were any impairment. • In assessing the appropriateness of management's assumptions and inputs included in the value-in-use models we engaged our Valuation and Business Modelling specialists to assist us in performing industry benchmarking and analysis over oil and gas prices (short, medium and long-term), discount rates, foreign exchange rates and inflation rates. In respect of oil and gas reserve estimates including production profiles, we made inquiries of Ophir's third party reserve engineers, assessing both their competence and objectivity in respect of their reserves reporting. **For equity-accounted investment in APICO LLC:** • We instructed PwC Bangkok to perform a full scope audit over the financial statements of APICO. • During our site visits to Bangkok, we met with PwC and certain directors of APICO appointed by Ophir to inquire of the financial and non-financial performance of the company to understand if any impairment indicators exist in respect of assets held by APICO. • In assessing the carrying value of the equity-accounted investment in APICO in Ophir's financial statements, we have obtained value-in-use models for the significant producing and development assets, specifically Sinphuhorm (producing) and Dong Mun (development) from management and performed the same audit procedures as outlined for the production and development assets outlined above to identify if there was an impairment. • In assessing the appropriateness of management's assumptions and inputs included in the value-in-use models, we have performed the same procedures for which we have outlined in development and production assets discussed above.	Based on our audit procedures, which included sensitivity analysis, we concluded that the oil and gas prices, discount rates and the other assumptions used by management were within an acceptable range in light of the current market view; we did not identify any material issues with the valuation of assets. The impairment tests are sensitive to both prices and discount rates We therefore concluded that the accuracy of the impairment charges and the disclosures in respect of the E&E, development and production assets and the investment in APICO included in the consolidated financial statements for the year ended 31 December 2015 were appropriate.

Risk	Our response to the risk	What we concluded to the Audit Committee
Estimate of oil and gas reserves – significant judgements and assumptions are applied in determining the reserves and there is a risk that these be manipulated to achieve desired results. These estimates have a material impact on the financial statements, particularly: impairment testing; depreciation, depletion and amortisation (DD&A); decommissioning provisions; assessment of going concern and in calculating the purchase price accounting for the business combination with Salamander Energy plc.	Our audit procedures have focused on management's estimation process, including whether bias exists in the determination of reserves. We carried out procedures to walk through and understand Ophir's internal process and key controls associated with the oil and gas reserves estimation process. We assessed the competence of both internal and external specialists and objectivity of external specialists. We also analysed the report of the external specialists on their audit of the reserves for the producing and development Thailand and Indonesian assets as at 31 December 2015.	Based on our procedures we consider that the reserves estimations are a reasonable basis for estimating reserves in-place for impairment testing, calculating DD&A, the determination of decommissioning dates and in the work performed over the purchase price accounting for the business combination with Salamander Energy plc.
Acquisitions/business combinations – the risk of incorrectly recording business combinations, in particular the valuation of the underlying assets and liabilities associated with the business combination with Salamander Energy plc. Ophir acquired a 100% interest in Salamander Energy plc ("Salamander") on the 3 March 2015. There is a risk that the valuation of the assets and liabilities acquired is calculated incorrectly leading to a material misstatement in the financial statements as the valuation is subjective and judgemental due to the complex estimations and inputs required. Refer to Note 10 –Business Combinations in the notes to the financial statements for the amount recognised by the Group as at 31 December 2015.	In order to assess that management's methodology and calculation of the purchase price allocation associated with the acquisition of Salamander Energy plc was within an acceptable range and in accordance with the requirements of IFRS 3 (revised) – Business Combinations, we have performed the following procedures: • Inquiries of management outside of the finance function to corroborate the assumptions made by finance in the preparation of the PPA, oil and gas reserves, impairment tests and decommissioning estimates; • We obtained management's purchase price allocation schedules and supporting fair value models (where applicable i.e. for production and development assets) and tested and bench-marked, including sensitivity analysis, management's assumptions and estimates in calculating the fair value of the acquired assets and liabilities assumed as part of the business combination with Salamander Energy plc. With the assistance of our valuation specialists, we specifically analysed and benchmarked management's assumptions in the forecast cash-flow models on discount rate, inflation rate, future oil and gas prices, production profiles, operating and capital expenditures against industry peers and other market data (where available). • We engaged our London, Bangkok and Jakarta tax specialists to perform an audit of the opening taxation position of the acquired company, which included specific procedures over assumptions utilised by management in calculating the deferred tax and special remuneratory benefit (both current and deferred) as part of the business combination with Salamander Energy plc. • We performed testing over journal entries associated with the recording of the purchase price allocation to ensure that the amounts recorded accurately reflected the outcome of management's calculations.	On the basis of the procedures we have performed we consider the assumptions and inputs used by management in calculating the fair values of the assets and liabilities acquired as part the business combination accounting and the relevant disclosures included in the consolidated financial statements for Salamander Energy plc to be within an acceptable range and in accordance with the requirements of IFRS 3: *Business Combinations.*

Risk	Our response to the risk	What we concluded to the Audit Committee
Management override – due to the number of significant accounting estimates and judgements that are relevant to the financial statements that are exposed to potential bias. This is specifically with reference to: • The valuation of assets and liabilities acquired as part of the Salamander Energy plc acquisition; • Estimation of oil and gas reserves; • Impairment of Exploration and Evaluation (E&E) assets, tangible assets and the equity-accounted investment held in APICO LLC. We have therefore concluded that there is a risk that management may override controls that otherwise appear to be operating effectively.	We performed procedures with a particular focus on those key judgements and estimates as communicated in our response to other risks of material misstatement included in our report. This includes assessing exploration and evaluation assets, tangible assets and the APICO investment for impairment, estimating the fair values of the assets and liabilities as part of the purchase price allocation ("PPA") exercise performed following the acquisition of Salamander Energy plc, estimation of the oil and gas (O&G) reserves and decommissioning provisions. We performed the following: • Inquiries of management outside of the finance function to corroborate the assumptions made by finance in the preparation of the PPA, oil and gas reserves, impairment tests and decommissioning estimates; • We tested manual and automated journal entries in respect of the other risks of material misstatement identified and concluded on in this report. • 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.	Based on the procedures we have performed and the inquiries we have made, we have not noted any instances of management overriding controls during the year ending 31 December 2015.
Special remuneratory benefit ("SRB") – risk of incorrectly estimating this unique Thailand tax given the wide range of assumptions used to calculate the tax provision. SRB is a complex tax regime. The calculation of SRB requires a making a number of assumptions and estimates including: • future petroleum revenue; • future capital expenditure; and • depreciation from which the rate of SRB is applied based on cumulative metres drilled. Given these assumptions and estimates, there is a risk that the SRB tax charge is calculated incorrectly leading to a material misstatement of the financial statements for the year ending 31 December 2015. Refer to Note 11 – Special remuneratory benefit in the notes to the financial statements for the amount charged in the income statement during the year and held in the statement of financial position by the Group as at 31 December 2015.	In order to address the risk we, in conjunction with our tax specialists in Bangkok and London, have audited whether the calculations are arithmetically correct and have been prepared in accordance it the Petroleum Act of Thailand. We agreed the future revenues and capital expenditure inputs in the SRB computation to the same valuation models that were used to estimate the value-in-use of Thailand exploration, development and producing assets (refer to the impairment risk identified above) to ensure that the assumptions were reasonable and consistent. We have also reviewed the relevant SRB disclosures included in the consolidated financial statements to ensure that they are appropriate and understandable and in accordance with the requirements of IAS 12.	Based on the procedures performed by our tax specialists in Bangkok and London, we have concluded that the calculation of current and deferred SRB taxation is materially correct and has been appropriately disclosed in the financial statements for the year ended at 31 December 2015.

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

In the prior year, our auditor's report included a risk of material misstatement in relation to going concern. In the current year, we have considered this potential risk and concluded that, in spite of the decline in oil price, the business has been cash generative, maintained a positive net asset position and continues to hold a significant amount of cash and cash equivalents as a result of the farm-out of certain Tanzanian exploration assets in 2014. We have therefore concluded that this is no longer a risk that is necessary to be included in our report.

In addition, as a result of the business combination with Salamander Energy plc, which brought production and development assets into the Group for the first time, we identified additional risks of material misstatement this year being; impairment of oil and gas assets/equity-accounted investment, estimate of oil and gas reserves, acquisitions/business combinations and special remuneratory benefit.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

Changes from the prior year

There have been significant changes in the scope of the audit from prior year as a result of the acquisition of Salamander Energy plc. In the previous year, we concluded that there was one full scope audit component located in London which represented the entire group and was audited from London. As a result of the acquisition of Salamander Energy plc, which brought producing and development assets in South East Asia, we instructed our component teams in Thailand and Indonesia to perform audit procedures in conjunction with the primary team in London to ensure adequate coverage over the significant accounts that comprise the consolidated financial statements of the Group.

Tailoring the scope

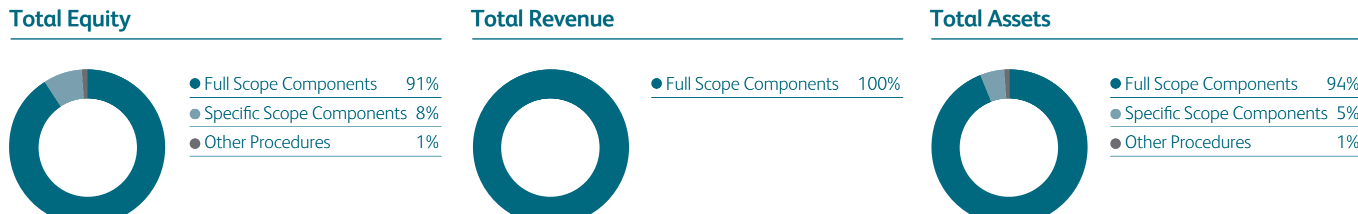
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the total 53 components of the Group, we selected 14 (26%) of components across London, Thailand and Indonesia.

Of the 14 components selected for our audit, we designated a component as either full scope, specific scope or review scope. Full scope components were selected on the basis of their size and or risk characteristics and as such we performed an audit of the complete financial information. Specific scope components were selected on the size of their accounts and or risk profile and as such we performed audit procedures on specific accounts within that entity that we considered had the potential for the greatest impact on the significant accounts in the consolidated financial statements either because of the size of these accounts or their risk profile. A summary of the location and split of the designated scope of those reporting components in our scope has been summarised in the table below:

	UK	Thailand	Indonesia	Total
Full	5	3	2	10
Specific	3	0	1	4
Review Scope	23	3	13	39
Total	**31**	**6**	**16**	**53**

For the current year, the full scope components contributed 91% (2014: 100%) of the Group's Equity, 100% (2014: not applicable) of the Group's Revenue and 94% (2014: 99%) of the Group's Total assets. The specific scope component contributed a further 8% of the Group's Equity and 5% coverage (2014: nil) of the Group's Total assets, bringing the total coverage of the Group's Equity to 99% (2014: 100%) and Group's Total Assets to 99% (2014: 99%). The audit scope of these specific scope components may not have included testing of all financial statement accounts of that component but will have contributed to the coverage of overall financial statements accounts tested for the Group as a whole. Of the remaining 39 components (referred to as review scope above) within the Group, these together represent 1% of the Group's Equity and Group's Total Assets and none are individually greater than 0.5% of the Group's Total Equity and Group's Total Assets.

For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.



Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken in Thailand and Indonesia and by us, as the primary audit engagement team located in London. For full scope and specific scope component work performed by our teams in Thailand and Indonesia respectively, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle, the senior statutory auditor visited both Indonesia and Thailand. Two additional visits to Indonesia and Thailand were undertaken by other members of the audit team. These visits involved meeting with local management (including heads of country and personnel outside of the finance function) and component teams for planning purposes which included obtaining an understanding of the businesses and their operations including current year performance to enable risk identification, discussions around audit timetables, and the scope for the audit. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

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

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

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. The Salamander acquisition brings with it income generating/producing assets, however the Group's stated strategy is that the cash-generated by the assets will primarily be used to fund future exploration as part of their strategy to remain a "Big E (exploration), little p (production)" company. Therefore 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. This is also consistent with the prior year audit.

Having identified a relevant basis for materiality, we calculated the planning materiality for the group to be $37 million (2014: $34 million), which represents 2% (2014: 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.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2014: 50%) of our planning materiality, namely $18.5m (2014: $17m) to address the risks associated with performing an initial audit over the assets and liabilities acquired in respect of the Salamander Energy plc business combination. 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.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $3m to $10m.

Reporting threshold

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $1.9m (2014: $1.7m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's 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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 89, 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 financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report 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

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial 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 • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the Directors' statement in relation to going concern, set out on page 63, and longer-term viability, set out on page 16; and • the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

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

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Paul Wallek
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

9 March 2016

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 2015

Consolidated income statement	Notes	**2015 $'000**	2014 $'000
Continuing operations			
Revenue	4	161,090	–
Cost of sales	5a	(128,816)	–
Gross profit		**32,274**	**–**
Gain on farm-out	5b	245	671,677
Share of profit of investments accounted for using the equity method	28	7,219	–
Other income		6	26
Impairment of oil and gas properties	14	(126,732)	–
Impairment of investments accounted for using the equity method		(42,117)	–
Exploration expenses	5c	(183,137)	(333,782)
General and administration expenses	5d	(31,252)	(20,746)
Other operating expenses	5e	(25,264)	(22,821)
Operating (loss)/profit		**(368,758)**	**294,354**
Net finance expense	6	(10,662)	(5,861)
Other financial gains	7	3,372	–
(Loss)/profit from continuing operations before taxation		**(376,048)**	**288,493**
Taxation	11	53,596	(233,651)
(Loss)/profit from continuing operations for the year		**(322,452)**	**54,842**
Attributable to:			
Equity holders of the Company		(322,452)	54,846
Non-controlling interest		–	(4)
		(322,452)	**54,842**
Earnings per ordinary share			
Basic – (Loss)/profit for the period attributable to equity holders of the Company	12	(47.1) cents	9.4 cents
Diluted – (Loss)/profit for the period attributable to equity holders of the Company	12	(47.1) cents	9.4 cents
Consolidated statement of comprehensive income			
(Loss)/profit from continuing operations for the year		**(322,452)**	**54,842**
Other comprehensive (loss)/income			
Other comprehensive (loss)/ income to be classified to profit or loss in subsequent periods:			
Exchange differences on retranslation of foreign operations net of tax		(702)	1,784
Other comprehensive (loss)/ income for the year, net of tax		**(702)**	**1,784**
Total comprehensive (loss)/income for the year, net of tax:		**(323,154)**	**56,626**
Attributable to:			
Equity holders of the Company		(323,154)	56,630
Non-controlling interest		–	(4)
		(323,154)	**56,626**

The notes on pages 103 to 139 and pages 158 to 160 form part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December 2015

	Notes	2015 $'000	2014 $'000
Non-current assets			
Exploration and evaluation assets	13	879,914	764,933
Oil and gas properties	14	662,177	–
Other property, plant and equipment	15	5,140	6,307
Financial assets	16	27,253	17,104
Investments accounted for using the equity method	28	130,200	–
		1,704,684	**788,344**
Current assets			
Inventory	17	50,216	23,902
Taxation receivable		22,322	13,424
Trade and other receivables	18	32,071	12,839
Cash and cash equivalents	19	614,569	877,872
Investments	20	–	294,904
		719,178	**1,222,941**
Total assets		**2,423,862**	**2,011,285**
Current liabilities			
Trade and other payables	21	(115,971)	(242,148)
Interest-bearing bank borrowings due within one year	22	(37,059)	–
Taxation payable		(38,056)	–
Provisions	25	(47,737)	(26,787)
		(238,823)	**(268,935)**
Non-current liabilities			
Interest-bearing bank borrowings	22	(115,949)	–
Bonds payable	23	(106,651)	–
Deferred tax liability	11	(245,745)	(44,048)
Provisions	25	(67,190)	(263)
		(535,535)	**(44,311)**
Total liabilities		**(774,358)**	**(313,246)**
Net assets		**1,649,504**	**1,698,039**
Capital and reserves			
Called up share capital	27	3,061	2,474
Reserves	30	1,646,723	1,695,845
Equity attributable to equity shareholders of the Company		**1,649,784**	**1,698,319**
Non-controlling interest		(280)	(280)
Total equity		**1,649,504**	**1,698,039**

The notes on pages 103 to 139 and pages 158 to 160 form part of these consolidated financial statements.

The consolidated financial statements of Ophir Energy plc (registered number 05047425) on pages 99 to 139 and pages 158 to 160 were approved by the Board of Directors on 9 March 2016.

On behalf of the Board:

Nicholas Smith
Chairman

Tony Rouse
Chief Financial Officer

Consolidated statement of changes in equity
For the year ended 31 December 2015

	Called up share capital $'000	Treasury shares $'000	Other[1] reserves $'000	Non-controlling interest $'000	Total equity $'000
As at 1 January 2014	**2,466**	**–**	**1,674,719**	**(276)**	**1,676,909**
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/(loss), 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
As at 31 December 2014	**2,474**	**(59)**	**1,695,904**	**(280)**	**1,698,039**
Loss for the period, net of tax	–	–	(322,452)	–	(322,452)
Other comprehensive income, net of tax	–	–	(702)	–	(702)
Total comprehensive (loss), net of tax	–	–	(323,154)	–	(323,154)
New ordinary shares issued to third parties	587	–	325,545	–	326,132
Purchase of own shares	–	(99)	(56,011)	–	(56,110)
Exercise of options	–	3	–	–	3
Share-based payment	–	–	4,594	–	4,594
As at 31 December 2015	**3,061**	**(155)**	**1,646,878**	**(280)**	**1,649,504**

1 Refer to Note 31 of these consolidated financial statements.

The notes on pages 103 to 139 and pages 158 to 160 form part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Cash generated from/(utilised) in operations	32	**122,084**	**(16,394)**
Income taxes paid		(83,042)	(3,226)
Interest Income		2,051	8,307
Net cash flows generated from /(used in) operating activities		**41,093**	**(11,313)**
Investing activities			
Proceeds from farm-out		2,100	1,329,672
Tax paid on gain on farm-out		–	(222,411)
Dividend received from investments		5,843	–
Funding provided to investment accounted for using the equity method		(3,941)	–
Expenditure on property, plant and equipment		(44,788)	(4,770)
Exploration expenditure		(311,120)	(521,302)
Purchase of exploration licences, net of cash acquired		(18,965)	–
Proceeds on disposals of assets		–	2
Disposal/(purchase) of inventory		–	1,988
Cash returned/(placed) on deposit		294,904	(134,983)
Financial assets returned/(placed)	16	36,580	(12,331)
Net cash flows (used in)/from investing activities		**(39,387)**	**435,865**
Financing activities			
Interest paid		(22,521)	–
Repayment of interest-bearing bank borrowings		(100,910)	–
Repayment of convertible bonds	10	(93,959)	–
Repayment of unsecured bonds		(45,652)	–
Proceeds from exercise of share options		3	1,914
Purchase of own shares		(56,109)	(44,230)
Cash acquired on acquisition of subsidiary		48,827	–
Net cash outflows from financing activities	10	**(270,321)**	**(42,316)**
(Decrease)/increase in cash and cash equivalents for the year		**(268,615)**	**382,236**
Effect of exchange rates on cash and cash equivalents		5,312	(11,126)
Cash and cash equivalents at the beginning of the year	19	877,872	506,762
Cash and cash equivalents at the end of the year	19	**614,569**	**877,872**

The notes on pages 103 to 139 and pages 158 to 160 form part of these consolidated financial statements.

Notes to the financial statements

1 Corporate information

Ophir Energy plc (the 'Company' and ultimate parent of the Group) is a public limited company domiciled and incorporated in England and Wales. The Company's registered offices are located at 123 Victoria Street, London SW1E 6DE.

The principal activity of the Group 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 Southeast Asia.

The Group's consolidated financial statements for the year ended 31 December 2015 were authorised for issue by the Board of Directors on 9th March 2016 and the consolidated statement of financial position was signed on the Board's behalf by Nicholas Smith and Tony Rouse.

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 under the historical cost convention, modified by the 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 2014 are for the year ended on that date.

Adoption of new accounting policies

The Group has adopted the following relevant new accounting policies as a result of the acquisition of Salamander Energy plc on 3 March 2015 (the acquisition date and effective date of adoption):

- Commercial reserves – 2.3(a) & 2.4
- Oil and gas properties – 2.3(d) & 2.4
- Derivative financial instruments – 2.3(e)
- Inventories of oil – 2.3(f)
- Provision for decommissioning – 2.3(g) & 2.4
- Revenue recognition: sale of oil and petroleum products – 2.3(m)
- Cost of sales: underlift and overlift – 2.3(n)
- Royalties, resource rent tax and revenue-based taxes – 2.3(u)

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 2015:

- Improvements to IFRSs 2010-2012 cycle
- Improvements to IFRSs 2011-2013 cycle

These new and amended standards and interpretations have not materially affected amounts reported or disclosed in the Group's consolidated financial statements for the year ended 31 December 2015.

Standards and interpretations issued but not yet effective

The following interpretation to existing standards relevant to the Group is not yet effective and has not been early adopted by the Group. The Group expects to adopt this interpretation in accordance with the effective date of 1 January 2016.

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.

Notes to the financial statements continued

2 Basis of preparation and significant accounting policies continued

The following standards and interpretations, relevant to the Group, have been issued by the IASB, but are not effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group:

	Effective date for periods beginning on or after
IFRS 16 Leases[1]	1 January 2019
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 15 'Revenue from Contracts'	1 January 2018
Amendment to IAS 7: Disclosure Initiative[1]	1 January 2017
Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses[1]	1 January 2017
Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment Entities – Applying the Consolidation Exception'	1 January 2016
Amendments to IAS 1 'Disclosure Initiative'	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
Amendments to IAS 27: 'Equity Method in Separate Financial Statements'	1 January 2016
Amendments to IAS 16 and IAS 38: 'Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016
IFRS 11 Amendment: Accounting for acquisitions of interests in Joint Ventures[1]	1 January 2016

1 These standards, amendments and improvements have not yet been adopted by the European Union.

The Group does not currently expect any of these changes to have a material impact on the results, except as outlined below.

IFRS 9 'Financial Instruments'

The IASB The IASB issued the final version of IFRS 9 in July 2014, which reflects all phases of the financial instruments project. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial instruments and hedge accounting, and will be adopted by the Group when it becomes mandatory in the European Union. The Group is currently reviewing the standard to determine the likely impact on the Group's consolidated financial statements.

IFRS 15 'Revenue from Contracts'

IFRS 15 'Revenue from Contracts with Customers', 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; The Group is assessing the impact of IFRS 15 but currently expects that it will not have a material impact on the Group's results.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations, 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, and Annual Improvements to IFRSs 2012–2014 Cycle.

The Group is currently reviewing the above amendments to determine the likely impact on the Group's consolidated financial statements from the changes arising from these standards and interpretations. They are not expected to materially affect amounts reported or disclosed in the Group's consolidated financial statements, with the exception of IFRS 16 Leases, the full impact of which is still being considered.

2.2 Basis of consolidation

These financial statements comprise a consolidation of the accounts of the Company and its subsidiary undertakings and incorporates the results of its joint ventures and associates using the equity method of accounting, drawn up to 31 December each year.

Subsidiaries

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e. existing voting rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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.

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) Commercial reserves

Commercial reserves are proved and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable. Proved and probable reserve estimates are based on a number of underlying assumptions including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50% statistical probability that it will be less. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

(b) Intangible 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 consolidated income statement and statement of comprehensive income.

E&E assets are not amortised prior to the determination of the results of exploration activity.

Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each exploration licence/block are carried forward, until the existence (or otherwise) of commercial reserves has been determined, subject to certain limitations including review for indicators of impairment. If, at completion of evaluation activities, technical and commercial feasibility is demonstrated, then, following recognition of commercial reserves, the carrying value of the relevant E&E asset is then 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 consolidated income statement and statement of comprehensive income in the period of that determination.

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 consolidated income statement and statement of comprehensive income.

2 Basis of preparation and significant accounting policies continued

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'.

(c) Business combinations

On an acquisition that qualifies as a business combination in accordance with IFRS 3 – Business Combinations, the assets and liabilities of a subsidiary are measured at their fair value as at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill which is treated as an intangible asset. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the consolidated statement of comprehensive income in the period of acquisition.

A business combination is a transaction in which an acquirer obtains control of a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends or lower costs or other economic benefits directly to investors or other owners or participants. A business consists of inputs and processes applied to those inputs that have the ability to create outputs.

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 Group elects whether to measure NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administration 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 separately, but instead are subsumed in goodwill.

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 a 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) Property, plant and equipment

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Oil and gas properties – cost

Development and production assets are generally accumulated on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production. The initial cost of a development and production asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

Oil and gas properties – depreciation

Oil and gas properties are depreciated/amortised from the commencement of production, on a unit-of-production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, on a field-by-field basis. Costs used in the unit of production calculation comprise the net carrying amount of capitalised costs plus the estimated future field development costs. The production and reserve estimates used in the calculation are on an entitlements basis. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Producing assets are generally grouped with other assets that are dedicated to serving the same reserves for depreciation purposes, but are depreciated separately from producing assets that serve other reserves.

Other fixed assets
Property, plant and equipment other than oil and gas properties, is depreciated at rates calculated to write-off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and 10 years.

Impairment
The Group assesses at each reporting date whether there is an indication that an asset (or CGU) may be impaired. Management has assessed its CGUs as being an individual block, which is the lowest level for which cash flows are largely independent of those of other assets. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's (or CGU's) recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs of disposal (FVLCD) and value in use (VIU). The recoverable amount is then determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset (or CGU) is considered impaired and written down to its recoverable amount. Impairment losses of continuing operations are recognised in the consolidated income statement and statement of comprehensive income.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the consolidated statement of comprehensive income, net of any depreciation that would have been charged since the impairment.

(e) Financial instruments
Financial assets and financial liabilities are recognised in the group's consolidated statement of financial position when the group becomes a party to the contractual provisions of the instrument.

i. Financial assets
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit and loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL
Financial assets are classified as financial assets at FVTPL where the Group acquires the financial asset principally for the purpose of selling in the near term, is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short term profit taking as well as all derivatives that are not designated and effective as hedging instruments. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other financial gains and losses' line item in the consolidated income statement and statement of comprehensive income.

2 Basis of preparation and significant accounting policies continued

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. All impairment losses are taken to the consolidated income statement and statement of comprehensive income.

Trade receivables are assessed for impairment based on the number of days outstanding on individual invoices. Any trade receivable that is deemed uncollectible is immediately written off to the consolidated income statement and statement of comprehensive income, any subsequent recoveries are also taken directly to the consolidated income statement and statement of comprehensive income upon receipt of cash collected.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

ii. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other financial gains and losses' line item in the consolidated income statement and statement of comprehensive income.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

iii. 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 exclude 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.

iv. 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.

v. Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to movements in oil and gas prices, interest rates and foreign exchange. The Group does not use derivatives for speculative purposes.

Derivative financial instruments – at fair value

Gains or losses on derivatives are taken directly to the consolidated income statement and statement of comprehensive income in the period. The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The estimated fair value of these derivatives is disclosed in trade and other receivables or trade and other payables in the consolidated statement of financial position and the related changes in the fair value are included in other financial gains and losses in the consolidated income statement and statement of comprehensive income.

(f) Inventories

Inventories of oil, materials and 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.

(g) Provisions

General

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.

Decommissioning liability

The Group recognises a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probable than an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas assets. Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated income statement and statement of comprehensive income.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature fields, the estimate for the revised value of oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense. Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated income statement and statement of comprehensive income as a finance cost. The Company recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

(h) 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 consolidated income statement as incurred.

(i) 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 the 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.

2 Basis of preparation and significant accounting policies continued

(j) Equity instruments

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

(k) 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, even if that right is not explicitly specified in an arrangement.

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 consolidated income statement and statement of comprehensive income on a straight line basis over the lease term.

(l) 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 consolidated income statement and statement of comprehensive income 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 consolidated income statement and statement of 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 investments accounted for using the equity method' in the consolidated income statement and statement of 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 consolidated income statement and statement of comprehensive income.

(m) 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, sales taxes, excise duties and similar levies.

Revenue from the sale of oil and petroleum products is recognised on an entitlement basis when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of oil, in which the Group has an interest with other producers, is recognised based on the Group's working interest and the terms of the relevant production sharing contracts.

Gains and losses on derivative contracts and the revenue and costs associated with other contracts that are classified as held for trading purposes are reported on a net basis in the consolidated income statement and statement of comprehensive income.

(n) Cost of sales

Underlift and overlift

Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production is 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

(o) 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 net finance costs in the consolidated income statement and statement of comprehensive income.

(p) Derivative financial instruments

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The estimated fair value of these derivatives is included in other creditors or other debtors in the consolidated statement of financial position and the related changes in the fair value are included in other financial gains and losses in the consolidated income statement and statement of comprehensive income.

(q) Finance costs and borrowings

Finance costs of borrowings are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Debt is shown on the consolidated statement of financial position net of arrangement fees and issue costs, and amortised through to the consolidated income statement and statement of comprehensive income as finance costs over the term of the debt.

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 prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

(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 consolidated 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 consolidated statement of financial position date is recognised in the consolidated income statement and statement of comprehensive income, with a corresponding entry in equity.

2 Basis of preparation and significant accounting policies continued

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

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

(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 consolidated 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 consolidated income statement and statement of comprehensive income.

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.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as Business combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged and credited in the consolidated income statement and statement of comprehensive income as the underlying temporary difference is reversed.

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 consolidated 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 consolidated income statement and statement of comprehensive income.

In order to account for uncertain tax positions, management has formed an accounting policy, in accordance with IAS 8, whereby the ultimate outcome of legal proceedings is viewed as a single unit of account. The results of separate hearings in relation to the same matter, such as local tribunals and international arbitration, are not viewed separately and only the final outcome is assessed by management to determine the best estimate of any potential outcome. If management viewed the results of individual hearings separately an income statement charge could arise due to the differing recognition criteria of assets and liabilities.

(u) Royalties, resource rent tax and revenue-based taxes
In addition to corporate taxes, the Group's consolidated financial statements also include and recognise as taxes on income, other types of taxes on net income such as certain royalties, resource rent taxes and revenue-based taxes.

Royalties, resource rent taxes and revenue-based taxes are accounted for under IAS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government tax authority and the amount payable is based on taxable income — rather than physical quantities produced or as a percentage of revenue — after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are accrued and included in cost of sales.

(v) Impairment
The accounting policies for the impairment of intangible exploration and evaluation assets and oil and gas properties is described in more detail in 2.3(b), 2.3(d) 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.

Impairment losses of continuing operations (including impairment on inventories), are recognised in the consolidated income statement and statement of comprehensive income in expense categories consistent with the function of the impaired asset. 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.

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 consolidated financial statements.

2 Basis of preparation and significant accounting policies continued

Oil & gas prices

Future oil & gas prices are based on latest internal forecasts, benchmarked with external sources of information, to ensure they are within the range of available analyst forecasts. Where existing sales contracts are in place, the effects of such contracts are taken into account in determining future cash flows.

Commercial reserves

Management is required to assess the level of the Group's commercial reserves together with the future expenditures to access those reserves, which are utilised in determining the amortisation and depreciation charge for the period and assessing whether any impairment charge is required. The Group employs independent reserves specialists who periodically report on the Group's level of commercial reserves by evaluating the estimates of the Group's in house reserves specialists and where necessary referencing geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Group's assets. In addition the Group undertakes its own assessment of commercial reserves, using standard evaluation techniques and related future capital expenditure by reference to the same datasets using its own internal expertise. The estimates adopted by the Group may differ from the independent reserves specialists' estimates where management considers that adjustments are appropriate in the circumstances. The last assessment by its independent reserves specialist was as at 1 January 2016.

Intangible exploration and evaluation expenditure

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 intangible 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.

Oil and gas properties

Management is required to assess impairment in respect of oil and gas property assets at least annually with reference to indicators in IAS 36 'Impairment of Assets'. Note 14 to these consolidated financial statements discloses the carrying value of such oil and gas property assets. In making the assessment, management is required to estimate the recoverable amount for each asset held and compare that value to the net carrying amount of the asset at the balance sheet date. Such a review is done at least annually. This requires estimates to be made of in particular: future commodity prices, production volumes, capital/operating expenditure and appropriate pre-tax discount rates. Details of the Group's other property plant and equipment are provided in Note 15 to these consolidated financial statements.

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 commercial 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.

Provision for decommissioning

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new technology or experience at other production sites. The expected timing, extent and amount of expenditure may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

The estimated decommissioning costs are reviewed annually by an external expert and the results of this review are then used for the purposes of the Group's consolidated financial statements.

Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

Share-based payments
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
Judgement is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgement is required to determine whether deferred tax assets are recognised in the consolidated 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 (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) 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.

Special remuneratory benefit tax
The Group is subject to a special remuneratory benefit tax in Thailand, the rate for which depends on the annual revenue per cumulative metre drilled. Accordingly the tax rate to be applied in calculating the Group's deferred special remuneratory benefit tax depends on management's forecast of future revenues and drilling activities.

3 Segmental analysis

The Group's reportable and geographical segments are Africa, Asia and Other. The Other segment includes the corporate centres in the UK, Australia and Singapore.

Segment revenues and results
The following is an analysis of the Group's revenue and assets by reportable segment:

	Year ended 31 December 2015			
	Africa $'000	Asia $'000	Other $'000	Total $'000
Revenue sales of crude oil	–	161,090	–	161,090
Depreciation and amortisation	–	(80,943)	–	(80,943)
Impairment of exploration costs	(134,640)	(14,340)	–	(148,980)
Impairment of oil and gas properties	–	(126,732)	–	(126,732)
Impairment of investments accounted for using the equity method	–	(42,117)	–	(42,117)
Share of profit of equity-accounted joint venture	–	7,219	–	7,219
Operating (loss)/profit	(154,270)	(169,029)	(45,459)	(368,758)
Finance income	405	9,170	964	10,539
Finance expense	(383)	(18,641)	(2,177)	(21,201)
Other financial gains	–	3,372	–	3,372
Loss before tax	(154,248)	(175,128)	(46,672)	(376,048)
Taxation				53,596
Loss after tax				(322,452)
Total assets and total liabilities	As at 31 December 2015			
Total assets	705,430	1,164,134	554,298	2,423,862
Total liabilities	(138,529)	(628,340)	(7,489)	(774,358)
Investments accounted for using the equity method	–	130,200	–	130,200
	Year ended 31 December 2015			
Additions to non-current assets	37,016	137,666	–	174,682

3 Segmental analysis continued

Comparatives for the year ending 31 December 2014 have not been presented because the Group's only reportable segment under IFRS 8 was the exploration and evaluation of oil and gas related projects in Africa.

Non-current operating assets

The non-current operating assets for the UK are $4.0 million. (2014: $4.1 million). The non-UK, non-current operating assets are $1,543.1 million (2014: $767.1 million). Included in the non-UK, non-current operating assets is Thailand which makes up $455.7 million (2014: nil) and Equatorial Guinea which makes up $547.3 million (2014: $529.1 million).

Revenue from major customers

All sales of crude oil are to a single customer PTT Public Company Limited (PTT). PTT is a Thai state-owned oil and gas company that is listed on the Stock Exchange of Thailand.

4 Revenue

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Sales of crude oil	161,090	–
	161,090	–

5 Operating (loss)/profit before taxation

The Group's operating (loss)/profit before taxation included the following items:

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
(a) Cost of sales:		
– Operating costs	31,797	–
– Royalty payable	14,548	–
– Depreciation and amortisation of oil and gas properties	80,943	–
– Movement in inventories of oil	1,528	–
	128,816	–
(b) Gain on farm-out:		
– Gain on farm-out (Note 13)	(245)	(671,677)
(c) Exploration expenses:		
– Pre licence exploration costs	34,157	23,947
– Exploration expenditure written off (Note 13)	148,980	309,835
	183,137	333,782
(d) General & administration expenses include:		
– Operating lease payments	7,400	4,865
– Corporate transaction expense (Note 10)	8,000	–
– Share-based payment expense	4,594	6,876
	19,994	11,741
(e) Other operating expenses:		
– Loss/(profit) on disposal of assets	703	(2)
– Depreciation of other property, plant & equipment	4,184	1,955
– Impairment of goodwill	–	20,868
– Provision for exiting contract (Note 25)	20,000	–
– Other	377	–
	25,264	22,821

6 Net finance expense

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Interest income on short-term bank deposits	1,673	3,630
Other interest income	–	3,419
Interest expense on long term borrowings[1]	(17,099)	–
Unwinding of discount (Note 25)	(1,250)	–
Net foreign currency exchange losses	6,014	(12,910)
	(10,662)	(5,861)

1 Includes interest capitalised using a rate of 6.7%.

7 Other financial gains

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Realisation settlement gains on hedging	17,091	
Loss relating to oil derivatives	(14,001)	–
Gain on bond redemption (Note 23)	282	–
	3,372	–

8 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 2015 $'000	Year ended 31 Dec 2014 $'000
(a) Paid/payable to Ernst & Young LLP		
Audit of the financial statements	726	372
Local statutory audits of subsidiaries	362	39
Total audit services	1,088	411
Audit related assurance services	334	57
Corporate finance services	794	544
	2,216	1,012
(b) Paid/payable to Auditor if not Ernst & Young LLP		
Local statutory audits of subsidiaries	254	5
Taxation services	1,029	810
Corporate finance services	68	804
Other services	582	–
	1,933	1,619
	4,149	2,631

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continued

9 Staff costs and Directors' emoluments

a) Staff costs

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

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Salaries and wages	51,095	33,574
Social security costs	5,109	3,722
Contributions to pension plans/superannuation funds	3,033	2,095
Share-based payment expense (Note 33)	4,594	6,876
	63,831	46,267

(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 2015 $'000	Year ended 31 Dec 2014 $'000
Aggregate compensation:		
Salaries and wages	6,324	10,531
Social security costs	778	1,602
Contributions to pensions/superannuation funds	346	574
Compensation for loss of office[1]	–	1,780
Share-based payment expense (Note 33)	1,478	5,391
	8,926	19,878

1 Compensation for loss of office includes payments in lieu of notice of nil (2014: $943,366).

Key management emoluments above excludes aggregate gains made by Directors on the exercise of share options of nil (2014: $1,019,827).

(c) Directors' emoluments

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
(i) Aggregate compensation:		
Salaries and wages	2,223	3,103
Bonuses	781	2,251
Social security costs	392	981
Contributions to pensions/superannuation funds	151	228
Compensation for loss of office[1]	–	943
Other benefits	18	44
	3,565	7,550

1 Compensation for loss of office includes payments in lieu of notice of nil (2014: $943,366).

Directors' emoluments above excludes aggregate gains made by Directors on the exercise of share options of $nil (2014: $1,019,827).

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
(ii) Share-based payment expense (Note 33)	449	3,444
Number of Directors to whom superannuation or pension benefits accrued during the year	2	4

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

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
CEO	1	1
Exploration and technical	144	35
Commercial and support	188	91
	333	127

10 Business combinations

Acquisition of Salamander Energy plc

On 3 March 2015 (the acquisition date), the Group acquired 100% of the share capital of Salamander Energy Plc ('Salamander'), a Southeast Asian focused independent exploration and production company quoted on the London Stock Exchange. The enlarged Group enhances Ophir's operating capabilities in both Africa and Southeast 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 Southeast Asia.

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 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 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 of these consolidated financial statements.

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.

The fair values of the identifiable assets and liabilities of Salamander as at the date of acquisition were:

	Fair Value as at 3 Mar 2015 $'000
Assets	
Exploration & evaluation assets	132,000
Oil & gas properties	827,131
Other property, plant & equipment	1,869
Financial assets	46,749
Investments accounted for using the equity method	167,000
Inventory	19,142
Trade and other receivables	68,680
Cash and cash equivalents	48,827
	1,311,398

10 Business combinations continued

	Fair Value as at 3 Mar 2015 $'000
Liabilities	
Trade and other payables	(42,216)
Current tax liability	(97,375)
Interest-bearing bank borrowings	(253,918)
Convertible bonds[2]	(93,959)
Bonds payable	(154,835)
Provisions	(64,127)
Deferred tax liability	(278,837)
	(985,267)
Total identifiable net assets at fair value	**326,131**
Goodwill arising on acquisition	–
Consideration satisfied by the issue of:	
Equity instruments (152,208,612 ordinary shares of parent company [3]	326,131
Total consideration transferred	326,131
	326,131

1 The fair value of the trade and other receivables amounts to $68.7 million. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.
2 The convertible bonds were redeemed at par value $94.0 million on 30 March 2015. Accrued interest up to the date of redemption $2.35 million was also paid on this date.
3 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.

From the date of acquisition, 3 March 2015 to 31 December 2015, Salamander contributed $161.1 million to Group revenue and a loss of $132.2 million to Group loss after taxation. If the acquisition of Salamander had taken place at the beginning of the year, Salamander contribution to Group revenue and loss after taxation for the year ended 31 December 2015 would be $211.1 million and $147.7 million respectively.

The corporate costs associated with the transaction amounted to $8.0 million and have been expensed in general and administration expenses in the consolidated income statement and statement of comprehensive income.

11 Taxation

(a) Taxation(credit)/charge

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Current income tax:		
UK corporation tax	–	–
UK corporation tax – adjustment in respect of prior periods	–	341
Foreign tax:		
Special remuneratory benefit	19,610	–
Other foreign tax	4,719	209,259
Other foreign tax – adjustments in respect of prior periods	297	809
Total current income tax charge	24,626	210,409
Deferred tax:		
Origination and reversal of temporary differences		
Special remuneratory benefit	(43,603)	–
Other foreign tax	(34,619)	23,242
Total deferred income tax (credit)/charge	(78,222)	23,342
Tax (credit)/charge in the consolidated income statement and statement of comprehensive income	(53,596)	233,651

Special remuneratory benefit (SRB) is a tax that arises on one of the Group's assets, Bualuang in Thailand at rates that vary from zero to 75% of annual petroleum profit depending on the level of annual revenue per cumulative metre drilled. The current rate for SRB for 2015 was 28% (2014: 48%). Petroleum profit for the purpose of SRB is calculated as revenue less a number of deductions including operating costs, royalty, capital expenditures, special reduction (an uplift of certain capital expenditures) and losses brought forward.

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

The tax benefit not recognised in the consolidated income statement and statement of comprehensive income is reconciled to the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are reconciled below:

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
(Loss)/profit on operations before taxation	(376,048)	288,493
(Loss)/profit on operations before taxation multiplied by the applicable rate of 36%, being the average weighted corporate tax rate for the Group (2014: Based on the UK Corporation tax rate of 21.5%)	(138,125)	62,026
Non-deductible expenditure	88,168	6,132
Share-based payments	929	634
Tax effect of SRB	(11,997)	–
Effect of overseas tax rates	–	92,492
Tax effect of equity accounted investments	(3,610)	–
Unrecognised deferred tax assets	10,742	71,389
Other adjustments	–	(172)
Adjustment in respect of prior periods	297	1,150
Total tax (credit)/charge in the consolidated income statement and statement of comprehensive income	(53,596)	233,651

(c) Reconciliation of SRB charge to loss from operations before taxation

The taxation charge for SRB for the year can be reconciled to the loss from operations before tax per the consolidated income statement and statement of comprehensive income as follows:

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Loss from operations before taxation	(376,048)	–
Add back losses from operations before taxation for activities outside of Thailand	296,547	–
Loss from operations before taxation for activities in Thailand	(79,501)	–
Deduct share of profit of investments accounted for using the equity method	(7,219)	–
Loss before taxation for activities in Thailand	(86,721)	–
Applicable rate of SRB	28%	–
Tax at the applicable rate of SRB	(24,282)	–
Change in average SRB deferred tax rate	(37,450)	–
Effect of average SRB deferred tax rate compared to current SRB tax rate	28,791	–
Other non deductible costs	8,948	–
Total SRB credit	(23,993)	–

(d) Deferred income tax

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Deferred tax balances relate to the following:		
Corporate tax on fixed asset timing differences	(236,247)	–
SRB on fixed asset timing differences	(9,498)	–
Exploration and evaluation assets	–	(38,048)
Fair value adjustment in respect of exploration expenses	–	(6,000)
	(245,745)	(44,048)

Notes to the financial statements
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11 Taxation continued

(e) Unrecognised tax losses

The Group has gross tax losses arising in the UK of $192,101,762 (2014: $135,921,762) and Australia $5,884,000 (2014: $7,331,000) 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.

(f) 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 (2014: $164,441,000) in respect of provisions and exploration expenditure for which deferred tax assets have not been recognised.

(g) Change in corporation tax rate

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

The standard rate of UK corporation tax in the year changed from 21% to 20% with effect from 1 April 2015. 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 rate of 30% (2014: 30%). Deferred tax in Thailand is provided for at the statutory rate of 50%. Deferred tax in Indonesia is provided for at the statutory rate of 44%.

12 Earning 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 2015 $'000	Year ended 31 Dec 2014 $'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share		
(Loss)/profit for the year	(322,452)	54,842
Less non-controlling interest	–	4
(Loss)/profit attributable to equity holders of the parent	(322,452)	54,846
	Cents	Cents
Basic (loss)/earnings per ordinary share	**(47.1)**	**9.4**
Effect of potentially dilutive share options	–	–
Diluted (loss)/earnings per ordinary share	**(47.1)**	**9.4**

	As at 31 Dec 2015	**As at 31 Dec 2014**
Number of shares (millions)		
Basic weighted average number of shares	685	578
Potentially dilutive share options and warrants	12	6
	697	584

No ordinary shares of 0.25p each have been issued on exercise of options and warrants between the year ended 31 December 2015 and the date of approval of these consolidated financial statements.

13 Exploration and evaluation assets

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Cost		
Balance at the beginning of the year	764,933	1,124,423
Additions[1]	131,961	594,340
Acquisition of subsidiary[2]	132,000	–
Expenditure written off[3]	(148,980)	(309,835)
Recovery of costs incurred on farm-out of exploration interests[4]	–	(643,995)
Balance at the end of the year	879,914	764,933

1 Additions in the period include exploration activities in: Myanmar – Block AD03 ($28.3 million), Thailand – G4/50 ($19.7 million) and Equatorial Guinea – Block R ($18.3 million) and five Indonesian PSC licences from Niko Resources Limited ($25.3million). The licences acquired from Niko Resources were accounted for as an asset purchase as they did not meet the definition of a business combination in accordance with IFRS 3.

2 Acquisition of subsidiary: Refer to Note 10 of these consolidated financial statements.

3 Expenditure write off for the year ended 31 December 2015 was $149.0 million. The significant write offs included within the $149.0 million are listed below:
Expenditure write off in respect of Kenya: loss of $62.6 million – Block L9, in respect of Gabon: loss of $12.5 million – Ntsina Block, loss of $17.8 million – Mbeli Block and in respect of three Blocks in the Seychelles a loss of $24.4 million. The cash generating unit ('CGU') applied for the purpose of the impairment assessment is the Blocks. The recoverable amounts for each Block was nil. This was based on management's estimate of value in use.
Expenditure write off of $309.8 million for the year ended 31 December 2014 comprised of:
Expenditure write off in respect of Tanzania: loss of $107.3 million – East Pande Block, loss of $80.3 million – Block 7, in respect of Gabon: loss of $62.8 million – Gnondo Block, and in respect of Kenya: loss of $59.4 million– Block L9. The trigger for expenditure write off was management's assessment that no further expenditure on exploration and evaluation of hydrocarbons in the Blocks was budgeted or planned within the current licences terms. The cash generating unit ('CGU') applied for the purpose of the impairment assessment is the Blocks. The recoverable amounts for each Block was nil, except for Kenya – Block L9 where it was $60.4 million. This was based on management's estimate of value in use.

4 Recovery of costs incurred on farm-out of exploration interest include:
The Group's disposal in 2014 of a 20% interest in Tanzania Blocks 1, 3 & 4. The Group received cash consideration of $1,250 million plus a completion adjustment to reflect interest and working capital movements 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 recognised for the year ended 31 December 2014 was $671.7 million.
The Group also received $77.8 million relating to the farm-out of the Gabonese exploration blocks.

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 15% (2014: post-tax 10%). Adjustments to cash flows are made to reflect the risks specific to the CGU.

14 Oil and gas properties

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Cost		
Balance at the beginning of the year	–	–
Acquisition of subsidiary (Note 10)	827,131	–
Additions	42,721	–
Balance at the end of the year	869,852	–
Depreciation and amortisation		
Balance at the beginning of the year	–	–
Charge for the year	(80,943)	–
Charge for impairment[1]	(126,732)	–
Balance at the end of the year	(207,675)	–
Net book value		
Balance at the beginning of the year	–	–
Balance at the end of the year	662,177	–

1 The 2015 impairment charge of $126.7m related to the Bualuang oil field in Thailand which has a recoverable amount of $387.2m based on management's estimate of value in use. The discount rate used was 15%.

Notes to the financial statements
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15 Other property, plant and equipment

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Office furniture and equipment		
Cost		
Balance at the beginning of the year	11,278	5,786
Foreign currency translation	(575)	766
Acquisition of subsidiary (Note 10)	1,869	–
Additions	2,066	4,770
Disposals	(3,812)	(44)
Balance at the end of the year	10,826	11,278
Depreciation		
Balance at the beginning of the year	4,971	2,549
Foreign currency translation	(361)	511
Depreciation charge for the year	4,184	1,955
Disposals	(3,108)	(44)
Balance at the end of the year	5,686	4,971
Net book value		
Balance at the beginning of the year	6,307	3,237
Balance at the end of the year	5,140	6,307

16 Financial assets

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Security deposits – Rental properties	6,374	3,646
Security deposits – Exploration commitments[1]	2,530	13,458
Other long term receivables	18,349	–
	27,253	17,104

1 Floating interest deposits pledged to third parties or banks as security in relation to the Group's exploration commitments.

17 Inventory

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Oil	1,527	–
Materials and consumables	48,689	23,902
	50,216	23,902

18 Trade and other receivables

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Trade and other debtors	27,471	10,056
Prepayments	4,600	2,783
	32,071	12,839

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

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

19 Cash and cash equivalents

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Cash	116,060	138,603
Cash equivalents	498,509	739,269
	614,569	877,872

Cash and cash equivalents comprise cash in hand, deposits and other short-term money market deposit accounts that are readily convertible into known amounts of cash. The fair value of cash and cash equivalents is $614.6 million (2014: $877.9 million).

20 Investments

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Short-term investments	–	294,904

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 nil (2014: $294.9 million).

21 Trade and other payables

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Trade payables	22,310	3,004
Accruals	91,350	221,681
Payables in relation to joint operation partners	2,311	17,463
	115,971	242,148

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

22 Interest bearing bank loans

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Balance at the beginning of the year	–	–
Acquisition of subsidiary (Note 10)	253,918	–
Less: amounts repaid during the period	(100,910)	–
Less: amounts due within one year	(37,059)	–
Balance at the end of the year	115,949	–

Interest-bearing bank borrowings comprise a $350 million senior reserves based lending facility. The facility has been arranged for a period of seven years commencing in December 2012.

The senior reserves based lending facility is secured against certain of the Group's Thailand and Indonesia development and producing assets. There has been no breach of terms on the borrowing facility. The key terms of the facility are:

- Initial facility amount of up to $350 million.
- Financial covenants relating to the ratio of the loan balance outstanding to the net present value of cash flows of the secured assets and relating to the ratio of the loan balance outstanding to the net present value of cash flows during the life of the loan of the secured assets.
- Financial covenants relating to the maximum amount of borrowings of the Group.
- The Group may draw an amount up to the lower of the facility amount being $350 million as at 31 December 2015 or the borrowing base amount as determined by the forecast cash flows arising from the borrowing base assets of $153 million.
- As at 31 December 2015 the facility available is $153 million
- Interest accrues at a rate of between 3.70% and 4.20% plus LIBOR depending on the maturity of the assets. The borrowing base amount is re-determined on a semi-annual basis; with the Group further having the option to undertake two mid-period redeterminations in each year should it elect to do so.
- No early repayment penalties.
- Change of control provisions.

The acquisition of Salamander by Ophir on 3 March 2015 (refer to Note 10 of these consolidated financial statements) constituted a change of control under the terms of the facility. Prior to this transaction completing, a waiver was obtained from the lending banks such that the terms of the borrowing facility were not impacted at the date of completion.

23 Bonds payable

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Balance at the beginning of the year	–	–
Acquisition of subsidiary:		
9.75% Unsecured, callable bonds at $150 million par value (Note 10)	154,835	–
Redemption – 9.75% Unsecured, callable bonds at $45.2 million par value	(45,652)	
Gain on redemption (Note 7)	(282)	
Coupon interest charged	9,510	–
Interest paid	(11,760)	–
Balance at the end of the year	106,651	–

The unsecured callable bonds were issued by Salamander in December 2013 at an issue price of $150 million. The bonds have a term of six years and one month and will be repaid in full at maturity. The bonds carry a coupon of 9.75% and were issued at par. On 5 May 2015, bond holders exercised put options at 101% for the redemption of bonds with a par value of $45.2 million.

24 Net debt

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Amounts Due on Maturity:		
Interest bearing bank loans (see Note 22)	153,008	–
Bonds payable (see Note 23)	106,651	–
Total gross debt	259,659	–
Less cash and cash equivalents (see Note 19)	(614,569)	(877,872)
Total net (cash)/debt	(354,910)	(877,872)

At the balance sheet date, the bank borrowings are calculated to be repayable as follows:

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
On demand or due within one year	37,059	–
In the second year	43,701	–
In the third to fifth year inclusive	178,899	–
After five years	–	–
Total principal payable on maturity	259,659	–

25 Provisions

	Decommissioning and restoration of oil and gas $'000	Litigation and other claims $'000	Other provision $'000	Total $'000
At 1 January 2014		24,700	10,908	35,608
Arising during the year	–	1,650	76	1,726
Utilised/paid	–	–	(10,000)	(10,000)
Foreign exchange revaluation	–	–	(57)	(57)
Amounts released	–	–	(227)	(227)
At 31 December 2014	–	26,350	700	27,050
Acquisition of subsidiary (Note 10)	64,127	–	–	64,127
Arising during the period	1,956	–	22,792	24,748
Utilised/paid	–	–	–	–
Unwinding of discount (Note 6)	1,250	–	–	1,250
Foreign exchange revaluation	–	–	(179)	(179)
Amounts released	(143)	–	(1,926)	(2,069)
At 31 December 2015	67,190	26,350	21,387	114,927
Balance at the end of the year				
Current	–	26,350	21,387	47,737
Non-current	67,190	–	–	67,190
	67,190	26,350	21,387	114,927
Balance at the beginning of the year				
Current	–	26,350	437	26,787
Non-current	–	–	263	263
	–	26,350	700	27,050

Notes to the financial statements
continued

25 Provisions continued

Decommissioning and restoration of oil and gas assets

The provision outstanding at 31 December 2015 is expected to fall due from 2035 onwards.

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 2015 represent the best estimate of the expected loss.

Other provisions

Amounts provided at 31 December 2015 comprise:

- $20.0 million provision representing the unavoidable, least net cost of exiting a contract. The cost is expected to be incurred within the next 12 months; and
- $1.4 million provision in respect of redundancy costs, expected to be incurred within the next 12 months.

26 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group are able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the interest bearing bank loans and bonds payable as disclosed in Notes 22 and 23 of these consolidated financial statements, cash and cash equivalents as disclosed in Note 19 of these consolidated financial statements, and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Notes 27, 30 and 31 of these consolidated financial statements and in the consolidated statement of changes in equity. This is further discussed in the Principal risks section of these Annual Report and Accounts.

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.

Gearing Ratio

Management reviews the capital structure on a continuing basis. The gearing ratio is defined as net debt divided by equity attributable to equity holders of the Company plus net debt. At the year-end it was calculated as follows:

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Net (cash)/debt (see Note 24)	(354,910)	–
Equity plus net debt	1,294,594	–
Gearing ratio	(27.4)%	–

Significant Accounting Policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which the income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the statement of accounting policies.

Financial assets and liabilities

Current assets and liabilities

Management consider that due to the short term nature of current assets and liabilities, the carrying values equates to their fair value.

Non-current assets and liabilities

The carrying value and fair values of non-current financial assets and liabilities are shown in the following tables:

	As at 31 Dec 2015 $'000	**As at 31 Dec 2015 $'000**	As at 31 Dec 2014 $'000	As at 31 Dec 2014 $'000
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets:				
Security deposits	8,904	8,797	17,104	16,899
Financial liabilities:				
Interest bearing bank loans	(153,008)	(144,539)	–	–
Bonds payable	(106,651)	(108,400)	–	–

Financial risk management

The Group's principal financial assets and liabilities comprise of trade and other receivables, cash and cash equivalents, short-term investments and trade and other payables, interest bearing bank loans and bonds payable, which arise directly from its operations. Details are disclosed in Notes 18 to 23 of these consolidated financial statements. The main purpose of these financial instruments is to manage short-term cash flow and provide finance for the Group's operations.

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 commodity, credit, interest rate, foreign currency and liquidity risks.

(a) Commodity Price Risk

The Group's policy is to consider oil and gas price hedging when and where it is economically attractive to lock-in prices at levels that protect the cash flow of the Ophir Energy Group, its business plan and debt related coverage ratios. All hedging transactions to date have been related directly to expected cash flows and no speculative transactions have been undertaken.

For 2015, the Group's oil production was all sold at prices relative to the spot market. 2015 production was hedged with swaps for 1,200bopd with an average swap price of $103.33 per barrel. There were no open positions at the end of 2015. Therefore, the Group had no exposure to commodity price risk at 31 December 2015.

(b) 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.

In respect of the Group's trade sales, the Group manages credit risk through dealing with, whenever possible, either international energy companies or state owned companies based in Thailand and Indonesia and obtaining sufficient collateral where appropriate. The Group consistently monitors counterparty credit risk. The carrying value of financial assets recorded in these financial statements represents the Group's maximum exposure to credit risk at the year-end without taking account of any collateral obtained. In addition, the Group's operations are typically structured via contractual joint venture arrangements. As such the Group is reliant on joint venture partners to fund their capital or other funding obligations in relation to assets and operations which are not yet cash generative. The Group closely monitors the risks and maintains a close dialogue with those counterparties considered to be highest risk in this regard.

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.

Notes to the financial statements continued

26 Financial instruments continued

Credit quality of financial assets

	Equivalent S&P rating[1]		Internally rated		
	A-1 and above $'000	**A-2 and above $'000**	**A-2 and below $'000**	**No default customers $'000**	**Total $'000**
Year ended 31 December 2015					
Current financial assets					
Cash and cash equivalents	371,616	239,801	3,111	41	614,569
Trade and other receivables	–	–	–	13,003	13,003
	371,616	239,801	3,111	13,044	627,572
Non-current financial assets					
Security deposits	2,530	–	6,374	–	8,904
	2,530	–	6,374	–	8.904

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

	Equivalent S&P rating[1]		Internally rated		
	A-1 and above $'000	A-2 and above $'000	A-2 and below $'000	No default customers $'000	Total $'000
Year ended 31 December 2014					
Current financial assets					
Cash and cash equivalents	877,776	–	47	49	877,872
Trade and other receivables	–	–	–	23,626	23,626
	877,776	–	47	23,675	901,498
Non-current financial assets					
Security deposits	13,458	3,288	–	358	17,104
	13,458	3,288	–	358	17,104

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

Credit risk on cash and 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.

(c) Interest rate risk

The Group is exposed to interest rate movements through its interest bearing bank loans, bonds payable, cash and cash equivalent deposits and short-term investments, which are at rates fixed to LIBOR.

The sensitivity analysis below have been determined based on the Group's exposure to an interest rate movement and is prepared assuming the amount of the net debt outstanding at the balance sheet date were outstanding for the whole year.

For net debt, if interest rates had been 0.5% higher or lower and all other variables were held constant, the Group's loss after tax for the year ended 31 December 2015 would have decreased by $1.8 million (2014: Profit increase $5.9million) or increased by $1.8 million (2014: Profit decrease $5.9million) respectively. This is attributable to the Group acquiring the borrowings of Salamander Group in March 2015 as described in Note 10 of these consolidated financial statements.

The sensitivity in 2015 was maintained at 0.5% as interest rate volatilities remain similar to those in the prior period.

(d) 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 mainly in Pounds Sterling (GBP), Australian Dollars (AUD), Euros (EUR) and Thailand Baht (THB) to meet commitments in those currencies.

As at 31 December 2015, 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's net debt had the following exposure to GBP, THB and AUD foreign currency that is not designated in cash flow hedges:

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Financial assets		
Cash and cash equivalents		
AUD	1,303	3,858
GBP	4,228	143,743
THB	15,572	–
OTHER	641	1,016
	21,744	148,617
Net Exposure	**21,744**	**148,617**

The following table demonstrates the sensitivity to reasonable possible changes in GBP, AUD and THB against the US Dollar exchange rates with all other variables held constant, of the Group's (loss)/profit before tax and equity (due to the foreign exchange translation of monetary assets and liabilities).

	Loss before tax Higher/(lower)		Equity Higher/(lower)	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
US Dollar to GBP +5% (2014: +5%)	1,448	7,059	1,448	7,059
US Dollar to GBP -5% (2014: -5%)	(1,448)	(7,059)	(1,448)	(7,059)
US Dollar to AUD +5% (2014: +5%)	(72)	160	(72)	160
US Dollar to AUD -5% (2014: -5%)	72	(160)	72	(160)
US Dollar to THB +5%	901	–	901	–
US Dollar to THB -5%	(901)	–	(901)	–

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.

Notes to the financial statements continued

26 Financial instruments continued

(e) Liquidity risk

The Group manages its liquidity risk by maintaining adequate cash and cash equivalents, and borrowing facilities to meet its forecast short, medium and long-term commitments. The Group continually monitors its actual and forecast cash flows to ensure that there are adequate reserves and banking facilities to meet the maturing profiles of its financial assets and liabilities.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date the Group was required to pay at the balance sheet date. The table includes both interest and principal cash flows.

	As at 31 December 2015						
	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	Greater than five years $'000	Total $'000
Non-interest bearing	(93,420)	–	–	–	–	–	(93,420)
Variable interest rate instruments	(38,727)	(47,634)	(47,273)	(36,106)	–	–	(169,740)
Fixed interest rate instruments:							
– Bond payable	–	–	–	–	(149,111)	–	(149,111)
Total	(132,147)	(47,634)	(47,273)	(36,106)	(149,111)	–	(412,271)

	As at 31 December 2014						
	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	Greater than five years $'000	Total $'000
Non-interest bearing	(198,987)	–	–	–	–	–	(198,987)
Variable interest rate instruments	–	–	–	–	–	–	–
Fixed interest rate instruments:							
– Bond payable	–	–	–	–	–	–	–
Total	(198,987)	–	–	–	–	–	(198,987)

Additionally, Notes 34 and 35 of these consolidated financial statements sets out the Group's outstanding financial commitments at the year end.

(f) Disclosure of fair values

The carrying value of security deposits and borrowings are disclosed in the financial statements as at 31 December 2015. The fair value of these assets and liabilities are disclosed in the table of financial assets and liabilities on page 129 of these consolidated financial statements.

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 2015 $'000	Year ended 31 Dec 2014 $'000
Level 1	(108,400)	–
Level 2	–	–
Level 3	(135,742)	16,899
	(244,142)	16,899

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

27 Share capital

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
(a) Authorised		
2,000,000,000 ordinary shares of 0.25p each	7,963	7,963
(b) Called up, allotted and fully paid ordinary shares of 0.25p each		
In issue at the beginning of the year 593,810,795 (2014: 591,961,422)	2,474	2,466
Issued on exercise of share options during the year Nil (2014: 1,849,373)	–	8
Issued during the year 152,208,612[1] (2014: Nil)	587	–
In issue at the end of the year 746,019,407 (2014: 593,810,795)	3,061	2,474

1 152,208,612 ordinary shares issued in consideration for the Salamander acquisition on 3 March 2015. The market value of the Company's shares on this date was: £1.39 ($2.14).

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.

28 Investments accounted for using the equity method

	As at 31 Dec 2015 $'000
Company	
APICO LLC	27.18%
APICO (Khorat) Holdings LLC	27.18%
APICO (Khorat) Limited	27.18%

The investments in the jointly controlled entities have been classified as joint ventures under IFRS 11 and therefore the equity method of accounting has been used in the consolidated financial statements.

APICO is a limited liability company formed in the State of Delaware, USA. APICO LLC wholly owns APICO (Khorat) Holdings LLS a limited liability company formed in the State of Delaware, USA. APICO (Khorat) Holding LLC wholly owns APICO (Khorat) Limited which is a Thai limited company that was incorporated and has its principal place of business in the Kingdom of Thailand.

The Group's primary business purpose is the acquisition, exploration, development and production of petroleum interests in the Kingdom of Thailand.

The Group's share of the results of its joint venture and the Group share of its assets and liabilities as at 31 December 2015 are shown in the tables below:

Results for the period 3 March 2015 to 31 December 2015	$'000
Sales and other operating revenues	16,658
Profit before interest and taxation	11,979
Net finance costs	(160)
Profit before taxation	11,819
Taxation	(4,600)
Profit for the period	7,219

Notes to the financial statements continued

28 Investments accounted for using the equity method continued

Summarised financial information of APICO LLC

Results for the year ended 31 December 2015	$'000
Sales and other operating revenues	61,288
Profit before interest and taxation	44,073
Net finance costs	(589)
Profit before taxation	43,484
Taxation	(16,924)
Profit for the period	26,560

Group share of assets and liabilities	$'000
Non-current assets	48,267
Current assets	5,888
Total assets	54,155
Current liabilities	(6,562)
Non-current liabilities	(2,529)
Total liabilities	(9,091)
Net assets	45,064

The following table shows the movement in investments in the jointly controlled entities:

	Year ended 31 Dec 2015 $'000
Balance at the beginning of the year	–
Acquisition of subsidiary (Note 10)	167,000
Additions	3,941
Impairment	(42,117)
Share of profit of investments	7,219
Dividends received	(5,843)
Balance at the end of the year	130,200

29 Treasury shares

Ordinary shares of 0.25p each held by the Group as treasury shares	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Balance at the beginning of the year 14,910,114 (2014: nil)	59	–
Acquired during the year 26,114,403 (2014: 15,522,066)	99	62
Disposed of on exercise of share options during the year 797,379 (2014: 611,952)	(3)	(3)
Balance at the end of the year 40,227,138 (2014: 14,910,114)	155	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 33 of these consolidated financial statements). 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 purchased shares under the Programme for a total consideration of $56.1 million (2014: $44.2 million), including costs of $0.3 million (2014: $0.3 million). The remaining facility as at 31 December 2015 was $nil (2014: $56.1 million).

30 Reserves

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Treasury shares (Note 29)	(155)	(59)
Other reserves (Note 31)	1,646,878	1,695,904
	1,646,723	1,695,845
Non-controlling interest[1]	(280)	(280)
	1,646,443	1,695,565

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

31 Other reserves

	Share premium[1] $'000	Capital redemption[2] reserve $'000	Options premium[3] reserve $'000	Consolid-ation[4] reserve $'000	Merger[5] reserve $'000	Equity component on convertible bond[6] $'000	Foreign currency translation[7] reserve $'000	Accum-ulated losses $'000	Total other reserves $'000
As at 1 January 2014	805,580	–	43,338	(500)	1,218,239	669	4,456	(397,063)	1,674,719
Loss for the period, net of tax	–	–	–	–	–	–	–	54,846	54,846
Other comprehensive income, net of tax	–	–	–	–	–	–	1,784	–	1,784
Total comprehensive loss, net of tax	–	–	–	–	–	–	1,784	54,846	56,630
Purchase of own shares[8]	–	62	–	–	–	–	–	(44,230)	(44,168)
Exercise of options	1,847		–	–	–	–	–	–	1,847
Share-based payment	–	–	6,876	–	–	–	–	–	6,876
Transfers within reserves[5]	–	–	–	–	(876,447)	–	–	876,447	–
As at 1 January 2015	807,427	62	50,214	(500)	341,792	669	6,240	490,000	1,695,904
Profit for the period, net of tax	–	–	–	–	–	–	–	(322,452)	(322,452)
Other comprehensive income, net of tax	–	–	–	–	–	–	(702)	–	(702)
Total comprehensive income, net of tax	–	–	–	–	–	–	(702)	(322,452)	(323,154)
New ordinary shares issued to third parties	–	–	–	–	325,545	–	–	–	325,545
Purchase of own shares[8]	–	98	–	–	–	–	–	(56,109)	(56,011)
Exercise of options	–	–	–	–	–	–	–	–	–
Share-based payment	–	–	4,594	–	–	–	–	–	4,594
As at 31 December 2015	807,427	160	54,808	(500)	667,337	669	5,538	111,439	1,646,878

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 consolidation reserve represents a premium on acquisition of a minority interest in a controlled entity.
5 During the year the provisions of the Companies Act 2006 relating to Merger Relief (s612 and s613) were applied to the Salamander Energy plc acquisition (refer to Note 10 of these consolidated financial statements). The non-statutory premium arising on shares issued by Ophir as consideration has been recognised in the Merger reserve, by virtue of Ophir acquiring in excess of 90% of all classes of the acquiree's issued share capital.
In 2014, following the completion of the Group's farm out of 20% of its interest in Tanzania Blocks 1, 3 & 4, wholly owned subsidiaries of the Company redeemed the preference shares that had been acquired by the Company. This 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.
6 This balance represents the equity component of the convertible bond, net of costs and tax as a result of the separation of the instrument into its debt and equity components. The bond was converted into 21,661,476 ordinary shares of 0.25p each on 21 May 2008.
7 The foreign currency translation reserve is used to record unrealised exchange differences arising from the translation of the financial statements of entities within the Group that have a functional currency other than US Dollars.
8 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 purchased 26,114,403 shares (31 December 2014: 15,522,066) under the Programme for a total consideration of $56.1 million (31 December 2014: $44.2 million), including costs of $0.3 million (31 December 2014: $0.3 million). The remaining facility as at 31 December 2015 was nil (31 December 2014: $56.1 million).

32 Consolidated cash flow analysis

The following table shows the reconciliation of the (loss)/profit before tax to cash flows generated from/(utilised in) operations:

	Notes	**Year ended 31 Dec 2015 $'000**	Year ended 31 Dec 2014 $'000
Operating activities			
(Loss)/profit before taxation		(376,048)	288,493
Adjustments to reconcile profit/(loss) before tax to net cash flows:			
Gain on farm-out	5b	(245)	(671,677)
Interest income	6	(1,673)	(7,049)
Interest expense	6	18,348	–
Share of profit of investments accounted for using the equity method		(7,219)	–
Foreign exchange (gains)/ losses	6	(6,014)	12,910
Other financial gains	7	13,719	–
Impairment of oil and gas properties		126,732	
Depreciation and amortisation	5	85,127	1,955
Impairment of goodwill	5e	–	20,868
Loss/(profit) on disposal of assets	5e	703	(2)
Provision for employee entitlements		(2,105)	(207)
Provision for redundancy costs		2,792	–
Provision for exiting contract	5e	20,000	–
Share-based payment expense	5d	4,594	6,876
Exploration expenditure – pre licence costs	5c	34,157	23,947
Exploration expenditure – written off	5c	148,980	309,835
Impairment of equity accounted investments		42,117	–
Working capital adjustments			
(Increase)/decrease in inventories		(7,172)	–
Decrease in trade and other payables		(52)	(4,409)
Decrease in trade and other receivables		25,343	2,066
Cash generated from/(utilised) in operations		122,084	(16,394)

33 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 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.

	2015 Number	**2015 WAEP**	2014 Number	WAEP 2014
Outstanding options at the beginning of year	8,201,313	$1.39/£0.90	10,111,578	$1.50/£0.96
Granted during the year	6,362,409	0.37c/0.25p	2,052,911	$0.30/£0.19
Exercised during the year	(797,419)	0.37c/0.25p	(2,461,325)	$0.71/£0.46
Expired during the year	(1,031,033)	$0.16/£0.11	(1,501,851)	$3.06/£1.97
Outstanding options at the end of year	12,735,270	$0.97/£0.65	8,201,313	$1.39/£0.90
Exercisable at end of year	4,035,068	$2.90/£1.96	3,885,282	$3.28/£2.11

The weighted average exercise price of options granted during the year was $0.0037 (2014: $0.30). The range of exercise prices for options outstanding at the end of the year was $0.0037 to $8.14 (2014: $0.00 to $8.55) with a remaining exercise period in the range of one to nine years.

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2015.

	2006 Share Option Plan		Long Term Incentive Plan		2012 Deferred Share Plan	
	2015	2014	**2015**	2014	**2015**	2014
Dividend yield (%)	N/A	–	–	–	–	–
Exercise Price	N/A	$4.29/£2.60	0.37c/0.25p	nil	0.37c/0.25p	nil
Share Volatility (%)	N/A	50%	50%	41%	50%	50%
Risk-free interest rate (%)	N/A	1%	0.5%	0.94%	0.5%	1%
Expected life of option (years)	N/A	2–10	0–4	0–5	0–3	1–3
Weighted average share price	N/A	$4.06/£2.46	$1.05/£0.71	$4.06/£2.46	$2.10/£1.42	$4.06/£2.46

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 1,334,506 (2014: 552,522) nil cost options to acquire ordinary shares were granted to Directors under the Ophir Energy Long Term Incentive Plan.

During the year no options were granted to Directors under the Ophir Energy Company 2006 Share Option Plan. (2014: nil).

Notes to the financial statements
continued

34 Operating lease commitments

At 31 December 2015 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:

	As at 2015 $'000	As at 2014 $'000
Due within one year	18,909	1,877
Due later than one year but within five years	67,088	8,982
Due later than five years	58,269	4,792
	144,266	15,651

35 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 in the following table are an estimate of the net cost to the Group of performing these work programmes:

	As at 2015 $'000	As at 2014 $'000
Due within one year	39,010	63,328
Due later than one year but within two years	30,350	28,600
Due later than two years but within five years	17,680	6,630
	87,040	98,558

36 Contingent Liabilities

An individual has commenced claims against the Group relating to the evaluation and subsequent disposal of an interest that was held in exploration blocks within the portfolio. Preliminary court hearings for applications relating to the claims have been held, and, to date, no material rulings have been made. The Group is awaiting the schedule for the full trials and it is not practicable to state whether any payment obligation may arise. The Group has taken the view that the actions are without merit and accordingly has estimated that no liability will arise as a result of proceedings and therefore no provision for any liability has been made in these financial statements.

37 Subsidiary undertakings, joint ventures, associates and material joint operations

Subsidiary undertakings

A complete list of Ophir Energy plc Group companies at 31 December 2015, and Group's percentage of share capital (to the nearest whole number) are set out in Appendix A to these consolidated financial statements on pages 158 to 160. All of these subsidiaries have been included in these consolidated financial statements on pages 99 to 139.

Material joint operations

The following joint operations are considered individually material to the Group as at 31 December 2015.

Asset	Principal place of business	Activity
Block R[1]	Equatorial Guinea	Exploration
Block 1[2]	Tanzania	Exploration
Block 4[3]	Tanzania	Exploration
Bankanai (Kerendan)[4]	Indonesia	Exploration and production

1 This concession is operated by the Group and it has a 80% interest.
2 This concession is operated by BG Group in which the Group has a 20% interest.
3 This concession is operated by BG Group in which the Group has a 20% interest.
4 This concession is operated by the Group and it has a 70% interest.

Capital commitments relating to these projects are included in Note 35 of these consolidated financial statements. There are no contingent liabilities associated with these projects. Refer to Note 2.3(l) of these consolidated financial statements for the Group's accounting policy for jointly controlled assets and liabilities.

38 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 21 and Note 37 of these consolidated financial statements) and its Directors.

Recharges from the Company to subsidiaries in the year were $13,228,862 (2014: $25,872,984). Transactions between the Company and its subsidiaries have been eliminated on consolidation.

(b) Other transactions with key management personnel

Compensation of key management personnel (including Directors) is disclosed in Note 9(b) of these consolidated financial statements.

39 Events after the reporting period

On 1 March 2016, Ophir acquired a 40% non-operated interest in Block 2A, Malaysia, for a consideration of $6.2 million.

On 9 March 2016, the Group acquired a 50% operated interest in Block CI-513, Cote d'Ivoire, for a consideration of $16.9 million.

Company statement of financial position
As at 31 December 2015

	Notes	2015 $'000	2014 $'000
Non-current assets			
Property, plant and equipment	5	4,026	4,538
Investments in subsidiaries	6	1,139,524	542,445
Financial assets	7	2,202	6,942
		1,145,752	**553,925**
Current assets			
Inventory	8	6,655	6,067
Trade and other receivables	9	3,363	4,330
Cash and cash equivalents	10	533,630	769,939
Investments	11	–	**294,904**
		543,648	**1,075,240**
Total assets		**1,689,400**	**1,629,165**
Current liabilities			
Trade and other payables	12	(6,468)	(14,499)
Taxation payable		(25)	(25)
		(6,493)	**(14,524)**
			–
Total liabilities		**(6,493)**	**(14,524)**
Net assets		**1,682,907**	**1,614,641**
Capital and reserves			
Called up share capital	14	3,061	2,474
Treasury shares	15	(155)	(59)
Reserves	16	1,680,001	1,612,226
Total equity		**1,682,907**	**1,614,641**

The notes on pages 143 to 160 form part of these Company financial statements.

The Company financial statements of Ophir Energy plc (registered number 05047425) on pages 140 to 160 were approved by the Board of Directors on 9 March 2016.

On behalf of the Board:

Nicholas Smith
Chairman

Tony Rouse
Chief Financial Officer

Company statement of changes in equity
For the year ended 31 December 2015

	Called up share capital $'000	Treasury shares $'000	Other[1] reserves $'000	Total equity $'000
As at 1 January 2014	**2,466**	–	**1,866,705**	**1,869,171**
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
As at 31 December 2014	**2,474**	**(59)**	**1,612,226**	**1,614,641**
Loss for the period, net of tax	–	–	(206,353)	(206,353)
Other comprehensive income, net of tax	–	–	–	–
Total comprehensive income, net of tax	–	–	(206,353)	(206,353)
New ordinary shares issued to third parties	587		325,545	326,132
Purchase of own shares	–	(99)	(56,011)	(56,110)
Exercise of options	–	3	–	3
Share-based payment	–	–	4,594	4,594
As at 31 December 2015	**3,061**	**(155)**	**1,680,001**	**1,682,907**

1 Refer to Note 16 of these Company financial statements

The notes on pages 143 to 160 form part of these Company financial statements.

Company statement of cash flows
For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Operating activities			
Loss before taxation		(206,353)	(219,009)
Adjustments to reconcile loss before tax to net cash flows:			
Interest income		(1,624)	(27,915)
Interest expense		–	7,291
Foreign exchange losses/(gains)		3,776	(14,840)
Depreciation of property, plant and equipment	5	2,714	1,167
Provision for employee entitlements		–	(227)
Share-based payment expense		4,594	6,876
Allowance for impairment of investment in subsidiaries	6	158,204	215,912
Working capital adjustments			
(Decrease)/increase in trade and other payables		(8,029)	9,292
Decrease/(increase) in trade and other receivables		966	(1,918)
Cash flows used in operating activities		**(45,752)**	**(23,371)**
Income taxes paid		–	–
Interest income		1,624	65,190
Interest expense		–	(7,291)
Net cash flows used in operating activities		**(44,128)**	**(34,528)**
Investing activities			
Purchases of property, plant and equipment	5	(2,202)	(4,391)
Increase in inventory		(588)	(4,224)
Investment in subsidiaries	6	(246,877)	(20,000)
Proceeds from the redemption of preference shares	6	–	1,079,450
(Loans to)/repaid by subsidiaries	6	(182,276)	508,869
Cash returned/(placed) on deposit	11	294,904	(294,904)
Security deposits returned/(placed)		4,740	(3,847)
Net cash flows (used in)/from investing activities		**(132,299)**	**1,260,953**
Financing activities			
Share issue costs		–	–
Proceeds from issue of ordinary shares		–	–
Proceeds from of exercise of share options		3	1,914
Purchase of own shares		(56,109)	(44,230)
(Repayment of)/proceeds from loans and borrowings		–	(540,630)
Net cash flows (used in)/from financing activities		**(56,106)**	**(582,946)**
(Decrease)/increase in cash and cash equivalents for the year		**(232,533)**	**712,535**
Net effect of foreign exchange rates on cash and cash equivalents		(3,776)	(11,785)
Cash and cash equivalents at the beginning of the year		769,939	69,189
Cash and cash equivalents at the end of the year	10	**533,630**	**769,939**

The notes on pages 143 to 160 form part of these Company financial statements.

Notes to the financial statements

1 Corporate information

Ophir Energy plc (the Company) is a public limited company domiciled and incorporated in England and Wales. The Company's registered offices are located at 123 Victoria Street, London SW1E 6DE.

The Company'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 Southeast Asia.

The Company's financial statements for the year ended 31 December 2015 were authorised for issue by the Board of Directors on 9 March 2016 and the Statement of Financial Position was signed on the Board's behalf by Nicholas Smith and Tony Rouse.

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.

The Company is the ultimate parent entity of the Group. The Company's financial statements are included in the Ophir Energy plc consolidated financial statements for the year ended 31 December 2015. As permitted by the section s408 of the Companies Act 2006 the Company has not presented its own income statement and statement of comprehensive income and related notes.

Comparative figures for the period to 31 December 2014 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 2015. 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.

2 Basis of preparation and significant accounting policies continued

iv. Interest-bearing loans and borrowings

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

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

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

(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

Cost

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

Depreciation

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

(e) Provisions

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

(f) Pensions and other post-retirement benefits

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

(g) Employee benefits

Salaries, wages, annual leave and sick leave

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

(h) Equity instruments

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

(i) Leases

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

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

(j) Revenue recognition

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

(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.

2 Basis of preparation and significant accounting policies continued

(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 projected future cash flows after the fifth year.

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

2.3 Significant accounting judgements, estimates and assumptions

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

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

3 Loss attributable to members of the parent company

The loss attributable to the members of the Company for the year ended 31 December 2015 is $206.4 million (2014: $219.0 million).

4 Share-based compensation

(a) Employee incentive share option plans

Ophir Energy Company Foundation Incentive Scheme

Ophir Energy Company Foundation Incentive Scheme was established on 12 May 2004 shortly after the formation of the Company to attract new employees on start up. The plan provided for a total of 1,450,000 options to acquire ordinary shares at 1p per share to be issued to eligible employees. The Scheme was terminated on 24 November 2005 and all options issued under the scheme have fully vested.

Ophir Energy Company 2006 Share Option Plan

On 5 April 2006 the Board resolved to establish the Ophir Energy Company Limited 2006 Share Option Plan. Any employee of the Company or any Subsidiary or any Director of the Company or any subsidiary who is required to devote substantially the whole of his working time to his duties is eligible to participate under the Plan. At the grant date the Board of Directors determine the vesting terms, if any, subject to the proviso that no more than one half of the options become exercisable on the first and second anniversaries of the date of grant and any performance conditions are satisfied. Options have an exercise period of 10 years from the date of grant.

Ophir Energy Long Term Incentive Share Option Plan

On 26 May 2011 the Board resolved to establish the Ophir Energy Long Term Incentive Share Option Plan. This was introduced to give awards to Directors and senior management subject to outperforming a comparator group of similarly focused oil and gas exploration companies in terms of shareholder return over a three year period. The Plan awards a number of shares to Directors and senior management based on a multiple of salary. However, these shares only vest after a three year period and the full award is made only if Ophir has performed in the top quartile when compared against a selected peer group of upstream oil and gas companies.

Ophir Energy plc 2012 Deferred Share Plan

On 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.

4 Share-based compensation continued

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.

	2015 Number	2015 WAEP	2014 Number	2014 WAEP
Outstanding options at the beginning of the year	8,201,313	$1.39/£0.90	10,111,578	$1.50/£0.96
Granted during the year	6,362,409	0.37c/0.25p	2,052,911	$0.30/£0.19
Exercised during the year	(797,419)	0.37c/0.25p	(2,461,325)	$0.71/£0.46
Expired during the year	(1,031,033)	$0.16/£0.11	(1,501,851)	$3.06/£1.97
Outstanding options at the end of the year	12,735,270	$0.97/£0.65	8,201,313	$1.39/£0.90
Exercisable at end of year	4,035,068	$2.90/£1.96	3,885,282	$3.28/£2.11

The weighted average exercise price of options granted during the year was $0.0037 (2014: $0.30). The range of exercise prices for options outstanding at the end of the year was $0.0037 to $8.14 (2014: $0.00 to $8.55) with a remaining exercise period in the range of three to nine years.

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The table below lists the inputs to the model used for the year ended 31 December 2015.

	2006 Share Option Plan		Long Term Incentive Plan		2013 Deferred Share Plan	
	2015	2014	2015	2014	2015	2014
Dividend yield (%)	N/A	–	–	–	–	–
Exercise Price	N/A	$4.29/£2.60	0.37c/0.25p	nil	0.37c/0.25p	nil
Share Volatility (%)	N/A	50%	50%	41%	50%	50%
Risk-free interest rate (%)	N/A	1%	0.5%	0.94%	0.5%	1%
Expected life of option (years)	N/A	2–10	0–4	0–5	0–3	1–3
Weighted average share price	N/A	$4.06/£2.46	$1.05/£0.71	$4.06/£2.46	$2.10/£1.42	$4.06/£2.46

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.

(c) Share-based payments to Directors

During the year 1,334,506 (2014: 552,522) nil cost options to acquire ordinary shares were granted to Directors under the Ophir Energy Long Term Incentive Plan.

During the year no options were granted to Directors under the Ophir Energy Company 2006 Share Option Plan (2014: nil).

5 Property, plant and equipment

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Office furniture and equipment		
Cost		
Balance at the beginning of the year	6,414	2,023
Additions	2,202	4,391
Disposals	–	–
Balance at the end of the year	8,616	6,414
Depreciation		
Balance at the beginning of the year	1,876	709
Disposals	–	–
Depreciation charge for the year	2,714	1,167
Balance at the end of the year	4,590	1,876
Net book value		
Balance at the beginning of the year	4,538	1,314
Balance at the end of the year	4,026	4,538

6 Investments in subsidiaries

On 3 March 2015 (the acquisition date), the Group acquired 100% of the share capital of Salamander, a Southeast Asian focused independent exploration and production company quoted on the London Stock Exchange.

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 the issuing of 0.5719 Ophir ordinary share for each Salamander ordinary share held.

The enlarged Group enhances Ophir's operating capabilities in both Africa and Southeast 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 Southeast Asia.

The acquisition has been accounted for as a single business combination in the consolidated financial statements on pages 99 to 139. 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) on page 106.

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.

6 Investments in subsidiaries continued

The following table shows the movement in the investment in subsidiaries during the year	**Year ended 31 Dec 2015 $'000**	Year ended 31 Dec 2014 $'000
Balance at the beginning of the year	**978,375**	**2,546,692**
Additions during the year		
Salamander Energy plc	593,011	–
Ophir Holdings Limited	128,238	174,699
Ophir Services Pty Limited	–	18,659
Ophir Asia Limited	62,126	341
Ophir Ventures (Jersey) No. 2 Limited	2	20,000
Dominion Petroleum Limited	6,645	81,917
Other	9,013	20,885
Repayments during the year		
Ophir Holdings Limited	–	(800,000)
Ophir Ventures (Jersey) Limited – Preference share redemption	–	(241,893)
Ophir Ventures (Jersey) No. 2 Limited – Preference share redemption	–	(837,557)
Ophir Services Pty Limited	(20,781)	–
Other	(22,971)	(5,368)
Balance at the end of the year	1,733,658	978,375
Foreign exchange translation gains and losses	26,625	26,625
Allowance for impairment		
Balance at the beginning of the year	(462,555)	(246,643)
Additional allowance	(158,204)	(215,912)
Balance at the end of the year	(620,759)	(462,555)
Net book value		
At the beginning of the year	542,445	2,300,049
At the end of the year	1,139,524	542,445

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. 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.

A complete list of Ophir Energy plc Group companies at 31 December 2015, and Group's percentage of share capital (to the nearest whole number) are set out in Appendix A to these financial statements on page 158. All of these subsidiaries have been consolidated in the Group financial statements on pages 99 to 139.

7 Financial assets

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Non-current		
Security deposits – Rental properties	2,202	3,642
Security deposits – Exploration commitments[1]	–	3,300
	2,202	6,942

1 Floating interest deposits pledged to third parties or banks as security in relation to the Group's exploration commitments.

8 Inventory

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Drilling consumables	6,655	6,067

9 Trade and other receivables

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Other debtors	2,110	1,707
Prepayments	1,253	2,623
	3,363	4,330

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

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Cash	35,121	30,687
Cash equivalents	498,509	739,252
	533,630	769,939

Cash and cash equivalents comprise cash in hand, deposits and other short-term money market deposit accounts that are readily convertible into known amounts of cash. The fair value of cash and cash equivalents is $533.6 million (2014: $769.9 million).

11 Investments

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Short-term investments	–	294,904

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 nil (2014: $294.9 million).

12 Trade and other payables

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Trade creditors	922	893
Accruals	5,546	13,606
	6,468	14,499

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

13 Financial instruments

The Company utilises the same financial risk and capital management as the Group. Refer to Note 26 of the Group financial statements for further details.

(a) Credit quality of financial assets

	Equivalent S&P rating[1]		Internally rated		
	A-1 and above $'000	**A-2 and above $'000**	**A-2 and below $'000**	**No default customers $'000**	**Total $'000**
Year ended 31 December 2015					
Current financial assets					
Cash and cash equivalents	533,623	–	–	7	533,630
Trade and other receivables	–	–	–	3,363	3,363
	533,623	–	–	3,370	536,993
Non-current financial assets					
Security deposits	–	2,202	–	–	2,202
	–	2,202	–	–	2,202

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

	Equivalent S&P rating[1]		Internally rated		
	A-1 and above $'000	A-2 and above $'000	A-2 and below $'000	No default customers $'000	Total $'000
Year ended 31 December 2014					
Current financial assets					
Cash and cash equivalents	769,297	–	–	12	769,939
Investments	294,904	–	–	–	294,904
Trade and other receivables	–	–	–	4,330	4,330
	1,064,831	–	–	4,342	1,069,173
Non-current financial assets					
Security deposits	3,300		3,288	354	6,942
	3,300		3,288	354	6,942

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

Credit risk on cash and 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:

	As at 31 Dec 2015		As at 31 Dec 2014	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Year ended 31 December				
Security deposits	2,202	2,202	6,942	6,837
	2,202	2,202	6,942	6,837

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 2015, the Company has no external borrowings (2014: 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.

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Financial assets		
Security deposits	2,202	6,942
Cash and cash equivalents	533,630	769,939
Investments	–	294,904
	535,832	1,071,785
Financial liabilities		
Loans from subsidiary undertakings	–	–
Net exposure	535,832	1,071,785

The following table demonstrates the sensitivity to a reasonably 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).

Increase/decrease in interest rate	**Effect on loss 31 Dec 2015 $'000**	Effect on loss 31 Dec 2014 $'000
+0.5%	2,679	5,359
-0.5%	(2,679)	(5,359)

The sensitivity in 2015 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 26(d) of the Group financial statements for further details.

As at 31 December 2015, the Company's predominant exposure to foreign exchange rates related to cash and cash equivalents held in Pounds Sterling.

Notes to the financial statements
continued

13 Financial instruments continued

At the statement of financial position date, the Company had the following exposure to GBP, THB, MYR and EUR foreign currency that is not designated in cash flow hedges:

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Financial assets		
Cash and cash equivalents		
EUR	1	1
GBP	29,088	73,580
	29,089	73,581
Investments		
GBP	–	69,904
Security deposits		
GBP	2,202	3,642
	31,291	147,127
Financial liabilities		
Trade and other payables		
AUD	(200)	(18)
THB	(151)	–
MYR	(23)	–
EUR	(85)	(86)
GBP	(3,851)	(4,949)
	(4,310)	(5,053)
Net exposure	26,981	142,074

The table below demonstrates the sensitivity to reasonable possible changes in currencies 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)	
	2015 $'000	2014 $'000
US Dollar to GBP Sterling +5% (2014: +5%)	1,372	7,109
US Dollar to GBP Sterling -5% (2014: -5%)	(1,372)	(7,109)

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 26(e) of the Group financial statements for further details.

All of the Company's trade creditors and other payables (Refer to Note 12 of these Company financial statements) 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 2015 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.

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Level 1	–	–
Level 2	–	–
Level 3	2,202	6,942
	2,202	6,942

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

14 Share capital

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
(a) Authorised		
2,000,000,000 ordinary shares of 0.25p each	7,963	7,963
(b) Called up, allotted and fully paid ordinary shares of 0.25p each		
In issue at the beginning of the year; 593,810,795 (2014: 591,961,422)	2,474	2,466
Additions		
Issued on exercise of share options during the year; Nil (2014: 1,849,373)	–	8
Issued during the period; 152,208,612[1] (2014: Nil)	587	–
In issue at the end of the year; 746,019,407 (2014: 593,810,795)	3,061	2,474

1 152,208,612 ordinary shares were issued in consideration for the acquisition of Salamander Energy plc on 3 March 2015. The market value of the Company's shares on this date was £1.39 ($2.14).

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.

Notes to the financial statements continued

15 Treasury shares

Ordinary shares of 0.25p each held by the Group as treasury shares	**Year ended 31 Dec 2015 $'000**	Year ended 31 Dec 2014 $'000
Balance at the beginning of the year ; 14,910,114 (2014: nil)	59	–
Acquired during the year; 26,114,403 (2014: 15,522,066)	99	62
Disposed of on exercise of share options during the year; 797,379 (2014: 611,952)	(3)	(3)
Balance at the end of the year; 40,227,138 (2014: 14,910,114)	155	59

Treasury shares represents the cost of shares in the Company purchased in the market and held by the Company partly to satisfy options under the Group's employee incentive share option plans (refer to Note 4 of these Company financial statements). 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 2015 $56.1 million of shares were purchased (2014: $44.2 million including costs of $0.3 million).

16 Other Reserves

	Share premium[1] $'000	Capital redemption[2] reserve $'000	Options premium[3] reserve $'000	Merger[4] reserve $'000	Equity[5] component on convertible bond $'000	Foreign[6] currency translation reserve $'000	Accum-ulated profits/ (losses) $'000	Total other reserves $'000
At 1 January 2014	805,580	–	43,338	1,218,239	669	11,839	(212,960)	1,866,705
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[4]	–	–	–	(876,447)	–	–	876,447	–
As at 1 January 2015	**807,427**	**62**	**50,214**	**341,792**	**669**	**11,839**	**400,223**	**1,612,226**
Loss for the period, net of tax	–	–	–	–	–	–	(206,353)	(206,353)
Other comprehensive income net of tax	–	–	–	–	–	–	–	–
Total comprehensive income net of tax	–	–	–	–	–	–	(206,353)	(206,353)
New ordinary shares issued to third parties[4]	–	–	–	325,545	–	–	–	325,545
Purchase of own shares	–	98	–	–	–	–	(56,109)	(56,011)
Exercise of options	–	–	–	–	–	–	–	–
Share-based payment	–	–	4,594	–	–	–	–	4,594
As at 31 December 2015	**807,427**	**160**	**54,808**	**667,337**	**669**	**11,839**	**137,761**	**1,680,001**

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 share 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 During the year the provisions of the Companies Act 2006 relating to Merger Relief (s612 and s613) were applied to the Salamander Energy plc acquisition (refer to Note 10 of these consolidated financial statements). The non-statutory premium arising on shares issued by Ophir as consideration has been recognised in the Merger reserve, by virtue of Ophir acquiring in excess of 90% of all classes of the acquiree's issued share capital.
In 2014, following the completion of the Group's farm out of 20% of its interest in Tanzania Blocks 1, 3 & 4, wholly owned subsidiaries of the Company redeemed the preference shares that had been acquired by the Company. This allowed the Company to realise $876.4 million of the Merger Reserve to accumulated profits/(losses) as the redemption of the preference shares was deemed to be performed with qualifying consideration.
5 This balance represents the equity component of the convertible bond, net of costs and tax as a result of the separation of the instrument into its debt and equity components. The bond was converted into 21,661,476 ordinary shares of 0.25p each on 21 May 2008.
6 The foreign currency translation reserve is used to record unrealised exchange differences arising from the translation of the financial statements of entities within the Group that have a functional currency other than US Dollars.

17 Operating lease commitments

At 31 December 2015 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:

	As at 31 Dec 2015 $'000	As at 31 Dec 2014 $'000
Due within one year	1,307	855
Due later than one year but within five years	5,216	7,885
Due later than five years	3,867	4,792
	10,390	13,532

18 Related party transactions

(a) Identity of related parties

The Company has related party relationships with its subsidiaries and its Directors (refer to Note 6 of these Company financial statements). A complete list of Ophir Energy plc Group companies at 31 December 2015, and the Group's percentage of share capital (to the nearest whole number) are set out in Appendix A to these financial statements.

(b) Other transactions with key management personnel

Compensation of key management personnel (including Directors) is disclosed in Note 9 of the Group financial statements.

19 Contingent Liabilities

An individual has commenced action against the Group relating to an evaluation of an interest that was held in exploration blocks within the portfolio. Interim hearings in relation to costs of the claim were held on 12 February and 23 February 2015. 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.

20 Events after reporting period

There are no events after the reporting period that require disclosure by the Company.

Appendix A – Subsidiary companies

Subsidiary companies

This is a complete list of Ophir Energy plc Group companies at 31 December 2015, and Group's percentage of share capital to the nearest whole number. All of these subsidiaries have been included in the consolidated financial statements on pages 99 to 139.

	Country of incorporation	Location of operation	Principal Activity	Holding 31 Dec 2015
Ophir Services Pty Limited *	Australia	Australia	Group Services	**100%**
Ophir Holdings Limited *	Jersey C.I.	Jersey C.I.	Holding	**100%**
Ophir Asia Limited *	Jersey C.I.	Jersey C.I.	Holding	**100%**
Ophir Asia Services Limited	Thailand	Thailand	Services	**100%**
Ophir Ventures (Jersey) Limited *	Jersey C.I.	Jersey C.I.	Holding	**100%**
Ophir Ventures (Jersey) No.2 Limited *	Jersey C.I.	Jersey C.I.	Holding	**100%**
Dominion Petroleum Limited *	Bermuda	Bermuda	Holding	**100%**
Salamander Energy plc *	England & Wales	England & Wales	Holding	**100%**
Ophir Gabon (Gnondo) Limited	Jersey C.I.	Gabon	Exploration	**100%**
Ophir Gabon (Manga) Limited	Jersey C.I.	Gabon	Exploration	**100%**
Ophir Gabon (Mbeli) Limited	Jersey C.I.	Gabon	Exploration	**100%**
Ophir Gabon (Ntsina) Limited	Jersey C.I.	Gabon	Exploration	**100%**
Ophir Gabon (Nkouere) Limited	Jersey C.I.	Gabon	Exploration	**100%**
Ophir Gabon (Nkawa) Limited	Jersey C.I.	Gabon	Exploration	**100%**
Ophir Equatorial Guinea (Block R) Limited	Jersey C.I.	Equatorial Guinea	Exploration	**100%**
Ophir Equatorial Guinea (Holdings) Limited	Jersey C.I.	Equatorial Guinea	Exploration	**100%**
Ophir JDZ Limited	Jersey C.I.	Jersey C.I.	Exploration	**100%**
Ophir New Ventures Limited	Jersey C.I.	Jersey C.I.	Holding	**100%**
Ophir Seychelles (Area 1,2 and 3) Limited	Jersey C.I.	Seychelles	Exploration	**100%**
Ophir Myanmar (Block AD-3) Limited	Jersey C.I.	Myanmar	Exploration	**100%**
Ophir East Africa Holdings Limited	Jersey C.I.	Jersey C.I.	Holding	**100%**
Ophir Tanzania (Block 1) Limited	Jersey C.I.	Tanzania	Exploration	**100%**
Ophir Tanzania (Block 3) Limited	Jersey C.I.	Tanzania	Exploration	**100%**
Ophir Tanzania (Block 4) Limited	Jersey C.I.	Tanzania	Exploration	**100%**
Ophir East Africa Ventures Limited	Jersey C.I.	Tanzania	Exploration	**100%**
Ophir Pipeline Limited	Jersey C.I.	Tanzania	Exploration	**100%**
Ophir Gas Marketing Limited	Jersey C.I.	Tanzania	Exploration	**100%**
Ophir LNG Limited	Jersey C.I.	Tanzania	Exploration	**100%**
Ophir Energy Company Nigeria (JDZ) Limited	Nigeria	Nigeria	Exploration	**100%**
Ophir Energy Indonesia (Aru) Limited	Cyprus	Indonesia	Exploration	**100%**
Ophir Energy Indonesia (Halmahera-Kofiau) 1 Limited	Cyprus	Indonesia	Exploration	**100%**
Ophir Energy Indonesia (Kofiau) 1 Limited	Cyprus	Indonesia	Exploration	**100%**
Ophir Energy Indonesia (West Papua IV) 1 Limited	Cyprus	Indonesia	Exploration	**100%**
Ophir Energy Indonesia (North Ganal) Limited	Cyprus	Indonesia	Exploration	**100%**
Ophir Indonesia (Halmahera-Kofiau) 2 LLC	Delaware	Indonesia	Exploration	**100%**
Ophir Indonesia (Kofiau) 2 LLC	Delaware	Indonesia	Exploration	**100%**
Ophir Indonesia (West Papua IV) 2 LLC	Delaware	Indonesia	Exploration	**100%**
Ophir Indonesia (Bontang II) Limited	England & Wales	Indonesia	Exploration	**100%**
Dominion Investments Limited	Tanzania	Tanzania	Exploration	**100%**

	Country of incorporation	Location of operation	Principal Activity	**Holding 31 Dec 2015**
Dominion Acquisitions Limited	British Virgin Islands	British Virgin Islands	Holding	**100%**
Dominion Uganda Limited	British Virgin Islands	Uganda	Exploration	**95%**
Dominion Somaliland Limited	British Virgin Islands	British Virgin Island	Exploration	**100%**
Dominion Oil & Gas Limited	British Virgin Islands	British Virgin Islands	Holding	**100%**
Dominion Oil & Gas Limited (Tanzania)	Tanzania	Tanzania	Exploration	**100%**
Dominion Petroleum Acquisitions Limited	Bermuda	Bermuda	Holding	**100%**
DOMPET Limited	Bermuda	Bermuda	Holding	**100%**
Dominion Petroleum Administrative Services Limited	England & Wales	England & Wales	Holding	**100%**
Dominion Tanzania Limited	Tanzania	Tanzania	Exploration	**100%**
Dominion Kenya Holdings Limited	England & Wales	England & Wales	Holding	**100%**
Dominion Petroleum Kenya Limited	Kenya	Kenya	Exploration	**100%**
Dominion Petroleum L15 (Kenya) Limited	Kenya	Kenya	Exploration	**100%**
PHT Partners LP	United States of America	Thailand	Holding	**100%**
Salamander Bualuang & Kambuna Holdings Limited	British Virgin Islands	Indonesia	Exploration	**100%**
Ophir Indonesia (Bangkanai) Limited	British Virgin Islands	Indonesia	Exploration	**100%**
Salamander Energy (Bengara) limited	England & Wales	England & Wales	Exploration	**100%**
Salamander Energy (Bontang) Pte Ltd	Singapore	Indonesia	Exploration	**100%**
Salamander Energy (Bualuang Holdings) Limited	England & Wales	Thailand	Exploration	**100%**
Salamander Energy (Canada) Limited	Canada	Canada	Holding	**100%**
Ophir Indonesia (Central Kalimantan) Limited	Belize	Indonesia	Exploration	**100%**
Salamander Energy (E&P) Limited	England & Wales	England & Wales	Holding	**100%**
Salamander Energy (Glagah Kambuna Holdings) Limited	England & Wales	England & Wales	Holding	**100%**
Salamander Energy (Glagah Kambuna) Limited	British Virgin Islands	Thailand	Exploration	**100%**
Salamander Energy (Kerendan) Limited	Mauritius	Indonesia	Exploration	**100%**
Ophir Indonesia (Kutai) Limited	England & Wales	Indonesia	Exploration	**100%**
Salamander Energy (Lao) Company Limited	Lao PDR	Lao	Exploration	**100%**
Salamander Energy (Malaysia) Limited	British Virgin Islands	Malaysia	Exploration	**100%**
Ophir Indonesia (North East Bangkanai) Limited	British Virgin Islands	Indonesia	Exploration	**100%**
Salamander Energy (North Sumatra) Limited	British Virgin Islands	Indonesia	Exploration	**100%**
Salamander Energy (Nurul) Pte Ltd	Singapore	Singapore		**100%**
Salamander Energy (Philippines) Limited	England & Wales	Philippines	Exploration	**100%**

Appendix A – Subsidiary companies continued

	Country of incorporation	Location of operation	Principal Activity	Holding 31 Dec 2015
Salamander Energy (S.E. Asia) Limited	England & Wales			**100%**
Ophir Indonesia (S.E. Sangatta) Limited	England & Wales	Indonesia	Exploration	**100%**
Salamander Energy (Simenggaris) Limited	England & Wales	Indonesia	Exploration	**100%**
Ophir Indonesia (South Sokang) Limited	England & Wales	Indonesia	Exploration	**100%**
Salamander Energy (Thailand) Co., Ltd	Thailand	Thailand	Exploration	**100%**
Salamander Energy (Vietnam) Limited	England & Wales	Vietnam	Exploration	**100%**
Ophir Indonesia (West Bangkanai) Limited	British Virgin Islands	Indonesia	Exploration	**100%**
Salamander Energy Group Limited	England & Wales	England & Wales	Holding	**100%**
Ophir Malaysia (Block 2A) Limited	British Virgin Islands	Malaysia	Exploration	**100%**
Ophir Cote d'Ivoire (CI-513) Limited	British Virgin Islands	Cote d'Ivoire	Exploration	**100%**
Ophir Thailand (Bualuang) Limited	British Virgin Islands	Thailand	Exploration	**100%**
Salamander Energy Singapore Pte Ltd	Singapore	Singapore	Holding	**100%**
Salamander Energy (Holdco) Limited	England & Wales	England & Wales	Holding	**100%**
Ophir Energy Indonesia Limited	England & Wales	Indonesia	Holding	**100%**
Ophir Indonesia (JS) Limited	England & Wales	Indonesia	Exploration	**100%**

* Shares held directly by Ophir Energy plc.

All shares are ordinary shares.

Shareholder information

Registered and other offices

The Company's registered office and head office is:

Level 4
123 Victoria Street
London SW1E 6DE
Telephone: +44 (0)20 7811 2400
Fax: +44 (0)20 7811 2421
Website: www.ophir-energy.com

Other offices are located in:

Jakarta
15th floor, Indonesian Stock Exchange Building
#15-02 Tower II
Jl Jenderal Sudirman Kav 52-53
Jakarta 12190
Indonesia
Telephone: +62 21 5291 2900
Fax: +62 21 3000 4020

Bangkok
28th Floor, Unit 2802
Q House Lumpini Building
1 South Sathorn Road
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: 0371 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 (UK time), excluding UK public holidays.

2016 Financial calendar

Annual General Meeting	10 May 2016
Half year results announcement	15 September 2016
Full year results announcement	9 March 2017

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

Investment fraud warning

Shareholders are increasingly receiving unsolicited phone calls regarding different investment matters which have implied a connection with Ophir. These calls are typically from people claiming to be brokers, offering shares in US or UK investment schemes.

As part of their ongoing campaign to raise awareness the Financial Conduct Authority (FCA) have recently launched "Be ScamSmart" (http://scamsmart.fca.org.uk/)which is specifically targeted at the tell-tale signs of a scam.

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: www.fca.org.uk/scams.

Shareholder information
continued

Shareholder profile by size of holding as at 31 December 2015

Range	No. of holders	% of total	Shares held 31.12.2015	% of total
1 – 1,000	538	37.26%	230,860	0.03%
1,001 – 10,000	473	32.76%	1,504,989	0.20%
10,001 – 100,000	210	14.54%	7,777,144	1.04%
100,001 – 1,000,000	147	10.18%	50,861,455	6.82%
1,000,001 – 10,000,000	56	3.88%	167,500,664	22.45%
10,000,000+	20	1.38%	518,144,295	69.46%
	1,444	100.00%	746,019,407	100.00%

Shareholder profile by category as at 31 December 2015

Category	No. of holders	% of total	Shares held 31.12.2015	% of total
Private shareholders	609	42.17%	1,889,006	0.25%
Nominees and other institutional investors	835	57.83%	744,130,401	99.75%
	1,444	100.00%	746,019,407	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

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

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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

CDP
Carbon Disclosure Project

Company
Ophir Energy plc

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&A
Exploration and Appraisal

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

GSA
Gas Sales Agreement

G&A
General & Administration expenses

Group
The Company together with its subsidiaries

GRI
Global Reporting Initiative

HoA
Heads 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 Interpretations Committee

IPO
Initial Public Offering

IRR
Internal Rate of Return

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

mmscfd
Million standard cubic feet of gas per day

MoU
Memorandum of Understanding

NAV
Net Asset Value

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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