Sustainable value creation

Annual Report
and Accounts 2016

Highlights in 2016

31%

reduction in gross G&A costs

3 new

exploration licences added to portfolio

158 MMboe

of risked prospective resource added to prospect inventory

Kerendan gas field on-stream

Read more p23

Agreement to form Fortuna joint venture

Read more p8

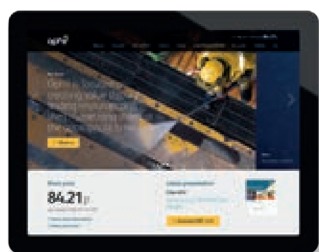
Implemented NAV-based remuneration scheme

Read more p58

Bualuang completion of water debottlenecking project

Read more p23

Ophir Energy is an independent upstream oil and gas exploration and production company focused on Asia and Africa. The Group is listed on the London Stock Exchange.



Read more at ophir-energy.com

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"Ophir's strategy is to be a sustainable explorer, focused on delivering NAV per share growth by finding resources at low cost and then monetising them in the way that maximises the value created.

Ophir's financial strength and the discretionary nature of the capital spend across our portfolio provide us with optionality to selectively invest in organic and inorganic opportunities that offer the best project returns and therefore the greatest growth in NAV per share.

Having spent two years high-grading our exploration portfolio, we are now preparing to return to the considered, prudent pace of exploration drilling from mid-2017 taking advantage of the significantly lower exploration costs while continuing to focus on monetising our previous exploration successes.

Dr Nick Cooper
Chief Executive Officer

Strategy and business model
p2

Ophir's strategy is to be a sustainable explorer, focused on delivering NAV per share growth by finding resources at low cost and then monetising them in the way that maximises the value created.

Sustainable exploration

Sustainable through the cycle

Our business model is focused on finding resources efficiently and monetising them smartly. The spread between the two is where we create value.

Being a sustainable explorer means having enough capital to drill two to three play opening wells per annum, regardless of where we are in the commodity cycle. This capital will come from one of two forms of monetisation: either cash flow from our production assets or cash on the balance sheet from assets that we have sold. In the last cycle our exploration programme delivered its risked outcome. Looking forward, if we can drill 2-3 play opening wells per year and our assessment of risk is accurate we will achieve our risked outcome, with a potentially transformational discovery approximately every three years.

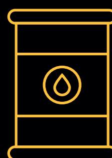
'Finding low' is a combination of a number of factors: our commercial and sub-surface teams working together to access new acreage, the sub-surface team applying consistent and rigorous analysis of play, prospect and commercial risks, consistent portfolio high-grading, maintaining discretion over which prospects we drill and keeping costs under control. We will only allocate capital to the highest-quality prospects that offer the best potential risked returns, all whilst keeping cost under control.

'Monetising smartly' will maximise the value that we create on a NAV per share basis. In terms of our production assets, we can maximise the margin through reducing operating costs and smartly bringing contingent resource into production where they contribute cash. At times we will need to be commercially innovative in order to find ways of monetising contingent resource and we are building a track record in this area.

Chief Executive Officer's review

p6

1 Sustainable



Production and Balance Sheet

Cashflow to fund two to three exploration wells per annum

2 Finding low

Exploration

Finding commercial hydrocarbons in the most cost-effective manner

3 Monetising smartly

Monetisation

Converting discovered hydrocarbons into cash by monetising smartly and efficiently

Chairman's statement

Bill Schrader
Chairman

> "We are seeing the green shoots of recovery and Ophir is well-positioned to create material value for shareholders in the coming years.

Dear Shareholder
I am delighted to be writing to you for the first time as Chairman of your Company. As you will all be aware, these have been difficult times for the oil and gas industry as a whole and the independent E&P model has certainly been challenged. However, I believe that I have moved into the role of Chairman at a time when we are seeing the green shoots of recovery and Ophir is well-positioned to create material value for shareholders in the coming years. Let me share with you some of my thoughts on why this is the case:

- The Board has continued to challenge the management team on costs and, during 2016, a cost reduction programme was completed that reduced the cash running costs of the business by 31%. Such initiatives are difficult but essential to realign the cost base with the new commodity price environment. While running costs have been materially reduced, we have been able to retain our core competencies in geoscience and drilling which we feel have historically been points of competitive advantage.
- Following setbacks with the Fortuna project in early 2016, the Board felt it was important to make clear to management the parameters within which it would be prepared to move the project forward. This was driven by the need to ensure that the Company was not over-exposing its shareholders to project risk. The agreed parameters included committing no more than $120 million of capital ahead of first gas and making sure that there was no recourse to the Company if there were any issues at project level. Credit is due to the management team for reaching an agreement with OneLNG towards the end of the year that met these conditions. Successful execution of this project point forward will unlock a considerable amount of value for shareholders and the asset still has further upside potential.
- The new Net Asset Value (NAV)-based remuneration scheme was approved by our shareholders at the 2016 Annual General Meeting. The new scheme aligns the interests of shareholders and employees more closely than traditional remuneration schemes. Furthermore, this move symbolises the renewed focus on value creation that is now at the heart of decision-making and capital allocation at Ophir, and which we believe can deliver superior returns for shareholders in the next cycle.

As I look at more specific areas, the whole Board was delighted that we were able to complete the year without a recordable injury or illness. We continue to look for ways to improve our health and safety processes and during 2016 we started to monitor leading as well as lagging indicators. More information on this can be found on pages 30 and 31 of this report.

Board of Directors
p36

Board of Directors and Officers (at date of publication)*

William (Bill) Schrader
Chairman
N C R T

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

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

Anthony (Tony) Rouse
Executive Director and Chief Financial Officer

Ronald Blakely
Senior Independent Non-Executive Director
A N R

Dr Carol Bell
Independent Non-Executive Director
C A N

Alan Booth
Independent Non-Executive Director
T A C R

David Davies
Independent Non-Executive Director
A R

Vivien Gibney
Independent Non-Executive Director
R C N

Dr Carl Trowell
Independent Non-Executive Director
C N T

Philip Laing
General Counsel & Company Secretary

○ Indicates Chairman of Committee
A Audit Committee
C Corporate Responsibility Committee
N Nomination Committee
R Remuneration Committee
T Technical Advisory Committee

*Nicholas (Nic) Smith retired in April 2016 after nine years on the Board, seven of which he served as Chairman.

Welcome to our three new Board members

During 2016, Tony Rouse, David Davies and Carl Trowell were appointed to the Board.

Tony Rouse
Executive Director and Chief Financial Officer

David Davies
Independent Non-Executive Director

Dr Carl Trowell
Independent Non-Executive Director

One thing I think we can all take from events in 2016 is that we live in increasingly uncertain times and a key responsibility for the Board is to review risk on a continual basis. I am pleased to say Ophir has a comprehensive risk management and planning process in place, details of which can be found on pages 14 to 19.

One risk that is increasing in prominence is climate change. The Board spent time in 2016 debating the issue of climate change and has agreed a position which is detailed on page 30 of this report. Climate change and the implications for Ophir will remain firmly on the Board's strategic agenda going forward.

Finally, 2016 has seen a number of changes at Board level. Firstly, Nic Smith, my predecessor as Chairman, stepped down from the Board in April. Nic was a Director of Ophir for nine years and served as Chairman for seven of those, overseeing the successful transition from a private to a public company. I would like to thank Nic for his contribution to Ophir and look forward to building on his work during my tenure as Chairman.

There were three new additions to the Board in 2016. Tony Rouse joined the Board as Chief Financial Officer and we added two new Non-Executive Directors in David Davies and Carl Trowell. Tony, David and Carl all have a wealth of experience in the oil and gas sector and will be valuable additions to the Board. David succeeded Ron Blakely as Chairman of the Audit Committee on 1 January 2017. David and Ron have worked closely together to ensure a smooth transition. Ron will be leaving the Board on 31 March 2017 and I would like to thank him for his contribution to Ophir.

Finally, I would like to thank all of our employees and contractors for their efforts in 2016 and look forward to exciting times in the year ahead.

Bill Schrader
Chairman

Chief Executive Officer's review

Dr Nick Cooper
Chief Executive Officer

Last year in this report we described how the upstream E&P sector had, in our view mistakenly, prioritised growth over returns through the last up-cycle. As we promised in early 2016, Ophir has reformed its business model. We have also adjusted our investment strategy and compensation structure to focus resolutely on Net Asset Value (NAV) per share. These reforms have been positively received by investors. As an organisation, we are determined that a more benign oil price environment will not distract us from what we consider to be the best approach to sustainable, through-cycle, growth in shareholder value.

Ophir's role in the value chain is to find molecules at the lowest possible cost and monetise them at the highest possible price, as promptly as is feasible. Upstream, like any other business, is about margins achieved, rather than daily spot prices. Focusing on assets with low breakeven prices, and then delivering healthy product margins through smart monetisation will sustainably create value through the cycle.

The monetisation model

The steps we took to put this 'find low, monetise smartly' model into practice were threefold:

Firstly, in order to improve our ability to 'find low', we needed both to significantly reduce our running costs and realign our exploration portfolio to search for barrels that break even at low prices. We delivered a material reduction in our G&A cost, improving efficiencies across the business. We also exited five exploration blocks that failed to meet our stricter investment criteria and entered three new blocks that did.

Secondly, we sharpened our monetisation focus, both through lowering opex on producing assets, and more rapid conversion of our substantial 2C resources into producing 2P reserves or, better still, cash. This focus saw us progress the Kerendan gas field to first gas, prepare the Bualuang oil field for the next phase of development and drive the Fortuna FLNG project closer to Final Investment Decision (FID). In total, these steps offer the potential to convert approximately 140 MMboe of 2C resources to 2P in 2017, more than trebling our current 2P reserves.

Thirdly, we transformed corporate behaviour by introducing our new NAV per share remuneration scheme for all employees. This compensation approach is, we believe, far better aligned to shareholders' interests than a relative TSR metric in a cyclical industry. We have been tremendously encouraged by how the new approach has clarified investment decision-making and sharpened our allocation of people and capital. I would like to thank our shareholders for supporting this radical new scheme at our 2016 AGM.

Milestones in 2016

Ophir's progress in 2016 across these three areas has been rapid and substantial. We are convinced that the changes that Ophir made in early 2016 now position the Company to thrive in this new upstream environment and deliver sustainable, superior total shareholder return through the coming cycles.

In terms of finding at lowest cost, our model is to drive NAV growth through sustainable, prudent exploration that is consistent through the cycle. We believe that we can drill around two to three material, frontier exploration wells per annum, whilst maintaining sufficient technical rigour. We estimate that this drilling rate would represent 10–25% of total global, frontier drilling by the independent sector through the cycle.

I am pleased to say that we are now returning to operated exploration drilling. Preparations for the Ayame-1X well in Côte d'Ivoire started in 2016 to be ready for an expected spud in May 2017. This would represent Ophir's first deepwater operated well in almost three years. As with our upstream peers, the fact that our drilling targets are now competing for scarcer, but discretionary, risk capital allows more high grading and should deliver better risked outcomes from the portfolio.

In terms of monetising smartly, Ophir's exploration has, thus far, resulted in the discovery, and part-monetisation, of two, world-class assets in Tanzania and Equatorial Guinea.

> "I firmly believe, with the changes we have made to our business model, our culture and our approach to resource allocation, that we can begin to deliver material returns for our shareholders.

Strategy and business model
p2

Ophir's six rules to create value

1
Continue to find low-cost resource and monetise smartly.

2
Exit plays/assets that don't work at low cost and enter assets/plays that do.

3
Only invest in high-quality assets below the shale threshold with transformational potential, minimal commitments, and fiscal terms that enable value creation.

4
Re-engineer value chains where appropriate to improve margins.

5
Pace our exploration and high-grade the plays. We will not rush to drill.

6
NAV/share growth is our key metric and we will benchmark against this more explicitly going forward.

In Tanzania, we have to date monetised the majority of our interests and have delivered a material return on our historic investment. In 2016, we saw a renewed push from the Tanzanian Government to deliver the LNG project and the introduction of a new operator in Shell. Both factors should accelerate the project towards an FID later this decade. In 2017, our focus in Tanzania remains to maximise shareholder returns from our remaining 20% stake.

In Equatorial Guinea, we have made material progress toward completing and financing an LNG value chain in the context of a challenging market. After frustrations in the first half of 2016, an innovative approach to value chain partnering and risk sharing unlocked the problem. A constructive dialogue with our midstream partner Golar LNG enabled us to find a solution that satisfies the trends emerging in LNG pricing, contracting, financing and risk- sharing. In November 2016 we signed a Shareholders' Agreement with OneLNG – a joint venture between Golar LNG and Schlumberger – to form a new Joint Venture (JV) that will finance and develop the Fortuna project.

The establishment of the JV means we can now move the Fortuna FLNG Project towards FID in mid-2017. At FID, the project NPV will be a healthy multiple of the $120 million of capital we are committing before first gas. Furthermore, the JV has been structured so that Ophir Energy plc will not take any additional balance sheet exposure or liabilities.

Ophir now has line of sight on its biggest potential monetisation step since the Tanzania partial divestment in 2014. It has been a long, difficult road but we are firmly on track for a mid-2017 FID, which will monetise approximately 345 MMboe of 2C resource. This will be one of a handful of global FIDs of a green-field LNG project in 2017.

Monetising resource in this challenging environment demonstrates Ophir's commercial acumen; a valuable complement to our skilled team of geo-scientists and their ability to efficiently find hydrocarbons.

At Ophir, we also recognise that capital return to shareholders needs to start as early as possible. Once we reach our goal of generating sufficient cash flow to be a sustainable explorer, we will be in a better position to consider making returns to our shareholders. The annuity-type cash flows that we will receive from the Fortuna FLNG asset mean that Ophir's sustainability, and therefore the predictability of capital returns, should become increasingly visible towards the end of the decade.

As I look ahead to trends for 2017, breaking down barriers between industry and value-chain players is a pre-requisite. The exploration director of a major oil and gas company recently put this best when they told us "now is a time for the industry to collaborate, as we are all in this together; we can compete again if necessary in the next decade". More exploration companies are recognising the benefits from working together, sharing data and knowledge to try to focus capital towards the best opportunities.

A second area that is rightly attracting increasing attention is the role of upstream players in the climate change challenge. At Ophir, we recognise that we cannot put our head in the sand. We are not about to transform to a renewable energy company, but we do see a need for modified thinking and we have spent time in 2016 developing a position on this. This will evolve, but the topic is now on the Board's agenda.

Ophir is now better-placed than we have been for several years. I firmly believe, with the changes we have made to our business model, our culture and our approach to resource allocation that we can begin to deliver material returns for our shareholders.

I would like to thank Ophir's investors for their support and patience, and Ophir's team for their energy, loyalty and bright ideas despite the tough times.

As described in the Chairman's section, Nic Smith stood down as Chairman in 2016 to be replaced by Bill Schrader. I thank Nic for all his guidance and support to Ophir since its inception.

Regardless of what may, or may not, happen to commodity prices in 2017, the changes that Ophir made in 2016 mean that we can look forward with confidence and optimism.

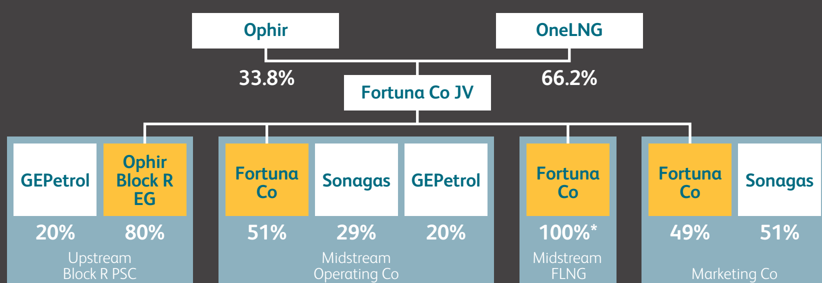
Dr Nick Cooper
Chief Executive Officer

Commercialisation through innovation

In 2016 we moved the Fortuna FLNG project a step closer to FID when we announced an agreement with OneLNG to form a Joint Venture (JV) to finance, construct, develop and operate the project. This innovative approach to value chain partnering and risk sharing will, at FID, unlock material value for Ophir's shareholders.

Innovative structure

- OneLNG and Ophir will have 66.2% and 33.8% ownership of the JV respectively
- The JV will facilitate the financing, construction, development and operation of the integrated Fortuna project

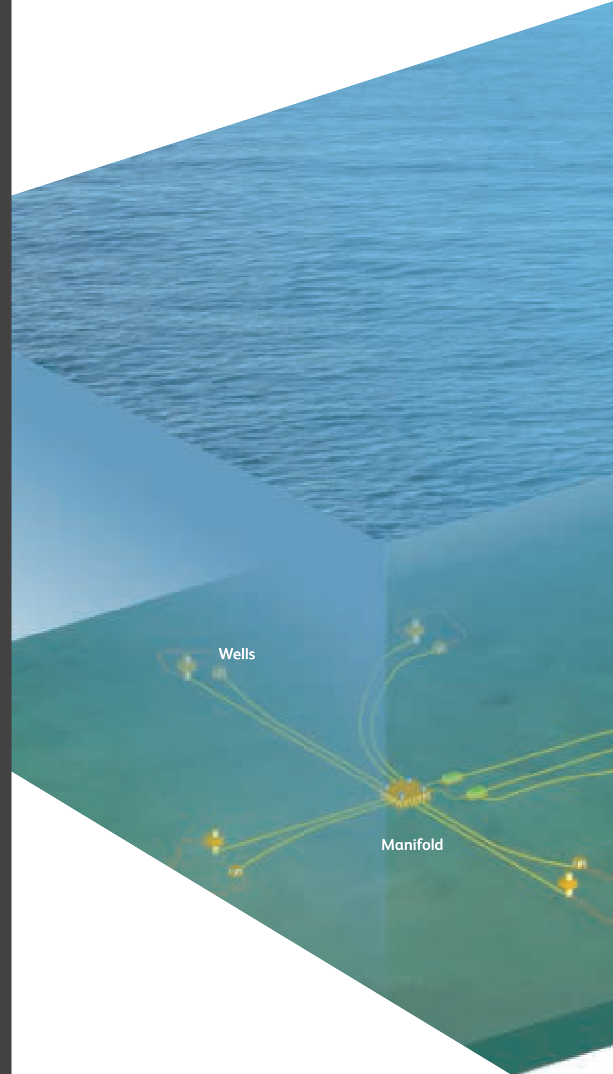


*Sonagas has the right to earn in for up to a 30% interest.

- Ophir only committing up to $120 million – 20% of the equity capital for a 33.8% equity interest
- There is an additional Net Profit Interest and a cushion against cost overruns
- No parent company guarantees – debt will sit with Fortuna Co and not on Ophir Energy plc's balance sheet
- Ophir to receive additional payment for resource monetised beyond 2.6 Tcf

Proven technology and world-class partners

- **Keppel Shipyard:** Vessel construction
- **Black & Veatch:** Liquefaction process supplier
- **Schlumberger:** Partner in Fortuna through OneLNG JV
- **Golar LNG:** FLNG expertise



Ophir's capex to first gas limited to no more than

$120m

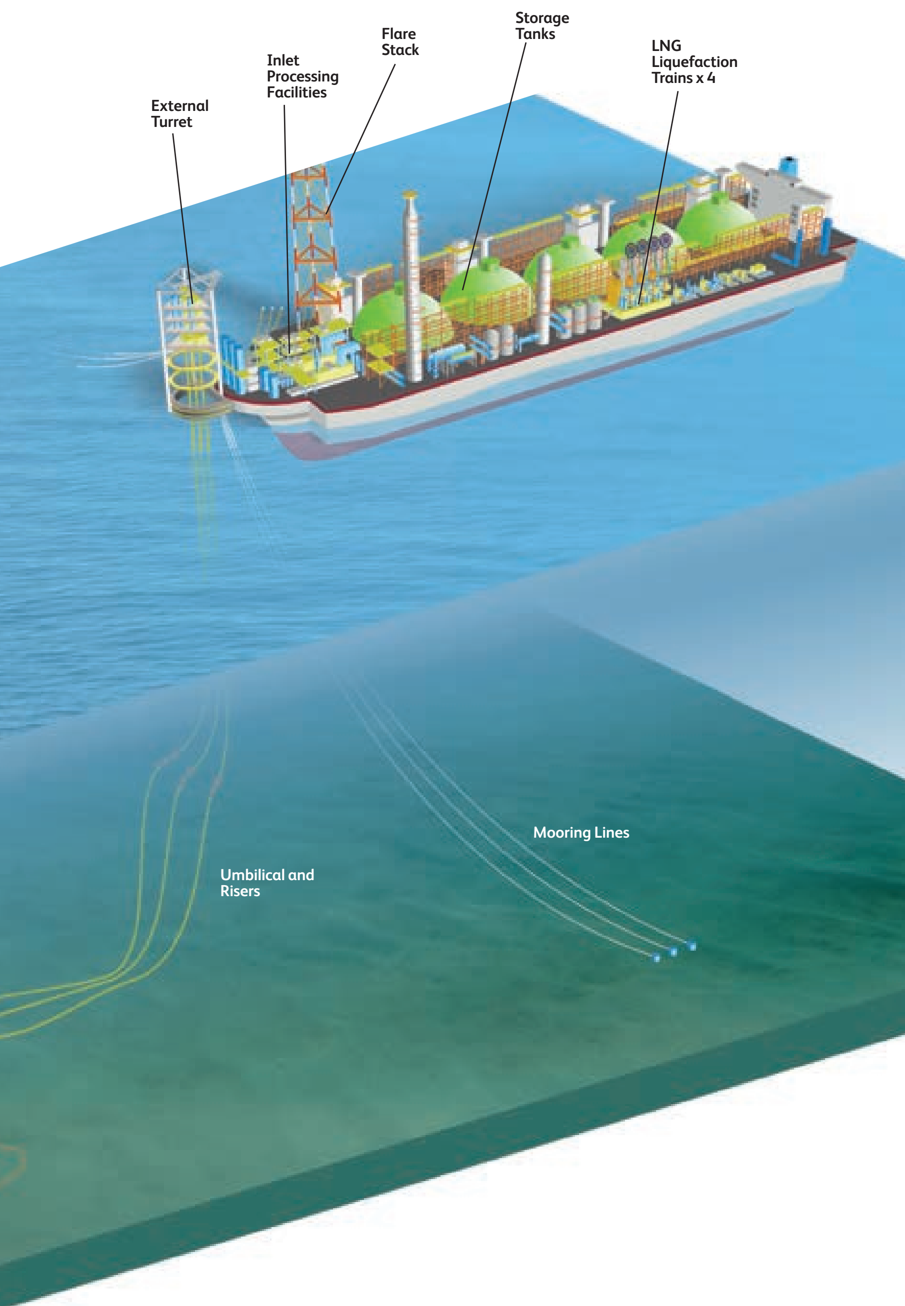
(20% of equity funding)

Total resource monetised

2.6 Tcf

Ophir equity in Fortuna Co

33.8%



Timeline to commercialisation

2006
Awarded block

2008
Work programme began with three exploration wells, resulting in the Fortuna and Lykos gas discoveries

2009
Seismic

2012
Tonel-1 gas discovery and successful appraisal of Fortuna complex. Further gas discovery with Fortuna West-1

2014
New gas discovery with Silenius East-1

2015
Awarded upstream competitive feed contracts and signed HoA for gas offtake with six counterparties

2016
Announced the intention to form a Joint Venture with OneLNG to develop the Fortuna project

1H 2017
Finalise debt facility/award gas sales contracts/award Upstream EPCIC and midstream EPC contracts/Ophir shareholder approval/EG government ratification

Mid-2017
Final Investment Decision/the JV comes into being

2017–2020
Conversion of the Gandria into an FLNG vessel/drilling and completion of development wells and subsea infrastructure

Mid-2020
First gas

Total estimated project cash flow per annum (@ FOB $6/MMbtu) gross

c.$420m

c.$140 million net to Ophir, post debt

Ophir's estimated 2P reserve additions

up to 115 MMboe

Annual production

2.2-2.5 MMtpa

Forward gross capex to first gas

c.$2bn

($500 million upstream and $1.5 billion midstream)

Estimated production (net to Ophir)

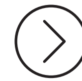
c.16,000 boepd

Management agrees a number of KPIs with the Board on an annual basis. These are both financial and non-financial and monitor the progress in delivering the Group's strategic objectives.

Measuring strategic progress

2016 performance

Metric	Exploration:	Operations:	Financial strength and returns:
Description	Capture high quality exploration acreage, generate and high-grade prospects and mature top-ranked, drillable prospects per year	Executing operations safely and with excellence	Optimise the use of capital by capturing the highest commercial returns on assets and exploration opportunities
Summary of achievement	• Five commercially-attractive well proposals were presented for investment decisions. • Added 158 MMboe of net risked prospective resource. • Received Board approval for entry into five new positions or plays, three of which were captured.	• Completed operations safely achieving the outstanding TRIR rate of 0 incident per 1 million hours worked. • Delivered all major projects for less than the budgeted capital expenditure. • Achieved production availability of over 99% uptime.	• Kerendan gas price renegotiation and Fortuna FID have been deferred to 2017. • Commenced refinance of the debt facilities at the end of 2016 with the expectation that this will now complete in 1H 2017.



Strategy and business model

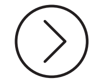
p2

Business model:	Internal stakeholder engagement:	External stakeholder engagement:
Grow a revenue-generating business to fund our exploration activities and minimise our overall cost of capital	Empower and support our staff to make brave and transparent decisions that create shareholder value	Be respected by our stakeholders for what we achieve and for the way we achieve it
• No new production was added during the year.	• Implemented actions in response to the 2015 employee engagement survey. • Ran a leadership programme for 29 employees aimed at developing the next wave of leaders of the business. • Implemented a 360 degree performance assessment based on Ophir Values.	• Completed Asset Development Plans for each asset, which included: – comprehensive stakeholder maps; and – plans for Creating Shared Value established for all assets. • Enhanced CR reporting with filings under GRI and CDP.

Our Key Performance Indicators for 2017 can be found below. These provide detail on the activities in 2017 that will drive the business to deliver against the stated strategy.

2017 strategic objectives

Metric	Exploration:	Operations:	Financial strength and returns:
Description	Capture high quality exploration acreage, generate and high-grade prospects and mature top ranked, drillable prospects per year	Executing operations safely and with excellence	Optimise the use of capital by capturing the highest commercial returns on assets and exploration opportunities
Areas of focus	• Maturing prospects to drillable status. • Entering new exploration positions.	• Further development of leading indicators. • Delivering capital programme in line with capital expenditure budget. • Safely improving margins by focusing on operational efficiency.	Increasing NAV/share from 1 January 2016 benchmark through: • Bualuang infill drilling programme. • Delivering FID on the Fortuna FLNG project.



Directors' Remuneration report
p58

Business model:	Internal metric:	External metric:
Grow a revenue-generating business to fund our exploration activities and minimise our overall cost of capital	Empower and support our staff to make brave and transparent decisions that create shareholder value	Be respected by our stakeholders for what we achieve and for the way we achieve it
• Expanding corporate debt facilities. • Increasing organic cash generation.	• Increasing feedback from managers to employees. • Increasing adoption of Values throughout the organisation.	• Establish greenhouse gas baseline for Ophir's operations. • Ethical compliance programme.

Risk management

Ophir works in often challenging, complex and uncertain environments that present a potential risk to our objectives; to counter this we maintain robust and effective risk management as an integral part of our decision-making. During 2016, we continued to strengthen how the Group manages risk that could impact our people, the environment, our business and our reputation. Ophir continuously strives to embed risk management principles in its processes and procedures.

Board

The Board has overall accountability for determining Ophir's risk appetite as well as ensuring that sound risk management and internal control systems are in place across the Group. In deciding Ophir's risk appetite, the Board has conducted an assessment of the risk process, considered the risks that could potentially threaten the Group's strategic objectives and has reviewed the associated controls.

Ophir's risk management system runs across the Group from the top down; risks are reviewed through various internal management and Board Committees, dependent on their level of impact and likelihood of occurrence. This reporting process uses Ophir's risk matrix and when risks are considered to be appropriately material they are examined at Board committees, or by the Board.

Viability Statement

The Directors have assessed the viability of the Group over a four-year period to December 2020, taking account of the Group's current position and the potential impact of the principal risks documented in this report. Furthermore, the Directors have considered the resilience of the Group's business model, future performance, solvency and liquidity against these principal risks in severe, but reasonable scenarios, and the effectiveness of any mitigating actions.

The Directors have determined that the four-year period to December 2020 is an appropriate period over which to provide its Viability Statement. By the end of 2020 the Group's Fortuna asset is expected to be onstream delivering a long-term source of funds. Additionally, with the formation of a Joint Venture with OneLNG, which will take forward the development of the combined upstream and midstream Fortuna asset, the Group has limited its balance sheet and capital expenditure exposure to the project to no more than $120 million over the period to 2020.

In addition to Fortuna, the Directors have assessed the Group's capital expenditure requirements to 2020, recognising that the Group has significant flexibility to defer its investment programmes, as required, with only $80 million of outstanding committed capital expenditure at the balance sheet date. In making their assessment, the Directors have additionally considered the Group's current cash position and the generation of funds from forecast production over the period, against the need to service the Group's debt portfolio, and tested the scenarios at different commodity prices.

The Company further anticipates that additional funding, if appropriate, could be met by the divestment of assets along with access to the debt and capital markets.

Based on their assessment, 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 December 2020.

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
Determines the Group's risk appetite and risk management process, and reviews the principal risks that may affect Ophir achieving its objectives

Corporate Responsibility Committee
Reviews operational and ethical behaviour and legislative compliance risks and controls

Audit Committee
Reviews financial, regulatory and information risks and controls

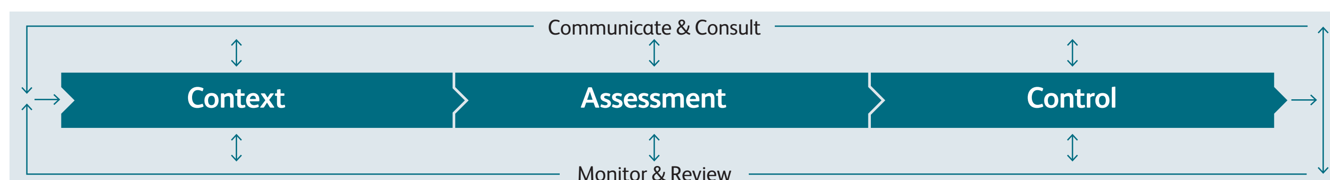
Technical Advisory Committee
Reviews subsurface risks and controls

Risk management performance in 2016

- Over 1.83 million hours were worked with no recordable injuries or illnesses.
- Zero recordable environmental incidents.
- Signed a Shareholders' Agreement with OneLNG for the formation of a Joint Venture that will develop, finance and operate the Fortuna FLNG project, without over-exposing our shareholders to project risk.
- Matured the best prospects on the plays we have high-graded and added new plays, which included two new country entries, to compete for capital with the existing opportunities.
- Preserved a robust balance sheet with a plan to be cash neutral in 2017.
- Since 2015, reduced the Group's gross administration cost by over 50% without impacting on our competencies.
- Adopted a Net Asset Value-based remuneration scheme to align staff and management rewards much more closely with shareholder value creation.
- Through a water debottlenecking project, increased the NPV10 of the Bualuang field by $83 million.
- Brought the Kerendan field onstream to add a further revenue stream.
- Realised an extension of Block 1 licence in Tanzania for a further three and a half years.
- Achieved working interest production in line with guidance.
- Advanced stakeholder management and support to local communities.
- Advanced our climate change strategy.

The key elements of Ophir's risk management are to:

- establish the risk context with reference to Ophir's strategic business objectives;
- conduct a risk assessment through:
  - understanding the causes, impacts and likelihood of risk events;
  - assessing if the risks can be reduced to a tolerable level and are consequently within the acceptable constraints of the Group's risk appetite. This process informs us of where the risk event lies on Ophir's risk matrix; and
  - determining appropriate controls to deal with the risk, allocating responsibility for managing risk controls and executing activities based on plans and procedures.
- regularly communicate and consult on the risks through established management control procedures; and
- recurrent monitoring and review of our risks.



The principal risks identified within the Group are summarised in the table below.

Internally, the Group monitors and mitigates a more comprehensive list of risks through the Group's risk register, which continues to be a vital component of our risk management process. However, the risks listed in the table are those that are currently considered by the Group to be the most significant due to their impact and likelihood.

Risk	Description of Risk
Compliance breach	• The Group conducts business in jurisdictions that have been allocated low scores on Transparency International's "Corruption Perceptions Index", and where changes in the regulatory and legislative environment are possible. • Ethical wrongdoing and non-compliance, or failure to accurately report our data can lead to litigation against the Group which could materially impact our strategy. Potential impacts could be: – Reputational damage leading to withdrawal of support by shareholders, governments, lenders and/or co-venture partners. – Litigation and regulatory action leading to penalties and business disruption from investigation leading to unplanned cost impact. – Loss of assets, PSCs and projects. – Prosecution.
Adverse market sentiment towards the E&P sector	• The sector continued to be depressed through 2016 and there remains a limited appetite for oil and gas investments. • The impact can negatively affect project value and modelling.
Political	• The Group operates in jurisdictions that are subject to significant political, economic, legal, regulatory and social uncertainties. • The impacts can affect the safety of our people, operational continuity and lead to a loss in value and uncertain financial outcomes.
Stakeholder sentiment	• Actual or perceived failure to address socio-economic development, environmental issues or corporate responsibility matters in the regions where we operate may adversely affect the Group. • This may impact our reputation, lead to loss of investor confidence and loss of our licence to operate.
Global economic volatility	• We are exposed to a variety of changes in the macro environment around global affairs and international economics that are leading to greater global economic uncertainty. • Slower global demand and weaker prices for major commodities are dampening growth prospects. • These changes can impact the operating and regulatory situation.
Low commodity price	• There were oversupply and demand concerns through 2016 and we anticipate a 'lower for longer' forecast. • This can lead to loss of value and have an adverse effect on revenue, margins, profitability and cash flow.
Climate change	• The global ambition to limit mean temperature rise to below 2°C above pre-industrial levels will potentially require significant and sustained reductions in fossil fuel emissions. • It is hard to predict what changes in laws, regulations and obligations relating to manmade climate change will be, but they may increase costs, reduce value and constrain future opportunities.

Objective/Control	Responsibility	Change
• Top down leadership of the Group's values. • A strong Code of Conduct that all employees and contractors are expected to follow. • A Group Anti Bribery and Corruption Policy in place. • Compliance training conducted across the Group. • Due diligence carried out on counterparties and in contract management. • Anti-bribery and corruption provisions in agreements. • Compliance controls and actions reviewed by the Board and its Committees. • Annual employee sign-off confirming observance of the Code of Conduct and relevant ethical policies and standards. • A 'Letter of Assurance' signed off annually by management. • Primary controls to be monitored as a key leading indicator during 2017. • All material information released to the market on a timely basis and in accordance with all applicable regulations.	**General Counsel & Company Secretary**	▶
• NAV/share growth is our key metric and we will benchmark against this more explicitly going forward. • Deliver an appropriate capital structure to internally fund core exploration and appraisal activities from the addition of production assets and monetisation of resources to generate sustainable cash flow. • Ensure that commercial terms on new acreage reflect the changing landscape and involve minimal financial commitments with options to exit early.	**Chief Financial Officer**	▶
• Regularly monitor and seek to understand changes taking place in political and regulatory environments. • Work to the highest industry standards with regulators, closely monitoring compliance with the Group's licence and PSC obligations. • Seek to reduce exposure by maintaining a diverse portfolio. • Maintain positive relationships with governments and key stakeholders in host countries. • Ensure appropriate legal agreements are in place to protect our interests. • When reviewing new positions/acquisitions, evaluate and compare the potential political risks within the portfolio.	**Director – Security and Surface Risk**	▲
• Pursue a shared value approach to support sustainable development goals and achieve a mutually-beneficial and constructive relationship with stakeholders. • Conduct all business in an ethical, responsible, apolitical and transparent manner. • Monitor public sentiment towards the Group and its operations.	**Director – Security and Surface Risk**	▶
• Regularly review how external risks impact the Group's strategy and remain agile to change. • Re-engineer value chains where appropriate to improve margins.	**Director – Commercial and Planning**	▲
• Reflect the effects of 'lower for longer' in strategic planning. • Continue to review the Group's cost structure and make sure it reflects the lower oil price environment. • Re-work economics of development plans to reflect downside sensitivities of oil price scenarios. • Selectively exploit low service costs resulting from the drop in the oil price. • Pursue acquisition opportunities that seek to protect shareholder value and sustain exploration. • Manage balance sheet strength. • Only invest in high-quality assets below the shale threshold with transformational potential, minimal commitments, and fiscal terms that enable value creation.	**Chief Financial Officer**	▶
• Climate change will remain on the Board's strategic agenda going forward. • Understanding of the implications of a '2-degree world' for the business and what actions to take across a range of areas. • Systematically track trends to provide commercial foresight on how quickly the world is moving toward decarbonisation. • Continue to report our emissions and climate change strategies through CDP.	**Director – Security and Surface Risk**	▲

Risk	Description of Risk
Divestment	• The divestment environment through 2016 was difficult and in the short term is likely to remain so. • The main potential impact for Ophir is our inability to successfully divest assets at an acceptable price and/or time.
Investment decisions	• The Group may not be able to identify appropriate expansion opportunities or be able to manage such expansion effectively.
Health, Safety and Environment (HSE) and Security incident	• Oil and gas exploration, development and production can present challenging operational environments and exposure to a wide range of health, safety, security and environmental risks. • Our most significant risks are: – The potential loss of hydrocarbon containment caused by integrity failure, human error, natural disasters or other unforeseen events. – The risk of harm to our workforce during transportation. • Major Health, Safety, Security or Environmental events could lead to regulatory action and legal liability, including penalties, increased costs and potential loss of our licence to operate.
Exploration success	• Successful exploration and/or appraisal is fundamental to the purpose of our business and value creation for shareholders. • Persistent lack of success would lead to a loss of investor confidence and ultimately the failure of the business model.
Inability to fund exploration work programmes	• Failure to forecast and work within our financial structure could impact our liquidity and lead to an 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. • Inability to access internal or external funding.

Objective/Control	Responsibility	Change
• Continued focus on increasing NAV/share. • Monitor and tailor projects to fit the macro environment. • Maximise transparency with equity buyers. • Contingency planning and preparedness to change the course of action as situations change. • Capital selectively directed at those assets which offer the highest risk-weighted returns. • Appropriate balance between growth by exploration and acquisition.	**Director – Commercial and Planning**	▶
• Investments are not dictated by production or reserves growth targets; instead each investment is 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 the highest return opportunities following rigorous risk/reward analysis. • Risk assessment and due diligence process undertaken on all potential new country entries and acquisitions. • Endeavour to transact at the most appropriate time to create value for shareholders. • Continue the momentum on the Fortuna FLNG project and achieve FID in mid-2017. • Facilitate buyer access/relationships with host governments. • Ongoing strategic objective to capture high-quality exploration acreage. • Pace our exploration and high-grade the plays. We will not rush to drill. • Continue to build 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. • Manage risk with partners in existing assets and new ventures. • Only continue to hold and progress assets if they can demonstrably create substantial value for shareholders.	**Director Africa – Global New Ventures/ Director Asia**	▶
• Ongoing strategic objective to execute operations safely and with excellence. • Commitment to maintaining robust health, safety, security and environmental management, and procedures in place to respond to unexpected events that could have a direct impact on the Group and the communities in which we work. • Comprehensive HSE and operations management systems including emergency response and oil spill response capability in place. • Active security monitoring and management. • Learn from Group and third-party incidents. • Use of leading indicators. • Contracting and procurement process ensures suitably-qualified contractors are employed to meet Ophir's requirements and industry best practices.	**Director – Security and Surface Risk**	▲
• Generate leads and mature top-ranked prospects. • Board's Technical Advisory Committee reviews subsurface risk and there is a robust peer review process embedded within the Group. • Application of technical excellence and use of appropriate technologies in exploration methodologies. • Review of new opportunities without impacting focus on strategic core growth areas.	**Director – Subsurface**	▼
• Ongoing strategic objective to optimise the use of our capital by capturing highest commercial returns on our assets and exploration opportunities. • Regular review of cash flow, working capital and funding options, and prudent approach to budgeting and planning, to ensure we have sufficient capital to meet commitments. • Effective portfolio management via farm-outs/asset sales as appropriate. • Budgets are focused on high and medium ranked assets/projects to deliver value creation and to ensure the Group can live within its means. • Formalised annual budget process and ongoing monthly reviews and analysis of actuals. • Board approval of Annual Work Programme. • Diversify the sources of funding and apply prudent levels of debt to development and production activities.	**Chief Financial Officer**	▶

Market context: The state of exploration

Dr Keith Myers
Managing Director
Richmond Energy Partners

About the author

Dr Keith Myers is Managing Director of Richmond Energy Partners. Keith joined BP in 1987, having graduated with a geology PhD at Imperial College. Following a variety of technical roles, he became Senior Commercial Advisor leading several major business negotiations for new business access. He also led strategy for BP's business in West Africa in the Strategic Alliance with Statoil. He went on to found Richmond Energy Partners in 2006 to provide independent advice to investors in smaller oil and gas companies. REP now advise some of the largest funds and institutions investing in the sector and provide exploration strategy and benchmarking services for the global exploration industry. Keith takes a keen interest in the oil sector governance and serves as a member of the Natural Resource Governance Institute and is on the guest teaching faculty of the Blavatnik School of Governance at Oxford University.

The market overview provides an independent view of the market in which we operate.

In a world awash with oil, it is increasingly difficult to find through conventional exploration.
2016 could prove a nadir in oil finding rates with Richmond Energy Partners (REP) recording only 1.9 billion barrels of potentially commercial oil discoveries globally in 2016, down 66% on 2014. This decline in discovered volume was almost exactly in line with the 65% fall in drilling activity since the peak in 2013/14. With fewer wells drilled commercial success rates reached a nine-year high. However, average drilling finding costs for offshore wells were $4/bbl for oil and $1/boe for gas. With offshore oil discoveries selling for only $2-3/bbl, and gas for $0.8/boe, being an 'average' explorer was not good enough to create value in 2016.

During the 2016 oil price rally, investors preferred North American unconventional oil assets to conventional oil as they are perceived to be geologically more predictable than conventional exploration. Whilst it is true that the best North American light, tight oil plays may have break even oil prices in the $30s per barrel, the best conventional plays can still match or better this.

The challenge for conventional exploration has been to unearth major new oil plays to replace those that are maturing. The last major new multi-billion barrel oil province to emerge was the pre-salt play in Brazil in 2006, albeit Exxon's success offshore Guyana may yet change that. $22 billion of spending on drilling frontier wells by the industry over nine years has led to the discovery of enough oil for only 80 days of global consumption and the new oil plays to emerge since are mostly a billion barrels or less in scale. Meanwhile industry has been finding lots of gas where it was hoping for oil. Major new gas provinces have emerged in East Africa, the Eastern Mediterranean and Northwest Africa.

Where that gas is close to local markets, like in Israel and Egypt, it has been put into production quickly and profitably. LNG projects in remote basins offshore Africa have been more challenging to commercialise. The emergence of floating LNG technology is changing that picture.

REP has identified only 12 conventional offshore oil plays that had delivered a discovery larger than the minimum economic field size at $40/bbl in the last five years. The industry's conventional oil prospect inventory has been degrading as the frontier programme has largely failed to deliver the renewal the industry needs. Proven plays are maturing, contributing to finding costs for oil reaching record levels in 2016. Exploration performance has also been undermined by a systematic underestimation of commercial risk in high-risk plays by small and large companies alike. Industry has been making too many discoveries that are too small to be commercial.

So is exploration for conventional oil and gas still relevant?
The answer is yes, given certain conditions.

At $60 per barrel, which is currently REP's long-term oil price assumption, the conventional geology that can be explored economically increases dramatically and exploration becomes much more attractive. History says that investors will be sure to put money back to work in the E&P sector in a bull oil market. Mid-Cap E&P equities increased an average 36% in 2016 in line with increasing oil prices. Some investors were prepared to back risky exploration ventures with equity again in 2016.

> Even if oil prices recover, explorers will need to focus on finding low cost oil and gas profitable to develop at $40 per barrel or less.

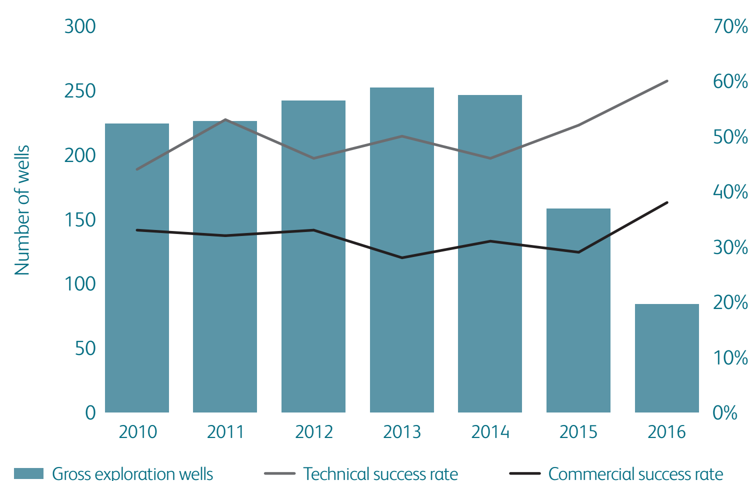
Even if oil prices recover, explorers will need to focus on finding low cost oil and gas profitable to develop at $40 per barrel or less. Low cost oil will always find a market, never mind the current stranded assets mantra. Finding costs need to be kept below $1–2/bbl, or perhaps a bit higher for near field discoveries where development costs are lower. Being an average explorer will not be good enough – companies will need to believe they have the portfolio, technology, people and processes to deliver exceptional performance.

This means an efficient exploration process with larger prospect portfolios and fewer, better wells targeting bigger prospects at higher commercial success rates. It also means making discoveries that will not be stranded commercially or politically. In mature areas like the North Sea, it means exploring efficiently for oil and gas near late life fields to delay abandonment.

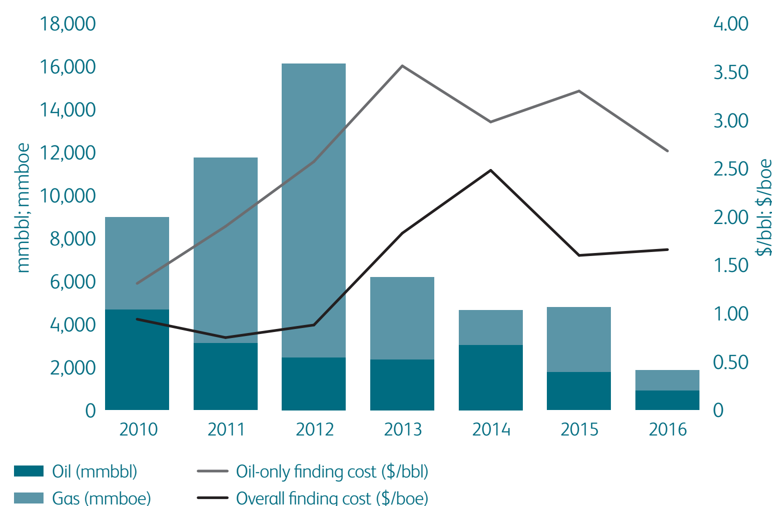
So 2017 sees the industry emerging from the trauma of the past few years with a lower cost base and new strategies. Industry is emerging leaner and fitter but must be able to remain disciplined during the bull oil market to come. Decreased competition means lower access costs for exploration acreage and more opportunity to create value from exploration for the accomplished explorer.

Dr Keith Myers
Managing Director
Richmond Energy Partners

Gross exploration wells and success rates



Gross volumes and finding costs



Source: Richmond Energy Partners, REP40 data. The REP40, which includes Ophir, is a 40 company peer-group of active explorers.

Review of operations

Bill Higgs
Chief Operating Officer

Creating growth

Mexico
A consortium including Ophir was awarded the Block 5 exploration licence in the Mexico Deepwater Oil auctions in December 2016.

Key
Oil play
Gas play

As the organisation becomes increasingly focused on creating growth in NAV per share, we are applying greater discipline when allocating capital to our operating activities. Our first priority is in safely maximising the value of the cash returns from our production base. We can then think about where else in the portfolio to deploy that capital in the pursuit of further value creation.

During 2016 we have invested in additional facilities at the Bualuang field to improve the production capacity of the infrastructure; brought the Kerendan gas field onstream, diversifying our production base; progressed the Fortuna FLNG project towards FID; and continued to build the prospect inventory to provide drilling options for 2017/2018.

As we look ahead through 2017, we will continue to invest in both Bualuang and Kerendan to increase the cash generation of the asset base. This is expected to lead to cash flow materially higher than in 2016. The Fortuna FLNG project should move through FID in mid-2017, providing a clear timeline to first production and cash flow. We will recommence exploration drilling in 2Q 2017 with a well on the Ayame-1X prospect in Côte d'Ivoire.

Taken as a whole, we are confident that we will unlock further value in our production base during 2017 and hope that we can also create value through opening up a new play in Côte d'Ivoire.

Health, Safety, Security and Environment

Ophir is committed to protecting the health, safety and security of our workforce and environments in which we work.

We do this through the deployment of HSSE risk management systems that include the use of leading indicators to test the robustness of our controls. Over 1.83 million hours were worked during 2016 with no recordable injuries or illnesses and no loss of containment events. These were excellent achievements.

Resource and reserves monetisation

Let us look at the application of our strategy at an operational level. Reliable, diversified cash flow from our production base is an important part of our strategy to become a sustainable explorer. We have invested, and will continue to invest, in our production base where there is an opportunity to enhance operating cash flow per boe at attractive returns.

Ophir will only proceed with development projects that offer demonstrable value creation for equity holders without undermining the Group's funding position or its exploration-led strategy. As such, we may look to partially or wholly monetise on discovery or prior to significant investment to deliver the highest risk-weighted returns to shareholders.

Bualuang, Thailand (20.9 MMbo 2P, 17.8 MMbo net 2C)

Our strategy for managing the Bualuang field is to maximise cashflow through safe, reliable and cost-efficient production operations, combined with the appropriate capital deployment to further develop contingent resources. Bualuang is currently the most cash-generative asset in the Ophir production portfolio. In 2016, it generated $58 million of cash from average daily production of 8,700 bopd.

Our main focus at Bualuang during the year was to complete a water debottlenecking project that increased water handling capability by 50% to enable an increase in production and, consequently, cash generation.

The water debottlenecking project cost a total of $21 million and is expected to increase the NPV10 of the field by $83 million with investment payback approximately 12-18 months after completion.

As we look forward, the key challenge at Bualuang is how we create further value and increase the cash generation of the field. The ocean bottom node 3D seismic data, acquired in 2015 to image under the platform, was processed and interpreted in 2016 and is key to determining how we unlock additional value from the field.

In 2017, we will complete a small infill drilling programme consisting of two development wells. This will see old well stock recycled to target new locations with the goal to grow production by around 1,400 bopd. The investment in this programme will be c. $12 million and is expected to add $23 million to the NPV of the project and payback within 12 months.

We will also drill a further well targeting prospective resource in the Bualuang field.

We are also in the final technical and commercial analysis stage of the opportunity to expand the production capacity at Bualuang by the installation of a simple, low-cost platform. Additional well slots will enable the targeting of locations to convert prospective and contingent resources to reserves. We expect to be in a position to make an FID on the next phase of development in 2Q 2017.

Kerendan, Indonesia (15.9 MMboe 2P, 60.3 MMboe net 2C)

The primary challenge at Kerendan now that the field is producing, is to seek innovative ways to monetise the 457 Bcf of gross 2C contingent resource not covered by the initial gas sales agreement (GSA).

The field produced at an average of 768 boepd over the period in 2016 that it was producing, but is expected to ramp up to full contract volume of closer to 20 MMscfd in 2017, providing additional cash flows. The offtaker contracted to take 16 MMscfd from 11 January 2016 and, under the take or pay provision in the GSA, a receivable of $17 million has been accrued. This was settled in full in February 2017.

A significant step forward in monetising the additional 2C resource in the Kerendan area occurred in late 2016 with SKKMigas approving the West Kerendan-1 expansion plan.

This will allow an additional 40 Bcf to be monetised that will grow production by 7 MMscfd from 2019. Making further progress on the monetisation of the 457 Bcf of gross contingent resource, not covered by the first GSA, is an area of focus for 2017. Safe completion of the onshore 3D seismic acquisition programme, forecast to complete in Q4 2017, is a key step on this pathway. These data will allow for better definition of the Kerendan field to give greater certainty around resource volumes, which should ultimately lead to SKKMigas approving the sale of additional gas volumes.

Sinphuhorm
(7 MMboe 2P, 21.3 MMboe net 2C)
Gas production from Sinphuhorm was 10% ahead of budget at 1,900 boepd. This was principally as a result of the poor performance from the competing hydro-power sector.

Fortuna, Equatorial Guinea
(400.7 MMboe net 2C)
The Fortuna project was the asset most in the spotlight during 2016 as we sought to find a way to monetise the 400 MMboe of net 2C resource we have discovered in the play to date. Our focus has always been on monetising this asset in a manner that maximises value creation for our shareholders.

We have continued to move this project forward for one simple reason – the point forward returns are excellent, as it is a low-cost project with a world-class reservoir. Admittedly, we have had our setbacks on this project, no more so than in the early part of 2016 when Schlumberger withdrew from a planned upstream farm-in. Having worked closely with our then midstream partner, Golar LNG, to find a funding solution for the midstream part of the project, we were delighted to sign a Shareholders' Agreement with OneLNG in November 2016 for the formation of a Joint Venture that will develop and finance the Fortuna FLNG project.

OneLNG is a joint venture owned by Golar LNG and Schlumberger to help monetise stranded gas assets. We now have an integrated project with Ophir and OneLNG aligned across the value chain. Ophir will not invest more than $120 million of the $2 billion of capital expenditure required to get to first gas and we expect to generate a return of over 5x on this investment.

Since announcing the JV in November 2016 we have made good progress against the remaining milestones. The Umbrella agreement between the Fortuna JV and the Government of Equatorial Guinea is expected to be signed during 1Q 2017. This defines the legal and fiscal framework for the project.

A term sheet has been signed for the provision of the debt facility with a consortium of Chinese banks. We have now moved to the documentation phase and expect to close the facility during 2Q 2017.

The discussions with offtakers remain on-going and are expected to be closed out imminently.

We expect to issue a shareholder Circular during 2Q 2017 with FID remaining on schedule for mid-2017.

Blocks 1 and 4, Tanzania
(500.2 MMboe net 2C)
In Tanzania, Shell took over the operatorship from BG Group in March 2016 and has since undertaken a review of the project plan, the development scope and the cost stack of the project.

Separately, since the elections in Tanzania in late 2015, the new Government has taken a more pro-active, hands-on approach to delivering the project. An integrated negotiating team, with representatives from all the key ministries, has been established, with the remit to deliver the required project agreement for the onshore LNG plant. Once this is agreed, there will be a clear legal framework under which the development can be moved forward.

After completing the final exploration commitment wells on Blocks 1 and 4 in late 2016, the Minister of Energy awarded an extension of Block 1 for a further three and a half years to provide sufficient time to complete pre-FEED and FEED ahead of investment approval. An extension for Block 4 is expected later in 2017. Ophir will continue to determine the optimum way to monetise the asset to deliver value for shareholders.

Exploration
Ophir's strategy is to create value for shareholders through finding resources at low cost and monetising them smartly in the way that maximises the value created.

We have been actively maturing the best prospects on the plays we have high-graded, adding new plays to compete for capital with the existing opportunities. We have looked at numerous data rooms in the past three years to rank the best opportunities. As a result, Ophir has positions in a number of high graded plays, all of which have prospects that have cleared commercial and technical thresholds and have increased the Group's risked prospective resources by 158 MMboe.

During 2016 we entered three new licences. The first of these was a new country entry in Côte d'Ivoire when we signed a PSC for Block CI-513.

The Ayame-1X prospect will spud in 2Q 2017 and we are currently carrying mean prospective recoverable resource of 234 MMbo with a 23% geological chance of success. The well will be drilled by the Seadrill West Saturn rig and the gross cost is expected to be $30 million. It is a stratigraphic prospect testing an extension of a proven petroleum system in the adjacent block and the main risk is trap effectiveness.

We also entered the DW-2A licence in Malaysia and will take a drill or drop decision in 1H 2017.

Our third new licence entry was in Mexico, which followed work by our Global New Ventures team screening opportunities outside our Asian and African heartland. Our interest in Mexico was a result of the liberalisation of the energy sector, which meant that for the first time in nearly 80 years international companies would be able to bid for acreage in Mexican waters of the Gulf of Mexico. Fewer than 45 deepwater exploration wells have been drilled in Mexico compared with over 1,200 on the US side, creating a rare opportunity to access an under-explored, but proven world-class basin. The basin also screened well from a commercial basis and there is a clear path to monetisation.

Ophir is part of a Murphy-operated consortium, also containing PC Carigali (part of Petronas) and Sierra Oil & Gas, that won the rights to Block 5 in the first deepwater licence round in December 2016. Drilling is not expected to take place until 2019 and the net cost to Ophir of the first phase work programme is limited.

In Myanmar, we have matured the prospect inventory to drill-ready status. The play looks to be comprised of sands in low relief channel systems leading us to believe that Myanmar will likely be developed by the aggregation of gas fields. We are currently seeking to farm-down to a strategic partner and we view this as a pre-requisite to drilling.

In Equatorial Guinea, the southwest portion of Block R contains a potential extension of an oil play in the neighbouring block which is operated by an IOC. The operator of the adjoining block completed a 3D seismic survey in 2016 that was extended into Block R. These data have been processed and our geoscientists, along with those of the operator, are reviewing the prospectivity ahead of a decision on whether to drill a well.

In Indonesia, we safely completed the offshore Trepang 3D seismic survey on the West Papua IV and Aru licences in 4Q 2016.

We also completed the reprocessing of existing seismic data over the West Papua IV and Aru licences which has enabled us to mature a number of leads to prospects.

In Gabon, we have extended the Nkouere and Nkawa licences and are using the Olumi Rouge 3D seismic data to mature a new outboard play. We believe this play has multi-billion barrel potential and we are currently seeking to farm-down to a partner prior to entering into the second phase of the exploration licence.

Dr 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**
Opening balance	–	5,405.0	900.8	20.7	417.9	95.2	20.7	5,822.9	996.0
Additions	–	–	–	–	–	–	–	–	–
Revisions	–	–	–	–	57.8	9.5	–	57.8	9.5
Production	–	–	–	–	–	–	–	–	–
Closing balance	–	5,405.0	900.8	20.7	475.7	104.7	20.7	5,880.7	1,005.5

	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	0.0	0.0	0.0	21.9	186.9	54.4	21.9	186.9	54.4
Additions	–	–	–	–	–	–	–	–	0
Revisions	–	–	–	3.9	(62.3)	(6.7)	3.9	(62.3)	(6.7)
Production	–	–	–	(3.2)	(4.5)	(3.9)	(3.2)	(4.5)	(3.9)
Closing balance	0.0	0.0	0.0	22.6	120.1	43.8	22.6	120.1	43.8

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

2C contingent resources for Southeast Asian assets are based on reports produced by the Group's independent engineer, RPS Energy, as at 1 January 2016 and are supplemented by the Group where necessary with additional and more recent information.

2C contingent resources for African Assets are based on reports produced by the Group's independent engineer, ERC Equipoise, during 2015. There has been no change to this position in 2016.

2P commercial reserves are based on reports produced by the Group's independent engineer, ERC Equipoise, as at 1 January 2017 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

Tony Rouse
Chief Financial Officer

Summary

As detailed in the Chief Executive Officer's review, our strategy is to be a sustainable explorer, focused on delivering NAV per share growth, by finding resources at low cost and then monetising them smartly in the way that maximises the value created. This requires us to generate sufficient cash flow over time, through a combination of maximising cash flow from our production assets and the monetisation of our exploration success, to fund a sustainable exploration programme.

Our first step to build this cash flow, was the acquisition of Salamander Energy in early-2015. This transaction provided Ophir with two producing assets in Thailand, Bualuang and Sinphuhorm, and a development asset in Indonesia, Kerendan, which came onstream in August 2016.

During 2016, we took a further step towards achieving our objective of becoming a sustainable explorer. Through our agreement with OneLNG, we will form a Joint Venture (JV) to facilitate the financing, construction and development of the integrated Fortuna project in Equatorial Guinea. This provides a framework whereby we can now move forward to commercialise the asset with a 33.8% equity interest in the JV. Through these arrangements, we have limited our capital and balance sheet exposures to a maximum of $120 million. We expect to take FID on the project by mid-2017 and the asset is expected to be on-stream mid-2020 delivering net cash flow to us of approximately $140 million per year (at an indicative FOB gas price of $6.00 MMbtu). The cash flow generated from Fortuna, along with the cash flow from our Asian production base, will see us broadly achieve our strategic objective of becoming a sustainable explorer.

Our principal financial goals are therefore to ensure that we preserve our balance sheet strength and maintain sufficient liquidity between now and Fortuna coming on-stream. In the meantime, funds will be invested as a priority to the further monetisation of our existing asset base with our exploration efforts being scaled according to the availability of residual capital.

Additionally, during 2016 we took further steps to preserve our liquidity by lowering our capital and operating cost base. We also reduced our gross administration cost base with a further reduction year on year (excluding one-off restructuring costs) of 31%.

Commodity prices strengthened during the second half of the year with the OPEC agreement in November, further underpinning positive sentiment around oil prices. Brent recovered from a low of $27 per barrel in January to a high of $57 per barrel in December, and averaged $45 per barrel for the year. Brent pricing has been more stable in early 2017 than for some time, but the outlook remains cautious, and we will therefore continue to scale our future programmes according to our capital constraints until we have secured a sustainable cash flow.

Sources and uses of funds summary

Net sources of funds:	Units	FY 2016	FY 2015	FY 2014
Revenue (including hedges)	$'millions	107.2	178.2	–
Kerendan take-or-pay	$'millions	16.5	0.0	–
Cost of production (operating expenses, royalty, inventories)	$'millions	(42.7)	(47.9)	–
Investment income	$'millions	4.4	7.2	–
Income tax charge	$'millions	(23.7)	(24.6)	(210.4)
Total net sources of funds from production	$'millions	61.7	112.9	(210.4)
Net uses of funds:				
Capex (less disposals)[1]	$'millions	155.6	205.6	(685.3)
Net administration cost	$'millions	13.4	31.3	20.7
Net finance costs	$'millions	14.3	15.7	(7.0)
Total net uses of funds	$'millions	183.3	252.6	(671.6)
Financing:				
Closing gross cash	$'millions	360.4	614.6	1,172.8
Closing borrowings	$'millions	200.3	259.6	–
Closing net cash	$'millions	160.1	355.0	1,172.8

1 Capex is adjusted to eliminate non-cash amounts for decommissioning for 2016 of $19.2 million (2015: $1.5 million) and capitalised interest for 2016 of $8.7 million (2015: $1.5 million).

Net sources of funds

2016 working interest production was in line with guidance at 10,800 boepd. This comprised 8,700 bopd from Bualuang and our first contribution from Kerendan which averaged 200 boepd for the year. In addition, 1,900 boepd was produced from Sinphuhorm (which is accounted for using the equity method).

Revenue (including realisation of hedges) from Bualuang totalled $107 million or $38 per barrel (2015: $178 million or $47 per barrel). With a breakeven for 2016 of $15 per barrel, Bualuang delivered positive post-tax funds flow of $58 million or $18 per barrel (2015: $106 million or $34 per barrel). The Kerendan field came onstream in August, with pre-production operating costs being charged to the income statement in 2016, Kerendan utilised net funds of $8 million. However, this amount was more than offset by recognising $17 million of deferred income to the balance sheet for the Kerendan PLN take-or-pay obligation for volumes not drawn-down since the commencement of the GSA on 11 January 2016. The take-or-pay amount was settled in full by PLN in February 2017.

Full-year 2016 net sources of funds from production totalled $62 million (2015: $113 million), a 45% reduction year-on-year predominantly due to lower commodity prices.

With an improved commodity price outlook in 2017 and the Kerendan asset on-stream for the full year, post-tax funds flow from production is forecast to increase to $80-120 million or $18-27 per barrel.

Uses of funds

The Group's primary investments during 2016 were:

- Exploration of $76 million (2015: $140 million) including:
  - Acquisition of Côte d'Ivoire Block CI-513 ($20 million).
  - Myanmar AD-03 – well planning and Environmental Impact Assessment ($9 million).
  - Acquisition of Malaysia Block 2A ($8 million).
  - Indonesia – seismic data acquisition on the West Papua IV and Aru blocks ($8 million).
- Monetisation of resource of $80 million (2015: $68 million) comprising predominantly:
  - Tanzania Blocks 1 and 4 – drilling and pre-development spend ($22 million).
  - Equatorial Guinea, Fortuna – Front End Engineering Design ($42 million).
  - Thailand, Bualuang – water debottlenecking project ($12 million).

Of the 2016 exploration expenditures, we charged and wrote-off $6 million (2015: $24 million) to the income statement. In addition, we wrote-off prior year expenditures of $94 million (2015: $125 million) following our decision to relinquish the G4/50 licence in Thailand and assessing the portfolio in Indonesia.

Our cost reduction programme saw gross administration cost reduce by a further 31% in 2016. This is reflected in our net administration expense reducing to $13 million (2015: $31 million), a reduction of 35% after eliminating one-off restructuring costs of $2 million in 2016 (2015: $14 million).

We incurred interest charges during 2016 of $14 million (2015: $16 million) against average gross debt of $230 million, giving rise to an average cost of debt of 7%.

We took steps in 2016 to lower our borrowings thus reducing the negative interest carrying cost.

Overall, uses of funds for 2016 totalled $183 million (2015: $199 million).

Looking ahead to 2017, our capital expenditure is forecast at $125-175 million with plans including:

- Thailand, Bualuang – infill drilling programme ($24 million).
- Côte d'Ivoire – drilling of the Ayame-1X exploration well ($16 million).
- Equatorial Guinea – initial funding for the Fortuna JV ($25 million).

Longer term, the Group's future financial commitments beyond 2017 are limited to $33 million (2016: $48 million) against agreed exploration work programmes.

Debt and net debt

During 2016 we reduced our total debt outstanding by repaying $59 million of our reserve based lending facility. This gave rise to outstanding debt at year-end 2016 of $200 million. This comprised of our reserves based lending facility of $93 million (2015: $210 million) and our high yield Nordic bond of $107 million (2015: $107 million).

In late 2016, we commenced the process of refinancing our debt facilities. This process is expected to complete in 2Q 2017 with an increase to our borrowing capacity.

Our balance sheet therefore remains robust with closing gross cash of $360 million (2015: $615 million, including short-term cash deposits) and net cash at year-end 2016 of $160 million (2015: $355 million). We expect to remain approximately gross cash neutral in 2017 with our capital expenditure programmes covered by a combination of funds generated from our production assets and additional cash made available through the refinancing of the debt facilities. We currently forecast that gross cash will be $375-425 million and that net cash will be $100-125 million at year-end 2017.

The Directors have also considered the longer-term viability of the Company to end-2020. Based on their assessment (as fully detailed on page 14), the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due.

Tony Rouse
Chief Financial Officer

2017 Guidance

Production	12,500–13,500 boepd
Total net funds from production	$80–120 million
Capital Expenditure	$125–175 million
Closing gross cash	$375–425 million
Closing net cash	$75–100 million

Our approach to Corporate Responsibility

Having a sound and robust approach to Corporate Responsibility (CR) preserves our reputation, helps to manage and mitigate risk and builds sustainable relationships with our stakeholders.

CR embodies the principle that we are a responsible explorer and producer of oil and gas, and that our operations are carried out to the highest international standards. With our Code of Conduct, we have a clear set of guidelines on how we expect our people to behave in support of CR, and our Values form the foundation for everything we do.

Following the Paris Agreement at the end of 2015, we recognised that it was important to review our approach to climate change and we have therefore undertaken numerous activities, including submitting a Climate Change Questionnaire to CDP (formerly Carbon Disclosure Project) for the first time in 2016. We also continued to improve our systems to gather more data from across the Company and have begun the process of reporting a broader set of metrics, in line with the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines.

The principle of creating shared value throughout all of our operations is a key part of our strategy of becoming a sustainable exploration company. We recognise that the success of a company and the value it creates for stakeholders are mutually dependent, so capitalising on the connections between societal and economic progress can allow Ophir to create value for itself as well as for the various communities in which we operate.

Our approach to CR also means that we communicate in an open and transparent manner. We engage with all stakeholders, including governments, local community

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Reported loss of containment events

representatives, shareholders and employees through a combination of regular meetings and written communications.

Environment

We recognise and appreciate that protecting the environment is a fundamental expectation for all activities and operations Ophir undertakes. We take a precautionary approach to our business activities and to the extent possible, we avoid creating negative impacts on the environment and biodiversity. If they cannot be avoided, we take all reasonable steps to mitigate and/or remedy the negative environmental impacts associated with our activities.

Environment results

Environmental responsibility at Ophir is governed by our HSE Policies and accomplished through our HSE Management System, as well as through compliance with extensive governmental and lender requirements.

With the start-up of the Kerendan Gas Processing Facility (KGPF) in Indonesia, we now have two ongoing operating assets where we closely monitor air emissions, waste generated, discharges and inadvertent releases. The table below shows our performance on Group-wide environmental Key Performance Indicators for 2015 and 2016.

Notable successes are:

- we continued to operate incident-free in 2016 in terms of significant spills or other loss of containment events.
- all produced water at Bualuang continued to be re-injected and at KGPF, it is being stored for future re-injection.
- our Group-wide energy intensity – energy used per unit of production (calculated for the first time this year) is in line with the average for E&P companies worldwide.
- in line with the GRI, we have greatly expanded the suite of environmental metrics we are tracking at the Corporate level (see table below).

Group-wide environmental Key Performance Indicators

Metric	2016	2015	Comments
Energy consumption (Gigajoules (GJ))	628,000	Not reported	Includes Scope 1 and Scope 2 emissions: fuel used in our operations as well as purchased electricity
Energy Intensity (GJ/mboe)	1.4	Not reported	Value for E&P companies reporting to IOGP is 1.4 (2015)
GHG emissions (tonnes of CO_2e):	64,130	62,292[1] Scopes not reported separately	
• Direct (Scope 1) • Energy Indirect (Scope 2)	63,624 506		Scope 1 and 2 emissions increased due to start-up of Kerendan Gas Processing Facility
• Other Indirect (Scope 3)[2]	1,751		Scope 3 is emissions from business air travel only
CO_2 emissions intensity (tonnes CO_2e per thousand tonnes oil equivalent production)	144	136[3]	Average value for E&P companies reporting to IOGP is 151 (2015)
Flaring (MMscf)	214	No flaring from Ophir assets	All flaring in 2016 is from the KGPF due to start-up offtaker issues. No continuous flaring
Venting (MMscf)	15.9	18.9[4]	At the Bualuang field, a small amount of gas is produced along with the oil. This gas is continuously vented to the atmosphere
Water withdrawn for use (m^3)	5,915	Not reported	Kerendan operations only
Waste (kg): • Hazardous • Non-hazardous	 20,539 69,343	Not reported	Bualuang and Kerendan operations
Oil and chemical spills	None	None	
Oil and chemical spills – released to the environment	None	None	
Loss of containment events	None	Not reported	
Produced water discharged (tonnes)	No produced water discharged	No produced water discharged	All water at the Bualuang field is re-injected into the reservoir; produced water at KGPF is being stored for future re-injection

1 This value has been restated following final submission of data.
2 Not counted in the total GHG emissions of 69,378 tonnes.
3 Corrected value based on accurate 2015 emissions.
4 This value has been restated following final submission of data.

Flaring at the Kerendan facility was required due to a prolonged start-up of the adjacent power generation facility which uses the gas we produce. Several times during the year, the minimum safe gas flow rates at the KGPF exceeded the quantity which our customer needed, so the excess gas had to be flared. Gas supplied to our customers is displacing the more carbon-intensive fuel previously used for power generation.

Environmental expenditures

Our expenditures on environmental matters in 2016 totalled $0.6 million. This includes costs for waste disposal, environmental studies and other environmental management services.

We had no fines or non-monetary sanctions for non-compliance with environmental laws and regulations, and no grievances about environmental impacts filed through formal grievance mechanisms.

We were pleased that our HSE efforts in Thailand were recognised by the local regulator. In September, Ophir Thailand (Bualuang Field) received the 2016 Award for Excellence in Occupational Safety, Health and Environment Management from the Department of Mineral Fuels of the Ministry of Energy (DMF).

Climate change

Climate change was an area of focus and activity during 2016. With the landmark Paris Agreement in late 2015, we spent significant time and effort at both the executive and Board levels exploring and evaluating potential climate change strategies.

The Board developed the following statement on climate change:

- Ophir recognises the scientific consensus that greenhouse gas emissions are driving manmade climate change. Achieving the internationally agreed target of limiting global mean temperature rise to well below 2°C above pre-industrial levels will require significant and sustained reductions in these emissions.
- the global changes required to achieve this 2°C goal will impact the oil and gas industry significantly. At Ophir, we are deepening our understanding of the implications of the Paris Accord for our business, and what actions we may take across a range of areas including our core business strategy, our operational emissions and our interactions with stakeholders. Ophir's Board will continue to oversee the ongoing development of the Company's strategy in this area during 2017, including its approach to tracking trends to provide commercial foresight on how quickly the world is moving toward decarbonisation. Climate change and the implications for Ophir will remain on the Board's strategic agenda going forward.

In terms of disclosure, Ophir for the first time in 2016, submitted a Climate Change Questionnaire to CDP. We were encouraged by the fact that Ophir was recognised by CDP as being one of the top three first-time responders among UK-based companies.

We also engaged with the Wellcome Trust, a UK-based charity and Ophir shareholder, to help us by conducting a 'Live Case Study' on the topic of climate change. This process involved a structured stakeholder engagement, interviewing 14 different external stakeholders including investors, governments, multi-lateral organisations, non-governmental organisations (NGOs), consultants and industry experts. The study provided valuable insights to assist us in formulating our climate change strategies.

With respect to our greenhouse gas emissions, we report Scope 1 and 2 and certain Scope 3 emissions. Scope 1 emissions are those over which Ophir has direct control; Scope 2 emissions are indirect energy emissions from electricity we purchase for offices and logistics bases; the Scope 3 emissions we report are a result of passenger air miles from business flights.

With this year's report, we have also restated last year's emissions figures following final submission of data. The Bualuang Production Facility had very similar emissions in both years; emissions in Indonesia were significantly higher in 2016 due to the marine seismic project at West Papua/Aru, as well as start-up of the KGPF.

Health and safety

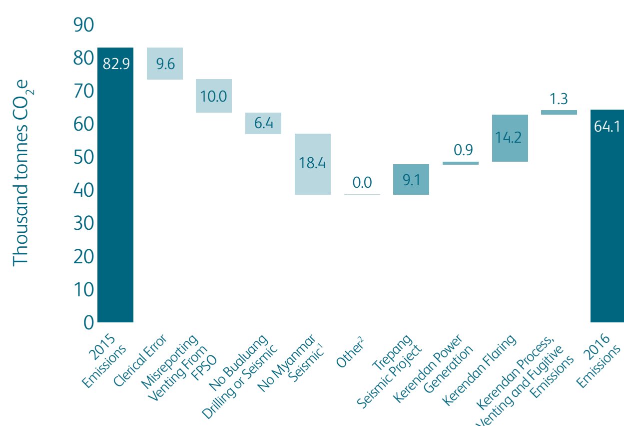
Protecting the health and safety of everyone who works on behalf of Ophir is of fundamental importance to the Company. Through rigorous implementation of our HSE Management System, we ensure that we systematically identify all potential health and safety hazards associated with our operations and activities. More importantly, once we understand the hazards, we ensure that appropriate controls or safeguards are in place to prevent those hazards from causing harm to people, our assets or the environment.

Health and safety highlights

We are extremely proud of the fact that we worked for all of 2016 without a work-related injury or illness across the Group. In particular, we completed the complex Bualuang debottlenecking project and the start-up of the KGPF without incidents.

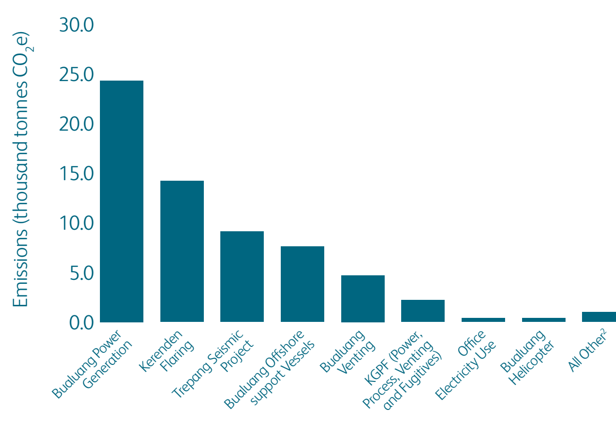
While these results are important lagging indicators, we firmly believe that health and safety can only be managed by focusing on strengthening the controls or safeguards that prevent unplanned incidents.

2015/2016 comparison



1 Project completed in 2015.
2 Minor changes in office electricity, vehicle use etc.

Significant sources of 2016 emissions (scopes 1 and 2 only)[1]



1 Emissions of 1.75 m tonnes CO2e due to business air travel not included (Scope 3).
2 Transportation fuels for vehicles, fixed wing aircraft etc.

Community projects

As an international oil and gas operator, we have a responsibility towards the communities where we operate. These responsibilities include aiding the development of the economic and social conditions of local communities. This year we have focused on supporting maternal health initiatives, environmental projects and improving the local economic prospects of the communities near our operations in Indonesia and in Thailand.

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.

2016 community projects

In 2016 we continued our local economic development programme in Kerendan and Muara Pari in Indonesia which was started in 2014. We have actively promoted community engagement and collaborated with the local government in the region, who have this year donated livestock to the villages to help with the organic fertilisation of the herbal produce. This project has resulted in a significant increase in income from the sales of organic vegetables and raw herbal produce for the participating groups from both villages.

We have commissioned the Posyandu Revitalisation project in Maura Pari, Kerendan and Haragandang in Indonesia to work on a midwifery programme as maternal health is often neglected in remote areas of Indonesia, usually due to a lack of relevant infrastructure, or not having proper health staff to attend the facility. The key part of the project is to establish 'Health Cadre' (a group comprised of members of the local community who are trained to provide basic maternal health care) as the main point of assistance when not enough health staff are available. The physical infrastructure of health care facilities will also be improved so that they can provide a proper service for the villagers. The skills provided in the training will include weighing and measuring of babies and toddlers, women's and senior health care, and teaching nutrition for toddlers.

Another key project in Indonesia has been the provision of clean water. Having learned from our success in Kerendan, we commissioned a similar project in Luwe Hulu, using a natural spring to provide a source of clean water.

In Thailand we continued our successful Ordinary National Education (O-NET) Tutor Camp initiative which helps students in remote areas achieve the right grades in their O-NET, so that they can be accepted at their desired universities.

We have worked with local communities on mangrove restoration and reforestation activities in Chumphon province in southern Thailand. This initiative saw more than 1,600 mangrove and 500 teak and Shorea obtusa hardwood saplings being planted. Over 1,600 EM balls (Effective Microorganism balls made up of mud and organic materials) have also been dropped into natural water courses to aid with environmental rehabilitation.

As part of our Community Well-Being Development Campaign to help communities generate more income through the exploitation of local resources, we have finished our three-year Asian Green Mussel Farming project in Chumphon province which now generates around 14 tonnes of mussels from each annual crop. This has been a great example of a self-sustaining project, and with the help of our seed fund, the community now has its own plan to expand the project to a wider area using the funds earned in previous years.

This involves measuring activities and behaviours that occur before an incident occurs. The leading indicator metrics system, which was introduced in early 2016 and was in place throughout the year, is designed to do just that. The system tracks leading metrics associated with our highest risk activities: production operations and air transportation of our workers. For production operations, we gather data to help improve the quality of our job-specific task risk assessments – the checks of safeguards that we make just before beginning a job. We are also using the leading indicators to improve our routine operating procedures. For aviation safety, we are focusing on inspections, routine checks and unplanned aircraft downtime. Ophir will continue to refine its leading indicator metrics system and metrics as we move forward.

Another area of focus for preventing health and safety incidents is learning from our near miss events. In 2016, we had a total of nine near misses in our production operations; each of these was rigorously investigated to improve or enhance the safeguards and prevent similar actual incidents. Looking at near misses and minor incidents, during 2016 we identified a concerning trend of electrical safety incidents. We then put in place additional safeguards, such as additional awareness training, certifying portable equipment and instituting enhanced controls over what equipment can be brought into Ophir's facilities. These activities were also tracked in our leading indicator metrics system.

Process safety continues to be a significant area of emphasis in our production facilities. Although we had no spills or releases during the year – no Tier 1 or Tier 2 process safety events – we continued to work to improve our processes and procedures designed to prevent these type of events. We had a particular focus on our preventative maintenance and asset integrity inspection and testing programmes.

Finally, to ensure we are meeting international best practices in Health Safety and Environmental management, we engaged with Mazars LLP to conduct an internal audit of our HSE policies, procedures and practices.

Security

Putting in place mitigations to create secure working environments for our people is vital to Ophir. We are familiar with working in complex security environments; we assess any changeable situations and subscribe to security risk monitoring services to inform our planning. Ophir suffered no security incidents during 2016.

Throughout the Company, women represent

34%

of our workforce

2

female Directors representing
20% of the Board

Business ethics

In 2016, Ophir continued to carefully manage exposure to corruption and bribery risks across all of its operations.

All Ophir Directors, employees and contractors are required to comply with Ophir's Code of Conduct, Global Anti-Corruption Policy and ethical conduct Standards (Compliance Processes). Ophir introduced an electronic sign-off process for all staff at the beginning of 2016, whereby staff confirm that they have not breached the Compliance Processes in the prior year. This is to be maintained in 2017 and beyond.

Compliance registers are maintained across all assets and business functions covering government hostings, per diems paid to government officials and hospitality given to or received from third parties. Activities above certain financial thresholds require pre-approval before they can be performed.

Tailored due diligence is performed across a range of business activities covering the supply chain, CR and business development and M&A activities to enable Ophir to make informed decisions about who to contract with, who to do social investment work with, and who to partner with.

In relation to the supply chain and third-party contracting, Ophir has implemented an Intermediaries Standard and an Ethical Compliance Due Diligence Standard. Additionally, Ophir maintains an Intermediaries register to keep a record of and manage Intermediaries appointed by the Company.

Further, in relation to CR, Ophir has introduced a Social Investment Due Diligence Standard which requires due diligence to be performed before Ophir allocates money to community development projects.

In the context of business development, global new ventures and M&A, there is a standalone due diligence process in place which applies before a decision is taken to farm-in to a new licence and/or contract with a new partner and to make a corporate acquisition.

Ophir expects staff to disclose all conflicts of interest, any personal connections which staff may have to people in government and to notify the General Counsel & Company Secretary of any exposure to corruption. Where any instance of a request to make a corrupt payment arises, staff are expected to immediately report.

With effect from the start of 2017, a Compliance Monitoring Plan has been put in place to provide the Board with more clarity in relation to key corruption prevention activities. This is intended to elevate the ongoing discussion about exposure to corruption risk and to improve corruption detection. Where corrective action is taken to mitigate corruption risk identified through the Compliance Monitoring Plan, it will be done so in consultation with the Audit Committee. The objective is to understand where real corruption risk lies and to limit Ophir's exposure to it.

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. We continue to build and develop an experienced, resourceful and globally-diverse workforce.

Integral to our Company's success will be the combined efforts of these people, who are led and managed by an inspired and courageous senior management team, comprising technical specialists supported by professional and functional experts. As part of a wider corporate initiative to further strengthen our Company (in line with the outcomes from the 2015 Employee Survey), we are continuing to invest in leadership development as a critical factor in support of our strategic objectives.

We aim to provide exciting opportunities and challenging work assignments for our people to gain wider experience across the business to enhance their skills. This culture of inclusion 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 value creation.

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.

Diversity and inclusion

We continue to embrace a culture of inclusivity and are committed to recognising that all our employees have different needs and aspirations. We are an equal opportunities employer and have a stated policy as part of our Code of Conduct to deal fairly and equitably with all of our employees in the workplace. We remain dedicated to encouraging inclusion and 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 status, religion or belief, age, nationality, ethnicity, marital or civil partnership status, pregnancy and maternity, or disability.

As at 31 December 2016 the Company has two female Directors representing 20% of the Board, 17% of the senior management team are female and throughout the Company, women represent 34% of our workforce.

Ophir's Values

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.

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

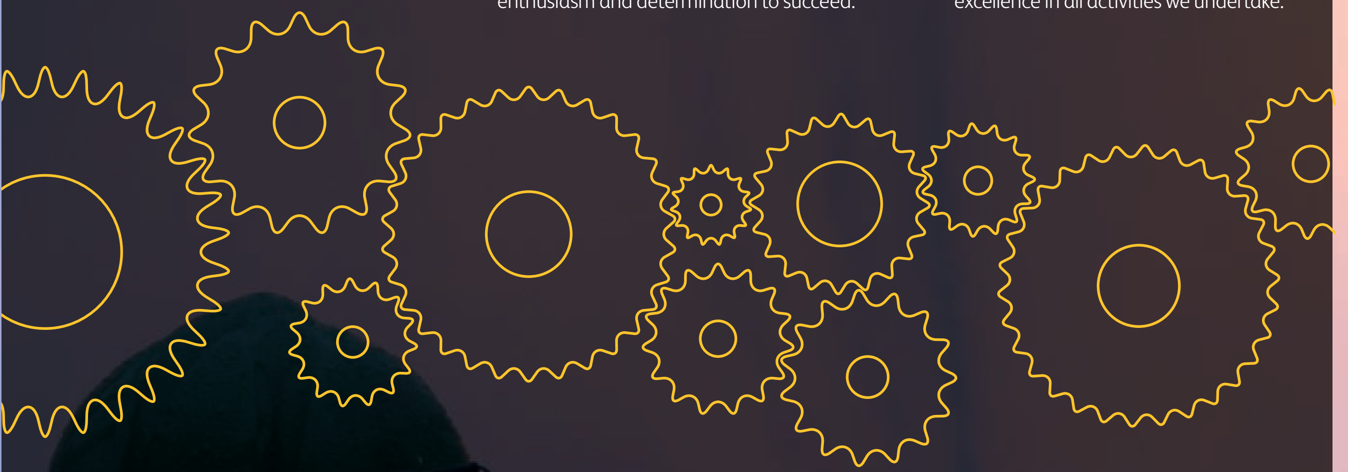
positive, energised and innovative

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
8 March 2017

Bill Schrader
Chairman

The careful and prudent management of the business, which strong corporate governance underscores, are critical elements in sustaining business performance delivery and instilling shareholder trust and confidence.

Corporate Governance introduction

Dear Shareholder

I am pleased to present my first Corporate Governance Report since taking over as Ophir Chairman in 2016, having sat on the Company Board since February 2013. I am committed to promoting consistently high standards of corporate governance at Ophir. I view complying with the Corporate Governance Code as integral both to my role as Chairman and the day to day running of the Board, the Board Committees and the wider Ophir business.

The careful and prudent management of the business, which strong corporate governance underscores, are critical elements in sustaining business performance delivery and instilling shareholder trust and confidence.

The Ophir corporate governance framework has evolved over the five years since the Company listed. This report illustrates that development and also highlights how the Board and the Board Committees have supported the principal business activities performed by the Company in 2016 and how I see their role in continuing to provide that support in 2017.

Against a continued challenging backdrop for E&P companies, Ophir's key 2016 activities (most notably the focus on cost management, establishing clear parameters for committed capital on the Fortuna project and the new NAV-based remuneration scheme), have been significant in supporting the Company's sustainability. Key decisions have been made by the Board and the Board Committees in a transparent and constructive manner, providing robust and appropriate challenge when necessary.

Board and Committee composition

The composition of the Board was reviewed following the acquisition of Salamander Energy in 2015 and we took the decision early in 2016 to appoint Tony Rouse as Chief Financial Officer and Executive Director. Managing full-cycle activities across our exploration portfolio, Asian production assets and the Fortuna FLNG project in Equatorial Guinea, introduced an enhanced level of complexity requiring multiple areas of focus including capital preservation, maintaining revenues and cashflow from Asian producing assets, and management of Ophir's debt portfolio.

The Company continued to review Board composition and succession planning more widely and in 2016 appointed two new Non-Executive Directors. I am delighted to welcome David Davies and Carl Trowell to the Board, whose appointments were announced in August 2016. The new Directors received a full induction upon joining the Board, meeting and engaging with other members of the Board and the senior management team.

Accordingly, the Ophir Board now consists of three Executive Directors and six independent Non-Executive Directors, plus myself. With these changes in Board composition, I believe we have a Board which is open, diverse and independent; and which brings together people with strong industry experience and a good understanding of the Company. I am also satisfied that the Board has the right complement of skill and acumen to perform their duties responsibly and effectively.

I would like to thank my predecessor, Nic Smith, who stepped down on the 30 April 2016, for his seven years in the role as Chairman, and our outgoing Senior Independent Director, Ron Blakely, who will stand down from the Board on 31 March 2017. I am pleased to report that David Davies has taken over from Ron as Chairman of the Audit Committee from 1 January 2017 and that Carol Bell will take on the role of Senior Independent Director with effect from 31 March 2017.

I would like to place on record my thanks to both Nic and to Ron for their contribution to Ophir's success and to wish them well in the future.

Board effectiveness

Having undertaken an external Board evaluation in 2015, the Board chose to conduct an internal review of its effectiveness in 2016. After careful consideration of the findings, the Board agreed to improve the training programme for Non-Executive Directors and to continue to implement measures to improve diversity across the Company.

Board Committees

The Board Committees are charged with carrying out those actions which the Board has chosen to delegate. I am satisfied that the Board Committees carry out these responsibilities effectively. An overview of the Board's governance framework is set out on page 35. Recommendations identified from the Board effectiveness reviews have helped to ensure that the Board Committees are able to discharge their responsibilities on behalf of the Board. In 2016, the Terms of Reference for each of our Board Committees were reviewed, updated, and approved by the Board.

Bill Schrader
Chairman

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 six Independent Non-Executive Directors

Audit Committee – Chairman: David Davies
Four Independent Non-Executive Directors
Main responsibilities are monitoring the integrity of the financial statements of the Company and reviewing the effectiveness of internal control and risk management systems.

Remuneration Committee – Chairman: Vivien Gibney
Five Independent Non-Executive Directors
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: Bill Schrader
Five Independent Non-Executive Directors and one Executive Director
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
Three Independent Non-Executive Directors and two Executive Directors
Main responsibilities are advising the Board on technical aspects of operational business proposals and their potential risks and ensuring that they are consistent with the Company strategy.

Corporate Responsibility Committee – Chairman: Carol Bell
Four Independent Non-Executive Directors
Main responsibilities are evaluating effectiveness of the Group's Corporate Responsibility policies and systems as well as social, charitable and educational community projects across the Company's operations.

Executive Committee

Board skills

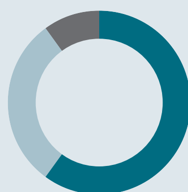
We review Board composition regularly to ensure that the range and breadth of skills provided as a result of Director appointments remains appropriate for our business.

Our Board has the following expertise and skills:

- Geology.
- Engineering.
- Finance.
- Legal.
- HR.

Board independence

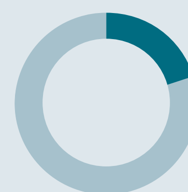
The Board believes that its current composition and its size is appropriate for the Company's ongoing requirements.



Independent	6
Non-independent	3
Chairman	1

Board diversity

Board appointments are made on a merit basis and measured against objective criteria. Generally, we strive to attract a broad mix of individuals in order to create a diverse workgroup to support our culture.



Female	2
Male	8

How we apply the principles of the UK Corporate Governance Code 2016

Section of the code		Further information
Leadership	A company must be led by an effective Board responsible for the success of the Company, in the near and long term. Such a Board will have clear divisions of responsibility between Company governance and business execution.	Board leadership, page 36
Effectiveness	The established Board will have the relevant level of, and the appropriate balance of, skills in order to suitably steer the Company. This is underscored by rigorous procedures regarding the appointment of new, and the re-appointment of existing, Directors.	Evaluation, page 42
Accountability	At all times, the Board must present a fair, balanced and understandable evaluation of the Company's standing and future prospects. Such future prospects are considered against risks that the Company is or may face moving forward; it is the Board's responsibility to ensure effective and appropriate risk management procedures are in place.	Strategic report, pages 1 to 33
Remuneration	While it is necessary for levels of remuneration to attract, retain and motivate Directors of sufficient quality, at no point should the Company allocate more than is necessary. Where possible, remuneration should be linked to performance and, at all times, established through formal and transparent procedures. No one Director is involved in his or her own remuneration.	Directors' Remuneration report, pages 58 to 77
Relations with shareholders	The Board is responsible for ensuring a clear, coherent and regular dialogue with shareholders at all times.	Relations with shareholders, page 43

UK Corporate Governance Code

The UK Corporate Governance Code 2016 (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 44 to 53 together with the Remuneration report on pages 58 to 77 and the Directors' Report on pages 54 to 57 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.

The Board provides leadership and direction for the Company and ensures that the highest levels of corporate governance are maintained.

Board of Directors

1

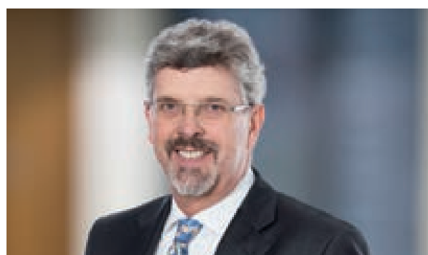
2

3

4

5

6


7

8

9

10

1 William (Bill) Schrader

Chairman of the Board

Appointed: As Non-Executive Director in 2013 and as Chairman in 2016

Committee membership: Chairman of Nomination Committee and member of Corporate Responsibility, Remuneration 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 he 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 holds a BSc in Chemical Engineering from the University of Cincinnati and an MBA from the University of Houston. Throughout his career he has been commended for his strong leadership qualities, strategic vision and capability in managing complex operating and government relationships.

2 Dr Nicholas (Nick) Cooper

Executive Director & Chief Executive Officer

Appointed: 2011

Committee membership: Member of Nomination and Technical Advisory Committees

Dr Nick Cooper was Chief Financial Officer and co-founder of Salamander Energy plc. Nick 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 was appointed as Non-Executive Director of Siccar Point Energy Limited. Nick has a BSc and PhD in Geophysical Sciences and an MBA from INSEAD.

3 Dr William (Bill) Higgs

Executive Director & Chief Operating Officer

Appointed: 2014

Committee membership: Member of Technical Advisory Committee

Dr Bill Higgs 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, Bill spent two and a half years as Chief Executive Officer of Mediterranean Oil & Gas plc (acquired by Rockhopper Exploration plc). Bill has a BSc in Geological Sciences from the University of Leeds and a PhD in Structural Geology from the University of Wales.

4 Anthony (Tony) Rouse

Executive Director & Chief Financial Officer

Appointed: As Director of Finance in 2014 and as Executive Director in 2016

Tony Rouse 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 where he was Group Financial Controller for nine years. Tony is a Fellow of the Chartered Certified Accountants (FCCA).

5 Ronald (Ron) Blakely

Senior Independent Non-Executive Director

Appointed: 2011

Committee membership: Chairman of Audit Committee (until 31 December 2016), member of Nomination and Remuneration Committees

Ron 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. Ron was appointed Non-Executive Director of Songa Offshore SE in April 2015 and AET Tankers Pte Limited in November 2016. He is a member of the Society of Management Accountants of Alberta, Canada. Ron was Chairman of the Audit Committee until 31 December 2016 and a member of the Remuneration and Nomination Committees until his retirement from the Board on 31 March 2017.

6 Dr Carol Bell

Independent Non-Executive Director

Appointed: 2015

Committee membership: Chairman of Corporate Responsibility Committee and member of Audit and Nomination Committees

Dr Carol Bell has over 30 years of experience in the energy industry having enjoyed a successful career as a Managing Director of Chase Manhattan Bank's Global Oil & Gas Group, Head of European Equity Research at JP Morgan and several years as an equity research analyst in the oil and gas sector at Credit Suisse First Boston and UBS Phillips & Drew. Carol began her career in corporate planning and business development at Charterhouse Petroleum plc and RTZ Oil and Gas. Carol currently sits on the Boards at Petroleum Geo-Services ASA, Bonheur ASA and Tharisa plc and until completion of the transaction, was a Non-Executive Director at Salamander Energy plc. She is also a Non-Executive Director of the BlackRock Commodities Income Investment Trust plc and sits on the board of Finance Wales, the venture capital arm of the Welsh Government. Carol holds an MA in natural sciences from the University of Cambridge and a PhD in Archaeology from University College London. Carol 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, the Institute for Archaeometallurgical Studies and a member of the Council of Cardiff University.

7 Alan Booth

Independent Non-Executive Director

Appointed: 2013

Committee membership: Chairman of Technical Advisory Committee and member of Audit, Corporate Responsibility and Remuneration Committees

Alan Booth has 30 years' experience in oil and gas exploration at Amerada Hess, Oryx Energy and Encana. Most recently Alan was Founder and CEO of EnCore Oil plc and is now the Founder and Director of EnCounter Oil Ltd. Alan 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).

8 David Davies

Independent Non-Executive Director

Appointed: 2016

Committee membership: Chairman of Audit Committee (from 1 January 2017) and member of Remuneration Committee

David Davies has over 35 years of experience as a financial professional having enjoyed a successful career as the Chief Financial Officer and Deputy Chairman of the Executive Board at OMV Aktiengesellschaft as well as serving as Group Finance Director for both Morgan Crucible Company plc and London International Group plc. David is a Chartered Accountant with a BA(Hons) in Economics from the University of Liverpool and an MBA from the Cass Business School.

9 Vivien Gibney

Independent Non-Executive Director

Appointed: 2013

Committee membership: Chairman of Remuneration Committee and member of 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 set up the legal department and held the positions of General Counsel, Company Secretary and Head of HR. Vivien has held a number of non-executive board positions in the voluntary sector and in listed companies. More recently, she was a member of the Board of Directors of Encore Oil plc where she chaired the Remuneration Committee. Vivien is a barrister with an LL.B. and received an Honorary Fellowship in Petroleum law from the University of Dundee.

10 Dr Carl Trowell

Independent Non-Executive Director

Appointed: 2016

Committee membership: Member of Corporate Responsibility, Nomination and Technical Advisory Committees

Dr Carl Trowell has been the President and Chief Executive Officer of Ensco plc since June 2014. Prior to joining Ensco, Carl was President of Schlumberger Integrated Project Management (IPM) and Schlumberger Production Management (SPM) businesses that provide oil and gas project solutions from rig and field management, to well construction, and production. He was promoted to this role after serving as President – Schlumberger WesternGeco Ltd where he managed more than 6,500 employees with operations in 55 countries. Carl began his professional career as a petroleum engineer with Shell before joining Schlumberger. Carl holds a BSc in Geology from Imperial College London, a PhD in Earth Sciences from the University of Cambridge and a MBA from the Open University.

Other officers of the Company

Philip Laing

General Counsel & Company Secretary

Appointed: As Company Secretary in 2016

Philip Laing joined Ophir in March 2015. Philip previously enjoyed an 18-year career with BG Group in a variety of legal and management roles. The majority of his oil and gas experience has been gained living and working in Africa and Asia. Philip is an English qualified lawyer with an MA from Cambridge University.

Directors who retired during the reporting period

Nicholas (Nic) Smith

Chairman of the Board

Appointed: As Non-Executive Director in 2007 and as Chairman in 2009

Retired: 30 April 2016

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.

Corporate Governance report

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 2016 as part of its annual review process. The Board concluded that only minor amendments were required to those matters; principally to note that the Board remains responsible for the termination of any contract that is stated within Matters Reserved for the Board. This amendment was a drafting clarification rather than a substantive change.

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, Nomination and Technical Advisory 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.

Bill Schrader was appointed as Chairman of the Company on 30 April 2016. 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.

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:

- cultivates a boardroom culture of honesty and openness which encourages appropriate debate and challenge amongst the Board;
- ensures that the Board and its Committees operate in a way that conforms to the expected high standards of corporate governance;
- sets the style and tone of Board discussions, promotes constructive debate and ensures an accurate, timely and clear flow of information to the Directors;
- leads the Nomination Committee in the appointment of an effective and complementary Board, reviews succession planning and evaluates the performance of the Board, its Committees and individual Directors;
- fosters effective Board relationships between the Executive and Non-Executive members, supports and advises the Chief Executive Officer generally and in the implementation of agreed strategy; and
- ensures effective communication with the Company's stakeholders and that their views are understood by the Board.

Role of the Chief Executive Officer

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

- proposes, develops and supervises the Company's strategy and overall commercial objectives and ensures that agreed strategies are implemented by the senior management team through the Executive Committee and its sub-committees;
- builds and develops an appropriate organisational structure for the Company, establishes processes and systems and plans resourcing to ensure that the Company has the capability to achieve its aims;
- leads 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;
- promotes and conducts the affairs of the Company with the highest standards of integrity, probity and corporate governance
- progresses the Company's communication programme; and with shareholders and ensures that financial results, business strategies and targets are appropriately communicated to the Company's investors.

Non-Executive Directors

The 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.

The Board considers that all its Non-Executive Directors at year end, namely Bill Schrader, Carol Bell, Ronald Blakely, Alan Booth, David Davies, Vivien Gibney and Carl Trowell, were independent in character and judgement and free from relationships or circumstances that might affect their judgement. Throughout 2016 and up to the date of publication of this report, a majority of the Board members, excluding the Chairman, were independent Non-Executive Directors.

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 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.

Bill Schrader	
Date of appointment:	February 2013
Tenure from appointment to 2017 AGM:	Less than 5 years
Considered to be independent:	Yes

Dr Carol Bell	
Date of appointment:	March 2015
Tenure from appointment to 2017 AGM:	Less than 3 years
Considered to be independent:	Yes

Alan Booth	
Date of appointment:	April 2013
Tenure from appointment to 2017 AGM:	Less than 5 years
Considered to be independent:	Yes

David Davies	
Date of appointment:	August 2016
Tenure from appointment to 2017 AGM:	Less than 1 year
Considered to be independent:	Yes

Vivien Gibney	
Date of appointment:	August 2013
Tenure from appointment to 2017 AGM:	Less than 4 years
Considered to be independent:	Yes

Dr Carl Trowell	
Date of appointment:	August 2016
Tenure from appointment to 2017 AGM:	Less than 1 year
Considered to be independent:	Yes

Ronald Blakely	
Date of appointment:	July 2011
Tenure from appointment to 31 March 2017:	Less than 6 years
Considered to be independent:	Yes

Corporate Governance report continued

Senior Independent Director

Ronald Blakely is the Senior Independent Director and was in position throughout the year.

Ronald Blakely 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, on 31 March 2017. He will be replaced by Carol Bell on 31 March 2017.

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.

Company Secretary Philip Laing was appointed 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 2016 included:

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

During 2017, the Board expects these areas of focus to remain broadly similar.

Effectiveness

Board composition

At 31 December 2016 the Board was composed of the Chairman, three Executive Directors and six independent Non-Executive Directors. The following changes to the Board took place during the year ended 31 December 2016 and up to the date of this report:

- 27 January 2016: Tony Rouse was appointed as an Executive Director.
- 30 April 2016: Nic Smith retired as Chairman.
- 30 April 2016: Bill Schrader was appointed Chairman.
- 23 August 2016: David Davies was appointed as a Non-Executive Director.
- 23 August 2016: Carl Trowell was appointed as a Non-Executive Director.

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

- 31 March 2017: Ron Blakely will step down as the Senior Independent Director and retire from the Board.
- 31 March 2017: Carol Bell will be appointed as Senior Independent Director.

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 51 to 53. 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 36 and 37.

Board composition at date of publication

Non-Executive Chairman	1
Executive Directors	3
Independent Non-Executive Directors	6

Meeting attendance

The Board held five formal meetings during 2016, 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 2016 at the formal and short-notice Board meetings are shown in the table below:

	Scheduled Board meetings	Meetings held at short notice
Bill Schrader, Chairman[1]	5/5	2/2
Nick Cooper, Chief Executive Officer	5/5	2/2
Bill Higgs, Chief Operating Officer	5/5	2/2
Tony Rouse, Chief Financial Officer[2]	5/5	1/1
Carol Bell, Non-Executive Director	5/5	2/2
Alan Booth, Non-Executive Director	5/5	2/2
David Davies, Non-Executive Director[3]	1/2	1/1
Vivien Gibney, Non-Executive Director	5/5	2/2
Carl Trowell, Non-Executive Director[4]	2/2	0/1
Ron Blakely, Non-Executive Director[5]	5/5	2/2
Former Directors		
Nic Smith[6]	1/1	1/1

1 Bill Schrader became Chairman of the Board on 30 April 2016. He attended 2 meetings as a Non-Executive Director before his promotion.
2 Tony Rouse was appointed to the Board 27 January 2016.
3 David Davies was appointed to the Board 23 August 2016. The Board calendar was agreed before his appointment. The Board understood upon appointment that meetings would be missed due to conflicts.
4 Carl Trowell was appointed to the Board 23 August 2016. The Board calendar was agreed before his appointment. The Board understood upon appointment that meetings would be missed due to conflicts.
5 Ron Blakely will retire from the Board on 31 March 2017.
6 Nic Smith retired from the Board on 30 April 2016.

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.

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 the 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 subsequent meetings and draft minutes are circulated to each Director or Committee member as appropriate and as soon as practicable ahead of the meeting at which they are approved.

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 2016, the Committee undertook the following:

- a review of the Company's operating assets;
- evaluated new business developments and a review of the Group's reporting on reserves; and
- acted as technical advisers to the Board.

In 2017, the Committee will become the Technical and Reserves Committee and it will make a recommendation to the Audit Committee on any reserves reports. The Committee is comprised of five members and meets at least four times a year and as otherwise required. The Chairman of the Committee is Alan Booth and other members are Nick Cooper, Bill Higgs, Bill Schrader and Carl Trowell. 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

The performance and effectiveness of the Board and its Committees is fundamental to the success of the Group and there is an evaluation each year to assess how well the Board, its Committees, the Directors and the Chairman are performing. It is the Company's policy that every three years an external consultant, who has no connection with the Company, carries out a formal review of the Board's performance and such an evaluation process took place in 2015, 2014 and 2012.

The evaluation process in 2016 was led by the Chairman with support from the General Counsel & Company Secretary. The process consisted of the completion, by all Directors, of a comprehensive questionnaire evaluating the performance of the Board and its Committees. The questionnaire considered Board processes and their effectiveness, Board composition, Board objectives, Board support, and the content of discussion and focus at Board meetings, and invited Directors to indicate where specific improvements could be made. The Board and Committee evaluation was compliant with the Combined Code. Completion of the questionnaire by each Director was followed by a report consolidating all of the individual responses and highlighting areas for discussion by the Board and Board Committees in November 2016.

The evaluation concluded that good progress had been achieved in most of the areas identified for action in the last Board evaluation and that the Board and its Committees have continued to work effectively. Improvements have been seen in many of the areas of focus identified in the evaluation undertaken in 2015. These included the recruitment of two new Non-Executive Directors following recommendations in the external 2015 Board Evaluation Report, and increased Board focus on the importance of effective succession planning and identifying talented individuals across the Group who have senior management potential. The Board also identified the need for a more formalised training programme for the Non-Executive Directors who felt that they could benefit from additional structured third-party briefings on external factors that impact the business. The Chairman and the General Counsel & Company Secretary, plan to incorporate training sessions into the 2017 Board and Committee corporate calendar. The Board also recognises the importance of maintaining and championing diversity at Board level and throughout the Company.

Risk management

The Board believes that effective risk management is crucial to the Company's strategy and long-term success. The Board has overall responsibility for ensuring that risk is effectively managed.

The Company's approach to risk is further detailed on pages 14 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 44 to 48.

Insurance and indemnification

The Company provides its Directors and Officers with the benefit of appropriate insurance, which is reviewed annually. The policy was approved in November 2016. 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 are provided to Directors at Board and Committee meetings. During 2016 the Directors received advice and training on:

- regulatory developments in the UK Listing Rules;
- regulatory developments on Corporate Governance;
- regulatory developments on inside information, including Market Abuse Regulation (MAR) 2016;
- insider trading and market abuse;
- crisis management;
- anti-bribery and corruption matters;
- money laundering; and
- climate change and carbon markets.

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 2016, none of the Company's Executive Directors held directorships in any other quoted company.

Nick Cooper is a non-Executive Director of a non-listed Company, Siccar Point Energy Limited.

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 discussions 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. Around 230 investor meetings and calls were hosted during the year in Europe, Asia, Africa and North America. Additionally, Nic Smith and Bill Schrader in their capacity as the Chairman, and Ronald Blakely, the Senior Independent Director and Audit Committee Chairman, met with major institutional shareholders in 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, 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. This scheme was approved by shareholders at the 2016 Annual General Meeting (AGM) held on 10 May 2016.

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 (AGM)

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

The 2017 AGM will be held on 17 May 2017 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 2016 Annual Report will also be made available at: www.ophir-energy.com.

Report of the Audit Committee

David Davies
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 2016, are set out below:

Committee members	Meeting attendance
Ronald Blakely[1] (Committee Chairman to 31 December 2016)	3/3
David Davies[2] (Committee Chairman from 1 January 2017)	1/2
Carol Bell	3/3
Alan Booth	3/3
Bill Schrader[3]	1/1

1 Ron Blakely retired as Chairman of the Committee on 1 January 2017 and from the Board on 31 March 2017.
2 David Davies became a member of the Committee on 23 August 2016, and became Chairman of the Audit Committee on 1 January 2017. The Committee meeting dates had been set in advance of David Davies' appointment to the Board and the Committee. The Committee understood upon appointment that meetings would be missed due to conflicts.
3 Bill Schrader stepped down from the Audit Committee on 30 April 2016.

The Board considers all members of the Committee to be independent and that, as Chairman, Ronald Blakely to 31 December 2016 and David Davies from 1 January 2017 have 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

I am delighted to be writing to you for the first time as Chairman of the Audit Committee, having joined the Committee on 18 November 2016 and taken up the role of Chairman on 1 January 2017.

I would like first to thank Ron for chairing the Audit Committee for the past six years and the consistent contribution he has made in that role of overseeing the further development and enhancement of the Company's system of internal controls and reporting. As residing Chairman of the Audit Committee for the full financial year 2016, I have asked Ron in my first letter to provide his observations on the activities undertaken by the Audit Committee for the period to 31 December 2016.

Update from Ron Blakely

"A year ago I stated that my letter to shareholders as Chairman of the Audit Committee would be my last as I would step down from the Board ahead of the 2017 Annual General Meeting. I'm afraid I got ahead of myself, and having served as Chairman of the Audit Committee throughout 2016, I now provide you with my last report of the Audit Committee. I am delighted that David has agreed to join the Ophir Board and chair the Audit Committee and a full transition has occurred during late 2016 and early 2017. While I will not be joining the shareholder meeting in May, David will be well positioned to answer any questions from shareholders.

"My observations are rather shorter this year than in previous years. While much was happening in the Company in the past year, the impact on the financial statements was muted. The environment was such that there were no merger or acquisition activities and operational activities were constrained by the desire to conserve cash.

"The major areas of risk and accounting judgment, as in prior years, continued to be impairment and/or write down of exploration and evaluation assets under IFRS 6 where there has been lack of exploration success or, following seismic/geological interpretation and/or drilling, there has been a decision to abandon the concession play and this resulted in write-downs being reflected in the 2016 interim statements.

"Low oil prices in early 2016 did trigger impairment reviews for oil and gas properties for the full year 2015 and as reported last year. As prices improved throughout 2016, there were no further impairments required at the half year. The Audit Committee did remind itself, when reviewing the 2016 interim statements, that further commodity price increases could generate impairment reversals and would review again in the context of full year financial statements.

"The Audit Committee regularly reviewed the Company's risk matrix as an aid to the Board and recommends areas for more in-depth review by the Directors. This past year, considerable focus was given to broader risks both for existing operations and significant new investments as well as any new country entries. While the Company has constructive relations in countries where we operate, the general trend in political de-stabilisation both in the developed and developing world gives rise to a need for added vigilance.

"At each meeting of the Committee there was the ongoing review of internal controls through reports from the internal Auditor, discussion with the external Auditor and reviews with the Chief Financial Officer. In the past year there was nothing of significance to raise concerns for the Committee.

"Let me finish with reference to a topic I have touched on annually and that is non-audit fees. The Audit Committee early last year took steps to avoid, as much as possible, non-audit work by its Auditors, EY, reflected by a significant reduction of non-audit fees for 2016. The new regulations on this issue have now been published and require the Company to maintain a rolling average ratio of non-audit fees to audit fees of no more than 70% over a three-year period. The first applicable year of reporting therefore will be 2019 when the Company expects to fully comply.

"Finally, I would like to thank to the Committee members for their support and contribution over the period since becoming Chairman. With that I would now like to sign-off for the last time and hand over to David."

As incoming Chairman of the Audit Committee, I would first like to endorse Ron's observations above. My first meeting as Chairman of the Audit Committee was 1 March 2017 where the Committee, amongst other matters, considered the 2016 Annual Report and Accounts.

As a continuing theme, the Committee considered the impairment and/or write down of exploration and evaluation assets under IFRS 6. Following on from the review of the Committee at half-year 2016, the Committee concluded that full impairment of certain of the Group's assets was appropriate. As the majority of exploration work in the Company during the year focused on seismic acquisition and interpretation with few wells drilled, asset write downs also related to relinquishments where management judged further work to be unjustified.

The Committee also reviewed the full-year 2016 impairments of oil and gas properties under IAS 36: Impairment of Assets. The Committee noted that whereas long-term commodity prices remained relatively unchanged, short-term prices had improved materially. The Committee in recognising these changes concluded that a partial reversal of the 2015 Bualuang, Thailand asset impairment was appropriate.

A new area of judgement the Committee had to consider in respect of the 2016 financial statements was the accounting treatment adopted under IFRS 5: Non-current Assets Held for Sale and Discontinued Operations to include the Fortuna asset, Equatorial Guinea, on the balance sheet at year-end 2016 as asset held for sale under current assets. The Committee satisfied itself that the conditions were met under the standard that required the Company to reclassify the asset from exploration and evaluation assets. The Committee further noted that on FID of the asset, the asset will be transferred to an investment accounted for using the equity method under non-current assets.

Keeping with the previous year, the Audit Committee considered the updated statement of reserves as presented by management. These estimates are prepared by an independent third party and internally, reviewed firstly by the Technical Advisory Committee. The Audit Committee reviewed the process and controls employed in arriving at the estimates for inclusion in the report.

Turning to the statement of going concern and the Viability Statement, the Committee challenged the assumptions adopted in support of these statements as reported. The Committee examined a variety of scenarios across a range of programme expenditures, asset dispositions and market funding options projected over the next three to five years. The outcome of those evaluations is outlined in the Financial review section of this report on pages 26 and 27.

I fully support the importance the Committee places on the regular review of internal controls and risks. These reviews have continued in 2017 and will remain a significant part of the Audit Committee's work going forward.

Finally, I reiterate the position taken by the Committee in early-2016 to minimise non-audit fees being incurred by the Company's external Auditor in compliance with the regulations. I fully endorse the approach adopted by the Committee to limit these expenditures where possible and I confirm my ongoing support.

David Davies
Audit Committee Chairman
8 March 2017

Report of the Audit Committee continued

Role and responsibilities of the Audit Committee

In November 2016, 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.

Impairment review

A significant area of accounting judgement is the carrying value of capitalised exploration and evaluation expenditure included in exploration and evaluation assets to ensure that expenditure is appropriately expensed to the income statement, should impairments arise. Impairment reviews are undertaken by the Company in accordance with IFRS 6 and assessed by the Committee. If necessary, the Committee may receive advice from the Technical Advisory Committee or other experts. 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.

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.

In reviewing producing and development assets included in oil and gas properties, the Committee also reviewed where assets had been impaired in previous years and whether there were indicators to suggest the conditions that had led to those impairments had reversed. Where appropriate, the Company wrote back such prior year impairments in the current year.

Assets held for sale

A significant area of judgement the Committee had to consider for the 2016 financial statements, was the reporting of an asset held for sale under current assets on the balance sheet at the year end. The asset held for sale represented the Company's interest in its Equatorial Guinea, Fortuna asset.

The Company signed a Shareholders' Agreement with OneLNG in November 2016 to form a Joint Venture (JV) on FID of the asset (expected mid-2017). The JV will be charged then with delivering the full upstream and midstream value-chains for the Fortuna asset. At the balance sheet date, the Company continued to hold its 80% working interest in the upstream asset. On constituting the joint venture company at FID of the asset, the Company will hold a 33.8% equity interest in the joint venture company.

The Committee satisfied itself that the conditions under IFRS 5: Non-current Assets Held for Sale and Discontinued Operations were met that required the asset to be classified as an asset held for sale under current assets at the balance sheet date. The Committee also considers that the Company's 33.8% equity interest in the joint venture company when constituted will be then classified as an investment accounted for using the equity method under non-current asset.

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 from management 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 2016, 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 2016 Accounts (further detail on the going concern statement is set out on page 56).

Viability Statement

The Committee reviews the Company's Viability Statement and challenges it against a number of stressed scenarios taking into account risk factors of the Company. The Committee consequentially considered the Viability Statement as reported against a range of future commodity price scenarios and expenditure profiles in adverse conditions and satisfied itself that with the mitigating factors set out in the statement, the Company could maintain its longer-term future viability. The Company's full Viability Statement can be found on page 14 of the Strategic Report.

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 2016 the Committee met with the Executives Directors and the senior management team responsible for evaluating new country risks, and the Ethical Compliance programme. 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 14 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 2016:

Matter	Action
Schedule of delegated authority	Management had undertaken a review of the Group's delegation of authority to ensure it is fit for purpose
Treasury and finance policies and procedures	A review of the various treasury and finance policies and procedures across the Group.
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.

Ethical compliance

In 2016 Ophir rolled out Group-wide compliance training for employees and contractors, tailored to each local environment across the business. Compliance training was delivered to all Ophir offices. As part of Ophir's Compliance programme, Ophir has introduced an annual employee sign-off process, a Letter of Assurance process and Compliance Registers, including Intermediaries Registers.

Ophir expects all staff and stakeholders to act with integrity and in accordance with applicable international, national and local law, as well as the Ophir Code of Conduct. Ophir provides staff with a whistleblowing hotline, accessible to business partners as well. Ophir has a zero tolerance policy towards corruption and will not tolerate retaliation or victimisation against anyone who has raised a concern in good faith.

Report of the Audit Committee continued

Internal audit

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

To ensure the continued effectiveness of the function, the Committee reviewed and approved the 2016 Internal Audit Plan. Key actions undertaken by the internal Auditor during 2016 included the following:

- 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.

Key actions to be undertaken as part of the internal audit plan scheduled for 2017 include:

- reviewing the Group's commercial assurance process and economic evaluation of investment decisions;
- assessing the HR strategy to see how effective existing HR systems are in supporting the business;
- evaluating how well the Group's planning cycle is aligned with strategic objectives and priorities; and
- review the controls operating around Ophir's preparedness for major incident response.

The findings from the review will be followed up during 2017 and reported to the Audit Committee.

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 2016 the Company committed expenditure of $893,000 on audit services (2015: $1,088,650), a decrease of 18%. In addition, the Company committed expenditure of $29,450 on non-audit work (2015: $1,127,910). The 2015 non-audit work included corporate finance services due to the acquisition of Salamander Energy and introducing producing assets into the Group. The non-audit work undertaken by EY in 2016 related to audit-related assurance 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 9 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 to review plans and monitor 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 2017.

Report of the Corporate Responsibility Committee

Carol Bell
Corporate Responsibility Committee Chairman

Membership and attendance

The members of the Committee, consisting of the Company Chairman and independent Non-Executive Directors, together with details of their individual attendance at meetings held during the year ended 31 December 2016, are set out below:

Committee members	Meeting attendance[1]
Carol Bell (Committee Chairman from 30 April 2016)	2/2
Alan Booth	2/2
Vivien Gibney	2/2
Bill Schrader	2/2
Carl Trowell[2]	0/0

1 The business of the meeting scheduled for February 2016 was conducted electronically and is not included in these meeting attendance figures.
2 Carl Trowell joined the Committee with effect from 18 November 2016. No Committee meetings were held following his appointment.

On 30 April 2016, Nic Smith retired from the Board and was succeeded by Bill Schrader as Chairman of the Company. On that date Bill Schrader resigned 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 replaced Bill Schrader as Chairman with effect from 30 April 2016. Dr Carl Trowell joined the Committee as a member on 18 November 2016.

The other members of the Board have an open invitation to attend all Committee meetings as guests. In addition, the Company's Director of HR, the General Counsel & Company Secretary, Group Head of HSE and Operational Excellence 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 advisers may be invited to attend as necessary.

Report of the Corporate Responsibility Committee Chairman

Dear Shareholder

I am pleased to be writing to you for the first time as Chairman of the Corporate Responsibility Committee, having joined the Committee on 27 January 2016 and taken up the role of Chairman on 30 April 2016.

The Corporate Responsibility Committee oversees the Company's progress in the areas of health and safety, security, environmental responsibility, community development, business ethics and management of non-financial risk. During 2016, it also assumed responsibility for directing and overseeing strategic initiatives and responses to climate change. Our objective in all of these areas is to be viewed as an industry leader by our key stakeholders.

Our Corporate Responsibility activities have one intention in mind, namely our wish to 'do the right thing' – for our employees, contractors, key stakeholders, the environment and the communities in which we live and work. With this in mind, Ophir's efforts in Corporate Responsibility are aligned with, and provide a visible demonstration of the Ophir Values (which are outlined on page 33 of this report). The oil and gas exploration and production industry operates in challenging environments and we are pleased to report that our staff and contractors suffered no work-related injuries during 2016 despite working over 1.83 million hours in 10 different countries. We believe that focusing on leading indicators – measuring the effectiveness of controls and safeguards in our highest risk activities – was a key contributor to this incident-free performance. We track these data continuously and this Committee regularly reviews the leading indicator results and trends with a view to amending procedure, if necessary.

Our process safety and environmental performance during 2016 was also excellent, with no loss of containment incidents and zero recordable spills. We continued to focus on ensuring compliance with all environmental regulations and requirements applicable to our operations.

The Committee also continued to monitor external risks to all areas of the Company's operations. The identified principal risks are consistent with those in prior years, but uncertainty increased during 2016 in several areas including geopolitical instability, global economic fragility, the potential impact of Brexit, the US Presidential elections, slower growth in China, violent extremism, growing levels of inequality and climate change.

Ophir's community development efforts progressed on a number of fronts during 2016. We continued to shift our focus towards locally-driven initiatives by partnering with stakeholders to create shared value both for the Company and the communities within which it operates. Our Asset Managers are responsible for community engagement, and our Asset Development Plans include specific initiatives for creating shared value through partnerships.

Report of the Corporate Responsibility Committee continued

Given the difficult conditions in the oil and gas industry generally, Ophir's employees were also a key area of focus for the Company during the year. A redundancy programme was carried out mid-year and following this, expanded internal communications were implemented to ensure that the workforce understands individual contributions to delivering Group strategy. This was aligned with the Employee Value Proposition – a multi-faceted framework to enhance employee engagement and commitment.

As part of this, we launched a new leadership development programme, which involved 29 employees in its initial phase, aimed at developing the potential of our talent pool.

The Committee continued to review initiatives to enhance business ethics and compliance, through implementation of effective policies and standards across the Group. Two key system enhancements put in place in 2016 were an electronic compliance sign-off process covering all employees, and a Letter of Assurance Process covering executives and key managers. Development of additional compliance standards and tools is continuing along with training programmes.

Climate change was an area of focus for the Board during 2016 which decided that the Corporate Responsibility Committee should take the lead in directing and overseeing the Company's strategies and activities in this critically important area. We expect this issue to remain on the Board's agenda for the foreseeable future, supported by this Committee.

Progress in many of these areas is regularly measured and reviewed by the Committee through KPIs. To ensure the Committee remains effective, focusing on the correct issues and providing optimal guidance to the Board, we conduct an annual review of our Committee Terms of Reference and make any necessary changes.

I would like to express my sincere thanks to Bill Schrader for his Chairmanship of this Committee over the past two years and to my fellow Committee members for their continued support and commitment. Last, but not least, I should like to thank Ophir's executive team and staff for their constructive engagement on these important issues.

Dr Carol Bell
Corporate Responsibility Committee Chairman
8 March 2017

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, climate change, 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.

Corporate Responsibility Committee activities

During 2016, 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	2016 Corporate Responsibility Committee highlights
Health and Safety	No work-related injuries or illnesses
	1.83 million hours worked during the year No process safety incidents; no loss of containment events Implemented leading indicator metrics system – focused on effectiveness of controls to prevent incidents
Environment	No recordable spills.
Security	No security incidents – continued to closely monitor external risks in all areas of operations
Community projects	Focused on partnerships to create shared value
Ethics	New electronic compliance sign off implemented for all employees Letter of Assurance Process put in place
Employee engagement	Continued follow-up on 2015 Employee Survey
Climate change	Submitted CDP Climate Change Questionnaire – recognised by CDP as one of top three first time UK responders

Further information on the Company's approach to Corporate Responsibility and HSSE matters can be found in the Corporate Responsibility report on pages 28 to 33.

Report of the Nomination Committee

Bill Schrader
Nomination Committee Chairman

Membership and attendance

The members of the Committee, together with details of their individual attendance at meetings held during the year ended 31 December 2016, are set out below:

Committee members	Meeting attendance
Bill Schrader[1] (Committee Chairman from 30 April 2016)	3/3
Nic Smith[2] (Committee Chairman until April 2016)	1/1
Nick Cooper	4/4
Carol Bell	4/4
Ronald Blakely	4/4
Vivien Gibney	4/4
Carl Trowell[3]	0/0

1 Bill Schrader became Chairman of the Board and the Chairman of the Committee on 30 April 2016.
2 Nic Smith retired from the Board and as Chairman of the Committee on 30 April 2016.
3 Carl Trowell was appointed to the Committee on 18 November 2016. This is after the final Committee meeting of the calendar year.

The Board considers a majority of the members of the Committee who served during the year to be independent.

Report of the Nomination Committee Chairman

Dear Shareholder

In 2016 the main focus of the Nomination Committee was Board restructuring and succession planning. A detailed overview of the Board changes and the process followed is contained on page 52.

As stated in my introductory letter to this Annual Report on page 4, Nic Smith retired during 2016 after nine years on the Board, the past seven of which he served as Chairman. I am honoured that after a rigorous selection process I was appointed to the role of Chairman of both the Board of Directors and the Nomination Committee.

On appointment as Chairman, I stepped down from the Audit Committee and resigned as Chairman of the Corporate Responsibility Committee with Carol Bell succeeding me as Chairman. I am sure Carol will prove to be an excellent Chairman of this Committee and look forward to supporting her in my ongoing role as a member of the Committee.

I would also like to extend a warm welcome to Tony Rouse, David Davies and Carl Trowell, who were all appointed to the Board during 2016. They are three experienced individuals who have already proven that they have a lot to offer having made strong contributions to the Board since their respective appointments.

The other key issue for the Committee in 2016 was succession planning. The focus here was on the senior leadership positions and the Committee was satisfied that there is a sufficient depth of talented individuals in the Company who could step up to perform a leadership role. Furthermore, a series of internal leadership development initiatives commenced in 2016 as the Company seeks to actively invest in developing the next generation of leaders.

Bill Schrader
Nomination Committee Chairman
8 March 2017

Report of the Nomination Committee continued

Role and responsibilities of the Nomination Committee

- To plan Board member succession and oversee plans for senior management succession, taking into account skills, knowledge, diversity and experience.
- To regularly review the structure, size and composition of the Board and Committees.
- To identify and recommend for Board approval suitable candidates to be appointed to the Board.

In November 2016, 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/boardcommittees/nomination and are fully compliant with section B.2.1 of the Code.

Chairman and Senior Independent Director succession

As reported last year, the Nomination Committee, led by Ron Blakely in his capacity as the Senior Independent Director, worked with a global executive search agency to identify suitable candidates to succeed Nic Smith as Chairman of the Board. The search firm utilised has no other connection with the Company.

The Committee undertook a comprehensive search against objective criteria and with due regard for the benefits of gender diversity. The firm prepared a detailed role specification which was agreed with the Committee and the Senior Independent Director and the following desirable candidate attributes were agreed:

- considerable experience working in the oil and gas sector including experience working in Africa and Asia;
- understanding of capital markets, and established relationships with the banking community and shareholders;
- comprehensive knowledge of UK corporate governance practices; and
- the capacity 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 advisers 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 Nic Smith. The Board accepted the recommendation and it was announced on 27 January 2016 that Bill Schrader would become 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 continues to be able to dedicate the requisite time to the role.

Ron Blakely will step down as the Senior Independent Director on 31 March 2017, and will be replaced by Carol Bell on the same date.

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 oversight 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 36 and 37. 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 in which the Company operates.

Early in 2016 the Committee determined that due to a combination of factors, including the Company becoming a revenue generating business with a corporate debt portfolio to manage, the financial complexity of the business had increased sufficiently for the role of Chief Financial Officer to be elevated to Executive Director level. Consequently Tony Rouse joined the Board on 27 January 2016.

In November 2015 the Committee agreed to commence a process to recruit two new Non-Executive Directors to replace the outgoing Nic Smith and Ron Blakely. This process was concluded in August 2016 with the appointments of David Davies and Carl Trowell.

David Davies joined the Audit Committee as a member upon appointment to the Board on 23 August 2016, and became Chairman of the Audit Committee with effect from 1 January 2017, anticipating the retirement of Ron Blakely on 31 March 2017. David has the necessary 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.

David was also appointed as a member of the Remuneration Committee on 10 February 2017.

Carl Trowell became a member of the Nomination Committee, Corporate Responsibility Committee, and Technical Advisory Committee on 18 November 2016.

Succession planning

The Committee assessed the health of the succession plans for the Executive Directors and the senior management team. The Committee concluded that the talent pipeline was of sufficient strength to provide successors to senior roles as the Company continues to grow. This process will remain an area of focus for the Committee.

Diversity and equality

The Board and Nomination Committee are committed to equal opportunity in all aspects of management.

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 32.

The Committee recognises and supports all aspects of diversity to achieve the optimum Board composition, including gender balance. When filling Board positions, the Committee only works with organisations that have signed up to the Voluntary Code of Conduct for Executive Search Firms, a recommendation of the Davies' Report.

The Committee stresses that Board appointments are based on many factors including the personal capabilities and contribution that each member brings to the Board. However, the overriding criterion is always based on merit and not merely to satisfy prescribed quota requirements. The Committee is following the progress from the new Hampton-Alexander review (July 2016), which is driving change in women's representation across British business. As at the date of this report, women constitute 20% of the Board. The Committee is also mindful of the conclusions of the Parker Review (November 2016) which has drawn attention to the benefits of ethnic minority representation on boards.

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 2016 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 25 on pages 115 to 118 of the financial statements.

Results for the year ended 31 December 2016

The Company's results for the financial year are shown in the consolidated financial statements on pages 79 to 146.

Directors

Biographical details for the Directors of the Company who held office during the year ended 31 December 2016 and at the date of this report are set out on pages 36 and 37. 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 58 to 77. The Directors' insurance and indemnity provisions are set out on page 42.

Substantial shareholders

As at 31 December 2016 and 28 February 2017, being the date of the most recent analysis of the Company's share register, the Company discloses that the following organisations hold a substantial number of voting rights. The information has been compiled by Equiniti Limited, the Company's Registrars.

Name	Number of shares held as at 31 December 2016	% holding as at 31 December 2016
Hotchkis & Wiley Capital Management	84,975,671	12.03
SailingStone Capital Partners	78,223,142	11.08
Capital Research Global Investors	72,993,069	10.34
M&G Investment Management	72,369,076	10.25
Standard Life Investments	43,425,997	6.15
Majedie Asset Management	38,885,263	5.51

Name	Number of shares held as at 28 February 2017	% holding as at 28 February 2017
Hotchkis & Wiley Capital Management	84,583,447	11.98
SailingStone Capital Partners	76,982,357	10.90
Capital Research Global Investors	72,993,069	10.34
M&G Investment Management	66,009,539	9.35
Majedie Asset Management	38,455,824	5.45
Standard Life Investments	27,633,797	3.91
Norges Bank Investment Management	21,191,343	3.00

Share capital

The called-up share capital of the Company, together with details of shares allotted during the year, is shown in Note 26 to the Group financial statements.

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 147 to 149. The Articles can be found on the Company's website www.ophir-energy.com.

Dividend policy

The Directors have not recommended a final dividend for the year ended 31 December 2016 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 2016 are set out in the Strategic Report on pages 29 and 30. These figures have been calculated in accordance with the guidance provided by the Department for Environment, Food and Rural Affairs (Defra) and the Department for Business Energy and Industrial Strategy and have been classified under the 'scopes' set out in the World Resources Institute/World Business Council for Sustainable Development's Greenhouse Gas Protocol. We report on all sources of emissions over which we have operational control.

Diversity

A statement of the Company's policy on diversity is set out in the Strategic Report on page 32, and the Board's policy on diversity is summarised on page 53 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 32.

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 2016, the Company employed 288[1] people (2015: 302 people).

Corporate Responsibility, business conduct and ethics and political donations

The Company is committed to sound business conduct in its relationships with its stakeholders, including 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 28 to 33.

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.

1 This number includes; direct hires, Executives, expatriates, fixed term, and permanent employees.

Directors' Report
continued

Directors' responsibility statement

The Directors' responsibility statement is set out on page 78 and the Company's financial statements are included on pages 79 to 146.

Change of control

The Company has entered into a number of commercial contracts which might take effect, alter or terminate on a change of control of the Company. However, none of these is considered to be significant in terms of their likely impact on the business of the Company as a whole. Details of change of control clauses contained in the Service Agreements of the Executive Directors are set out on pages 65 and 66 of the Directors' Remuneration report.

All the Company's share incentive plans contain provisions relating to a change of control and details of these plans are provided in the Directors' Remuneration Report on pages 58 to 77.

Corporate governance statement

The corporate governance statement on pages 34 to 43, 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 the Auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 36 and 37. 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 Auditor in connection with preparing their report) of which the Company's Auditor is 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 Auditor is aware of that information.

Auditor

Details of the Company's policy on external Auditor rotation are set out on page 48 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 that EY LLP should continue as the Company's Auditor for 2016.

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 2017 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 33. The financial position of the Group, consisting of cash resources of $360.4 million, its cash flows and its liquidity position, is described in the financial statements on pages 79 to 146. In addition, Note 25 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 2016 year end. The full statement can be found on page 14. 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 38 to the Group Financial statements.

By order of the Board

Nick Cooper
Chief Executive Officer
8 March 2017

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

On behalf of the Board, I am pleased to present the Directors' Remuneration report for the financial year ended 31 December 2016. This report summarises our Remuneration Policy, how it has been operated during the year under review and how it will be implemented in 2017, together with an overview of the key activities of the Committee.

Remuneration Policy and alignment to business strategy

Ophir's strategy is to be a sustainable explorer focused on delivering NAV per share growth by finding resources at low cost and then monetising them in a way that maximises the value created. How successful we are in achieving this strategy is captured through our success in growing our NAV per share. Our Remuneration Policy reflects this strategy: salary, benefits and pension are sufficiently competitive, but no more. All employees participate in an annual bonus scheme, capped at 50% of base salary for Executive Directors, which can be earned based on performance against key performance indicators relating to the operational success of the Group. Finally, all employees also participate in the Ophir Energy Long-Term Value Creation Plan 2016 (the '2016 Plan'). Under this incentive scheme, employees may be rewarded when value (measured as NAV per share) is created through the long-term development of our assets and crystallised through a 'NAV event'. For Executive Directors 75% of any award is paid in long-term deferred shares and stringent minimum shareholding requirements must be achieved. All incentive plans have clawback provisions to recover any erroneous overpayments. Share-based deferral, executive shareholding requirements and clawback features encourage value to be sustained from the point of measurement. Full details of this plan and the rest of the Policy are set out in this report.

Performance in 2016 and payments to Directors

Ophir is a resource exploration and monetisation business. Progress was made during the year to progress the monetisation of our Fortuna gas discovery offshore Equatorial Guinea. In November Ophir signed a Shareholders' Agreement with OneLNG to form a new Joint Venture to finance, develop and operate the project. Other highlights include reduction in G&A costs, adding 158 MMboe of drillable prospective resource, commencing first gas at Kerendan and completing a successful water debottlenecking project at Bualuang.

Cash bonus awards, based on performance criteria described in this report, were made to the Chief Executive Officer (33.56%), the Chief Operating Officer (34.90%) and the Chief Financial Officer (33.56%) out of a maximum of 50% of salary in each case.

For the award granted under the 2011 Long Term Incentive Plan (LTIP) to the Chief Executive in 2012, the second tranche was measured by reference to absolute TSR performance to 19 June 2016. As the minimum threshold for performance was not achieved no awards vested. No other LTIP awards to any executive were capable of vesting by reference to performance periods ending during the year.

In relation to the 2016 Plan, performance has been in line with the business plan, but there has been no NAV event in 2016 that could have triggered a payment.

Shareholder approvals at the 2016 AGM

We were delighted that shareholders approved the new Remuneration Policy, including the 2016 Plan, at the AGM held on 10 May 2016. Once again, I would like to take the opportunity to thank our major shareholders and the leading shareholder representative bodies, for taking the time to enter into constructive dialogue with us around the Remuneration Policy and the 2016 Plan. It was pleasing that we received such strong support from the investor community, given that the 2016 Plan is a significant departure from the standard UK remuneration model. The Board and the Committee will continue the dialogue with our shareholders as we operate the 2016 Plan and our Policy.

The resolution to approve the Remuneration report was passed with a vote of 65.73%. We had anticipated some opposition as shareholders had raised concerns in respect of the overlap between the final award made in 2016 under the terms of the previous Long-Term Incentive Plan (the 2011 LTIP) and the introduction of the new 2016 Plan, as well as a concern that there was insufficient detail in relation to some of the performance metrics that formed the basis for the payment of the annual bonus to Executive Directors for performance in 2015.

In relation to the first issue, the Company position was that it had a long-standing policy of varying grant levels under the 2011 LTIP in relation to individual performance over the prior year and so the 2016 LTIP grant related, in part, to individual performance in 2015. In contrast, under the 2016 Plan, individual entitlements are fixed at the outset and based on 'forward looking' performance from 2016 onwards (and as it turns out, as there has been no NAV event, there has been no award made under this plan in 2016). As the 'backward looking' approach under the 2011 LTIP was unusual, we can understand and accept that investors took a different position to us. As there will be no further awards under the 2011 LTIP this will not be an issue in future.

In relation to the second issue, we have committed to include fuller disclosure in this report of the targets applying to the 2015 bonus and to maintain a similar level of disclosure for the 2016 bonus. In addition, the annual bonus opportunity under the new policy has been reduced by two thirds from a maximum of 150% to 50% of base salary.

Application of Remuneration Policy for 2017

Following the significant review and changes to our Remuneration Policy with effect from 2016, the Committee has determined that the Policy, as approved by shareholders at the 2016 AGM, remains appropriate for 2017. In relation to its implementation, the Committee has determined the following:

- Base salary for Executive Directors remains unchanged. There will be no changes to the type and level of benefits and pension.
- Annual bonus for Executive Directors will remain capped at 50% of salary and will be subject to performance conditions based on business and personal KPIs.
- If a NAV event triggers a payment under the 2016 Plan, the Committee will determine the level of payment to employees.

Key activities of the Committee

As described in last year's report, up to the 2016 AGM the Committee was involved extensively in the design and implementation of the new Remuneration Policy including detailed consideration of investor feedback.

During the second part of the year, the Committee continued to consider practical matters relating to the Policy implementation including the basis for employee award levels under the 2016 Plan, prior year LTIP vesting and annual bonus performance conditions for 2017. In addition, the Committee considered broader topical matters including gender pay, equality and the level of remuneration for the Chief Executive Officer in relation to the broader workforce.

I would also like to thank the members of the Committee during the year, including our past Chairman Nic Smith, for their constructive and forthright contributions.

Shareholder feedback

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

Vivien Gibney
Remuneration Committee Chairman
8 March 2017

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 was the date of shareholder approval for this Policy.

Remuneration is structured with two elements: fixed remuneration consisting of base salary and benefits (including non-contributory health insurance and life assurance and pension contributions) and variable remuneration (annual bonus scheme and a long-term incentive scheme).

Remuneration Policy and link to business strategy

As detailed in the Chief Executive Officer's review, unlike full cycle E&P companies, Ophir's focus is on becoming a sustainable explorer using cash from production and asset disposals 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 sustainable exploration strategy is captured through our success in growing our NAV per share.

Under the 2016 Plan, 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 Executive Directors and shareholders. Summary details of the operation of the plan are 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 using Net Present Value (NPV) as defined in the scheme at a 10% discount rate.
- 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.
- 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.
  - A gas sales agreement renegotiation (since this effectively re-values 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.
- If 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 the 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 operates in relation to the award of shares through the scheme.

In addition to the deferral requirements under the 2016 Plan, tough share ownership guidelines apply. These require the Chief Operating Officer and Chief Financial Officer to build and maintain a shareholding worth 200% of salary with the Chief Executive Officer required to maintain a shareholding worth at least 300% of salary.

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.	Executive Directors 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 average 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.	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 scheme 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 and 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 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
Long Term Value Creation Plan 2016	To reward for the creation of sustained 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 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 guidelines	To align the interests of Executive 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' fees	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 scheme and long-term incentive plans, including the 2016 Plan, 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;
- 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 the annual bonus scheme are based on the Company's Key Performance Indicators (KPIs) shown on pages 10 to 13. A balanced scorecard 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; Executive Directors' 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 becoming a sustainable explorer using cash from production and asset disposals to fund exploration. The precise metrics chosen and weighting ascribed to each may vary, as detailed in the Policy above, in line with the Company's strategy.

Long-term performance is 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 Executive Directors and that they are only rewarded 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 achievement of stretching performance targets approved at the start of each year.

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, including examining whether there is any gender pay difference and the pay of the median paid employee in relation to the pay of the Chief Executive Officer. This process ensures that the Committee is considering broader Company issues in determining executive pay and 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

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.

Recruitment and promotion policy

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

Element	Policy	Element	Policy
Base Salary	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.	**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.
Pension	A defined contribution or cash supplement at the level provided to current Executive Directors as set in the policy table.	**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.
Long-term incentives	New joiners will normally be eligible to participate in Long-Term Value Creation Plan 2016 after completion of a probationary period.	**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 Officer, 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 2017). 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 2017 triggering an aggregate payment (in cash and shares) at 225% of salary.

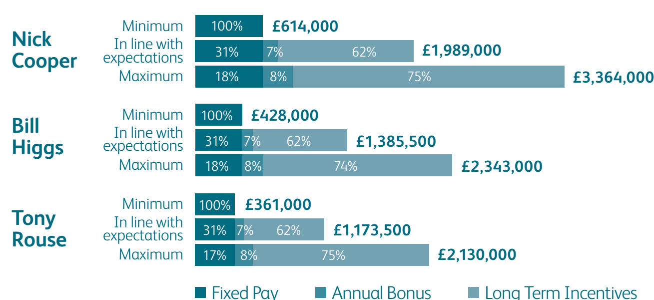
Maximum (performance meets or exceeds maximum)

- Fixed pay plus maximum bonus at 50% of salary and a NAV event in 2017 triggering an aggregate payment (in cash and shares) at 450% of salary.

Fixed pay comprises:

- salaries – salary effective as at 1 January 2017;
- benefits – amount received by each Executive Director in the 2016 financial year; and
- pension – employer contributions or cash-equivalent payments at 11% of base salary.

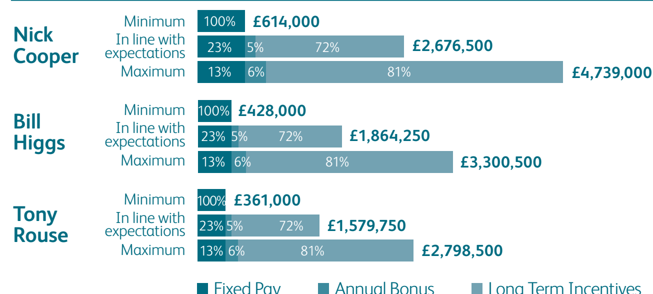
NAV event every year



The analysis above shows what could be earned by the Executive Directors based on a NAV event in the year. If there is no NAV event, then the following year there is the potential for remuneration to be higher 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 event after a gap year



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

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 individual 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 Company 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 Company, or the Executive Director has resigned without giving due notice and the Company has not accepted the resignation. During the garden leave period, the Executive Director 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.

Directors' Remuneration Policy continued

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 Company 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 Executive Directors 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
Nick 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, 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 Director leaves under certain good leaver circumstances, as described above. 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 2016 Plan, awards will lapse on the date of cessation of employment unless an Executive Director leaves in good leaver circumstances. 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 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 and during the year the Chairman of the Committee spoke with a number of institutional shareholders in relation to the voting outturn.

Annual Report on Remuneration

This part of the report has been prepared in accordance with Schedule 8 of 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 2017 AGM. The information on pages 69 to 76 (inclusive) has been audited.

Consideration of remuneration matters

Membership and attendance

The members of the Committee during the year ended 31 December 2016, 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	4/4
Ronald Blakely	4/4
Alan Booth	4/4
Bill Schrader	4/4
Nic Smith[1]	2/2

1 Nic Smith stepped 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, Bill Schrader, was independent on appointment.

The Chief Executive Officer and advisers to the Committee may also be invited to attend meetings as necessary. During the year, the Chief Executive Officer, the Chief Operating Officer, the General Counsel & Company Secretary, the Director of Human Resources and representatives from New Bridge Street (NBS, part of Aon plc) and Korn Ferry (from their appointment in October 2016) 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, and its implementation, 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.

Advisers to the Committee

NBS advised the Committee until October 2016. Korn Ferry was appointed as the independent adviser to the Committee in October 2016 and provides services to the Company on a 'called on' rather than a retained basis. Korn Ferry is a member of the Remuneration Consultants Group and complies with its code of conduct. Details of the terms of engagement for Korn Ferry are available on request from the General Counsel & Company Secretary. Korn Ferry provides no other services to the Company. The Committee regularly reviews the external adviser relationship and is comfortable that Korn Ferry's advice is objective and independent. For the year under review NBS's total fees charged were £168,517 and Korn Ferry's fees charged were £18,450 (excluding VAT).

Implementation of Remuneration Policy for 2017

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 determined that again there should be no base salary increases, which was in line with the treatment of UK employees generally. The base salaries, effective 1 January 2017, are included in the table below.

Role	Salary as at 1 January 2017	Salary as at 1 January 2016	Increase
Chief Executive Officer	£550,000	£550,000	0%
Chief Operating Officer	£382,500	£382,500	0%
Chief Financial Officer	£325,000[1]	N/A	N/A

1 Tony Rouse was appointed to the Board from his previous position as the Director of Finance on 27 January 2016. His salary from that date was £325,000.

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.

In addition to pension benefits, the Executive Directors also receive health insurance, life assurance, medical evacuation insurance, travel insurance, holiday pay and sick leave cover.

Annual Report on Remuneration continued

Annual bonus

The annual bonus scheme has been designed to provide reward for above-average performance. The performance targets, which are a distillation of the corporate Key Performance Indicators (KPIs) and certain personal KPI, are reviewed by the Committee annually.

The bonus opportunity under that scheme for the year ending 31 December 2017 will be limited to 50% of base salary, payable in cash.

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 2017, the Committee is to operate the following Bonus Metric targets for all Executive Directors.

Measure	Percentage of total bonus opportunity
Corporate KPIs	
Exploration: capture high-quality exploration acreage, generate and high-grade prospects and mature six to eight top ranked, drillable prospects per year	13.33%
Operations: execute safely with excellence	13.33%
Financial strength and returns: optimise the use of Ophir's capital by capturing highest commercial returns on our assets and exploration opportunities	10%
Business model: grow a revenue-generating business to fund our exploration activities and minimise our overall cost of capital	16.67%
Internal metric: empower and support our staff to make brave and transparent decisions that create shareholder value	10%
External metric: be respected by our stakeholders for what we achieve and for the way we achieve it	3.33%
Personal KPIs	
A range of personal KPIs based on how the individual Executive Director performed against the metrics above	33.33%

The Committee retains discretion to reduce the total bonus payment to Executive Directors, for example 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.

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 2016 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.

2016 Plan

Shareholders approved the Long Term Value Creation Plan 2016 at the 2016 AGM and the Committee will include full details of any NAV events taking place in 2017 in the Annual Report on Remuneration for the following year with the value of any reward pool subject to review by the Company's Auditor by undertaking agreed procedures to determine whether the NAV model materially meets its objectives.

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:

	2017	2016
Chairman	**£140,000**	£140,000
Non-Executive Director basic fee	**£70,000**	£70,000
Committee Chairmanship fee	**£5,000**	£5,000
Senior Independent Director fee	**£5,000**	N/A

Audited information

Remuneration payable to Directors for the year under review

The detailed emoluments for the Executive and Non-Executive Directors for the year ended 31 December 2016 are detailed below:

All figures to nearest £000

	Base Salary/ Fees	Benefits[7]	Pension	Bonus	Long-term incentives	Total 2016
Executive Directors						
Nick Cooper	550	15	61	185	0	811
Bill Higgs	383	24	42	133	0	582
Tony Rouse[1]	322	11	35	106	0	474
Chairman and Non-Executive Directors						
Nic Smith[2]	35	–	–	–	–	35
Bill Schrader[3]	118	–	–	–	–	118
Carol Bell[4]	73	–	–	–	–	73
Ronald Blakely	75	–	–	–	–	75
Alan Booth	75	–	–	–	–	75
Vivien Gibney	75	–	–	–	–	75
David Davies[5]	25	–	–	–	–	25
Carl Trowell[6]	25	–	–	–	–	25

1 Tony Rouse was appointed to the Board on the 27 January 2016. His emoluments have been pro-rated.
2 Nic Smith retired from the Board on 30 April 2016.
3 Bill Schrader was appointed Chairman on 30 April 2016.
4 Carol Bell was appointed as Chairman of the Corporate Responsibility Committee on 30 April 2016.
5 David Davies was appointed to the Board on 23 August 2016.
6 Carl Trowell was appointed to the Board on 23 August 2016.
7 Increases represent premium loading on the annual rates for insurances due to medical reasons.

The detailed emoluments for the Executive and Non-Executive Directors for the year ended 31 December 2015 are detailed below:

All figures in £000

	Base Salary/ Fees	Benefits	Pension	Bonus	Long-term incentives	Total 2015
Executive Directors						
Nick Cooper[1]	550	12	61	592	355	1,570
Bill Higgs	383	22[6]	42	412	0[3]	859
Chairman and Non-Executive Directors						
Nic Smith	140	–	–	–	–	140
Ronald Blakely	75	–	–	–	–	75
Alan Booth	75	–	–	–	–	75
Carol Bell[2]	58	–	–	–	–	58
Vivien Gibney	75	–	–	–	–	75
Lyndon Powell[4]	29	–	–	–	–	29
Bill Schrader[5]	73	–	–	–	–	73

1 95% of Nick Cooper's Long-Term Incentive Plan award granted on 13 April 2012 vested on 13 April 2015. Nick Cooper exercised this award on 8 April 2016. 166,630 shares were relinquished in order to cover tax and NI. Nick Cooper retained the balance of 187,900 shares.
2 Carol Bell was appointed on 2 March 2015. Carol Bell received £7,730.77 as part of her Independent 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.
3 No long-term incentives vested with performance periods ending in the year under review.
4 Lyndon Powell stepped down from the Board following the 2015 AGM.
5 Bill Schrader was appointed Chairman of the Corporate Responsibility Committee on 20 May 2015.
6 Misreported in last year's statement, as £9,000 when it should have been £22,000; reflects premium loading due to medical reasons.

Annual Report on Remuneration continued

Additional information in respect of the Directors' remuneration table

Annual bonus plan outturn for 2016 and 2015

For 2016, the Committee set KPI targets for the Executive Directors in respect of: exploration; operations; financial strength and returns; business model; stakeholder engagement; and leadership.

The extent of achievement for each Executive Director against their performance objectives is detailed below:

Metric	Extent of achievement	Percentage of individual target met
Targets applicable to all Executive Directors		
Exploration: capture high-quality exploration acreage, generate and high-grade prospects and mature six-eight top ranked, drillable prospects per year		
Generate and high-grade prospects	Additional prospects added and were all peer-reviewed, ranked and the exploration portfolio was high-graded to support all Asset Development Plans	**4/4** (2.67% of total bonus)
Commercially attractive well proposals approved	The target range was for 2 to 8 commercially attractive well proposals to be presented for investment decisions. Over the year 5 proposals were made. The target range of net risked reserves to be added to the portfolio was 100-200 MMboe. Actual additions were 158 MMboe. The Committee considered both the process of presenting the proposals and the addition of net risked reserves added. This resulted in 58.3% the target being met.	**7/12** (5.1% of total bonus)
Enter new exploration positions	Received Board approval for entries into 2-6 new positions in existing or new plays. Achieved 5.	**5.5/6** (3.5% of total bonus)
Operations : execute safely with excellence		
Health, Safety, Security & Environment	Deliver good performance against deployed leading indicators. Fully achieved. Achieved the outstanding TRIR rate of 0 against a target of 1 incident per 1 million man-hours worked, which is an industry leading level of safety performance.	**4/4** (2.67% of total bonus)
Operational performance	Delivered all major projects as planned against our capital budget and spent only 73% of budgeted expenditure, against a range of 100% – 90%	**6/6** (4% of total bonus)
	Delivered against our gross G&A budget, spending only 80% of forecast expenditure, against a range of 100% – 82%.	**4/4** (2.67% of total bonus)
	Achieved 91.5% of the annualised OPEX/bbl stretch target for operated production, while safely delivering expected outcome on production objectives.	**0.11/2** (0.07% of total bonus)
Operated production reliability	Achieved production availability of over 99% uptime against an objective of 97%.	**2/2** (1.33% of total bonus)
Leading Indicators	Introduce five new Leading Indicators from the risk register. This was fully achieved through the introduction and monitoring of Counter Party, Compliance, Land Seismic, Preparedness and Electrical risks.	**6/6** (4% of total bonus)
Financial strength and returns : optimise the use of Ophir's capital by capturing highest commercial returns on our assets and exploration opportunities		
Increase NAV/share from 1 January 2016 opening	The target set in relation to increasing NAV/share of the Company from NAV $1.31 was not met. The targets underpinning the growth in NAV/share related to a renegotiation of gas price at the Kerendan field and FID of the Fortuna project. Neither were met notwithstanding great progress in both areas. The target set against net G&A budget was met with 83% of budgeted expenditure achieved while delivering the major projects as planned against a maximum target of 83%. Since the Board decided not to put in place new debt, or equivalent debt-like structures, in 2016 because of market conditions, the target is not met.	**2/22** (1.11% of total bonus)

Metric	Extent of achievement	Percentage of individual target met
Targets applicable to all Executive Directors		
Business model : grow a revenue-generating business to fund our exploration activities and minimise our overall cost of capital		
New production revenue	No new production which was NAV/share accretive was added during the year.	**0/10** (0% of total bonus)
Internal stakeholder engagement: empower and support our staff to make brave and transparent decisions that create shareholder value		
Employee engagement	Implement action plans from the 2015 employee engagement survey. The key themes raised in the employee engagement survey related to building the 'One Ophir' culture and reinforcing the corporate Values. The Committee concluded that the target had been achieved in full.	**2/2** (1.33% of total)
Develop internal capability	Run a leadership programme tailored for Ophir Asset Management with a focus on value creation and delivery of superior Asset Management. Implement 360 degree performance assessment based on Ophir values. Both of these were fully achieved.	**4/4** (2.67% of total)
Leadership, diversity and mentoring programmes	Train leadership team to be mentors, to nurture and embed cross-cultural competence. Implement rotational and developmental assignments for future leaders to encourage diversity and global mindset. Both of these were fully achieved.	**4/4** (2.67% of total)
External stakeholder engagement: Be respected by our stakeholders for what we achieve and for the way we achieve it		
Demonstrate Ophir's commitment to creating a sustainable energy business	Complete Asset Development Plans for each asset, including capital efficiency and NAV assessments. This was fully achieved.	**4/4** (2.67% of total)
Map all existing asset stakeholders	Complete comprehensive stakeholder maps for all existing assets. This was fully achieved across the portfolio.	**2/2** (1.33% of total)
Improve corporate shared value programmes	Asset Development Plans include approved programmes that improve Company operations, the local environment and increase asset value (shared value) with support of host governments and communities.	**4/4** (2.67% of total)
Compliant with Global Reporting Initiative and Carbon Emissions reporting requirements	Ensure full compliance with relevant GRI and Carbon Emissions reporting requirements in 2016. This was achieved.	**2/2** (1.33% of total)
Total percentage of maximum payable for Corporate KPI element (out of 66.67%)		**41.79% out of 66.67%**

Personal KPIs

Individual performance was assessed against the six KPIs, tailored to each individual role.

A summary of the Committee's assessment is set out below:

Nick Cooper

Achievements during the year included the excellent integration of the Salamander business in terms of culture and operations, the sustainable reduction in G&A expenditure in difficult market conditions and outstanding stakeholder management with Governments, industry and investors. In addition, the Committee recognised that he had successfully created an Asset Management culture within the organisation.

Bill Higgs

Achievements during the year included the capturing of high-quality acreage and generation of high-graded drillable prospects. In addition the Company enjoyed strong operational performance during 2016 covering production, reliability and safety. The Committee also recognised his success in delivering the right tone from the top through his functional reporting lines.

Tony Rouse

Achievements during the year included the strengthening of the Finance function and his external relations and his delivery of improved financial reporting capability. The Committee also recognised his delivery on agreed finance, funding and key risk mitigations for 2016.

Annual Report on Remuneration
continued

	Nick Cooper	Bill Higgs	Tony Rouse
Total percentage of maximum payable under Personal KPI element	76% achieved (25.33% out of 33.33%)	84% achieved (28.00% out of 33.33%)	76% achieved (25.33% out of 33.33%)
Total percentage of maximum payable under Corporate Scorecard element (out of 66.67%)		41.79%	
Total overall percentage of maximum bonus payable (out of 100%)	67.12%	69.79%	67.12%
Total Bonus payable (out of 50% of salary maximum)	**33.56%**	**34.90%**	**33.56%**
Total Bonus payable (£)	**£184,580**	**£133,485**	**£106,080**[1]

1 Tony Rouse bonus payment pro-rated to reflect his appointment to the Board on 27 January 2016.

Additional disclosure of the performance conditions in relation to the 2015 annual bonus

At our 2016 AGM we made a statement that in this year's report there would be additional information on some of the targets that were set for the 2015 annual bonus. This additional information is shown in bold (against the original disclosure last year).

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	**7/7**	**The focus of the exploration KPIs was on the timely interpretation of newly acquired seismic data, the development of commercially attractive wells and the addition of risked prospective resources to the portfolio, which are the key elements of successful exploration. The seismic interpretation was completed ahead of a tight schedule.** **We undertook to state the names of the acquired seismic data on which we completed our first inspection. First pass interpretation was completed on the Seychelles Junon 3D, Gabon Olumi Rouge 3D, Thailand Bualuang OBN 3D and Myanmar Mrauk 3D seismic data sets.**	
Commercially attractive well proposals approved	**0/9**	Approved G4/50 drilling programme and matured additional prospectivity in Gabon and Indonesia, **but did not meet the target range of six to eight well proposals.**	
Add risked additions to the portfolio	**0/7**	Did not meet metrics for additions of prospective resources to the portfolio. **We undertook to set out the actual risked prospective resource additions target versus the additions we made. The target range was for the following drillable risked resource additions to portfolio >200 MMboe (100%), 150 MMboe (50%), <100 MMboe (0%). We achieved 26 MMboe which represented 13% of the objective.**	
Operations		Fully achieved	19% out of a maximum of 19% of salary
Introduce a leading indicator system to improve safety across the Group	**4/4**	**The focus of the Operations KPIs was on safely delivering the approved work programme at a lower cost while testing the integrity of our support systems.** Leading indicator system introduced and TRIR target achieved. **We undertook to set out the TRIR target and our actual performance against it. The target was for TRIR of one incident per 1 million hours worked, which is an industry leading level of safety performance. We incurred 0.83 incidents, outperforming the target.**	
Compliance within approved budget spend, cash flow and working capital and G&A (gross)	**13/13**	Delivered against **capital** budget and achieved G&A target. **We undertook to state the actual spend against the budgeted targets for cashflow, working capital and G&A.** **We delivered against our capital budget, spending only 71% of budgeted expenditure. In respect of the gross G&A budget, the Company spent only 86% of forecasted expenditure. This was achieved whilst delivering all major projects as planned. In relation to each metric, the maximum reward target was set at 85% of budget, with payment commencing (0%) for 100% achievement of budget.**	
Complete two independent security penetration test exercises	**2/2**	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	**0/15**	**The focus of the Financial strength and returns KPIs was on strengthening the balance sheet and long-run value of the Company while reducing the cost of running the Company.** **We undertook to state the actual divestment targets for MMboe.** **The target was 650 MMboe of discovered resources with a sliding scale to a minimum of 50 MMboe.** **The** commercial operating environment created challenges to achieving valuation and asset sales goals **and achievement was zero.**	
Increase corporate valuation by 10%	**0/4**	**Did not achieve.**	
Deliver net G&A excluding integration costs	**3/4**	Partially delivered net G&A targets. **We undertook to state the actual net G&A target.** **Partially delivered against net G&A budget, achieving 96% of budgeted expenditure, while delivering major projects as planned against a maximum reward target of 90% of budget on a sliding scale to 100% of budget.**	
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	**16/16**	The Company completed the Salamander acquisition and integration, exceeding 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	**3/3**	Survey completed and action plan in place based on results. Rebalancing of the Group ensuring the staff team has the skills required.	
Succession plans for mission critical roles	**3/3**	**Detailed, formal** succession plans in place **for all key roles.**	
Diversity strategy and standards	**3/3**	Diversity standard deployed and strategy defined.	
External stakeholder engagement		Fully achieved	10% out of a maximum of 10% of salary
Asset strategies in place including exit strategies	**6/6**	Exit strategies were prepared for all assets and reviewed by the Operations Committee.	
Achieve CR engagement beyond contractual expectations	**4/4**	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		Clear definition and articulation of 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		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 extent of achievement detailed in the table above resulted in bonuses becoming payable at 72% of the maximum in the case of both Nick Cooper and Bill Higgs.

Annual Report on Remuneration continued

Long-Term Incentive Plan awards vesting by reference to performance in 2016

The second tranche of the Chief Executive Officer's Exceptional Long-Term Incentive Award was eligible to vest on 19 June 2016. 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 this tranche of the award has lapsed.

	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	19/06/2016	19/06/2017	370,025	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 in respect of performance in 2015 (calculated based on the three-month average share price for the period from 24 November 2015 to 23 February 2016 (as per the Company's policy)) of 87p (£0.8706), were:

- Chief Executive Officer (Nick Cooper): 200% of salary.
- Chief Operating Officer (Bill Higgs): 200% of salary.
- Chief Financial Officer (Tony Rouse): 150% of salary.

	Type of award	Basis of award granted	Exercise price	Number of shares awarded	Face value of award £'000[2]	% of award that vests at the threshold performance level
Nick Cooper	LTIP – Nominal cost option	200% of salary	£0.0025	1,263,496	1100	25%
Bill Higgs	LTIP – Nominal cost option	200% of salary	£0.0025	878,704	765	25%
Tony Rouse[1]	LTIP – Nominal cost option	150% of salary	£0.0025	559,958	487	25%

1 Tony Rouse was appointed to the Board on 27 January 2016. The 2016 LTIP grant was based on his position at 31 December 2015 before joining the Board.
2 The face value of the award has been calculated using the three-month average share price as stated above.

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 2016 LTIP award is:

- Africa Oil Corp.
- Amerisur Resources.
- 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.
- Oryx Petroleum.
- Petroceltic International plc.
- Premier Oil plc.
- Rockhopper Exploration plc.
- SOCO International plc
- Tullow Oil plc

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 2016.

Directors' interests in shares

Directors' options and share-based awards as at 31 December 2016:

Director and Scheme	Date of grant	Exercise price (pence)	Market price at exercise (pence)	Vesting date	Shares under award at 1 January 2016	Shares awarded	Shares vested in year	Shares exercised	Shares lapsed/ cancelled or forfeited	Shares under award at 31 December 2016	Lapse date
Nick Cooper											
ESOP[1]	01/06/2011	216.20	–	01/06/2013	578,164	–	–	–	–	578,164	31/05/2021
Long-Term Incentive Plan	13/04/2012	0.00	78.00	13/04/2015	354,530	–	–	354,530[2]	–	0	12/04/2016
Long-Term Incentive Plan	19/06/2012	0.00	–	19/06/2016	370,025	–	–	–	370,025	0	19/06/2017
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	787,108		–	–	–	787,108	25/03/2019
Long-Term Incentive Plan	14/03/2016	0.00	–	14/03/2019	0	1,263,496	–	–	–	1,263,496	13/03/2020
Bill Higgs											
Long-Term Incentive Plan	26/03/2015	0.00	–	26/03/2018	547,398	–	–	–	–	547,398	25/03/2019
Long-Term Incentive Plan	14/03/2016	0.00	–	14/03/2019	0	878,704	–	–	–	878,704	13/03/2020
Tony Rouse											
Long-Term Incentive Plan	26/03/2015	0.00	–	26/03/2018	306,543	–	–	–	–	306,543	25/03/2019
Long-Term Incentive Plan	14/03/2016	0.00	–	14/03/2019	0	559,958	–	–	–	559,958	13/03/2020

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

Share ownership and minimum share ownership requirements

To align the interests of the Executive Directors with shareholders, Executive Directors are required to build and maintain significant shareholdings in the Company.

Nick Cooper has a minimum share ownership requirement 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 200% of salary and are required to retain at least 50% of their vested or exercised awards (net of taxes) under share incentive schemes until the guideline is met. Once the guideline level is achieved the value is translated into a minimum number of shares that must continue to be held. Nick Cooper met his share ownership requirement on 27 June 2014 with the number of shares required to be held against the guideline fixed at 653,066 shares. Bill Higgs, who joined in September 2014, and Tony Rouse, who was appointed to the Board on 27 January 2016, have not yet met the minimum share ownership requirement, but are making good progress towards doing so. Both Bill Higgs and Tony Rouse made significant share purchases during the year.

The Chairman and Non-Executive Directors are encouraged to hold shares in the Company but are not subject to a formal minimum shareholding requirement.

Details of the Directors' interests in shares are shown in the table below.

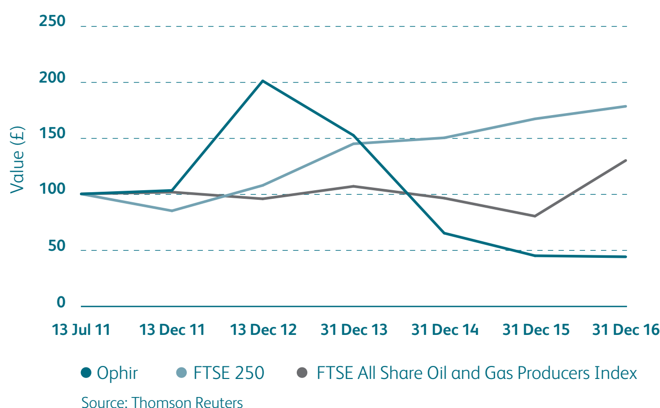
	Minimum share ownership requirement	Beneficially owned as at 31 December 2016	Beneficially owned as at 1 January 2016	Proportion of minimum share ownership requirement	Outstanding share based incentive awards
Bill Schrader	–	17,700	17,700	–	–
Nick Cooper[1–7]	300%	1,534,431	1,336,531	100%	2,998,793
Bill Higgs	200%	168,693	44,258	21%	1,426,102
Tony Rouse[6]	200%	337,775	202,775	50%	866,501
Carol Bell	–	6,870	6,870	–	–
Ronald Blakely[2]	–	47,000	47,000	–	–
Alan Booth[3]	–	125,000	125,000	–	–
Vivien Gibney	–	15,000	15,000	–	–
David Davies[4]	–	0	0	–	–
Carl Trowell[5]	–	0	0	–	–

1 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.
2 Ronald Blakely and members of his family hold a beneficial interest in 47,000 shares. The legal interest is held by RBC Dominion Securities.
3 Alan Booth holds a beneficial interest in 125,000 shares. The legal interest is held by TD Direct Investing Nominees (Europe) Ltd.
4 David Davies was appointed to the Board on 23 August 2016.
5 Carl Trowell was appointed to the Board on 23 August 2016.
6 The legal interest of 6,155 shares is held by his wife.
7 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 shares.

Performance graph (not subject to audit)

This graph shows the value, by 31 December 2016, of £100 invested in Ophir Energy plc on 13 July 2011 (the date the Company's shares began trading on the London Stock Exchange) against the FTSE All Share Oil and Gas Producers Index and against the FTSE 250 Index. Ophir has been a constituent of the index for much of the period and therefore the Committee considers this broad equity index to be appropriate as a comparator.

Total shareholder returns (TSR)



Source: Thomson Reuters

Chief Executive Officer's remuneration table (not subject to audit)

The table below details the single total remuneration figure earned by the Chief Executive Officer since the Company moved to the Official List. Total remuneration has been calculated to be consistent with the figures disclosed on page 69 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)
31/12/2016	Nick Cooper	811	68%[3]	0%
31/12/2015	Nick Cooper	1,570	72%	0%
31/12/2014	Nick Cooper	2,970	58%	95 & 100%[1]
31/12/2013	Nick Cooper	1,027	92%	n/a
31/12/2012	Nick Cooper	970	89%	n/a
31/12/2011	Nick Cooper	910[2]	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 Reflects the fact that Nick Cooper was appointed as Chief Executive Officer part way through the year on 1 June 2011.
3 Annual maximum bonus potential for 2016 is now 50% of annual salary.

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 bonus) from 2015 to 2016 for the Chief Executive Officer compared with the average UK Head Office employee.

	Chief Executive Officer	Average UK employee[1]
Salary	0%	3.1%
Benefits	21%[2]	4.4%
Annual Bonus	(69%)	(49.1)%

1 The comparator group chosen comprises 58 employees who are the Company's UK based employees, excluding the Executive Directors, who were employed continuously from 31 December 2015 to 31 December 2016. 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. The comparator group has increased from 17 to 58 employees.
2 The benefits available to the Chief Executive Officer include private healthcare, income protection insurance and life assurance. The 21% increase represents c.£2,500 of premium increases largely due to age and medical inflation across the policies.

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

	2016	2015	% change
Staff costs (£m)	37	43.6	(15.1%)
Distributions to shareholders (£m)	0	38.4	(100%)

Statement of shareholder voting (not subject to audit)

At the 2016 AGM, the resolutions to approve the Directors' Remuneration Policy and the Annual Report on Remuneration received the following votes from shareholders:

	Votes in favour	Votes against	Votes withheld
Remuneration Policy	87.99% (501,283,276)	12.01% (64,411,336)	n/a (13,778)
Annual Statement and Annual Report on Remuneration	65.73% (372,083,609)	34.27% (193,969,389)	n/a (3,655,391)

There were a significant number of votes opposing the resolution to approve the Remuneration report. We have engaged with a number of shareholders to discuss their concerns which centred around the disclosure of targets in respect of the bonus scheme and the perceived overlap between the LTIP award in 2016 and the introduction of the new 2016 Plan (which was approved with a 94.47% vote). There has been no award in 2016 under the 2016 Plan.

We committed to include fuller disclosure this year, both of the 2015 bonus targets and the performance against those targets and the 2016 targets, and this is set out on pages 70 to 73.

The 2016 Plan relates to performance from 2016 onwards. There will be no further LTIP awards. We will continue to engage with our shareholders.

By Order of the Board

Vivien Gibney
Chairman of the Remuneration Committee
8 March 2017

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 8 March 2017.

Nick Cooper
Chief Executive Officer

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 transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company 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, the Directors' Report, the Directors' Remuneration report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

Approved by the Board on 8 March 2017

Nick Cooper
Chief Executive Officer

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 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') 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 statement of financial position as at 31 December 2016	Statement of financial position as at 31 December 2016
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	Statement of cash flows 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 statement of cash flows for the year then ended	
Related notes 1 to 38 including Appendix A to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

Risks of material misstatement	• Impairment of exploration and evaluation ('E&E') assets and tangible (oil and gas) assets. • Estimate of oil and gas reserves.
Audit scope	• We selected 17 out of a total of 92 components within the Group for our audit. We performed an audit of the complete financial information of five components across London and Thailand and audit procedures on specific balances for a further 12 components across London and Indonesia. • The components where we performed full or specific audit procedures accounted for 100% of revenue, 95% of total Group equity and 94% of total Group assets.
Materiality	• Overall Group materiality of $32 million (2015: $37 million) represents 2% of total equity. We agreed with the Audit Committee that we would report to the Audit Committee all unadjusted audit differences in excess of $1.6 million (2015: $1.9 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	Key observations communicated to the Audit Committee
Impairment of exploration and evaluation ('E&E') assets and tangible (oil and gas) assets – while the front end of the forward oil price curve has increased since year-end 2015, which could be a trigger for an impairment reversal, there are other judgemental areas which could lead to triggers for an impairment including changes to reserves, production profiles, cost forecasts, exploration and drilling commitments. Refer to Note 13 – Exploration and Evaluation and Note 14 – Oil and Gas Properties in the notes to the financial statements for the $310.2 million and $699.0 million of carrying values, respectively, held in the balance sheet by the Group as at 31 December 2016.	We challenged the impairment analysis and assumptions prepared and used by management through a combination of audit testing and bench-marking to external data sources and other companies in the sector. In addition, we performed journal entry testing to confirm that management had not overriden the outcome of the impairment tests which we have audited. **For E&E assets:** • We verified that Ophir had the right to explore in the relevant exploration licence by obtaining and reviewing supporting documentation such as licence agreements and or correspondence with relevant government agencies. • We confirmed that management had the intention to carry out exploration and evaluation activity in the relevant exploration area by performing procedures which included the review of management's cashflow forecast models, discussions with senior management and discussions with executive management. • We considered whether recent exploration activity in a given exploration licence provides impairment indicators as to the recoverability of other intangible costs. • We considered whether Ophir has the ability to finance 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 considered the commercial viability of the exploration block based on the results of exploration and evaluation activities carried out in the relevant licence area. **For Tangible (oil and gas) assets:** • We inquired of both operational and finance personnel regarding assets' performance, specifically with regard to production and reserves data, and future plans to assess whether there were any other performance-related indicators of impairment. • For assets where an impairment indicator was identified, we obtained the relevant models supporting the recoverable amounts for the asset from management and compared these to the carrying value of the asset as of the balance sheet date to identify if there were any impairments or reversal of impairments. • In assessing the appropriateness of management's assumptions and inputs included in the models we worked with our valuation 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.	On the basis of our audit procedures, we agree with management's conclusions on the E&E assets where future expenditure is not budgeted or planned, therefore the assets have been fully written off. In addition, we have concluded that the assumptions used by management in estimating the recoverable amount of the E&E assets fall within a reasonable range. We are satisfied the EG asset has been correctly reclassified as an asset held for sale. With respect to the tangible (oil and gas) assets, in view of our audit procedures, which included sensitivity analysis, we concluded that the oil and gas prices, discount rates, production volumes and the other assumptions used by management were within an acceptable range in light of the current market conditions; we did not identify any material issues with the valuation of assets. We therefore concluded that the impairment charges and reversals and the disclosures in respect of the E&E and tangible (oil and gas) assets included in the consolidated financial statements for the year ended 31 December 2016 were appropriate.

Risk	Our response to the risk	Key observations communicated 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; and assessment of going concern.	Our audit procedures have focused on management's estimation process, including whether bias exists in the determination of reserves. We carried out procedures to walkthrough 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 tangible (oil and gas) assets in Thailand and Indonesia as at 31 December 2016. We have checked the consistency of the application of estimated reserves across the significant areas of the audit such as impairment testing; DD&A; decommissioning provisions; and assessment of going concern.	Based on our procedures we consider that the reserves estimations are a reasonable basis for estimating reserves for impairment testing, calculating DD&A, determination of decommissioning provisions and assessment of going concern, amongst others.

In the prior year, our auditor's report included a risk of material misstatement in relation to impairment of equity accounted investment ('APICO'), special remuneratory benefit ('SRB') tax and acquisitions/business combinations. In the current year, we have considered these potential risks and concluded that:

- Given the knowledge obtained from the prior year audit, we consider that there is a reduced risk of a material misstatement from impairment testing of the underlying oil and gas and E&E assets of APICO. However, this remained an area of audit focus and we performed audit procedures on management's impairment test on the carrying value of APICO consistent with those performed on the tangible (oil and gas) assets noted above, concurring with management that no impairment charge was considered necessary. This valuation remains sensitive to the assumption that a unitisation of APICO's producing asset with an adjacent gas field will occur in the future.
- Through our understanding of the SRB tax gained from our 2015 audit, as well as the fall in oil prices, we have assessed there is a reduced risk of material misstatement.
- The risk related to business combinations is not applicable as there have been no transactions during the year.

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.

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 92 components of the Group, we selected 17 (18%) components across London, Thailand and Indonesia.

Of the 92 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	3	2	–	5
Specific	5	1	6	12
Review Scope	51	6	18	75
Total	59	9	24	92

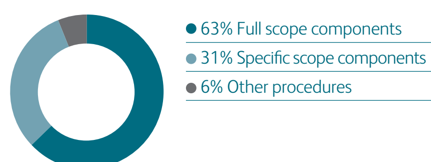
For the current year, the full scope components contributed 77% (2015: 91%) of the Group's total equity, 99% (2015: 100%) of the Group's revenue and 63% (2015: 94%) of the Group's total assets. The specific scope components contributed a further 18% (2015: 8%) of the Group's total equity, 1% (2015: nil) of the Group's revenue and 31% coverage (2015: 5%) of the Group's total assets, bringing the total coverage of the Group's equity to 95% (2015: 99%), 100% (2015: 100%) of the Group's Revenue and 94% of the Group's total assets (2015: 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 75 components (referred to as review scope above) within the Group, these together represent 5% of the Group's equity and 5% Group's total assets and none are individually greater than 1% 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.

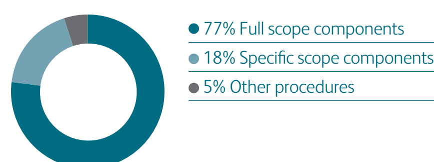
Changes from the prior year

In view of our greater understanding of the expanded Group following the 2015 acquisition of Salamander Energy plc, we have reassessed our scope and focused our procedures on areas that present a higher risk of material misstatement. Thus, we have altered our split of entities covered by full, specific and review scope for 2016. We believe that the 2016 audit scopes we set for each reporting unit, when taken together, enable us to form an opinion on the Group consolidated financial statements.

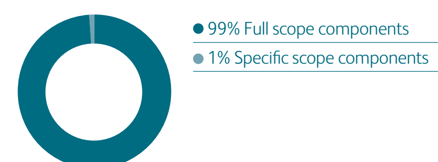
Total assets 2016



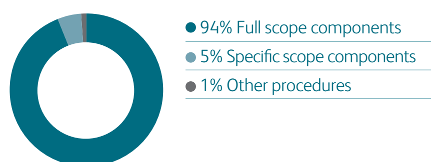
Total equity 2016



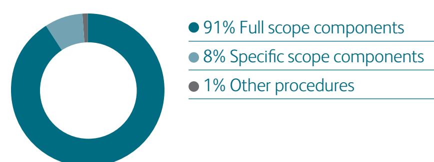
Total revenue 2016



Total assets 2015



Total equity 2015



Total revenue 2015

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.

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 Energy plc acquisition in 2015 bought 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. 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 $32 million (2015: $37 million), which represents 2% (2015: 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 is that performance materiality is 50% (2015: 50%) of our planning materiality, specifically $16 million (2015: $18.5 million). Our objective in adopting this approach is 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 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 $4.0 million to $13.6 million.

Reporting threshold

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $1.6 million (2015: $1.9 million), 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 78, 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 (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
- based on the work undertaken in the course of the audit:
  - 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
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

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	In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report. 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 56, and longer-term viability, set out on page 57; 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 12 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
8 March 2017

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

Consolidated income statement and statement of other comprehensive income

For the year ended 31 December 2016

Consolidated income statement	Notes	2016 $'000	2015 $'000
Continuing operations			
Revenue	5	107,178	161,090
Cost of sales	6a	(95,443)	(128,816)
Gross profit		**11,735**	**32,274**
Gain on farm-out	6b	–	245
Share of profit of investments accounted for using the equity method	27	4,417	7,219
Impairment reversal/(expense) of oil and gas properties	14	84,100	(126,732)
Impairment of investments accounted for using the equity method		–	(42,117)
Exploration expenses	6c	(135,252)	(183,137)
Other operating income/(expenses)	6d	19,945	(25,258)
General and administration expenses	6e	(13,428)	(31,252)
Operating loss		**(28,483)**	**(368,758)**
Net finance expense	7	(21,595)	(10,662)
Other financial gains	8	–	3,372
Loss from continuing operations before taxation		**(50,078)**	**(376,048)**
Taxation (expense)/benefit	11	(27,368)	53,596
Loss from continuing operations for the year		**(77,446)**	**(322,452)**
Attributable to:			
Equity holders of the Company		(77,446)	(322,452)
		(77,446)	**(322,452)**
Earnings per ordinary share			
Basic – (Loss)/profit for the period attributable to equity holders of the Company	12	(11.0) cents	(47.1) cents
Diluted – (Loss)/profit for the period attributable to equity holders of the Company	12	(11.0) cents	(47.1) cents
Consolidated statement of other comprehensive income			
Loss from continuing operations for the year		**(77,446)**	**(322,452)**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be classified to profit or loss in subsequent periods:			
Exchange differences on retranslation of foreign operations net of tax		31	(702)
Other comprehensive (loss)/ income for the year, net of tax		**31**	**(702)**
Total comprehensive loss for the year, net of tax:		**(77,415)**	**(323,154)**
Attributable to:			
Equity holders of the Company		(77,415)	(323,154)
		(77,415)	**(323,154)**

The notes on pages 91 to 125 and pages 143 to 146 form part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December 2016

	Notes	2016 $'000	2015 $'000
Non-current assets			
Exploration and evaluation assets	13	310,229	879,914
Oil and gas properties	14	699,000	662,177
Other property, plant and equipment	15	3,706	5,140
Investments accounted for using the equity method	27	130,736	130,200
Financial assets	16	21,103	27,253
		1,164,774	**1,704,684**
Current assets			
Assets classified as held for sale	3	588,770	–
Inventory	17	46,738	50,216
Taxation receivable		15,178	22,322
Trade and other receivables	18	32,319	32,071
Cash and cash equivalents	19	360,424	614,569
		1,043,429	**719,178**
Total assets		**2,208,203**	**2,423,862**
Current liabilities			
Trade and other payables	20	(93,398)	(115,971)
Interest-bearing bank borrowings due within one year	21	(9,741)	(37,059)
Taxation payable		(13,226)	(38,056)
Provisions	24	(15,833)	(47,737)
		(132,198)	**(238,823)**
Non-current liabilities			
Other Payables	20	(10,285)	–
Interest-bearing bank borrowings	21	(83,915)	(115,949)
Bonds payable	22	(106,651)	(106,651)
Provisions	24	(50,550)	(67,190)
Deferred tax liability	11	(249,527)	(245,745)
		(500,928)	**(535,535)**
Total liabilities		**(633,126)**	**(774,358)**
Net assets		**1,575,077**	**1,649,504**
Capital and reserves			
Called up share capital	26	3,061	3,061
Reserves	29	1,572,296	1,646,723
Equity attributable to equity shareholders of the Company		**1,575,357**	**1,649,784**
Non-controlling interest		(280)	(280)
Total equity		**1,575,077**	**1,649,504**

The notes on pages 91 to 125 and pages 143 to 146 form part of these consolidated financial statements.

The consolidated financial statements of Ophir Energy plc (registered number 05047425) on pages 87 to 125 and pages 143 to 146 were approved by the Board of Directors on 8 March 2017.

On behalf of the Board:

Nick Cooper
Chief Executive Officer

Tony Rouse
Chief Financial Officer

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Called up share capital $'000	Treasury shares $'000	Other[1] reserves $'000	Non-controlling interest $'000	Total equity $'000
As at 1 January 2015	**2,474**	**(59)**	**1,695,904**	**(280)**	**1,698,039**
Loss for the period, net of tax	–	–	(322,452)	–	(322,452)
Other comprehensive loss, 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**
Loss for the period, net of tax	–	–	(77,446)	–	(77,446)
Other comprehensive income, net of tax	–	–	31	–	31
Total comprehensive loss, net of tax	–	–	(77,415)	–	(77,415)
Exercise of options	–	2	–	–	2
Share-based payment	–	–	2,986	–	2,986
As at 31 December 2016	**3,061**	**(153)**	**1,572,449**	**(280)**	**1,575,077**

1 Refer to Note 30 of these consolidated financial statements.

The notes on pages 91 to 125 and pages 143 to 146 form part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2016

	Notes	2016 $'000	2015 $'000
Operating activities			
Loss before taxation		(50,078)	(376,048)
Adjustments to reconcile loss before taxation to net cash provided by operating activities			
Exploration expenses	6c	135,252	183,137
Depreciation and amortisation	6	55,238	85,127
Impairment (reversal)/charge on oil and gas properties		(84,100)	169,307
Share of profits from joint ventures		(4,417)	(7,219)
Net finance expenses and other financial gains	7	8,172	30,394
Net foreign currency loss/(gain)	7	13,424	(6,014)
Share based payment expense	6e	2,986	4,594
(Decrease)/increase in provisions		(19,322)	20,687
Cash flow from operations before working capital adjustments		**57,155**	**103,965**
Increase in inventories		(9,584)	(7,172)
Decrease in other current and non-current payables		(2,212)	(52)
Decrease in other current and non-current assets		5,502	25,343
Cash generated from operations		**50,861**	**122,084**
Interest received		1,959	2,051
Income taxes paid		(41,360)	(83,042)
Net cash flows generated from operating activities		**11,460**	**41,093**
Investing activities			
Proceeds from farm-out		–	2,100
Purchase of exploration licences, net of cash acquired		–	(18,965)
Additions to Exploration and Evaluation assets		(175,453)	(311,120)
Additions to property, plant and equipment		(18,585)	(44,788)
Dividends received from joint ventures		5,164	5,843
Funding provided to joint ventures		(1,283)	(3,941)
Decrease in other financial assets		–	331,484
Net cash flows used in investing activities		**(190,157)**	**(39,387)**
Financing activities			
Interest paid		(16,275)	(22,521)
Repayment of debt		(59,352)	(240,521)
Net issue/(repurchase) of shares		2	(56,106)
Cash acquired on acquisition of subsidiary		–	48,827
Net cash outflows from financing activities		**(75,625)**	**(270,321)**
Effect of exchange rates on cash and cash equivalents		177	5,312
Decrease in cash and cash equivalents		(254,145)	(263,303)
Cash and cash equivalents at the beginning of the year	19	614,569	877,872
Cash and cash equivalents at the end of the year	19	**360,424**	**614,569**

The notes on pages 91 to 125 and pages 143 to 146 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 with company number 05047425. 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 2016 were authorised for issue by the Board of Directors on 8 March 2017 and the consolidated statement of financial position was signed on the Board's behalf by Nick Cooper 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 2015 are for the year ended on that date.

New and amended accounting standards and interpretations

The Group has adopted the following relevant new and amended IFRS and IFRIC interpretations as of 1 January 2016:

- Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment Entities – Applying the Consolidation Exception'.
- Amendments to IAS 1 'Disclosure Initiative'.
- Annual Improvements to IFRS's 2012–2014 Cycle.
- Amendments to IAS 27: 'Equity Method in Separate Financial Statements'.
- Amendments to IAS 16 and IAS 38: 'Clarification of Acceptable Methods of Depreciation and Amortisation'.
- IFRS 11 Amendment: Accounting for acquisitions of interests in Joint Ventures.

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 2016.

Standards and interpretations issued but not yet effective

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 2016 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
IFRIC 22 'Foreign currency transactions and advanced consideration'[1]	1 January 2018
Clarifications to IFRS 15: 'Revenue from contracts with customers'[1]	1 January 2018
Amendment to IFRS 2: 'Classification and measurement of share based payment transactions'[1]	1 January 2018
Amendment to IAS 7: 'Disclosure Initiative'[1]	1 January 2017
Annual improvements to IFRS 2014-2016 cycle[1]	1 January 2017
Amendment to IAS 12: 'Recognition of Deferred Tax Assets for Unrealised Losses'[1]	1 January 2017

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

For new standards with an effective date of 1 January 2018, the Group has performed a preliminary assessment of the impact of these standards as outlined below.

2 Basis of preparation and significant accounting policies continued

IFRS 9 'Financial Instruments'

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. During 2016, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect a significant impact on its equity due to the short-term nature and high quality of the financial assets.

(c) Hedge accounting

The Group does not apply hedge accounting and therefore there will be no impact as a result of applying IFRS 9.

IFRS 15 'Revenue from Contracts'

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

The Group generates revenue through the sale of oil and petroleum products. Contracts with customers in which the sale of oil and petroleum products is generally expected to be the only performance obligation are not expected to have any impact on the Group's profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the products.

In preparing to adopt IFRS 15, the Group is considering the following:

(a) Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increase the volume of disclosures required in Group's financial statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2017 the Group plans to develop and start testing appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

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.

(a) 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; (vi) recognises any surplus or deficit in profit and loss; and (vii) reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

(b) 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 be ultimately 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 other 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 other 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 other 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 other 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 block-by-block 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 other 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 other 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.

2 Basis of preparation and significant accounting policies continued

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' in the consolidated income statement and statement of other comprehensive income.

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 other 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 other comprehensive income, any subsequent recoveries are also taken directly to the consolidated income statement and statement of other 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 at FVTPL where the financial liability is either held for trading or it is designated 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' in the consolidated income statement and statement of other 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 other 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 in the consolidated income statement and statement of other comprehensive income.

(f) Inventories

Inventories of oil and gas, materials and drilling consumables are stated at the lower of cost and net realisable value. Cost is determined by using the 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 that 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 other 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 other comprehensive income as a finance cost. The Group 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

Up to 31 October 2016, the Company did not operate its own pension plan but made pension or superannuation contributions to private funds of its employees which are defined contribution plans. On 1 November 2016 the Group launched its own defined contribution scheme. Contributions to defined contribution plans are recognised in the income statement in the period in which they become payable.

(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.

(j) Equity instruments

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

2 Basis of preparation and significant accounting policies continued

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

At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired.

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'share of profit of investments accounted for using the equity method' in the consolidated income statement and statement of other comprehensive income.

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

(p) 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 other 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.

(q) Share-based payments

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

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

At each 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 other comprehensive income, 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 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.

2 Basis of preparation and significant accounting policies continued

(r) Foreign currency translation

The Group's consolidated financial statements are presented in US Dollars, which is also the parent company's functional currency. The functional currency for each entity in the Group is determined on an individual basis according to the primary economic environment in which it operates.

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

(s) Income taxes

Current tax

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

(t) 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.

(u) Impairment

The accounting policies for the impairment of intangible exploration and evaluation assets and oil and gas properties are 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 and 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's or (CGU's) 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 other 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.

(v) Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale, and actions required to complete the plan of sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

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

(a) Judgements

Exploration and evaluation expenditure – accounting judgements

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. Note 13 discloses the carrying value of such assets. All such carried costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop, or otherwise extract value from, the asset. Where this is no longer the case, the costs are immediately expensed. 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.

Income taxes – judgement of income taxes

The computation of the Group's income tax expense and liability involves the interpretation of applicable tax laws and regulations in many jurisdictions throughout the world. The resolution of tax positions taken by the Group, through negotiations with relevant tax authorities or through litigation, can take several years to complete and in some cases it is difficult to predict the ultimate outcome. Therefore, judgement is required to determine provisions for income taxes. In addition, the Group has carry forward tax losses and tax credits in certain taxing jurisdictions that are available to offset against future taxable profit. However, deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the unused tax losses or tax credits can be utilised. Management judgement is exercised in assessing whether this is the case. To the extent that actual outcomes differ from management's estimates, income tax charges or credits, and changes in current and deferred tax assets or liabilities, may arise in future periods. For more information see Note 11. Judgement is also required when determining whether a particular tax is an income tax or another type of tax (for example a production tax).

Balance Sheet classification – non-current assets held for sale

IFRS 5 requires an entity to classify a single non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. To qualify as held for sale, the asset must be available for immediate sale in its present condition and its sale must be highly probable. Asset sales are often complex transactions and negotiations can be a lengthy. Management judgement is required to determine whether the above held for sale conditions have been met when planning to sell an asset.

(b) Estimates

Oil and gas properties – estimation of oil and gas reserves

The determination of the Group's estimated oil and natural gas reserves requires significant judgements and estimates to be applied and these are regularly reviewed and updated. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity, drilling of new wells, and commodity prices all impact on the determination of the Group's estimates of its oil and natural gas reserves. 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 2017.

Estimates of oil and natural gas reserves are used to calculate depreciation, depletion and amortisation charges for the Group's oil and gas properties. The impact of changes in reserves is dealt with prospectively by amortising the remaining carrying value of the asset over the expected future production. Oil and natural gas reserves also have a direct impact on the assessment of the recoverability of asset carrying values reported in the financial statements. If reserves estimates are revised downwards, earnings could be affected by changes in depreciation expense or an immediate write-down of the property's carrying value. The 2016 movements in contingent resources and proved and probable reserves are reflected in the tables on page 25. Information on the carrying amounts of the Group's oil and natural gas properties, together with the amounts recognised in the income statement as depreciation, depletion and amortisation is contained in Note 14 and Note 6a respectively.

Impairment of oil and gas properties – estimation of the recoverability of asset carrying values
Determination as to whether, and by how much, an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil and natural gas. For oil and natural gas properties, the expected future cash flows are estimated using management's best estimate of future oil and natural gas prices and production and reserves volumes. The estimated future level of production in all impairment tests is based on assumptions about future commodity prices, production and development costs, field decline rates, current fiscal regimes and other factors.

For value-in-use calculations, future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a pre-tax discount rate. The pre-tax discount rate is derived from the cost of funding the Group calculated using an established model. In 2016 the discount rate used to determine recoverable amounts based on value in use was 15% (2015: 15%). The discount rates applied in assessments of impairment are reassessed each year. Reserves assumptions for value-in-use tests are restricted to proved and probable reserves.

The recoverability of exploration and evaluation assets is covered under exploration and evaluation expenditure – accounting judgements above.

Details of impairment charges and reversals recognised in the income statement and details on the carrying amounts of assets are shown in Note 13 and Note 14.

Decommissioning – estimation of provisions
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 management 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.

The timing and amount of future expenditures are reviewed annually, together with the interest rate used in discounting the cash flows. The interest rates used to determine the balance sheet obligations at the end of 2016 were real rates in the range 3.1% – 5.2% (2015: 4%)

Provisions and contingent liabilities are discussed in Note 24.

Special remuneratory benefit tax – estimation of tax rate
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 Non-current assets held for sale

On 10 November 2016 Ophir and OneLNG, a joint venture between subsidiaries of Golar LNG Limited and Schlumberger, announced that they had signed a binding Shareholders' Agreement to establish a Joint Venture ("JV") to develop the Fortuna project, in Block R, offshore Equatorial Guinea utilising Golar's FLNG technology. OneLNG and Ophir will have 66.2% and 33.8% ownership of the JV respectively. The JV will facilitate the financing, construction, development and operation of the integrated Fortuna project and, from FID, will own Ophir's share of the Block R licence. Management has classified the Fortuna asset as held for sale as the asset is available for immediate sale in its present condition and the sale is highly probable. The appropriate levels of management have approved the plan, a buyer has been found and the sale is expected within 12 months of this classification.

Ophir's share of the Block R licence classified as held for sale at 31 December 2016 was:

	$'000 2016
Assets	
Exploration and evaluation assets	**588,770**
Assets classified as held for sale	**588,770**

There were no assets classified as held for sale in 2015.

4 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 2016			
	Africa $'000	Asia $'000	Other $'000	Total $'000
Revenue sales of crude oil and gas	–	107,178	–	107,178
Depreciation and amortisation	(12)	(53,197)	(2,093)	(55,302)
Impairment of exploration costs	(3,749)	(96,391)	–	(100,140)
Reversal of Impairment of oil and gas properties	–	84,100	–	84,100
Impairment of investments accounted for using the equity method	–	–	–	–
Share of profit of equity-accounted joint venture	–	4,417	–	4,417
Operating profit/(loss)	12,404	(5,864)	(35,023)	(28,483)
Finance income	–	97	1,862	1,959
Finance expense	(462)	(22,057)	(1,035)	(23,554)
Other financial gains	–	–	–	–
Profit/(loss) before tax	11,942	(27,824)	(34,196)	(50,078)
Taxation	(9,944)	(17,384)	(40)	(27,368)
Profit/(loss) after tax	1,998	(45,208)	(34,236)	(77,446)
	As at 31 December 2016			
Total assets and total liabilities				
Total assets	778,065	1,148,674	281,464	2,208,203
Total liabilities	(111,207)	(517,504)	(4,415)	(633,126)
Investments accounted for using the equity method	–	130,736	–	130,736
	Year ended 31 December 2016			
Additions to non-current assets	100,654	24,342	819	125,815

	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)
	As at 31 December 2015			
Total assets and total liabilities				
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

Non-current operating assets
The non-current operating assets for the UK are $2.7m. (2015: $4.0 million). The non-UK, non-current operating assets are $1,010.2 million (2015: $1,507.6 million). Included in the non-UK, non-current operating assets is Thailand which makes up $421.3 million (2015: $455.7 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.

All sales of gas are to a single customer Perusahaan Listrik Negara (PLN). PLN is an Indonesian state owned electricity company.

5 Revenue

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Sales of crude oil	**105,731**	161,090
Sales of gas	**1,447**	–
	107,178	161,090

6 Operating (loss)/profit before taxation

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

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
(a) Cost of sales:		
– Operating costs	43,188	31,797
– Royalty payable	9,135	14,548
– Depreciation and amortisation of oil and gas properties	52,703	80,943
– Movement in inventories of oil	(9,583)	1,528
	95,443	128,816
(b) Gain on farm-out:		
– Gain on farm-out	–	(245)
(c) Exploration expenses:		
– Pre-licence exploration costs	20,476	34,157
– Exploration expenditure written off (Note 13)	100,140	148,980
– Exploration inventory written off	14,636	–
	135,252	183,137
(d) Other operating expense:		
– Loss/(profit) on disposal of assets	–	703
– Depreciation of other property, plant & equipment	434	4,184
– Release of provision/Provision for exiting contract (Note 24)	(10,000)	20,000
– Release of litigation provisions	(10,516)	–
– Other	137	371
	(19,945)	25,258
(e) General & administration expenses include:		
– Operating lease payments	3,069	7,400
– Corporate transaction expense	–	8,000
– Share-based payment expense	2,986	4,594
	6,055	19,994

7 Net finance expense

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Interest income on short-term bank deposits	1,959	1,673
Interest expense on long term borrowings[1]	(7,564)	(17,099)
Unwinding of discount (Note 24)	(2,568)	(1,250)
Net foreign currency exchange losses	(13,422)	6,014
	(21,595)	(10,662)

1 Includes interest capitalised using a rate of 6.7% for 6 months (2015: 6.7% for 12 months).

8 Other financial gains

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Realisation settlement gains on hedging	–	17,091
Loss relating to oil derivatives	–	(14,001)
Gain on bond redemption (Note 22)	–	282
	–	3,372

9 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 2016 $'000	Year ended 31 Dec 2015 $'000
(a) Paid/payable to Ernst & Young LLP		
Audit of the financial statements	638	726
Local statutory audits of subsidiaries	255	362
Total audit services	893	1,088
Audit related assurance services	29	334
Corporate finance services	–	794
	922	2,216
(b) Paid/payable to Auditor if not Ernst & Young LLP		
Local statutory audits of subsidiaries	–	254
	–	254
	922	2,470

10 Staff costs and Directors' emoluments

(a) Staff costs

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

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Salaries and wages	37,207	51,095
Social security costs	5,539	5,109
Contributions to pension plans/superannuation funds	2,031	3,033
Share-based payment expense (Note 31)	2,984	4,594
	47,761	63,831

(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 2016 $'000	Year ended 31 Dec 2015 $'000
Aggregate compensation:		
Salaries and wages	7,182	6,324
Social security costs	887	778
Contributions to pensions/superannuation funds	295	346
Share-based payment (credit)/expense (Note 31)	(924)	1,478
	7,440	8,926

Key management emoluments above exclude aggregate gains made by Directors on the exercise of share options of $206,680 (2015: Nil).

10 Staff costs and Directors' emoluments continued

(c) Directors' emoluments

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
(i) Aggregate compensation:		
Salaries and wages	2,343	2,223
Bonuses	1,737	781
Social security costs	537	392
Contributions to pensions/superannuation funds	139	151
Other benefits	18	18
	4,774	3,565

Directors' emoluments above exclude aggregate gains made by Directors on the exercise of share options of $389,964 (2015 Nil).

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
(ii) Share-based payment (credit)/expense (Note 31)	(2,628)	449
Number of Directors to whom superannuation or pension benefits accrued during the year	3	2

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

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
CEO	1	1
Exploration and technical	131	144
Commercial and support	177	188
	309	333

11 Taxation

(a) Taxation (credit)/charge

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Foreign tax:		
Special remuneratory benefit	1,861	19,610
Other foreign tax	8,952	4,719
Special remuneratory benefit – adjustments in respect of prior periods	1,180	–
Other foreign tax – adjustments in respect of prior periods	11,681	297
Total current income tax charge	23,674	24,626
Deferred tax:		
Origination and reversal of temporary differences		
Special remuneratory benefit	9,693	(43,603)
Other foreign tax	(5,999)	(34,619)
Total deferred income tax (credit)/charge	3,694	(78,222)
Tax (credit)/charge in the consolidated income statement and statement of other comprehensive income	27,368	(53,596)

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 2016 was 4% (2015: 28%). 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 other comprehensive income is reconciled to the Group's weighted average tax rate of 25% (2015: 36%) The differences are reconciled below:

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
(Loss)/profit on operations before taxation	(50,078)	(376,048)
(Loss)/profit on operations before taxation multiplied by the applicable rate of 25%, being the average weighted corporate tax rate for the Group (2015: 36%)	(12,502)	(138,125)
Non-deductible expenditure	25,662	88,168
Share-based payments	1,493	929
Tax effect of SRB	6,367	(11,997)
Tax effect of equity accounted investments	(2,208)	(3,610)
Movement in unrecognised deferred tax assets	(3,115)	10,742
Other adjustments	(1,189)	–
Adjustment in respect of prior periods	12,860	297
Total tax (credit)/charge in the consolidated income statement and statement of other comprehensive income	27,368	(53,596)

(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 other comprehensive income as follows:

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Loss from operations before taxation	(50,078)	(376,048)
Add back losses from operations before taxation for activities outside of Thailand	91,687	296,547
Profit/(loss) from operations before taxation for activities in Thailand	41,607	(79,501)
Deduct share of profit of investments accounted for using the equity method	(4,417)	(7,219)
Profit/(loss) before taxation for activities in Thailand	37,190	(86,720)
Applicable rate of SRB	4%	28%
Tax at the applicable rate of SRB	1,488	(24,282)
Change in average SRB deferred tax rate	15,397	(37,450)
Effect of average SRB deferred tax rate compared to current SRB tax rate	(3,207)	28,791
Other non-deductible costs	(2,124)	8,948
Adjustment in respect of prior periods	1,179	–
Total SRB charge/(credit)	12,733	(23,993)

(d) Deferred income tax

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Deferred tax balances relate to the following:		
Corporate tax on fixed asset timing differences	(235,183)	(236,247)
SRB on fixed asset timing differences	(14,344)	(9,498)
	(249,527)	(245,745)

(e) Unrecognised tax losses

The Group has gross tax losses arising in the UK of $224,781,762 (2015: $192,101,762) and Australia nil (2015: $5,884,000) 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 the Group are active totalling $164,441,000 (2015: $164,441,000) in respect of provisions and exploration expenditure for which deferred tax assets have not been recognised.

12 Earnings per share

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

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

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share		
(Loss)/profit for the year	(77,446)	(322,452)
(Loss)/profit attributable to equity holders of the parent	(77,446)	(322,452)
	Cents	Cents
Basic (loss)/earnings per ordinary share	**(11.0)**	**(47.1)**
Diluted (loss)/earnings per ordinary share	**(11.0)**	**(47.1)**

	As at 31 Dec 2016	As at 31 Dec 2015
Number of shares (millions)		
Basic weighted average number of shares	706	685
Potentially dilutive share options and warrants	19	12
	725	697

No ordinary shares of 0.25p each have been issued on exercise of options and warrants between the year ended 31 December 2016 and the date of approval of these consolidated financial statements.

13 Exploration and evaluation assets

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Cost		
Balance at the beginning of the year	879,914	764,933
Additions[1]	119,225	131,961
Acquisition of subsidiary	–	132,000
Reclassified as assets held for sale	(588,770)	–
Expenditure written off[2]	(100,140)	(148,980)
Balance at the end of the year	310,229	879,914

1 Additions for the year ended 31 December 2016 include exploration activities in: Equatorial Guinea – Block R ($41.5 million), Côte d'Ivoire – 513 ($19.6 million), Tanzania – Blocks 1 & 4 ($22.7 million), Myanmar – Block AD03 ($8.7 million) and Malaysia –Block 2A ($7.7 million). Additions for the year ended 2015 included 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 Expenditure written off in the year was $100 million. The most significant write off was in respect of Thailand – G4/50: loss of $57.6m and Indonesia: loss of $37m. The CGU applied for the purpose of the impairment assessment is the Blocks. The recoverable amount of each Block was nil. This was based on management's estimate of value in use. The trigger for expenditure write off was management's assessment that no further expenditure on exploration and evaluation of hydrocarbons in the Block was budgeted or planned within the current licence terms.

Expenditure written 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 CGU applied for the purpose of the impairment assessment is the Blocks. The recoverable amount for each Block was nil. This was based on management's estimate of value in use. 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 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% (2015: 15%). Adjustments to cash flows are made to reflect the risks specific to the CGU.

14 Oil and gas properties

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Cost		
Balance at the beginning of the year	**869,852**	–
Acquisition of subsidiary	**–**	827,131
Additions[1]	**5,426**	42,721
Balance at the end of the year	**875,278**	869,852
Depreciation and amortisation		
Balance at the beginning of the year	**(207,675)**	–
Charge for the year	**(52,703)**	(80,943)
Impairment reversal/(charge)[2]	**84,100**	(126,732)
Balance at the end of the year	**(176,278)**	(207,675)
Net book value		
Balance at the beginning of the year	**662,177**	–
Balance at the end of the year	**699,000**	662,177

1 Additions in 2016 are stated net of a $19.2 million decommissioning remeasurement.
2 The 2016 Impairment reversal was due to increased reserves related to the Bualuang oil field in Thailand which has a recoverable amount of $410.7m based on management's estimate of value in use. The discount rate used was 15% (pre-tax).
The 2015 impairment charge of $126.7 million related to the Bualuang oil field in Thailand which had a recoverable amount of $387.2 million based on management's estimate of value in use. The discount rate used was 15% (pre-tax).

15 Other property, plant and equipment

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Office furniture and equipment		
Cost		
Balance at the beginning of the year	10,826	11,278
Foreign currency translation	–	(575)
Acquisition of subsidiary	–	1,869
Additions	1,165	2,066
Disposals	–	(3,812)
Balance at the end of the year	11,991	10,826
Depreciation		
Balance at the beginning of the year	(5,686)	(4,971)
Foreign currency translation	–	361
Depreciation charge for the year	(2,599)	(4,184)
Disposals	–	3,108
Balance at the end of the year	(8,285)	(5,686)
Net book value		
Balance at the beginning of the year	5,140	6,307
Balance at the end of the year	3,706	5,140

16 Financial assets

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Security deposits – Rental properties	2,166	6,374
Security deposits – Exploration commitments[1]	–	2,530
Other long term receivables	18,937	18,349
	21,103	27,253

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 2016 $'000	As at 31 Dec 2015 $'000
Oil and condensate	11,111	1,527
Materials and consumables	35,627	48,689
	46,738	50,216

The inventory valuation is stated net of a provision of $14.6 million (2015: nil) to write inventories down to their net realisable value.

18 Trade and other receivables

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Trade and other debtors	24,342	27,471
Prepayments	7,977	4,600
	32,319	32,071

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 2016 $'000	As at 31 Dec 2015 $'000
Cash	130,677	116,060
Cash equivalents	229,747	498,509
	360,424	614,569

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 $360.4 million (2015: $614.6 million).

20 Trade and other payables

	As at 31 Dec 2016 $'000	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000	As at 31 Dec 2015 $'000
	Within 1 year	After 1 year	Within 1 year	After 1 year
Trade payables	7,658	–	22,310	–
Accruals and deferred income	71,196	10,285	91,350	–
Payables in relation to joint operation partners	14,544	–	2,311	–
	93,398	10,285	115,971	–

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

21 Interest bearing bank loans

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Long-term balance at the beginning of the year	115,949	–
Short-term balance at the beginning of the year	37,059	–
Acquisition of subsidiary	–	253,918
Less: amounts repaid during the year	(59,352)	(100,910)
Less: amounts due within one year	(9,741)	(37,059)
Total borrowings due after one year	83,915	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. The current facility as at 31 December 2016 is $223m.
- 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 Salamander Energy plc Group (SEPLC).
- The Group may draw an amount up to the lower of the facility amount being $223 million as at 31 December 2016 or the borrowing base amount as determined by the forecast cash flows arising from the borrowing base assets of $104 million.
- As at 31 December 2016 the facility available is $104 million (2015: $153m) of which $94m has been drawn down.
- 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 Energy plc by Ophir on 3 March 2015 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.

22 Bonds payable

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Balance at the beginning of the year	106,651	–
Acquisition of subsidiary:		
9.75% unsecured, callable bonds at $150 million par value	–	154,835
Redemption – 9.75% unsecured, callable bonds at $45.2 million par value	–	(45,652)
Gain on redemption	–	(282)
Coupon interest charged	10,218	9,510
Interest paid	(10,218)	(11,760)
Balance at the end of the year	106,651	106,651

The unsecured callable bonds were issued by Salamander Energy plc 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.

23 Net debt

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Amounts due on maturity:		
Interest bearing bank loans (see Note 21)	93,656	153,008
Bonds payable (see Note 22)	106,651	106,651
Total gross debt	200,307	259,659
Less cash and cash equivalents (see Note 19)	(360,424)	(614,569)
Total net cash	(160,117)	(354,910)

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

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
On demand or due within one year	9,741	37,059
In the second year	43,831	43,701
In the third to fifth year inclusive	146,735	178,899
After five years	–	–
Total principal payable on maturity	200,307	259,659

24 Provisions

	Decommissioning and restoration of oil and gas $'000	Litigation and other claims $'000	Other provision $'000	Total $'000
At 31 December 2015	67,190	26,350	21,387	114,927
Arising during the period	–	–	–	–
Utilised/paid	–	–	(10,000)	(10,000)
Unwinding of discount (Note 7)	2,568	–	–	2,568
Foreign exchange revaluation	–	–	(14)	(14)
Amounts released	–	(10,517)	(11,373)	(21,890)
Remeasurement	(19,208)	–	–	(19,208)
At 31 December 2016	**50,550**	**15,833**	**–**	**66,383**
Balance at the end of the year				
Current	–	15,833	–	15,833
Non-current	50,550	–	–	50,550
	50,550	15,833	–	66,383

Decommissioning and restoration of oil and gas assets

The decommissioning of oil and gas properties 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 2016 represent the best estimate of the expected loss.

Other provisions

During 2016, $10 million of a $20 million provision, representing the unavoidable net cost of exiting a contract, was released and the remaining $10 million of the provision was paid.

25 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 21 and 22 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 26, 29 and 30 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 2016 $'000	As at 31 Dec 2015 $'000
Net cash (see Note 23)	(160,117)	(354,910)
Equity plus net debt	1,414,960	1,294,594
Gearing ratio	(11.3)%	(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 2016 $'000	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000	As at 31 Dec 2015 $'000
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets:				
Security deposits	2,166	2,166	8,904	8,797
Financial liabilities:				
Interest bearing bank loans	(93,656)	(92,760)	(153,008)	(144,539)
Bonds payable	(106,651)	(108,337)	(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 22 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 adviser 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.

25 Financial instruments continued

(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 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. There were no hedging transactions in 2016.

For 2016, the Group's oil production was predominantly sold at prices relative to the spot market. No production in 2016 was hedged. There were no open positions at the end of 2016. Therefore, the Group had no exposure to commodity price risk at 31 December 2016.

(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.

Credit quality of financial assets

	Equivalent S&P rating[1]		Internally rated		
	A-1 and above $'000	A-2 and above $'000	A-3 and below $'000	Not rated $'000	Total $'000
Year ended 31 December 2016					
Current financial assets					
Cash and cash equivalents	136,305	218,720	5,310	89	360,424
Trade and other receivables	–	–	–	19,973	19,973
	136,305	218,720	5,310	20,062	380,397
Non-current financial assets					
Security deposits	–	–	–	2,166	2,166
	–	–	–	2,166	2,166

	Equivalent S&P rating[1]		Internally rated		
	A-1 and above $'000	A-2 and above $'000	A-3 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 which 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 has 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 was 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 2016 would have decreased by $0.8 million (2015: loss decrease $1.8 million) or increased by $0.8 million (2015: loss increase $1.8 million) respectively.

The sensitivity in 2016 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 2016, the Group's predominant exposure to foreign exchange rates related to cash and cash equivalents held in GBP 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 2016 $'000	As at 31 Dec 2015 $'000
Financial assets		
Cash and cash equivalents		
AUD	522	1,303
GBP	9,540	4,228
THB	7,359	15,572
Other	557	641
	17,978	21,744
Net Exposure	**17,978**	**21,744**

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)**	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
US Dollar to GBP +5% (2015: +5%)	405	1,448	405	1,448
US Dollar to GBP -5% (2015: -5%)	(405)	(1,448)	(405)	(1,448)
US Dollar to AUD +5% (2015: +5%)	(21)	(72)	(21)	(72)
US Dollar to AUD -5% (2015: -5%)	21	72	21	72
US Dollar to THB +5% (2015: +5%)	296	901	296	901
US Dollar to THB -5% (2015: -5%)	(296)	(901)	(296)	(901)

25 Financial instruments continued

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

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic 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.

(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 2016						
	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	Greater than 5 years $'000	Total $'000
Non-interest bearing	(65,039)	–	–	–	–	–	(65,039)
Variable interest rate instruments	(9,741)	(43,831)	(40,084)	–	–	–	(93,656)
Fixed interest rate instruments:							
– Bond payable	–	–	–	(106,651)	–	–	(106,651)
Total	(74,780)	(43,831)	(40,084)	(106,651)	–	–	(265,346)

	As at 31 December 2016						
	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	Greater than 5 years $'000	Total $'000
Non-interest bearing	(93,420)	–	–	–	–	–	(93,420)
Variable interest rate	(38,727)	(47,634)	(47,273)	(36,106)	–	–	(169,740)
Fixed interest rate							
– Bond payable	–	–	–	–	(149,111)	–	(149,111)
Total	(132,147)	(47,634)	(47,273)	(36,106)	(149,111)	–	(412,271)

Additionally, Notes 32 and 33 of these consolidated financial statements set 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 2016. The fair value of these assets and liabilities are disclosed in the table of financial assets and liabilities on page 115 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 2016 $'000	Year ended 31 Dec 2015 $'000
Level 1	(108,337)	(108,400)
Level 2	-	–
Level 3	(90,594)	(135,742)
	(198,931)	(244,142)

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

26 Share capital

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'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 746,019,407 (2015: 593,810,795)	3,061	2,474
Issued on exercise of share options during the year: nil (2015: nil)	–	–
Issued during the year: nil (2015: 152,208,612[1])	–	587
In issue at the end of the year 746,019,407 (2015: 746,019,407)	3,061	3,061

1 152,208,612 ordinary shares issued in consideration for the Salamander Energy plc 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.

27 Investments accounted for using the equity method

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Company		
APICO LLC	27.18%	27.18%
APICO (Khorat) Holdings LLC	27.18%	27.18%
APICO (Khorat) Limited	27.18%	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 2016 are shown in the tables below:

Results for the period	1 Jan to 31 Dec 2016 $'000	3 Mar to 31 Dec 2015 $'000
Sales and other operating revenues	14,617	16,658
Profit before interest and taxation	7,623	11,979
Net finance costs	(219)	(160)
Profit before taxation	7,404	11,819
Taxation	(2,987)	(4,600)
Profit for the period	4,417	7,219

Summarised financial information of APICO LLC

Results for the year ended	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Sales and other operating revenues	53,778	61,288
Profit before interest and taxation	28,046	44,073
Net finance costs	(806)	(589)
Profit before taxation	27,240	43,484
Taxation	(10,990)	(16,924)
Profit for the period	16,250	26,560

27 Investments accounted for using the equity method continued

Group share of assets and liabilities	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Non-current assets	46,878	48,267
Current assets	6,207	5,888
Total assets	53,085	54,155
Current liabilities	(5,240)	(6,562)
Non-current liabilities	(2,414)	(2,529)
Total liabilities	(7,654)	(9,091)
Net assets	45,431	45,064

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

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Balance at the beginning of the year	130,200	–
Acquisition of subsidiary	–	167,000
Additions	1,283	3,941
Impairment	–	(42,117)
Share of profit of investments	4,417	7,219
Dividends received	(5,164)	(5,843)
Balance at the end of the year	130,736	130,200

28 Treasury shares

Ordinary shares of 0.25p each held by the Group as treasury shares	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Balance at the beginning of the year 40,227,138 (2015: 14,910,114)	155	59
Acquired during the year: Nil (2015: 26,114,403)	–	99
Disposed of on exercise of share options during the year: 308,753 (2015: 797,379)	(2)	(3)
Balance at the end of the year 39,918,385 (2015: 40,227,138)	153	155

Treasury shares represent 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 31 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'). In 2016, the Company did not purchase any shares under the Programme. In 2015, the Company purchased shares under the Programme for a total consideration of $56.1 million, including costs of $0.3 million. The remaining facility as at 31 December 2016 was nil (2015: nil).

29 Reserves

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Treasury shares (Note 28)	(153)	(155)
Other reserves (Note 30)	1,572,449	1,646,878
	1,572,296	1,646,723
Non-controlling interest[1]	(280)	(280)
	1,572,016	1,646,443

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

30 Other reserves

	Share premium[1] $'000	Capital redemption[2] reserve $'000	Option 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 2015	807,427	62	50,214	(500)	341,792	669	6,240	490,000	1,695,904
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	–	–	–	–	–	–	(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 January 2015	807,427	160	54,808	(500)	667,337	669	5,538	111,439	1,646,878
Profit for the period, net of tax	–	–	–	–	–	–	–	(77,446)	(77,446)
Other comprehensive income, net of tax	–	–	–	–	–	–	31	–	31
Total comprehensive income, net of tax	–	–	–	–	–	–	31	(77,446)	(77,415)
New ordinary shares issued to third parties	–	–	–	–	–	–	–	–	–
Purchase of own shares[8]	–	–	–	–	–	–	–	–	–
Exercise of options	–	–	–	–	–	–	–	–	–
Share-based payment	–	–	2,986	–	–	–	–	–	2,986
As at 31 December 2016	807,427	160	57,794	(500)	667,337	669	5,569	33,993	1,572,449

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 In 2015 the provisions of the Companies Act 2006 relating to Merger Relief (s612 and s613) were applied to the Salamander Energy plc acquisition. 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.
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 During the year, the Group purchased nil shares (31 December 2015: 26,114,403) under the share buyback Programme for a total consideration of nil million (31 December 2015: $56.1 million), including costs of nil million (31 December 2015: $0.3 million). The remaining facility as at 31 December 2016 was nil (31 December 2015: nil).

31 Share-based compensation

(a) Employee incentive share option plans

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 all of his/her 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 DSP 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). 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.

Ophir Energy plc Net Asset Value (NAV) Scheme

On 10 May 2016 the Board resolved to establish the Ophir Energy Long-Term value creation plan 2016, effective 1 January 2016 to all Ophir employees participating in the plan. The plan only rewards if the Group delivers long-term growth in Net Asset Value (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.

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 GBP and have been translated to US Dollars using the closing exchange rate for presentation purposes.

	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding options at the beginning of year	12,735,270	$0.97/£0.65	8,201,313	$1.39/£0.90
Granted during the year	9,542,214	0.33c/0.25p	6,362,409	0.37c/0.25p
Exercised during the year	(308,753)	0.33c/0.25p	(797,419)	0.37c/0.25p
Expired during the year	(2,683,432)	$0.75/£0.56	(1,031,033)	$0.16/£0.11
Outstanding options at the end of year	19,285,299	$0.48/£0.36	12,735,270	$0.97/£0.65
Exercisable at end of year	3,043,906	$2.60/£2.11	4,035,068	$2.90/£1.96

The weighted average exercise price of options granted during the year was $0.0033 (2015: $0.0037). The range of exercise prices for options outstanding at the end of the year was $0.0037 to $7.44 (2015: $0.0037 to $8.14) with a remaining exercise period in the range of one to eight years.

The fair value of equity-settled share options granted is estimated as at the date of grant using a Monte-Carlo simulation for the Long Term Incentive Plan and a binomial model for the DSP, 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 2016.

	Long Term Incentive Plan		2012 Deferred Share Plan	
	2016	2015	**2016**	2015
Dividend yield (%)	–	–	–	–
Exercise Price	0.33c/0.25p	0.37c/0.25p	0.33c/0.25p	0.37c/0.25p
Share Volatility (%)	49%	50%	49%	50%
Risk-free interest rate (%)	0.64%	0.5%	0.64%	0.5%
Expected life of option (years)	0-3	0–4	0-3	0–43
Weighted average share price	$0.91/£0.63	$1.05/£0.71	$1.24/£0.86	$2.10/£1.42

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 2,702,158 (2015: 1,334,506) 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. (2015: nil).

32 Operating lease commitments

At 31 December 2016 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 2016 $'000	As at 2015 $'000
Due within one year	17,358	18,909
Due later than one year but within five years	66,305	67,088
Due later than five years	40,912	58,269
	124,575	144,266

33 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 2016 $'000	As at 2015 $'000
Due within one year	46,870	39,010
Due later than one year but within two years	31,805	30,350
Due later than two years but within five years	1,240	17,680
	79,915	87,040

34 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.

35 Subsidiary undertakings, joint ventures, associates and material joint operations

Subsidiary undertakings

A complete list of Ophir Energy plc Group companies at 31 December 2016, 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 143 to 146. All of these subsidiaries have been included in these consolidated financial statements on pages 87 to 125.

Material joint operations

The following joint operations are considered individually material to the Group as at 31 December 2016.

Asset	Principal place of business	Activity
Block R[1]	Equatorial Guinea	Exploration
Block 1[2]	Tanzania	Exploration
Block 4[3]	Tanzania	Exploration
Bangkanai (Kerendan)[4]	Indonesia	Exploration and production

1 This concession is operated by the Group and it has an 80% interest.
2 This concession is operated by Shell in which the Group has a 20% interest.
3 This concession is operated by Shell 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 33 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.

36 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 20 and Note 35 of these consolidated financial statements) and its Directors.

Recharges from the Company to subsidiaries in the year were $16,536,220 (2015: $13,228,862). 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 10(b) of these consolidated financial statements.

37 Business combinations

Acquisitions in 2016

There were no business acquisitions in 2016.

Acquisitions in 2015

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 was 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 and evaluation assets	132,000
Oil & gas properties	827,131
Other property, plant and equipment	1,869
Financial assets	46,749
Investments accounted for using the equity method	167,000
Inventory	19,142
Trade and other receivables[1]	68,680
Cash and cash equivalents	48,827
	1,311,398

	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**

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 other comprehensive income.

38 Events after the reporting period

There have been no events after the reporting period that require disclosure in the Group accounts.

Company statement of financial position
As at 31 December 2016

	Notes	2016 $'000	2015 $'000
Non-current assets			
Property, plant and equipment	6	2,752	4,026
Investments in subsidiaries	7	1,159,571	1,139,524
Financial assets	8	1,887	2,202
		1,164,210	**1,145,752**
Current assets			
Inventory	9	6,215	6,655
Trade and other receivables	10	2,337	3,363
Cash and cash equivalents	11	265,514	533,630
		274,066	**543,648**
Total assets		**1,438,276**	**1,689,400**
Current liabilities			
Trade and other payables	12	(2,733)	(6,468)
Taxation payable		(25)	(25)
		(2,758)	(6,493)
		–	–
Total liabilities		**(2,758)**	**(6,493)**
Net assets		**1,435,518**	**1,682,907**
Capital and reserves			
Called up share capital	14	3,061	3,061
Treasury shares	15	(153)	(155)
Other reserves	16	1,432,610	1,680,001
Total equity		**1,435,518**	**1,682,907**

The Company's loss for the year was $250,377,000 (2015: $206,353,000)

The notes on pages 129 to 146 form part of these Company financial statements.

The Company financial statements of Ophir Energy plc (registered number 05047425) on pages 126 to 146 were approved by the Board of Directors on 8 March 2017.

On behalf of the Board:

Nick Cooper
Chief Executive Officer

Tony Rouse
Chief Financial Officer

Company statement of changes in equity
For the year ended 31 December 2016

	Called up share capital $'000	Treasury shares $'000	Other[1] reserves $'000	Total equity $'000
As at 1 January 2015	**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**
Loss for the period, net of tax	–	–	(250,377)	(250,377)
Other comprehensive income, net of tax	–	–	–	–
Total comprehensive income, net of tax	–	–	(250,377)	(250,377)
Exercise of options	–	2	–	2
Share-based payment	–	–	2,986	2,986
As at 31 December 2016	**3,061**	**(153)**	**1,432,610**	**1,435,518**

1 Refer to Note 16 of these Company financial statements.

The notes on pages 129 to 146 form part of these Company financial statements.

Company statement of cash flows
For the year ended 31 December 2016

	Notes	2016 $'000	2015 $'000
Operating activities			
Loss before taxation		(250,376)	(206,353)
Adjustments to reconcile loss before tax to net cash flows:			
Interest income		(1,862)	(1,624)
Foreign exchange losses/(gains)		1,088	3,776
Depreciation of property, plant and equipment	6	2,093	2,714
Share-based payment expense		2,986	4,594
Allowance for impairment of investment in subsidiaries	7	492,364	158,204
Working capital adjustments			
(Decrease)/increase in trade and other payables		(1,581)	(8,029)
Decrease/(increase) in trade and other receivables		2,025	966
Cash flows used in operating activities		**246,737**	**(45,752)**
Interest income		1,862	1,624
Net cash flows used in operating activities		**248,599**	**(44,128)**
Investing activities			
Purchases of property, plant and equipment	6	(5,058)	(2,202)
Investment in subsidiaries		(425)	(246,877)
Decrease/(increase) in inventory		440	(588)
(Loans to)/repaid by subsidiaries		(511,982)	(182,276)
Cash returned/(placed) on deposit		–	294,904
Security deposits returned/(placed)		–	4,740
Net cash flows (used in)/from investing activities		**(517,025)**	**(132,299)**
Financing activities			
Proceeds from of exercise of share options		2	3
Purchase of own shares		–	(56,109)
Net cash flows (used in)/from financing activities		**2**	**(56,106)**
(Decrease)/increase in cash and cash equivalents for the year		**(268,424)**	**(232,533)**
Net effect of foreign exchange rates on cash and cash equivalents		308	(3,776)
Cash and cash equivalents at the beginning of the year		533,630	769,939
Cash and cash equivalents at the end of the year	11	**265,514**	**533,630**

The notes on pages 129 to 146 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 2016 were authorised for issue by the Board of Directors on 8 March 2016 and the Statement of Financial Position was signed on the Board's behalf by Nick Cooper 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 2016. As permitted by the section s408 of the Companies Act 2006 the Company has not presented its own income statement and statement of other comprehensive income and related notes.

Comparative figures for the period to 31 December 2015 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

Up to 31 October 2016, the Company did not operate its own pension plan but made pension or superannuation contributions to private funds of its employees which are defined contribution plans. On 1 November 2016 the Group launched its own defined contribution scheme for its executive directors. Contributions to defined contribution plans are recognised in the income statement in the period in which they become payable.

(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.

(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.

2 Basis of preparation and significant accounting policies continued

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 and 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 CGU's 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 parent company for the year ended 31 December 2016 is $250.4 million (2015: $206.4 million).

4 Staff numbers and costs

(a) Staff costs

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

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Salaries and wages	20,051	19,778
Social security costs	2,581	2,675
Contributions to pension plans/superannuation funds	771	1,336
Share-based payment expense (Note 31)	2,984	4,594
	26,387	28,383

(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 2016 $'000	Year ended 31 Dec 2015 $'000
Aggregate compensation:		
Salaries and wages	6,728	6,324
Social security costs	834	778
Contributions to pensions/superannuation funds	272	346
Share-based payment (credit)/expense (Note 31)	(924)	1,478
	6,910	8,926

Key management emoluments above excludes aggregate gains made by Directors on the exercise of share options of $206,680 (2015: nil).

(c) Directors' emoluments

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
(i) Aggregate compensation:		
Salaries and wages	2,186	2,223
Bonuses	1,737	781
Social security costs	516	392
Contributions to pensions/superannuation funds	139	151
Other benefits	18	18
	4,596	3,565

Directors' emoluments above excludes aggregate gains made by Directors on the exercise of share options of $206,680 (2015: nil).

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
(ii) Share-based payment (credit)/expense (Note 31)	(2,628)	449
Number of Directors to whom superannuation or pension benefits accrued during the year	3	2

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

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
CEO	1	1
Exploration and technical	34	144
Commercial and support	51	188
	86	333

5 Share-based compensation

(a) Employee incentive share option plans

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 all of his/her 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 DSP 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). 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.

Ophir Energy plc Net Asset Value (NAV) Scheme

On 10 May 2016 the Board resolved to establish the Ophir Energy Long-Term value creation plan 2016, effective 1 January 2016 to all Ophir employees participating in the plan. The plan only rewards if the Group delivers long-term growth in Net Asset Value (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.

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 GBP and have been translated to US Dollars using the closing exchange rate for presentation purposes.

	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding options at the beginning of the year	12,735,270	$0.97/£0.65	8,201,313	$1.39/£0.90
Granted during the year	9,542,214	0.33c/0.25p	6,362,409	0.37c/0.25p
Exercised during the year	(308,753)	0.33c/0.25p	(797,419)	0.37c/0.25p
Expired during the year	(2,683,432)	$0.75/£0.56	(1,031,033)	$0.16/£0.11
Outstanding options at the end of the year	19,285,299	$0.48/£0.36	12,735,270	$0.97/£0.65
Exercisable at end of year	3,043,906	$2.60/£2.11	4,035,068	$2.90/£1.96

The weighted average exercise price of options granted during the year was $0.0033 (2015: $0.0037). The range of exercise prices for options outstanding at the end of the year was $0.0037 to $7.44 (2015: $0.0037 to $8.14) with a remaining exercise period in the range of one to eight years.

The fair value of equity-settled share options granted is estimated as at the date of grant using a Monte-Carlo simulation for the Long Term Incentive Plan and a binomial model for the DSP, 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 2016.

	Long Term Incentive Plan		2013 Deferred Share Plan	
	2016	2015	**2016**	2015
Dividend yield (%)	–	–	–	–
Exercise Price	0.33c/0.25p	0.37c/0.25p	0.33c/0.25p	0.37c/0.25p
Share Volatility (%)	49%	50%	49%	50%
Risk-free interest rate (%)	0.64%	0.5%	0.64%	0.5%
Expected life of option (years)	0–3	0–4	0–3	0–3
Weighted average share price	$0.91/£0.63	$1.05/£0.71	$1.24/£0.86	$2.10/£1.42

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 2,702,158 (2015: 1,334,506) 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 (2015: nil).

6 Property, plant and equipment

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Office furniture and equipment		
Cost		
Balance at the beginning of the year	8,616	6,414
Additions	814	2,202
Disposals	–	–
Balance at the end of the year	9,430	8,616
Depreciation		
Balance at the beginning of the year	4,590	1,876
Disposals	–	–
Depreciation charge for the year	2,088	2,714
Balance at the end of the year	6,678	4,590
Net book value		
Balance at the beginning of the year	4,026	4,538
Balance at the end of the year	2,752	4,026

7 Investments in subsidiaries

The following table shows the movement in the investment in subsidiaries during the year

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Balance at the beginning of the year	**1,760,283**	**978,375**
Additions during the year		
Salamander Energy plc	121,195	593,011
Ophir Holdings & Services (UK) Limited	62,862	–
Ophir Asia Limited	17,574	62,126
Dominion Petroleum Limited	–	6,645
Ophir Asia Services Limited	591	–
Ophir Holdings Limited	–	128,238
Ophir Ventures (Jersey) No. 2 Limited	–	2
Other	1,016,305	9,013
Repayments during the year		
Ophir Holdings Limited	(653,392)	–
Dominion Petroleum Limited	(43,258)	–
Ophir Services Pty Limited	(4,148)	(20,781)
Other	(5,318)	(22,971)
Balance at the end of the year	2,272,694	1,733,658
Foreign exchange translation gains and losses	–	26,625
Allowance for impairment		
Balance at the beginning of the year	(620,759)	(462,555)
Additional allowance	(492,364)	(158,204)
Balance at the end of the year	(1,113,123)	(620,759)
Net book value		
At the beginning of the year	1,139,524	542,445
At the end of the year	1,159,571	1,139,524

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 unrecoverable intra-group funding.

A complete list of Ophir Energy plc Group companies at 31 December 2016, and Group's percentage of share capital (to the nearest whole number) are set out in Appendix A to these financial statements on page 143 to 146. All of these subsidiaries have been consolidated in the Group financial statements on pages 79 to 125.

8 Financial assets

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Non-current		
Security deposits – Rental properties	1,887	2,202
	1,887	2,202

9 Inventory

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Drilling consumables	6,215	6,655

The inventory valuation is stated net of a provision of $0.4 million (2015: nil) to write inventories down to their net realisable value.

10 Trade and other receivables

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Other debtors	711	2,110
Prepayments	1,626	1,253
	2,337	3,363

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.

11 Cash and cash equivalents

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Cash	35,767	35,121
Cash equivalents	229,747	498,509
	265,514	533,630

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 $265.5 million (2015: $533.6 million).

12 Trade and other payables

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Trade creditors	590	922
Accruals	2,143	5,546
	2,733	6,468

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 25 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	Not rated $'000	Total $'000
Year ended 31 December 2016					
Current financial assets					
Cash and cash equivalents	46,799	218,709	–	6	265,514
Trade and other receivables	–	–	–	23	23
	46,799	218,709	–	29	265,537
Non-current financial assets					
Security deposits	–	–	–	1,887	1,887
	–	–	–	1,887	1,887

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.

13 Financial instruments continued

	Equivalent S&P rating[1]			Internally rated	
	A-1 and above $'000	A-2 and above $'000	A-2 and below $'000	Not rated $'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.

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 carrying amounts of non-current receivables approximate their fair value.

(b) Interest rate risk

As of 31 December 2016, the Company has no external borrowings (2015: 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 2016 $'000	As at 31 Dec 2015 $'000
Financial assets		
Security deposits	1,887	2,202
Cash and cash equivalents	265,514	533,630
Investments	–	–
	267,401	535,832
Financial liabilities		
Loans from subsidiary undertakings	–	–
Net exposure	**267,401**	**535,832**

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 2016 $'000	Effect on loss 31 Dec 2015 $'000
+0.5%	1,328	2,679
-0.5%	(1,328)	(2,679)

The sensitivity in 2016 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 25(d) of the Group financial statements for further details.

As at 31 December 2016, the Company's predominant exposure to foreign exchange rates related to cash and cash equivalents held in Pounds Sterling.

At the statement of financial position date, the Company had the following exposure to GBP, THB, MYR and EUR foreign currency that is not designated in cash flow hedges:

	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Financial assets		
Cash and cash equivalents		
EUR	1	1
GBP	7,049	29,088
	7,050	29,089
Security deposits		
GBP	1,887	2,202
	8,937	31,291
Financial liabilities		
Trade and other payables		
AUD	–	(200)
THB	–	(151)
MYR	–	(23)
EUR	(12)	(85)
GBP	(2,051)	(3,851)
	(2,063)	(4,310)
Net exposure	6,874	26,981

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)	
	2016 $'000	2015 $'000
US Dollar to GBP Sterling +5% (2015: +5%)	344	1,372
US Dollar to GBP Sterling -5% (2015: -5%)	(344)	(1,372)

13 Financial instruments continued

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

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic 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. The Company utilises the same policies to mitigate liquidity risk as the rest of the Group. Refer to Note 25(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 2016 approximate their fair value.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Level 1	–	–
Level 2	–	–
Level 3	1,887	2,202
	1,887	2,202

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

14 Share capital

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'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 746,019,407 ; (2015: 593,810,795)	3,061	2,474
Additions		
Issued on exercise of share options during the year; nil (2015: nil)	–	–
Issued during the period; Nil (2015: 152,208,6121[1])	–	587
In issue at the end of the year; 746,019,407 (2015: 746,019,407)	3,061	3,061

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.

15 Treasury shares

Ordinary shares of 0.25p each held by the Group as treasury shares	**Year ended 31 Dec 2016 $'000**	Year ended 31 Dec 2015 $'000
Balance at the beginning of the year: 40,227,138 (2015: 14,910,114)	155	59
Acquired during the year: nil (2015: 26,114,403)	-	99
Disposed of on exercise of share options during the year: 308,753 (2015: 797,379)	(2)	(3)
Balance at the end of the year; 39,918,385 (2015: 40,227,138)	153	155

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 5 of these Company financial statements). During 2016 nil shares were purchased (2015: $56.1 million).

16 Other reserves

	Share[1] premium $'000	Capital[2] redemption reserve $'000	Option[3] premium 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
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 loss, 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
Transfers within reserves[4]	–	–	–	–	–	–	–	–
As at 1 January 2016	807,427	160	54,808	667,337	669	11,839	137,761	1,680,001
Profit for the period, net of tax	–	–	–	–	–	–	(250,377)	(250,377)
Other comprehensive income, net of tax	–	–	–	–	–	–	–	–
Total comprehensive income, net of tax	–	–	–	–	–	–	(250,377)	(250,377)
Share-based payment	–	–	2,986	–	–	–	–	2,986
As at 31 December 2016	807,427	160	57,794	667,337	669	11,839	(112,616)	1,432,610

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 In 2015 the provisions of the Companies Act 2006 relating to Merger Relief (s612 and s613) were applied to the Salamander Energy plc acquisition. 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.
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 2016 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 2016 $'000	As at 31 Dec 2015 $'000
Due within one year	1,083	1,307
Due later than one year but within five years	4,335	5,216
Due later than five years	2,130	3,867
	7,548	10,390

18 Related party transactions

(a) Identity of related parties

The Company has related party relationships with its subsidiaries and its Directors (refer to Note 4 of these Company financial statements). A complete list of Ophir Energy plc Group companies at 31 December 2016, 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 10(b) 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 2016, 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 87 to 125.

	Country of incorporation	Location of operation	Registered Office	Principal Activity	Holding 31 Dec 2016
Ophir Services Pty Limited *	Australia	Australia	Level 3, 38 Station Street Subiaco WA 6008 Australia	Group Services	100%
Ophir Holdings & Services (UK) Limited *	England & Wales	England & Wales	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Services	100%
Ophir Holdings Limited *	Jersey C.I.	Jersey C.I.	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Holding	100%
Ophir Asia Limited *	Jersey C.I.	Jersey C.I.	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Holding	100%
Ophir Asia Services Limited*	Thailand	Thailand	28th Floor, Unit 2802 Q House Lumpini Building 1 South Sathorn Road Tungmahamek Sathorn District Bangkok 10120 Thailand	Services	100%
Dominion Petroleum Limited *	Bermuda	Bermuda	Clarendon House, 2 Church Street Hamilton HM 11 Bermuda	Holding	100%
Salamander Energy plc *	England & Wales	England & Wales	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Holding	100%
Ophir Mexico Limited	England & Wales	England & Wales	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Holding	100%
Ophir Holdings & Ventures Limited	England & Wales	England & Wales	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Holding	100%
Ophir Espana Holdings SL	Spain	Spain	Calle Príncipe de Vergara 131 1st floor 28002 Madrid Spain	Holding	100%
Ophir Gabon (Gnondo) Limited	Jersey C.I.	Gabon	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir Gabon (Manga) Limited	Jersey C.I.	Gabon	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir Gabon (Mbeli) Limited	Jersey C.I.	Gabon	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir Gabon (Ntsina) Limited	Jersey C.I.	Gabon	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir Gabon (Nkouere) Limited	Jersey C.I.	Gabon	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir Gabon (Nkawa) Limited	Jersey C.I.	Gabon	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir Equatorial Guinea (Block R) Limited	Jersey C.I.	Equatorial Guinea	12 Castle Street, St Helier Jersey J E2 3RT Channel Islands	Exploration	100%
Ophir Equatorial Guinea (Holdings) Limited	Jersey C.I.	Equatorial Guinea	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir JDZ Limited	Jersey C.I.	Jersey C.I.	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir Mexico Holdings Limited	Jersey C.I.	Jersey C.I.	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Holding	100%
Ophir Seychelles (Area 1,2 and 3) Limited	Jersey C.I.	Seychelles	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir Myanmar (Block AD-3) Limited	Jersey C.I.	Myanmar	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir East Africa Holdings Limited	Jersey C.I.	Jersey C.I.	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Holding	100%
Ophir Tanzania (Block 1) Limited	Jersey C.I.	Tanzania	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir Tanzania (Block 3) Limited	Jersey C.I.	Tanzania	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%

Appendix A – Subsidiary companies continued

	Country of incorporation	Location of operation	Registered Office	Principal Activity	Holding 31 Dec 2016
Ophir Tanzania (Block 4) Limited	Jersey C.I.	Tanzania	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir East Africa Ventures Limited	Jersey C.I.	Tanzania	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir Pipeline Limited	Jersey C.I.	Tanzania	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir Gas Marketing Limited	Jersey C.I.	Tanzania	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir LNG Limited	Jersey C.I.	Tanzania	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
Ophir Energy Company Nigeria (JDZ) Limited	Nigeria	Nigeria	9th Floor, St Nicholas House Catholic Mission Street Lagos Nigeria	Exploration	100%
Ophir Energy Indonesia (Aru) Limited	Cyprus	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Ophir Energy Indonesia (Halmahera-Kofiau) 1 Limited	Cyprus	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Ophir Energy Indonesia (Kofiau) 1 Limited	Cyprus	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Ophir Energy Indonesia (West Papua IV) 1 Limited	Cyprus	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Ophir Energy Indonesia (North Ganal) Limited	Cyprus	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Ophir Indonesia (Halmahera-Kofiau) 2 LLC	Delaware	Indonesia	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801 United States of America	Exploration	100%
Ophir Indonesia (Kofiau) 2 LLC	Delaware	Indonesia	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801 United States of America	Exploration	100%
Ophir Indonesia (West Papua IV) 2 LLC	Delaware	Indonesia	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801 United States of America	Exploration	100%
Ophir Indonesia (Bontang II) Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Dominion Investments Limited	Tanzania	Tanzania	Plot 1676, Hamza Aziz Road Msasani Penninsula Dar es Salaam Tanzania	Exploration	100%
Dominion Acquisitions Limited	British Virgin Islands	British Virgin Islands	Commerce House, Wickhams Cay I Road Town, Tortola British Virgin Islands VG1110	Holding	100%
Dominion Uganda Limited	British Virgin Islands	Uganda	Commerce House, Wickhams Cay I Road Town, Tortola British Virgin Islands VG1110	Exploration	95%
Dominion Somaliland Limited	British Virgin Islands	British Virgin Island	Commerce House, Wickhams Cay I Road Town, Tortola British Virgin Islands VG1110	Exploration	95%
Dominion Oil & Gas Limited	British Virgin Islands	British Virgin Islands	Commerce House, Wickhams Cay I Road Town, Tortola British Virgin Islands VG1110	Holding	100%
Dominion Oil & Gas Limited (Tanzania)	Tanzania	Tanzania	Plot 1676, Hamza Aziz Road Msasani Penninsula Dar es Salaam Tanzania	Exploration	100%
Dominion Petroleum Acquisitions Limited	Bermuda	Bermuda	Clarendon House, 2 Church Street Hamilton HM 11 Bermuda	Holding	100%
DOMPET Limited	Bermuda	Bermuda	Clarendon House, 2 Church Street Hamilton HM 11 Bermuda	Holding	100%
Dominion Petroleum Administrative Services Limited	England & Wales	England & Wales	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Holding	100%
Dominion Tanzania Limited	Tanzania	Tanzania	Plot 1676, Hamza Aziz Road Msasani Penninsula Dar es Salaam Tanzania	Exploration	100%
Dominion Kenya Holdings Limited	England & Wales	England & Wales	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Holding	100%

	Country of incorporation	Location of operation	Registered Office	Principal Activity	Holding 31 Dec 2016
Dominion Petroleum Kenya Limited	Kenya	Kenya	Empress Plaza, 1st Floor Corner of Ring Road Parklands & Jalaram Road, Westlands P.O. Box 41968-00100 Nairobi Kenya	Exploration	100%
Dominion Petroleum L15 (Kenya) Limited	Kenya	Kenya	Empress Plaza, 1st Floor Corner of Ring Road Parklands & Jalaram Road, Westlands P.O. Box 41968-00100 Nairobi Kenya	Exploration	100%
PHT Partners LP	United States of America	Thailand	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801 United States of America	Holding	100%
Ophir Indonesia (Bangkanai) Limited	British Virgin Islands	Indonesia	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands	Exploration and Production	100%
Salamander Energy (Bengara) limited	England & Wales	England & Wales	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Salamander Energy (Bontang) Pte Ltd	Singapore	Indonesia	80 Robinson Road, #02-00 Singapore 068898 Singapore	Exploration	100%
Salamander Energy (Bualuang Holdings) Limited	England & Wales	Thailand	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Salamander Energy (Canada) Limited	Canada	Canada	4500 Bankers Hall East 855 – 2nd Street SW Calgary AB T2P 4K7 Canada	Holding	100%
Ophir Indonesia (Central Kalimantan) Limited	Belize	Indonesia	Suite 102, Ground Floor Blake Building Corner Eyre & Hutson Streets Belize City Belize	Exploration and Production	100%
Salamander Energy (E&P) Limited	England & Wales	England & Wales	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Holding	100%
Salamander Energy (Glagah Kambuna Holdings) Limited	England & Wales	England & Wales	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Holding	100%
Salamander Energy (Glagah Kambuna) Limited	British Virgin Islands	Thailand	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands	Exploration	100%
Ophir Indonesia (Kerendan) Limited	Mauritius	Indonesia	Ebene Esplanade, 24 Cybercity Ebene Mauritius	Exploration and Production	100%
Ophir Indonesia (Kutai) Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Salamander Energy (Lao) Company Limited	Lao PDR	Lao	LS Horizon (Lao) Limited Unit 4/1.1, 4th Floor Simuong Commercial Center Fa Ngum Road, Phia Vat Village Sisatanak District Vientiane Lao People's Democratic Republic	Exploration	100%
Salamander Energy (Malaysia) Limited	British Virgin Islands	Malaysia	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands	Exploration	100%
Ophir Indonesia (North East Bangkanai) Limited	British Virgin Islands	Indonesia	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands	Exploration	100%
Salamander Energy (North Sumatra) Limited	British Virgin Islands	Indonesia	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands	Exploration	100%
Salamander Energy (Nurul) Pte Ltd	Singapore	Singapore	80 Raffles Place, #34-02 UOB Plaza Singapore 048624 Singapore	Exploration	100%
Salamander Energy (Philippines) Limited	England & Wales	Philippines	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Salamander Energy (S.E. Asia) Limited	England & Wales		Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Ophir Indonesia (S.E. Sangatta) Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Salamander Energy (Simenggaris) Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%

Appendix A – Subsidiary companies continued

	Country of incorporation	Location of operation	Registered Office	Principal Activity	Holding 31 Dec 2016
Ophir Indonesia (South Sokang) Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Salamander Energy (Thailand) Co., Ltd	Thailand	Thailand	28th Floor, Unit 2802 Q House Lumpini Building 1 South Sathorn Road Tungmahamek Sathorn District Bangkok 10120 Thailand	Exploration	100%
Salamander Energy (Vietnam) Limited	England & Wales	Vietnam	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	100%
Ophir Indonesia (West Bangkanai) Limited	British Virgin Islands	Indonesia	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands	Exploration	100%
Salamander Energy Group Limited	England & Wales	England & Wales	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Holding	100%
Ophir Malaysia (Block 2A) Limited	British Virgin Islands	Malaysia	Jayla Place, Wickhams Cay 1 PO Box 3190 Road Town, Tortola VG1110 British Virgin Islands	Exploration	100%
Ophir Cote d'Ivoire (CI-513) Limited	British Virgin Islands	Cote d'Ivoire	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands	Exploration	100%
Ophir Thailand (Bualuang) Limited	British Virgin Islands	Thailand	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands	Exploration and Production	100%
Salamander Energy Singapore Pte Ltd	Singapore	Singapore	80 Raffles Place, #34-02 UOB Plaza Singapore 048624 Singapore	Holding	100%
Salamander Energy (Holdco) Limited	England & Wales	England & Wales	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Holding	100%
Ophir Energy Indonesia Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Holding	100%
Ophir Indonesia (JS) Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	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
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 Cote d'Ivoire, 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.

2017 Financial calendar

Annual General Meeting	17 May 2017
Half-year results announcement	14 September 2017
Full-year results announcement	8 March 2018

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) has 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 2016

Range	No. of holders	% of total	Shares held 31.12.2016	% of total
1 – 1,000	510	39.91%	219,623	0.03%
1,001 – 10,000	380	29.73%	1,243,638	0.17%
10,001 – 100,000	172	13.46%	6,333,858	0.85%
100,001 – 1,000,000	133	10.41%	47,639,278	6.39%
1,000,001 – 10,000,000	66	5.16%	196,089,433	26.28%
10,000,000+	17	1.33%	494,493,577	66.28%
	1,278	100.00%	746,019,407	100.00%

Shareholder profile by category as at 31 December 2016

Category	No. of holders	% of total	Shares held 31.12.2016	% of total
Private shareholders	586	45.86%	1,704,654	0.23%
Nominees and other institutional investors	692	54.14%	744,314,753	99.77%
	1,278	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.

Advisers

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 advisers:
Brunswick Group LLP
16 Lincoln's Inn Fields
London WC2A 3ED
United Kingdom

Corporate brokers:
Morgan Stanley
20 Bank Street
Canary Wharf
London E14 4AD
United Kingdom

Bank of America Merrill Lynch
2 King Edward Street
London EC1A 1HQ
United Kingdom

Glossary

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Throughout the report figures are stated in US Dollars

2C
Best estimate of contingent resources

2P
Proven and probable reserves

Appraisal well
A well drilled to follow up a discovery and evaluate its commercial potential

bbl
Barrels of oil or condensate

Bcf
Billion cubic feet

bcm
Billion cubic metres

boe
Barrel of oil equivalent

bpwd
Barrels of produced water per day

bscf
Billion standard cubic feet

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

E&P
Exploration and Production

EG
Equatorial Guinea

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

IOGP
International Association of Oil & Gas Producers

IPO
Initial Public Offering

IRR
Internal Rate of Return

JV
Joint Venture

KGPF
Kerendan Gas Processing Facility

LNG
Liquefied Natural Gas

LTIP
Long-Term Investment Plan

MMbtu
Million British thermal units

MMbbl
Million barrels

MMboe
Million barrels of oil equivalent

MMtpa
Million metric tonnes per annum

MMscfd
Million standard cubic feet of gas per day

MMstb
Million stock tank barrels

NAV
Net Asset Value

NGO
Non-Governmental Organisation

OneLNG
Joint Venture between Golar LNG and Schlumberger

PSC
Production Sharing Contract

Spud
To commence drilling a well

Tcf
Trillion cubic feet

Notes

Notes

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